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 to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Landsea Green Life Service Company Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

朗诗绿色生活
— LANDSEA GREEN LIFE —

Landsea Green Life Service Company Limited
朗詩綠色生活服務有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 1965)

DISCLOSEABLE AND CONNECTED TRANSACTION
CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

RAINBOW.
RAINBOW CAPITAL (HK) LIMITED
浤 博 資 本 有 限 公 司

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

Opus Capital Limited
創富融資有限公司

A letter from the Board is set out on pages 6 to 40 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 41 to 42 of this circular. A letter from Opus Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 43 to 85 of this circular. A notice convening the EGM to be held at Landsea Green Center, Building 5, Lane 280, Linhong Road, Changning District, Shanghai, China at 10:00 a.m. on 20 March 2023 is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

3 March 2023

CONTENTS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

"Acquisition"	the acquisition of 99% and 1% equity interests in the Target Company by the Purchaser from the First Vendor and the Second Vendor, respectively, pursuant to the Equity Transfer Agreement
"Announcements"	the announcement of the Company dated 16 December 2022 and 24 February 2023 in relation to, among other things, the Equity Transfer Agreement and the Operation and Management Framework Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Commencement Date"	the date falling on the later of 1 January 2023 and the Completion Date
"Company"	Landsea Green Life Service Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 1965)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
"Completion Date"	the date on which Completion takes place
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the acquisition of the entire equity interests in the Target Company, amounting to RMB201,700,000 in total
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company for the time being
"Disposal"	the disposal of 100% equity interests in Shanghai Liansheng by the Purchaser to the First Vendor pursuant to the Supplemental Agreement

"EGM"	the extraordinary general meeting to be convened at Landsea Green Center, Building 5, Lane 280, Linhong Road, Changning District, Shanghai, China at 10:00 a.m. on 20 March 2023 to consider and, if thought fit, to approve the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder
"Equity Transfer Agreement"	the Original Equity Transfer Agreement (as amended by the Supplemental Agreement)
"First Vendor"	Nanjing Langjun Commercial Management Limited* (南京朗郡商業管理有限公司), a company established in the PRC with limited liability
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board (which comprises Ms. Lu Mei, Dr. Chen Kevin Chien-wen and Ms. Katherine Rong Xin, being all the independent non-executive Directors) established to advise the Independent Shareholders in respect of the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "Opus Capital"	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 6 (Advising on Corporate Finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders who are not required to abstain from voting at the EGM to approve the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder

"Independent Third Party(ies)"	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Individual Agreement(s)"	the individual agreement(s) that may be entered into between the members of the Target Group and the members of the Shanghai Landsea Apartment Group in accordance with the principles and terms of the Operation and Management Framework Agreement
"Latest Practicable Date"	27 February 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Long Stop Date"	31 March 2023 (or such other date as may be designated by the Purchaser)
"Mr. Tian"	Mr. Tian Ming, the chairman and a non-executive Director
"Operation and Management Framework Agreement"	the operation and management framework agreement dated 16 December 2022 entered into between the Target Company and Shanghai Landsea Apartment in relation to the provision of the Services by the members of the Target Group to the members of the Shanghai Landsea Apartment Group
"Original Equity Transfer Agreement"	the equity transfer agreement dated 16 December 2022 entered into between the Purchaser, the First Vendor, the Second Vendor and the Target Company in relation to the Acquisition
"PRC"	the People's Republic of China
"Purchaser"	Langhong (Nanjing) Corporate Management Limited* (朗鴻(南京)企業管理有限公司), 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
"Second Vendor"	Huge Wealth Group Limited (濠旺集團有限公司), a company incorporated in Hong Kong with limited liability

"Service Fees"	the fees payable by members of the Shanghai Landsea Apartment Group to members of the Target Group for the Services
"Services"	the apartment operation and management services for apartment long-term lease projects, details of which are set out in the section headed "The Operation and Management Framework Agreement — Scope of the Services" in this circular
"Set Off"	the set off of a part of the Consideration in an amount equal to RMB197 million against the consideration payable by the First Vendor to the Purchaser for the Disposal
"SFO"	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
"Shanghai Landsea Apartment"	Shanghai Landsea Apartment Industrial Development Limited* (上海朗詩寓實業發展有限公司), a company established in the PRC with limited liability
"Shanghai Landsea Apartment Group"	Shanghai Landsea Apartment and its subsidiaries (which for the purpose of this circular excludes members of the Target Group)
"Shanghai Landsea Apartment Group Contracts"	the contracted entered into between the Target Group and the Shanghai Landsea Apartment Group for the provision of the Services
"Shanghai Liansheng"	Shanghai Liansheng Zhichuang Management Consulting Co., Ltd.* (上海聯勝致創管理諮詢有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Purchaser as at the Latest Practicable Date
"Shanghai Liyu"	Shanghai Liyu Commercial Management Limited* (上海驪寓商業管理有限公司), a company established in the PRC with limited liability
"Share(s)"	the ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it in the Listing Rules

"Supplemental Agreement"	the supplemental agreement dated 24 February 2023 entered into between the Purchaser, the First Vendor, the Second Vendor and the Target Company in relation to the Disposal and certain amendments to the Original Equity Transfer Agreement
"Target Company"	Beihai Langrun Commercial Management Limited* (北海朗潤商業管理有限公司), a company established in the PRC with limited liability
"Target Group"	the Target Company and its subsidiaries, and "Target Group Company" or "Target Group Companies" shall be construed accordingly
"Vendors"	collectively, the First Vendor and the Second Vendor
"%"	per cent.

* *Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names*

朗诗绿色生活
LANDSEA GREEN LIFE

Landsea Green Life Service Company Limited
朗詩綠色生活服務有限公司

(Incorporated in Cayman Islands with limited liability)
(Stock code: 1965)

Executive Directors:
Ms. Zhou Qin
Mr. Wu Xu
Mr. Liu Chao

Non-executive Directors:
Mr. Tian Ming
Mr. Liu Yong

Independent Non-executive Directors:
Ms. Lu Mei
Dr. Chen Kevin Chien-wen
Ms. Katherine Rong Xin

Registered office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 407
8 Queen's Road East
Wanchai, Hong Kong

3 March 2023

To the Shareholders

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION CONTINUING CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the Announcements. The purpose of this circular is to provide you with, among other things, further details of the Equity Transfer Agreement and the Operation and Management Framework Agreement and the transactions contemplated thereunder, the letter of advice from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and the notice convening the EGM.

THE EQUITY TRANSFER AGREEMENT

On 16 December 2022, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors and the Target Company entered into the Original Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to sell, the entire equity interests in the Target Company at a consideration of RMB201,700,000.

On 24 February 2023, the Purchaser, the Vendors and the Target Company entered into the Supplemental Agreement in relation to the Disposal and certain amendments to the payment arrangements in relation to the Acquisition. Details of the Disposal are set out in the section headed "THE DISPOSAL" on pages 31 to 33 below.

The principal terms of the Equity Transfer Agreement in relation to the Acquisition (having taken into account the amendments under the Supplemental Agreement) are set out below:

Subject matter

Pursuant to the Equity Transfer Agreement, the Purchaser agreed to acquire, and the First Vendor agreed to sell, 99% equity interests in the Target Company, and the Purchaser agreed to acquire, and the Second Vendor agreed to sell, 1% equity interests in the Target Company. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Company.

Consideration

The Consideration is RMB201,700,000, of which RMB199,683,000 is payable to the First Vendor, and RMB2,017,000 is payable to the Second Vendor.

The Consideration shall be settled by the Purchaser to the Vendors partly by the Set Off and partly by cash in the amount of RMB4,700,000, the cash portion of which is intended to be funded by the portion of the net proceeds received by the Company from its initial public offering on the Stock Exchange on 8 July 2021 and the exercise of the over-allotment option which had been allocated for the purpose of strategic acquisitions and investments and working capital. As disclosed in the prospectus of the Company dated 25 June 2021 (the "**Prospectus**"), the Company planned to prioritise in assessing the possibility of acquisitions of property management companies located in the Yangtze River Delta, cities located in South China and Southwest China. The Target Company has presence in more than a dozen first-tier and strong second-tier cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou and Chengdu. The location of the business of the Target Company is therefore in line with the aforesaid acquisition strategy of the Company. In addition, as set out in the Prospectus, the Company planned to target property management companies that will create synergies with the Company's business, for instance, property management companies which provide services to both residential and non-residential properties. As further explained in the section headed "Reasons for and Benefits of the Acquisition" below, through the Acquisition, the Group will acquire the apartment long-term lease entrusted operation and management business under the brand of "Landsea Apartment", thereby expanding the businesses and service boundaries of the Group. The Acquisition is therefore in line with the aforesaid business plan, strategy and direction of the Group as set out in the Prospectus.

The Consideration was determined on the basis of normal commercial terms and after arm's length negotiations among the parties to the Equity Transfer Agreement, with reference to the preliminary valuation of the Target Company of approximately RMB201,700,000 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, as at 30 November 2022 using the market approach. The valuation has been determined based on the 2023 Guaranteed Profit (details of which are set out in the section headed "Undertaking by the First Vendor on the 2023 Guaranteed Profit" below) times the forward P/E multiple of 7.08 times, adjusted for discount for lack of marketability and control premium, details of which are set out in the valuation report set out in Appendix I to this circular.

Under the market approach, in relation to the selection of the comparable companies (the "**Comparable Companies**"), all the five selected Comparable Companies are commercial property management service providers, and derive a significant portion of their revenues from the same industry of the Target Company, i.e. property operation and management services. Taking into account (i) the properties to be managed by the Group under the Operation and Management Framework Agreement are apartments which are a kind of commercial properties; and (ii) such apartments are owned by third parties and leased by the Shanghai Landsea Apartment Group, there is a close resemblance between the client pool of the Target Group and that of the Comparable Companies. In terms of the operating scale of the Target Company as compared with the Comparable Companies, as set out in the valuation report, the market capitalizations of the Comparable Companies, being within the range of USD10.59 million (HKD0.083 billion) and USD627.80 million (HKD4.90 billion), were defined as micro-cap decile according to Duff & Phelps Cost of Capital Navigator Study, a widely adopted research for valuation, which the Directors consider suitable. This selection criterion also allows the valuer to provide a sufficient and meaningful sample size for comparison purpose.

As mentioned above, the valuation was made with reference to the 2023 Guaranteed Profit, which has been determined taking into consideration primarily of the Shanghai Landsea Apartment Group Contracts. The Shanghai Landsea Apartment Group Contracts have a term of 3 to 12 years and cannot be unilaterally terminated unless under breach situation. There are only limited specified breach situations under which Shanghai Landsea Apartment Group may terminate the Shanghai Landsea Apartment Group Contracts signed with the Target Group, such as (1) illegal use of the premises by the Target Group, (2) structural damage of the premises resulting in a substantial loss to Shanghai Landsea Apartment Group, (3) the assignment of the Shanghai Landsea Apartment Group Contracts by the Target Group to parties which are not affiliates of the Target Group and (4) the expropriation of the premises by the government. Based on the Company's assessment, all of such situations are material events and the triggering threshold of which is high, and thus the likelihood of occurrence of such situations triggering the early termination by Shanghai Landsea Apartment Group would be low. Under the Shanghai Landsea Apartment Group Contracts, other than the aforementioned situations, the Shanghai Landsea Apartment Group Contracts cannot be early terminated by Shanghai Landsea Apartment Group. The Shanghai Landsea Apartment Group Contracts therefore represent a longstanding business relationship between the Target Group and Shanghai Landsea Apartment Group. Although the guaranteed profit is only in relation to 2023, the revenue deriving from the Shanghai Landsea Apartment Group Contracts will span across a long period of time, and will therefore serve as a source of steady revenue for the Target Group in the foreseeable future, in the absence of unforeseen circumstances.

In view of the foregoing, the Directors are of the view that the Consideration is justified.

Conditions precedent to Completion

The conditions precedent to Completion under the Equity Transfer Agreement (having taken into account the amendments under the Supplemental Agreement) are as follows:

(1) the Purchaser having completed the business, financial and legal due diligence of the Target Group Companies and being satisfied with the results of the due diligence;

(2) the shareholders of the Target Company having passed resolution to approve the following matters:

  (i) the transactions contemplated under the Equity Transfer Agreement; and

  (ii) the execution and performance by the Target Company of the Equity Transfer Agreement, the amendments to the articles of association of the Target Company and other necessary transaction documents;

(3) the Vendors having agreed in writing to waive the exercise of the pre-emptive right in respect of the transactions contemplated under the Equity Transfer Agreement;

(4) the Equity Transfer Agreement having been executed by all parties thereto and the original or scanned copies of which have been delivered to the Purchaser;

(5) the representations and warranties made by the Vendors and the Target Company under the Equity Transfer Agreement being true, accurate and complete, and neither the Vendors nor the Target Company having breached the Equity Transfer Agreement;

(6) the Independent Shareholders having passed resolution at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder; and

(7) the Vendors and the Target Company having completed the registration of the changes contemplated under the Equity Transfer Agreement with the competent authority for industry and commerce, including the transfer of equity interests in the Target Company and the change of the directors, supervisor and general manager of the Target Company.

The condition precedent set out in paragraph (6) above cannot be waived. The Purchaser may waive the other conditions precedent. If any of the conditions precedent set out above cannot be satisfied or waived (as applicable) on or before the Long Stop Date, the Equity Transfer Agreement shall automatically terminate.

Completion

Completion shall take place on the date falling on the fifth business days after the above conditions are satisfied or waived by the Purchaser or on such other date as may be agreed by the parties (i.e. the Completion Date).

Payment

On a date (the "**Payment Date**") within 15 business days of the Completion Date (as referred to in the paragraph headed "**Completion**" above), the Purchaser shall settle the Consideration as follows:

(1) as to RMB199,683,000 payable to the First Vendor to be settled by way of:

(i) the Set Off; and

(ii) payment to the First Vendor of an amount equal to RMB2,683,000 in cash,

(2) as to RMB2,017,000 to be paid to the Second Vendor in cash.

Deposit

Pursuant to the Original Equity Transfer Agreement, the Purchaser has paid a deposit in the amount of RMB30,000,000 (the "**Deposit**") to the First Vendor.

Pursuant to the Supplemental Agreement, the First Vendor shall return the Deposit to the Purchaser within 10 business days of the date of the Supplemental Agreement.

Undertaking by the First Vendor on the 2023 Guaranteed Profit

The First Vendor undertakes to the Purchaser that the audited net profit after tax of the Target Company in 2023 after deducting non-recurring profits and losses shall not be less than RMB26,600,000 (the "**2023 Guaranteed Profit**"), according to the Hong Kong Financial Reporting Standards.

The 2023 Guaranteed Profit was determined by the First Vendor and the Company after arm's length negotiation with reference to the current operation status of the existing projects as well as the expected growth of the business undertaken by the Target Group taking into consideration (1) the existing contracts already signed by the Target Group and (2) the Shanghai Landsea Apartment Group Contracts. Details of such contracts are set out in the section headed "Information on the Target Group" below.

If the actual audited net profit after tax of the Target Company after deducting non-recurring profits and losses (the "**2023 Actual Profit**") in 2023 is lower than the 2023 Guaranteed Profit, the First Vendor shall pay the Purchaser a performance compensation amount calculated according to the following formula within 15 business days from the date of receipt of the notice from the Purchaser:

$$\left(\frac{\text{2023 Guaranteed Profit} - \text{2023 Actual Profit}}{\text{2023 Guaranteed Profit}} \right) \text{ x } \text{Consideration}$$

If the performance compensation amount calculated according to the above formula is less than or equal to zero, the First Vendor shall not be required to pay any performance compensation.

The Company will publish further announcement(s) to inform the Shareholders whether the 2023 Guaranteed Profit has been met and will comply with the disclosure requirements under Rules 14.36B and 14A.63 of the Listing Rules if the actual performance fails to meet the 2023 Guaranteed Profit. The Company will also disclose whether the actual performance of Target Company meet the 2023 Guaranteed Profit in its 2023 annual report as required under Rules 14.36B(3) and 14A.63(3) of the Listing Rules.

Guarantee by Shanghai Landsea Apartment

In order to ensure the recoverability of the performance compensation (if any), the Group has obtained a corporate guarantee from Shanghai Landsea Apartment (the shareholder of the First Vendor) with respect to the guarantee of the performance of the obligations of the First Vendor to pay the performance compensation (if any) under the Equity Transfer Agreement.

Based on the information available to the Company, the Shanghai Landsea Apartment Group is financially healthy with unaudited financial information for the last two financial years set out below:

	Year ended 31 December 2022 *(RMB)*	Year ended 31 December 2021 *(RMB)*
Revenue	505,870,000	517,830,000
EBITDA	36,310,000	15,960,000

As an ongoing monitoring measure, the Group will implement the following with respect to the Shanghai Landsea Apartment Group:

(i) the Shanghai Landsea Apartment Group shall provide the Group with the following information on a quarterly basis for the purpose of assessing its financial capability and credit risks:

(a) the latest unaudited consolidated financial statements of the Shanghai Landsea Apartment Group; and

(b) the latest credit reports of the Shanghai Landsea Apartment Group issued by People's Bank of China (if available); and

(ii) the Finance Department of the Group will from time to time perform the following:

(a) conduct financial analysis on the latest consolidated financial statement of the Shanghai Landsea Apartment Group to assess its financial capability and credibility;

(b) perform background search to identify any material adverse events and/or credit defaults in relation to the Shanghai Landsea Apartment Group; and

(c) obtain the credit reports of the Shanghai Landsea Apartment Group (if available).

Due Diligence

The due diligence work performed by the Directors on the Acquisition, including but not limited to the Target Group, the basis of the Consideration and the valuation report set out in Appendix I to this circular are as follows:

- reviewed the legal due diligence report on the Target Group prepared by the PRC legal advisers;

- reviewed the operational records for the apartment long-term lease business and the financial statements of the Shanghai Landsea Apartment Group for the two years ended 31 December 2022;

- scrutinized the legal and statutory documents in relation to the apartment long-term lease business and reviewed the material contracts including the Shanghai Landsea Apartment Group Contracts, the existing contracts already signed by the Target Group, the underlying lease contracts between the members of the Shanghai Landsea Apartment Group and the landlords and the license contracts between the relevant member of the Shanghai Landsea Apartment Group and the Target Company in relation to the use of the brand and the specialized systems;

- reviewed the revenue forecast of the Target Group from year 2023 to year 2025 prepared by the management of the Target Group;

- conducted management meetings with the management of the Target Group;

- conducted meetings with the valuer to discuss the basis of the valuation and the underlying bases and assumptions; and

- conducted own research to assess the reasonableness and fairness of the information provided by the Target Group.

Information on the Target Group

The Target Company is a company established on 2 June 2021 in the PRC with limited liability. The Target Group is engaged in the management and operation of apartment lease.

The table below sets forth a summary of certain unaudited financial information of the Target Group for the period from 2 June 2021 (being the date of establishment of the Target Company) to 31 December 2021 and the year ended 31 December 2022:

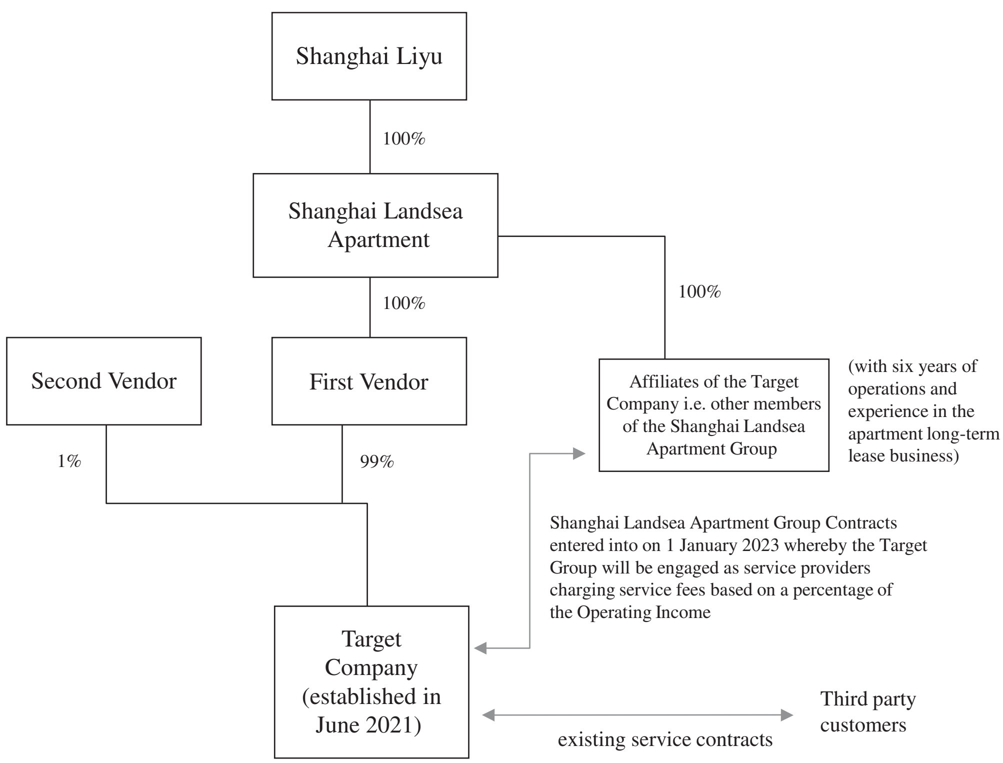
	For the year ended 31 December 2022 *RMB*	**For the period from 2 June 2021 to 31 December 2021** *RMB*
Profit before taxation	2,278,900	1,546,236
Profit after taxation	1,951,338	1,498,462

As mentioned above, the Target Company was established in June 2021 to engage in the management and operation of the apartment lease business. The net profit (after tax) of the Target Group for the period from 2 June 2021 (the date of establishment of the Target Company) to 31 December 2021 was approximately RMB1.5 million and the net profit (after tax) of the Target Group for the year ended 31 December 2022 was approximately RMB1.95 million. Such profit was generated from the service contracts signed with third party customers only. The net profit of the Target Group is expected to be substantially larger for the year ending 31 December 2023, being at least the 2023 Guaranteed Profit of approximately RMB26.6 million, as the Shanghai Landsea Apartment Group Contracts were entered into on 1 January 2023.

The unaudited total asset and net asset value of the Target Group as at 31 December 2022 were approximately RMB13,968,210 and RMB3,449,800 respectively.

Although the Target Company was established on 2 June 2021, it is not a company with an operating history of 1.5 years. The apartment long-term lease entrusted operation and management business under the brand of "Landsea Apartment" has already been operating for six years under the affiliates of the Target Company i.e. other members of the Shanghai Landsea Apartment Group (please see the chart below). As a business strategy, it was decided that the business would be conducted through one integrated platform i.e. through the Target Company. Therefore, the Target Company is the designated integrated platform currently holding the apartment long-term lease entrusted operation and management business which has already been operating for six years.

The chart below illustrates the business strategy:



To further elaborate, through the last six years of development, mature apartment long-term lease service capabilities have been nurtured by the Shanghai Landsea Apartment Group. In the running of such apartment long-term lease business, the income of the Shanghai Landsea Apartment Group was all the income generated from the operation and management of the subject premises, including but not limited to apartment accommodation fees and service fees charged to customers, shop rents and property management fees, parking space rent, advertising sign rent, government subsidies issued for the premises and other related income, but excluding water, electricity and other utility expenses and other income not directly related to the operation and management of the subject premises (the "**Operating Income**").

The Target Company was established in 2021 to be the specialized vehicle to continue the operation of the apartment long-term lease platform which has been built over the last six years.

The following steps were taken for the Target Company to undertake the apartment long-term lease business:

(i) in terms of contracts:

(1) service contracts were entered into by the Target Company with third party customers (i.e. the contracts listed under the paragraph headed "(1) Existing contracts already signed by the Target Group" on page 20 of this circular), and

(2) the Shanghai Landsea Apartment Group Contracts were entered into by the Target Company with the other members of the Shanghai Landsea Apartment Group (i.e. the contracts listed under the paragraph headed "(2) The Shanghai Landsea Apartment Group Contracts" on pages 21 to 26 of this circular), whereby the Target Company would be charging service fees based on a certain percentage of the Operating Income from the services to be provided by the Target Group to the members of the Shanghai Landsea Apartment Group. Such contracts were not required to be in place before;

(ii) in terms of management team, the management team employed by the other members of the Shanghai Landsea Apartment Group has been transferred to the Target Group; and

(iii) in terms of brand and specialized systems for the management and operation of the apartment long-term lease business, the Shanghai Landsea Apartment Group has authorised the Target Group to use the brand and specialized systems needed for the management and operation of the apartment long-term lease business without fees and for a period from 1 January 2023 to 31 December 2034.

The integrated platform of the Target Group has served projects located in various cities in the PRC including Shanghai, Hangzhou, Suzhou, Chengdu, Xi'an, Guangzhou, Wuxi, Beijing, Shenzhen, Hefei, Chongqing, Ningbo and Nanjing.

The following table showcases the track record of the business run by the Shanghai Landsea Apartment Group (including the Target Group) in terms of the number of projects, the size (in terms of the number of rooms managed) and the number of employees involved in the last six years:

Year	Number of projects as at year-end	Number of rooms managed as at year-end	Number of employees employed as at year-end
2017	12	1,601	266
2018	51	11,712	505
2019	69	15,986	461
2020	70	16,276	353
2021	68	16,197	263
2022	70	16,868	240

Details on the service scope for the Target Group's projects are as follows:

Category	Specifics
(1) early-stage consultation services	— provide consultation services on the transformation of properties into long-term lease apartments
(2) renovation work management services	— provide consultation service on the design and renovation of the property
	— formulate renovation plan for the property
(3) daily operation and management services	— repair, maintenance, replacement, renewal, and annual inspection of the houses, venues, facilities and equipment
	— formulate safety inspection and maintenance system for the property
	— conduct safety inspection and maintenance of the property from time to time
	— timely discover and eliminate potential safety hazards

Category	Specifics
(4) marketing, planning and promotion services	— set up a project marketing team according to the actual needs of client — project positioning and planning — formulate marketing strategy and plan, and comprehensively manage the project planning, online and offline promotion, and apartment accommodation operation process, so as to maximize room occupancy — summarize and analyze the customer and service information on a regular basis so as to maximize the results
(5) commercial business promotion services	— provide assistance in leasing the shops, parking spaces and advertising spaces — conduct daily management of the introduced merchants
(6) special consulting services	— conduct cost calculations for the daily operation of the project — formulate and assist to implement cost targets, assist to implement cost control suggestions, prepare cost plans, and conduct cost monitoring — research on the development trend analysis of the apartment market, conduct market analysis as a whole, by region or segment, including product category and customer group — conduct special research on market demand development trends, products, technologies, consumer groups, etc. — track the market performance of various products and make corresponding analysis to provide support for the adjustment of product marketing strategy

The business model of the Target Group is as follows:

1. Members of the Target Group enter into the individual operation and management agreements with members of the Shanghai Landsea Apartment Group as well as independent third parties (collectively, the "**Entrusting Parties**").

2. The Entrusting Parties own or lease relevant apartments and typically bear the costs of developing the apartments, including rentals, expenses related to construction and renovation and regular maintenance and repair costs, whereas members of the Target Group typically provide the Services without bearing any loss incurred or sharing any profit realized by the Entrusting Parties.

3. In return, members of the Target Group are entitled to a service fee which is typically determined based on a certain percentage of total rental and other income earned by the Entrusting Parties from the users of the relevant apartments.

Where the apartments are owned by third parties and leased by the Shanghai Landsea Apartment Group, the Company has assessed the business risks in connection with the business model of the Target Group and is of the view that, based on the information provided by Shanghai Landsea Apartment Group, the risk of the Shanghai Landsea Apartment Group Contracts being adversely affected by the termination of the lease agreements between Shanghai Landsea Apartment Group and the third party landlords would be manageable, taking into account the following:

1. generally, the lease contracts cannot be easily terminated. If there is any unlawful termination of the leases by the landlords, the landlords would need to bear penalty under the contracts;

2. the apartment operation and management business of the Shanghai Landsea Apartment Group has already been operating for around six years and there has been no past record of the lease contracts between the Shanghai Landsea Apartment Group and the landlords being terminated pre-maturely by the landlords, indicating such business model is viable and sustainable;

3. under normal circumstances, the landlords would not terminate the leases unless the relevant lessee cannot pay the rent. Based on the information available to the Company, Shanghai Landsea Apartment Group has had a good past record for its rental payments. The relevant unaudited financial information of the Shanghai Landsea Apartment Group available to the Company for the last two years, which demonstrates Shanghai Landsea Apartment Group's financial capability, is as follows:

	Year ended 31 December 2022 *(RMB)*	**Year ended 31 December 2021** *(RMB)*
Revenue	505,870,000	517,830,000
EBITDA	36,310,000	15,960,000

As shown above, the Shanghai Landsea Apartment Group has maintained positive EBITDA for the two years ended 31 December 2022, demonstrating the financial strength of the Shanghai Landsea Apartment Group. Based on the historical financial performance, it is expected that there will be a stable source of cashflow for the Shanghai Landsea Apartment Group, and that the risk of Shanghai Landsea Apartment Group failing to pay rent thereby resulting in the termination of the lease agreements between Shanghai Landsea Apartment Group and the third party landlords would be low; and

4. it is not uncommon for the property management companies in the property management sector in the PRC to enter into property management agreements with clients who lease relevant properties from the landlords.

Set out below are the details of (1) the existing contracts already signed by the Target Group and (2) the Shanghai Landsea Apartment Group Contracts.

(1) Existing contracts already signed by the Target Group

	Parties to the contracts						
	Client	Member of the Target Group	Date of contract	Apartment location	Service fee	Apartment	Term
1.	上海柒寓企業管理有限公司	北海朗潤商業管理有限公司	1 September 2021	Shanghai	6% of Operating Income annually.	莘莊店（上海市閔行區畹町路399、455、479、493、497號3–5層及1層部分）	1 September 2021 to 31 August 2032
2.	杭州集世邁實業發展有限公司	北海朗潤商業管理有限公司	27 September 2021	Hangzhou	6% of Operating Income annually.	杭州銀湖（杭州市銀湖街道銀湖路277號）	27 September 2021 to 31 August 2032
3.	蘇州科技城科新文化旅遊發展有限公司	蘇州朗璨住房租賃有限公司	26 May 2022	Suzhou	Based on the difference between the comprehensive income of the operation and management of the project and the comprehensive cost and expenditure of property management.	蘇州科技城工棚集中生活區（蘇州高新區秦嶺路及嘉陵江路交叉口蘇州科技城工棚集中生活區）	1 June 2022 to 31 May 2024
4.	蘇州科技城商旅發展有限公司	蘇州朗頤居商業管理服務有限公司	10 December 2021	Suzhou	Fixed at RMB12,159,112.31	蘇州科技城菁英公寓1期（蘇州高新區龍山路38號蘇州科技城普英公寓1期）	1 January 2022 to 31 December 2024
5.	蘇州科技城發展集團有限公司	蘇州朗璨住房租賃有限公司	10 December 2021	Suzhou	Fixed at RMB14,402,287.23	蘇州科技城實訓基地2期（蘇州高新區龍山路38號蘇州科技城普英公寓2期）	1 January 2022 to 31 December 2024
6.	四川天府浩豐科技有限公司	北海朗潤商業管理有限公司	18 July 2022	Chengdu	6% of Operating Income annually.	迎暉路（成都市成華區槐花路80號(萬年綜合樓)）	18 July 2022 to 26 May 2032
7.	杭州祥瀾商業管理有限公司	北海朗潤商業管理有限公司	15 October 2022	Hangzhou	6% of Operating Income annually.	國潮中心（杭州市蕭山區贊成國潮商務中心2幢3–15層）	15 October 2022 to 14 October 2032

(2) The Shanghai Landsea Apartment Group Contracts

	Parties to the contracts						
	Client	Member of the Target Group	Date of contract	Apartment location	Annual service fee	Apartment	Term
1.	西安朗詩寓住房租賃有限公司	北海朗信商業管理有限公司	1 January 2023	Xi'an	7% of Operating Income.	高新南店(A#)（西安市高新區南三環輔道以南，丈八六路以西融城東海A座20–23層）	1 January 2023 to 31 December 2030
						高新南店(B#)（西安市高新區南三環輔道以南，丈八六路以西融城東海B座6–24層）	1 January 2023 to 31 December 2028
						高新軟件園店（西安市雁塔區丈八北路與科技三路交匯處易道郡玫瑰公館二期4號樓1–18層）	1 January 2023 to 31 December 2032
2.	西安朗詩寓商業管理有限公司高新第二分公司	北海朗信商業管理有限公司	1 January 2023	Xi'an	7% of Operating Income.	智選假日酒店（西安市高新區南三環輔道以南，丈八六路以西融城東海B座5–10層）	1 January 2023 to 31 December 2028
3.	成都詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Chengdu	7% of Operating Income.	琉璃場店（成都市錦江區錦逸路35、37號1層一部及2–5層）	1 January 2023 to 31 December 2026
4.	成都朗詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Chengdu	7% of Operating Income.	金融城店（成都市高新區交子北一路88號二單元酒店式辦公區域21層一25層）	1 January 2023 to 31 December 2028
						錦華萬達店（成都市二環路東四段412號永榮大廈1樓大堂、4樓–7樓及樓頂原鍋爐房部分）	1 January 2023 to 9 February 2028

	Parties to the contracts						
	Client	Member of the Target Group	Date of contract	Apartment location	Annual service fee	Apartment	Term
5.	蘇州詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Suzhou	7% of Operating Income.	東方大道店（蘇州吳中經濟開發區郭巷街道蘇州古玩城6幢1–6樓）	1 January 2023 to 31 December 2034
						姑蘇中心店（蘇州市姑蘇區干將西路1296號深業姑蘇中心3幢公寓3–9層）	1 January 2023 to 31 December 2025
						觀前街店（蘇州市景德路26–64號）	1 January 2023 to 31 January 2026
						凱馬店（蘇州市吳中區木瀆鎮丹楓路289-06號整棟）	1 January 2023 to 31 December 2031
						汀蘭家園店（8#)(蘇州工業園區星龍街515號汀蘭家園8幢一層108室及4–11層）	1 January 2023 to 31 March 2027
						團結橋店（蘇州市南環西路126號）	1 January 2023 to 31 December 2030
						綉湖路店（蘇州市吳江經濟開發區綉湖路8號）	1 January 2023 to 31 December 2031
6.	蘇州萊家商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Suzhou	7% of Operating Income.	察院場店（蘇州市王天井巷237號1–4樓）	1 January 2023 to 31 December 2025
						陸慕地鐵站店（蘇州市相城區潤元路389號1幢20–22樓，2幢20樓–23樓）	1 January 2023 to 31 December 2026
7.	上海朗住商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Shanghai	7% of Operating Income.	寶安公路店（上海市寶山區楊鑫路158號（梅林路358號）智慧源園區的4幢、7幢及智慧源接待大廳）	1 January 2023 to 31 December 2033
8.	廣州朗詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Guangzhou	7% of Operating Income.	天平架店（廣州市天河區天平架範屋村43號首層部分、第4層、第5層）	1 January 2023 to 31 December 2029

	Parties to the contracts						
	Client	Member of the Target Group	Date of contract	Apartment location	Annual service fee	Apartment	Term
9.	無錫朗寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Wuxi	7% of Operating Income.	高浪路店（無錫市城南路29號4–26層）	1 January 2023 to 31 December 2031
						華莊店（無錫市濱湖區瑞景道199號）	1 January 2023 to 31 December 2034
						江南大學店（無錫市濱湖區楝澤園27號）	1 January 2023 to 31 December 2030
						勝利門店（無錫市解放西路6一層通道部分、三層五層七層整層）	1 January 2023 to 31 December 2030
10.	北京朗詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Beijing	7% of Operating Income.	昌平政法大學店（北京市昌平區昌平鎮東關北路北京手錶廠大院南側一齋公寓樓二至六層及大門門衛三間房）	1 January 2023 to 31 December 2029
						大鐘寺店（北京市海澱區四道口路大鐘寺8號4號樓）	1 January 2023 to 31 December 2025
						首都圖書館店（北京市朝陽區南新園西路8號一號樓5、6層、13–16層）	1 January 2023 to 31 December 2026
						望京北店（北京市朝陽區容慧路1號院燕保•馬泉營家園房屋10#樓商業裙樓2–3層及13#樓商業裙樓2層）	1 January 2023 to 31 December 2026
11.	朗詩寓商業管理（深圳）有限公司	北海朗信商業管理有限公司	1 January 2023	Shenzhen	7% of Operating Income.	觀瀾汽車城店（深圳市寶安區觀瀾街道鴻翔名車展示中心8棟）	1 January 2023 to 31 December 2033
						前海媽灣店（深圳市南山區前海灣花園三期9號樓A棟1樓部分、3–10樓）	1 January 2023 to 31 December 2026
						沙井西部中心店（深圳市寶安區沙井街道沙頭社區西環路西九九工業園1#綜合宿舍樓A棟1–3層部分指定區域及A棟4–5層整層）	1 January 2023 to 31 December 2030
						雪象店（深圳市龍崗區坂田雪象中浩工業城單身宿舍4棟A、B座）	1 January 2023 to 31 December 2026

	Parties to the contracts: Client	Member of the Target Group	Date of contract	Apartment location	Annual service fee	Apartment	Term
12.	杭州朗榮商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Hangzhou	7% of Operating Income.	東信大道店（杭州市濱江區西浦路1503號新生綜合大廈4–17層）	1 January 2023 to 31 December 2030
						杭州江陵路店（杭州市濱江區長河街道江南望莊8幢）	1 January 2023 to 31 December 2026
						沈半路店（杭州市拱墅區沈半路281號1幢物業）	1 January 2023 to 31 December 2028
						文暉店（杭州市機場路里街99號運瑞大廈主樓4–16樓及一層大廳）	1 January 2023 to 31 December 2029
						盈豐路店（杭州市蕭山區錢江世紀城諾德財富中心3層、9–11層、屋頂的物業及附屬設施、附屬場地）	1 January 2023 to 31 December 2030
13.	合肥朗詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Hefei	7% of Operating Income.	合肥大學城店（安徽省合肥市經濟技術開發區金寨路與紫雲路交口紫金公館S1#樓21層–25層）	1 January 2023 to 31 December 2028
14.	重慶朗詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Chongqing	7% of Operating Income.	兩路口店（重慶市渝中區南區路160號第八層、第九層、第十層全部、十二層局部、第十三層、第十四層、十五層、十六層、十七層、十八層、十九層全部）	1 January 2023 to 31 December 2032
15.	寧波詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Ningbo	7% of Operating Income.	南部商務區店（寧波市鄞州區首南街道文苑路132、136、140號，文華路135、161號 701–1401室）	1 January 2023 to 31 December 2030
16.	南京朗詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Nanjing	7% of Operating Income.	誠信大道店（南京市江寧區林陵街道誠信大道990號華庭廣場（優尚天地）3#5層、6層、7層號商舖/房屋）	1 January 2023 to 31 December 2026
						東麒路店（南京市江寧區東山街道天行西路9號潤璟科技廣場1幢8–13層）	1 January 2023 to 31 December 2030

	Parties to the contracts						
	Client	Member of the Target Group	Date of contract	Apartment location	Annual service fee	Apartment	Term
						吉印大道店（南京市江寧區林陵街道吉印大道1296號3幢）	1 January 2023 to 31 December 2028
						建寧路店（18#）（南京市鼓樓區建寧路65號金川科技園18#樓）	1 January 2023 to 31 December 2026
						建寧路店（19#）（南京市鼓樓區建寧路65號金川科技園19#樓）	1 January 2023 to 31 December 2026
						老門東店（南京市秦淮區江寧路3號2層部分及6–9層）	1 January 2023 to 31 December 2027
						邁皋橋店（南京市邁皋橋長營村11棟物業）	1 January 2023 to 31 December 2028
						模範馬路店（南京市鼓樓區南昌路（路、街道）40號3幢）	1 January 2023 to 31 December 2027
						上元大街店（南京市江寧區上元大街300號江寧區國貿大廈五樓（含東四樓部分））	1 January 2023 to 28 February 2026
						新街口店（南京市新街口新華書店圖書大樓（中山東路56號）8–12層及一樓電梯廳、一樓吳良材眼鏡店所佔位置）	1 January 2023 to 31 December 2025
						徐莊店（南京市玄武區玄武大道699號徐莊軟件園人才公寓（一期））	1 January 2023 to 31 December 2026
17.	上海朗詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Shanghai	7% of Operating Income.	新五角場店（上海市楊浦區閘殷路1515號4幢的1層入口大廳及4–28層物業及附屬設施、附屬場地）	1 January 2023 to 31 December 2028
						北洋涇店（上海市浦東新區崮山路688號、700號4–10樓）	1 January 2023 to 31 December 2027
						古北店（上海市閔行區張虹路129號）	1 January 2023 to 31 December 2026
18.	上海朗鉑企業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Shanghai	7% of Operating Income.	長風公園店（上海市普陀區雲嶺東路599弄12號1–18層物業）	1 January 2023 to 31 December 2026

	Parties to the contracts						
	Client	Member of the Target Group	Date of contract	Apartment location	Annual service fee	Apartment	Term
19.	上海有巢酒店管理有限公司	北海朗信商業管理有限公司	1 January 2023	Shanghai	7% of Operating Income.	閔行交大店（上海市閔行區永平南路190號）	1 January 2023 to 31 December 2026
20.	杭州詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Hangzhou	7% of Operating Income.	杭州丁蘭廣場店（杭州市江干區弘通丁蘭商業中心2幢7–13層） 杭州人民廣場店（杭州市蕭山區博學路777號城北村酒店建築的5–14層以及一層獨立大堂及其附屬設施、附屬場地房屋處經營性房產） 杭州物聯網店（杭州市濱江區西興街道物聯網街330號新郡大廈3幢一層門廳及5層–16層整層） 杭州義蓬店（杭州市機場路里街99號運瑞大廈主樓4–16樓及一層大廳）	1 January 2023 to 31 December 2029 1 January 2023 to 31 December 2033 1 January 2023 to 31 December 2034 1 January 2023 to 31 December 2029
21.	上海朗詩寓商業管理有限公司	北海朗信商業管理有限公司	1 January 2023	Shanghai	6.5% of Operating Income.	虹橋店（上海市閔行區吳中路1169號）	1 January 2023 to 31 December 2025
22.	朗詩寓商業管理（深圳）有限公司	北海朗信商業管理有限公司	1 January 2023	Shenzhen	5% of Operating Income.	松崗店（深圳市寶安區松崗街道芙蓉路旭生融合谷宿舍樓1、2棟）	1 January 2023 to 31 July 2030

As can be seen from the above table, in respect of the Shanghai Landsea Apartment Group Contracts, the service fees are generally determined based on 5% to 7% of the Operating Income generated from the apartments managed under the Operation and Management Framework Agreement, and the Shanghai Landsea Apartment Group Contracts have a term of 3 to 12 years. "Operating Income" refers to all income generated from the operation and management of the subject premises, including but not limited to apartment accommodation fees and service fees charged to customers, shop rents and property management fees, parking space rent, advertising sign rent, government subsidies issued for the premises and other related income, but excluding water, electricity and other utility expenses and other income not directly related to the operation and management of the subject premises.

Reasons for and Benefits of the Acquisition

The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC.

The Target Company has been developing the apartment long-term lease market for many years, with its current layout in more than a dozen first-tier and strong second-tier cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou and Chengdu. Over the years, the Target Company has accumulated rich experience in the operation and management of apartment long-term leases, established the high-quality apartment long-term lease brand of "Landsea Apartment" and nurtured the asset-light apartment long-term lease entrusted operation and management business model, details of which are explained in the section headed "Information on the Target Group" above. The apartment lease management and operation business of the Target Group is therefore similar in nature with the property management business of the Group.

Through the Acquisition, the Group will acquire the apartment long-term lease entrusted operation and management business under the brand of "Landsea Apartment" and the cultivated core capabilities of the operation and management of apartment long-term leases will be injected directly into the Group, thereby expanding the businesses and service boundaries of the Group, enriching the Group's businesses and adding new revenue and profit growth points, which are in the interests of the Company and its Shareholders as a whole. Such Landsea Apartment brand, which is popular among the apartment long-term lease market across many different cities in the PRC, is not currently under the Group. "Landsea Apartment" is the only brand in the industry that has won the Jingrui Science and Technology Award (精瑞科學技術獎) for four consecutive years. In September 2022, "Landsea Apartment" was awarded "住房租賃實力標杆獎" for the fourth consecutive year by EJU-CRIC (易居克而瑞). It was also awarded "2022中國住房租賃產品力優秀企業住宿、五佳服務式公寓、十佳租賃社區" in December 2022 by EJU-CRIC (易居克而瑞). In terms of market rankings, "Landsea Apartment" ranks the top two in the operating scale of the Yangtze River Delta area in the third quarter of 2022, top five in the national real estate industry in terms of management scale, and top ten in the leasing industry in terms of brand influence.

Through the acquisition of the Target Group which provides services to, among others, the Shanghai Landsea Apartment Group with the prestigious "Landsea Apartment" brand, the clientele and business profile of the Group as a property management company can be further strengthened and diversified. As a service provider, the profile of the clients is very important in terms of marketing and building market presence for the service provider. Upon completion of the acquisition, the Group would be able to, through the Target Group, benefit from and leverage on the brand influence of "Landsea Apartment" in the PRC, which would in turn assist the Group in acquiring more quality customers and expanding market share in future. Therefore, through the acquisition of the business under the "Landsea Apartment" brand, the Company would be able to consolidate its market position in the property management business benefiting from the "Landsea Apartment" brand.

The Acquisition is justifiable, taking into account (1) the business dynamics in the apartment long-term lease sector, (2) the qualifications and experience of the Target Group, (3) the synergy effects between the business of the Target Group and the business of the Group and (4) the industry outlook for the apartment long-term lease sector.

1. Business dynamics in the apartment long-term lease sector

In terms of business dynamics in the apartment long-term lease sector, the property landlords generally would not directly enter into service contracts with the Group, for the following two reasons:

(a) for property landlords which would only like to earn rental income by leasing their properties without bearing any subsequent development and management and operational costs, they would not enter into service contracts with the Group as they do not require the Group's services; and

(b) even for property landlords (or those who lease properties from the landlords) which require management services for apartment long-term leases, they would appoint service providers with the relevant qualifications and experience in the apartment long-term lease sector, which is a specialized field in property management. The Target Group is equipped with such qualifications and experience (as detailed in point 2 below), but not the Group.

2. The qualifications and experience of the Target Group

The Target Group has, after years of development, established the entire apartment long-term lease business platform which comprises (a) an experienced management team with relevant experience in the apartment long-term lease sector, (b) accumulated service capabilities for the specialized apartment long-term lease sector, (c) specialized systems for the management and operation of the apartment long-term lease and (d) the ability to leverage on the brand influence of the "Landsea Apartment" brand.

(a) an experienced management team with relevant experience in the apartment long-term lease sector

In terms of management team, the management team have an average of at least seven years of experience in the apartment long-term lease sector and have developed the requisite expertise in the operation and management of apartment long-term leases. The management team is also supported by a well-trained work force. All the staff have received inception and ongoing training so as to facilitate the provision of quality services to clients.

(b) accumulated service capabilities for the specialized apartment long-term lease sector

In terms of service capabilities, and as further elaborated in the section headed "Information on the Target Group" above, the services provided by the Target Group belong to a highly specialized category of property management services. The operation and management of apartment long-term leases are more than traditional property management services provided for residential projects such as cleaning, security, repair and greening services. They involve the provision of professional and value-adding services such as consultancy services on the transformation of properties into long-term lease apartments, solicitation of tenants, market positioning, cost control and supply chain management, tenant management and relationship maintenance through systems etc. Such professional services are aimed at enhancing the clients' cashflow through the effective operation and management of apartment long-term leases.

(c) specialized systems for the management and operation of the apartment long-term lease

In terms of the specialized systems, the Target Group has specialized operation and management systems in relation to various aspects including lease management at regional level, project level and room level, after-lease management, finance and back-office support management and marketing, planning and promotion.

(d) the ability to leverage on the brand influence of the "Landsea Apartment" brand

In terms of the ability to leverage on the brand influence of the "Landsea Apartment" brand, in view of the existing connections already established with Shanghai Landsea Apartment Group under the Shanghai Landsea Apartment Group Contracts, the Target Group is able to showcase its ability to serve reputable brands such as "Landsea Apartment" and thus leverage on its brand influence in the PRC.

Therefore, the Target Group is an integrated platform with the required experience, capabilities and resources for the provision of the highly specialized apartment long-term lease operation and management services. The Group currently does not have such platform nor does it have the specialized management team with the relevant service capabilities needed for apartment long-term lease. The Group also has no track record of serving customers in the apartment long-term lease sector. It would therefore be difficult for the Group to market itself to the potential customers in the apartment long-term lease sector and to enter into business relationships directly with such customers. Through the acquisition of the Target Group with an already established existing platform, the Group can efficiently expand the businesses and services boundaries of the Group and build a strong foothold in the apartment long-term lease sector. Without acquiring the Target Group, the Group would have to develop the apartment long-term lease business itself in which the Group has to hire the specialized management team, develop the specialized service capabilities and build its system and brand on its own from scratch which may be time consuming and not cost effective.

3. Synergy effects between the business of the Target Group and the business of the Group

(a) complementary service offerings

There is a synergy between the specialized apartment long-term lease services offered by the Target Group and the traditional property management services offered by the Group. The apartment long-term lease clients would usually need traditional property management services in addition to the apartment long-term lease operation and management services. Through the acquisition of the Target Group, the scope of the service offerings of the Group would be expanded. The expanded service capabilities of the Group would assist the Group in its marketing and obtaining of new clients and business opportunities.

At the same time, the Group can offer its community value-added services (including its online e-commerce channels) to the apartment long-term lease tenants, thereby increasing income for the community value-added services segment of the Group.

(b) geographical overlap

The geographical footprint of the Target Group overlaps with that of the Group. By acquiring the apartment long-term lease business of the Target Group, the Group can increase its market penetration in the cities where the Target Group already has presence, such as Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou and Chengdu.

4. Industry outlook for the apartment long-term lease sector

With the easing of the COVID-pandemic restrictions, it is expected that the economic activities in the PRC will regain momentum, with population influx to the first-tier and second-tier cities, creating demand for apartment long-term leases. The Board sees room for growth and development in the apartment long-term lease sector and is of the view that the acquisition of the Target Group, which holds an already established platform in the apartment long-term lease sector, at this stage would be a favorable timing for the Group to grasp such opportunity in the apartment long-term lease sector. The acquisition of the Target Group would enhance and broaden the property management business of the Group, and allow the Group to further strengthen its market position in the property management industry in the PRC.

According to Frost & Sullivan, the size of the total rental apartment market in China grew at a compound annual growth rate ("**CAGR**") of 9.7% between 2017 and 2021 and is expected to grow at a CAGR of 8.4% between 2021 and 2026, indicating there is a growth potential in this market, which is primarily driven by, among others, (i) acceleration of urbanization process in China; (ii) high barriers to home ownership; (iii) increased propensity to rent among younger generations due to the variety and flexibility rental apartments offer; and (iv) certain favourable policies promulgated by the Chinese government to encourage and accelerate the development of the rental housing market.

In view of the above, there are substantial benefits for the Acquisition which greatly outweigh any risks arising therefrom. The Acquisition is in the interests of the Company and its Shareholders as a whole. Based on the above, the Directors (other than Mr. Tian who has abstained from voting but including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser) are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

Listing Rules Implications

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 5% and all of such ratios are less than 25%, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Mr. Tian is a non-executive Director and the controlling shareholder of the Company and thus a connected person of the Company. The First Vendor is ultimately owned as to 50% by Mr. Tian. Accordingly, the First Vendor is an associate of Mr. Tian and thus a connected person of the Company. Therefore, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and are also subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE DISPOSAL

On 24 February 2023, the Purchaser, the Vendors and the Target Company entered into the Supplemental Agreement in relation to, among other things, the Disposal.

The principal terms of the Supplemental Agreement in relation to the Disposal are set out below:

Subject matter

Pursuant to the Supplemental Agreement, the First Vendor conditionally agreed to acquire, and the Purchaser conditionally agreed to sell, 100% equity interests in Shanghai Liansheng. Upon completion of the Disposal, Shanghai Liansheng will cease to be an indirect subsidiary of the Company and the financial results of Shanghai Liansheng will no longer be consolidated into the financial statements of the Company.

Consideration for the Disposal

The consideration for the Disposal is RMB197,000,000, which was determined based on the unaudited net asset value of Shanghai Liansheng of RMB197,000,000 as at the Payment Date.

Conditions precedent to completion of the Disposal

Completion of the Disposal is subject to satisfaction of the following conditions:

(1) the Independent Shareholders having passed resolution at the EGM to approve the Disposal; and

(2) the conditions precedent to Completion having been satisfied or waived on or before the Long Stop Date.

Neither of the conditions above may be waived. In the event that the above conditions are not satisfied on or before the Long Stop Date, the Disposal will not be proceeded.

Reasons for the Disposal

Shanghai Liansheng is a company established on 29 June 2022 in the PRC and it has not commenced its business. In order to streamline its group structure, the Company decided to dispose of Shanghai Liansheng. To facilitate the payment of the Consideration to the First Vendor, under the Supplemental Agreement, subject to satisfaction of the conditions to completion of the Disposal, the parties agreed that the consideration payable for the Disposal will set off in part the Consideration on a dollar-for-dollar basis. No proceeds will be received by the Group as a result of the Disposal.

Based on the above, the Directors (other than Mr. Tian who has abstained from voting but including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser) are of the view that the terms of the Original Equity Transfer Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. To the Director's knowledge, the transactions contemplated under the Supplemental Agreement did not violate the applicable laws in the PRC.

As the First Vendor is ultimately owned as to 50% by Mr. Tian, the chairman of the Board and a non-executive Director, Mr. Tian is considered to have a material interest in the Supplemental Agreement and the transactions contemplated thereunder (inter alia the Disposal). Mr. Tian has abstained from voting on the resolutions in relation to the Supplemental Agreement and the transactions contemplated thereunder (inter alia the Disposal). Save as disclosed above, none of the Directors has a material interest in the Supplemental Agreement and the transactions contemplated thereunder (inter alia the Disposal).

Information on Shanghai Liansheng

Shanghai Liansheng is a company established on 29 June 2022 in the PRC with limited liability. As at the Latest Practicable Date, Shanghai Liansheng is a wholly-owned subsidiary of the Purchaser which is in turn an indirect wholly-owned subsidiary of the Company. Immediately before completion of the Disposal, it is expected that other than cash and cash equivalent of RMB197,000,000, Shanghai Liansheng has no other assets and liabilities.

As at the Latest Practicable Date, Shanghai Liansheng has not commenced any business and recorded no revenue nor profit or loss. The scope of business of Shanghai Liansheng includes water conservancy consulting services, environmental protection consulting services, new materials technology promotion services, soil pollution prevention and control services, and technical consultation services on resource recycling.

As Shanghai Liansheng was established by the Purchaser, and was not acquired from a third party, there is no original acquisition cost for the equity interest of Shanghai Liansheng to the Group.

Upon completion of the Disposal on the Payment Date, Shanghai Liansheng will cease to be an indirect subsidiary of the Company and the financial results of Shanghai Liansheng will no longer be consolidated into the financial statements of the Company.

It is expected that there will be no gain or loss (subject to the relevant expenses and subject to audit) arising from the Disposal. The actual gain or loss in connection with the Disposal will be assessed after the Payment Date.

Listing Rules Implications

In respect of the Disposal, as the highest applicable percentage ratio in respect of the Disposal is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Mr. Tian is a non-executive Director and the controlling shareholder of the Company and thus a connected person of the Company. The First Vendor is ultimately owned as to 50% by Mr. Tian. Accordingly, the First Vendor is an associate of Mr. Tian and thus a connected person of the Company. Therefore, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is also subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE OPERATION AND MANAGEMENT FRAMEWORK AGREEMENT

On 16 December 2022, the Target Company (for itself and on behalf of the other members of the Target Group) and Shanghai Landsea Apartment (for itself and on behalf of the other members of the Shanghai Landsea Apartment Group) entered into the Operation and Management Framework Agreement, pursuant to which the members of the Target Group will provide the members of the Shanghai Landsea Apartment Group with apartment long-term lease operation and management services.

The principal terms of the Operation and Management Framework Agreement are set out below:

Term

From the Commencement Date to 31 December 2025, which may be renewed as the parties may mutually agree, subject to compliance with the applicable requirements under the Listing Rules.

Subject matter

The Operation and Management Framework Agreement sets out the framework of the terms under which the members of the Target Group may provide the Services to the members of the Shanghai Landsea Apartment Group from time to time.

Scope of the Services

The members of the Target Group will provide the members of the Shanghai Landsea Apartment Group with the apartment operation and management services for long-term apartment lease projects including but not limited to: (1) early-stage consultation services; (2) renovation work management services; (3) daily operation and management services; (4) marketing, planning and promotion services; (5) commercial business promotion services; and (6) special consulting services.

The long-term apartment lease projects include white-collar apartments, boutique apartments, youth apartments, serviced apartments and boarding houses.

Pricing and other terms

(1) The parties shall enter into the Individual Agreements to set out the detailed terms for the transactions contemplated under the Operation and Management Framework Agreement in the ordinary course of business on normal commercial terms.

(2) The Service Fees payable by the members of the Shanghai Landsea Apartment Group shall be determined in the Individual Agreements with reference to factors including but not limited to: (i) the type, location, size and condition of the long-term apartment leasing project; (ii) the nature and scope of the Services; (iii) the expected operating costs (including but not limited to personnel costs, administrative costs and material costs); (iv) the charging level of similar services provided to similar long-term apartment leasing projects in the market; and (v) the service fees charged by members of the Target Group for providing similar services to Independent Third Parties.

(3) The terms of the Individual Agreements shall be no less favourable to the Group than those entered into between the Group and Independent Third Parties for the provision of similar services.

Historical transaction amounts

The following table summarises the total historical transaction amounts derived from providing the Services by the members of the Target Group to members of the Shanghai Landsea Apartment Group for the period from 2 June 2021 (the date of establishment of the Target Company) to 31 December 2021:

	For the period from 2 June 2021 (the date of establishment of the Target Company) to 31 December 2021 *RMB*
Transaction amount (unaudited)	3,838,127

Proposed annual caps of the Operation and Management Framework Agreement and basis of determination

The following table summarises the proposed annual caps of the Operation and Management Framework Agreement for each of the three years ending 31 December 2025:

	For the period ending 31 December 2023*	For the period ending 31 December 2024	For the period ending 31 December 2025
	RMB	*RMB*	*RMB*
Proposed annual caps	33,000,000	36,000,000	40,000,000

* *From the Commencement Date to 31 December 2023.*

The proposed annual caps of the Operation and Management Framework Agreement were determined taking into account, among others, (1) the number of apartment long-term lease projects which are expected to be managed by the members of the Target Group and the expected demand from the members of the Shanghai Landsea Apartment Group for the Services for the coming three years; (2) the service type, contents and standard of the Services required to be provided; (3) the expected general inflation and expected increase in operating costs for providing the Services in the PRC (including labour costs and administrative costs, etc.); and (4) the prevailing market rates for providing similar services with respect to the same or similar types of properties in the market.

Condition precedent

The Operation and Management Framework Agreement is conditional upon Completion having occurred.

Termination

The Operation and Management Framework Agreement may be terminated before expiration of its full term upon mutual agreement in writing by both parties or in certain circumstances, including upon default by a party to the Operation and Management Framework Agreement.

Internal control measures

To ensure the Individual Agreements will be entered into on normal commercial terms and in accordance with the terms of the Operation and Management Framework Agreement, the Group has adopted the following measures:

(1) the general managers of the relevant business units and operations divisions of the Company's local subsidiaries in which the relevant apartment long-term lease projects are situated (the "**General Managers**") will be responsible for negotiating with the Shanghai Landsea Apartment Group for the purpose of entering into the Individual Agreements;

(2) in respect of each potential project, the General Managers will conduct market research and feasibility studies to evaluate its potential risk and return including its marketability;

(3) the General Managers will negotiate with the Shanghai Landsea Apartment Group and determine the amount of service fees for the relevant projects on an arm's length basis based on the factors set out in the Operation and Management Framework Agreement to ensure that the Group has a reasonable profit margin;

(4) the General Managers will submit the feasibility studies and the terms of the Individual Agreements (including the amount of service fees for the relevant projects) to the finance department of the Group and an executive Director for review and approval;

(5) the Finance Department of the Group will monitor the transactions contemplated under the Operation and Management Framework Agreement and submit quarterly reports to the Board overseeing finance-related matters to ensure that the annual caps for the transactions contemplated under the Operation and Management Framework Agreement will not be exceeded;

(6) the audit committee of the Company and the independent non-executive Directors will review the continuing connected transactions of the Company annually to ensure that the transactions contemplated under the Operation and Management Framework Agreement are conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the Operation and Management Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(7) the external auditor of the Company will conduct an annual review on the continuing connected transactions of the Company to confirm whether (i) the transactions contemplated under the Operation and Management Framework Agreement are approved by the Board; (ii) these transactions are in compliance

with the pricing policies of the Group in all material aspects; (iii) these transactions are entered into in accordance with the Operation and Management Framework Agreement; and (iv) annual caps are exceeded.

Reasons for and Benefits of the Operation and Management Framework Agreement

As set out in the paragraph headed ''Reasons for and Benefits of the Acquisition'', the Target Company has been developing the apartment long-term lease market for many years, with its current layout in more than a dozen first-tier and strong second-tier cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou and Chengdu. Over the years, the Target Company has accumulated rich experience in the operation and management of apartment long-term leases, established the high-quality apartment long-term lease brand of ''Landsea Apartment'' and nurtured the asset-light apartment long-term lease entrusted operation and management business model.

By supplying the Services to the Shanghai Landsea Apartment Group through the Target Group after Completion, the Group can broaden its income stream and improve its overall operational performance. The Operation and Management Framework Agreement hence represents a strong business relationship which the Group can utilise for the future growth of the Group. The Group believes that it is in the interests of the Group to provide the Services, which will allow the Group to further strengthen its market presence in the cities which the Target Group has already developed the apartment long-term lease market.

Based on the above, the Directors (other than Mr. Tian who has abstained from voting but including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser) are of the view that the terms of the Operation and Management Framework Agreement and the transactions contemplated thereunder and the annual caps set out above are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

Listing Rules Implications

As at the Latest Practicable Date, Mr. Tian is a non-executive Director and the controlling shareholder of the Company and thus a connected person of the Company. Shanghai Landsea Apartment is ultimately owned as to 50% by Mr. Tian. Accordingly, Shanghai Landsea Apartment is an associate of Mr. Tian and thus a connected person of the Company.

Therefore, upon Completion, the Operation and Management Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (other than the profit ratio) in respect of the proposed caps under the Operation and Management Framework Agreement is more than 5% and the highest amount of them is greater than HK$10,000,000, the Operation and Management Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES TO THE TRANSACTIONS

Purchaser

The Purchaser is a company established in the PRC with limited liability and is principally engaged in investment holding. The Purchaser is a wholly-owned subsidiary of the Company. The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in PRC.

First Vendor

The First Vendor is a company established in the PRC which is principally engaged in investment holding. It is indirectly wholly-owned by Shanghai Landsea Apartment, which is in turn indirectly wholly-owned by Shanghai Liyu. Shanghai Liyu is held:

(1) as to 50% by Nanjing Dingchong Investment Management Consultancy Limited* (南京鼎重投資管理顧問有限公司), a company held as to 100% by Mr. Tian;

(2) as to 26.1953% by Nanjing Textile Import & Export Co., Limited* (南京紡織品進出口股份有限公司) ("**Nanjing Textile**"), a company listed on the Shanghai Stock Exchange (600250). Based on public information, Nanjing Tourism Group Co., Ltd. (南京旅遊集團有限責任公司) ("**Nanjing Tourism Group**") is the single largest shareholder of Nanjing Textile holding 33.68% equity interest of Nanjing Textile. Nanjing Tourism Group is the platform for the state-owned tourism industry built by the Nanjing Municipal Party Committee and Municipal Government;

(3) as to 20.1247% by 深圳市盈信國富實業有限公司, which is indirectly held as to over 90% by Mr. Lin Jinfeng (林勁峰) and as to less than 10% by three other individuals; and

(4) as to 3.68% by three other shareholders.

As the Target Company was established by the First Vendor, and was not acquired from a third party, there is no original acquisition cost for the equity interest of the Target Company.

Second Vendor

The Second Vendor is a company incorporated in Hong Kong with limited liability which is principally engaged in investment holding. It is indirectly held as to 100% by Mr. Chen Huaijun, a PRC citizen. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Second Vendor and its ultimate beneficial owner are independent of, and not connected with, the Company and its connected persons save for being a Shareholder holding Shares representing approximately 7.42% of the issued share capital of the Company.

Target Company

The Target Company is a company established in the PRC with limited liability and is principally engaged in the management and operation of apartment lease. As at the Latest Practicable Date, the Target Company is held as to 99% by the First Vendor and as to 1% by the Second Vendor. Further information on the Target Company is set out in the section headed "Information on the Target Group" above.

Shanghai Landsea Apartment

Shanghai Landsea Apartment is principally engaged in the investment and operation of apartment long-term lease. It is wholly-owned by Shanghai Liyu. The shareholding structure of Shanghai Liyu is set out in the paragraph headed "First Vendor" above.

EGM

Under Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in a proposed transaction must abstain from voting at the relevant general meeting on the relevant resolution(s).

As each of the First Vendor and Shanghai Landsea Apartment is ultimately owned as to 50% by Mr. Tian, a non-executive Director and the controlling shareholder of the Company, Mr. Tian is considered to have a material interest in the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder. Therefore, Mr. Tian and his associates will abstain from voting in respect of the resolution(s) relating to the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder at the EGM.

As set out in the section headed "Information on the Parties to the Equity Transfer Agreement" above, Mr. Lin Jinfeng (林勁峰) and Nanjing Tourism Group are two of the indirect shareholders of the First Vendor, and Mr. Chen Huaijun is the ultimate beneficial owner of the Second Vendor. Mr. Lin Jinfeng (林勁峰), Nanjing Tourism Group, Mr. Chen Huaijun and their respective associates will abstain from voting in respect of the resolution(s) relating to the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder at the EGM.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, save for the foregoing, none of the other Shareholders will be required to abstain from voting on the resolution(s) to be passed at the EGM.

A notice convening the EGM to be held at Landsea Green Center, Building 5, Lane 280, Linhong Road, Changning District, Shanghai, China at 10:00 a.m. on 20 March 2023 is set out on pages EGM-1 to EGM-2 of this circular. Shareholders are advised to read the notice and complete and return the form of proxy for use at the EGM enclosed with this circular in accordance with the instructions printed thereon.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

RECOMMENDATION

As each of the First Vendor and Shanghai Landsea Apartment is ultimately owned as to 50% by Mr. Tian, the chairman of the Board and a non-executive Director, Mr. Tian is considered to have a material interest in the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder. Mr. Tian has abstained from voting on the Board resolutions in relation to the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder.

Taking into consideration of the reasons set out in the paragraphs headed ''Reasons for and benefits of the Acquisition'', ''Reasons for the Disposal'' and ''Reasons for and Benefits of the Operation and Management Framework Agreement'' in this circular, the Directors (other than Mr. Tian who has abstained from voting but including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser) are of the view that the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and the terms are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (other than Mr. Tian who has abstained from voting but including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 41 to 42 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 43 to 85 of this circular and the information set out in the appendices of this circular.

By Order of the Board
Landsea Green Life Service Company Limited
Tian Ming
Non-executive Director and Chairman of the Board

Landsea Green Life Service Company Limited
朗詩綠色生活服務有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock code: 1965)

3 March 2023

To the Independent Shareholders

Dear Sirs or Madams,

DISCLOSEABLE ABD CONNECTED TRANSACTION
CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular (the "**Circular**") dated 3 March 2023 issued by the Company of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless specified otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in relation to the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder. Opus Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board set out on pages 6 to 40 of the Circular; (ii) the letter from Opus Capital as set out on pages 43 to 85 of the Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by Opus Capital in arriving at its recommendation; and (iii) the additional information as set out in the appendices to the Circular.

After taking into account the factors and reasons considered by Opus Capital and its conclusion and advice, we concur with its views and consider that the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, and the terms are fair and reasonable so far as the Company and the Shareholders are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee
Ms. Lu Mei **Dr. Chen Kevin Chien-wen** **Ms. Katherine Rong Xin**
Independent non-executive Directors

Set out below is the text of a letter from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

Opus Capital Limited
創富融資有限公司

18th Floor, Fung House
19–20 Connaught Road Central
Central, Hong Kong

3 March 2023

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder and the Disposal, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 3 March 2023 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Equity Transfer Agreement

On 16 December 2022, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors and the Target Company entered into the Original Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to sell, the entire equity interests in the Target Company at a consideration of RMB201,700,000. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

On 24 February 2023, the Purchaser, the Vendors and the Target Company entered into the Supplemental Agreement in relation to the Disposal and certain amendments to the payment arrangements in relation to the Acquisition. Details of the Disposal are set out in the section headed "THE DISPOSAL" below.

The Operation and Management Framework Agreement

On 16 December 2022, the Target Company (for itself and on behalf of the other members of the Target Group) and Shanghai Landsea Apartment (for itself and on behalf of the other members of the Shanghai Landsea Apartment Group) entered into the Operation and Management Framework Agreement, pursuant to which the members of the Target Group will provide the members of the Shanghai Landsea Apartment Group with apartment long- term lease operation and management services.

LISTING RULES IMPLICATIONS

The Equity Transfer Agreement

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 5% and all of such ratios are less than 25%, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Mr. Tian is a non-executive Director and the controlling shareholder of the Company and thus a connected person of the Company. The First Vendor is ultimately owned as to 50% by Mr. Tian. Accordingly, the First Vendor is an associate of Mr. Tian and thus a connected person of the Company. Therefore, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and are also subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Disposal

In respect of the Disposal, as the highest applicable percentage ratio in respect of the Disposal is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Mr. Tian is a non-executive Director and the controlling shareholder of the Company and thus a connected person of the Company. The First Vendor is ultimately owned as to 50% by Mr. Tian. Accordingly, the First Vendor is an associate of Mr. Tian and thus a connected person of the Company. Therefore, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is also subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Operation and Management Framework Agreement

As at the Latest Practicable Date, Mr. Tian is a non-executive Director and the controlling shareholder of the Company and thus a connected person of the Company. Shanghai Landsea Apartment is ultimately owned as to 50% by Mr. Tian. Accordingly, Shanghai Landsea Apartment is an associate of Mr. Tian and thus a connected person of the Company.

Therefore, upon Completion, the Operation and Management Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (other than the profit ratio) in respect of the proposed caps under the Operation and Management Framework Agreement is more than 5% and the highest amount of them is greater than HK$10,000,000, the Operation and Management Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the First Vendor and Shanghai Landsea Apartment is ultimately owned as to 50% by Mr. Tian, a non-executive Director and the controlling shareholder of the Company, Mr. Tian is considered to have a material interest in the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder. Therefore, Mr. Tian and his associates will abstain from voting in respect of the resolution(s) relating to the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, Mr. Lin Jinfeng (林勁峰) and Nanjing Tourism Group are two of the indirect shareholders of the First Vendor, and Mr. Chen Huaijun is the ultimate beneficial owner of the Second Vendor. Mr. Lin Jinfeng (林勁峰), Nanjing Tourism Group, Mr. Chen Huaijun and their respective associates will abstain from voting in respect of the resolution(s) relating to the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder at the EGM.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, save for the foregoing, none of the other Shareholders will be required to abstain from voting on the resolution(s) to be passed at the EGM.

The EGM will be convened for the purpose of considering and, if thought fit, approving, among others, the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated there under where Mr. Tian and his associates and any other Shareholders who have a material interest in such transactions shall abstain from voting on the resolutions approving the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprises Ms. Lu Mei, Dr. Chen Kevin Chien-wen and Ms. Katherine Rong Xin, being all the independent non-executive Directors, has been formed to consider whether the terms of the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders in respect of the voting on the relevant resolutions to be proposed at the EGM to approve Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder and the Disposal. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company on a major transaction and certain continuing connected transactions (the "**Past Appointment**"), details of which are set out in the circular of the Company dated 15 December 2021. The relevant transactions under the Past Appointment are independent of the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Company, the Purchaser, the Vendors, the Target Company, Shanghai Landsea Apartment, or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the Past Appointment, we have not: (i) acted as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fees paid or payable (as the case may be) to us in connection with the Past Appointment and this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Vendors, the Target Company, Shanghai Landsea Apartment, or other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

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

(i) the Company's annual report for the year ended 31 December ("**FY**", which is also applicable to the year ending 31 December) 2021 (the "**2021 Annual Report**");

(ii) the Company's interim report for the six months ended 30 June ("**1H**") 2022 (the "**2022 Interim Report**");

(iii) the valuation report (the "**Valuation Report**") issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Independent Valuer**") in respect of the valuation of the 100% equity interest in the Target Company as at 30 November 2022 (the "**Valuation**") as set out in Appendix I to the Circular together with the relevant valuation workings (the "**Valuation Workings**");

(iv) the Equity Transfer Agreement;

(v) the Operation and Management Framework Agreement;

(vi) the Supplemental Agreement; and

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

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

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

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

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE ACQUISITION AND THE DISPOSAL

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken into consideration, inter alia, the following principal factors and reasons:

1. Information on the Group

The Company was listed on the Main Board of the Stock Exchange on 8 July 2021. The Group is a growing life service provider well-established in the Yangtze River Delta that provides diversified types of property management services and value-added services. It is principally engaged in the provision of property management services, community value-added services and value added services to non-property owners in the PRC.

For property management services, the Group provides property developers, property owners and residents with a range of property management services, primarily including security, cleaning, gardening and landscaping, car parking management, and daily repair and maintenance services. For community value-added services, the Group offers a wide range of community value-added services in its residential properties under management to cater for the evolving needs of its customers and improve their quality of life. The services primarily consist of: (i) home-living services such as house cleaning, home repair and maintenance services; (ii) public resource management services, which primarily include public spaces leasing and advertising activities; and (iii) property agency services for properties which relate to the sales and leases of properties, car parking spaces and use rights of the car parking spaces. For value-added services to non-property owners, the Group offers value-added services to non-property owners for property developers to address their various needs on property management, including (i) sales assistance services, which mainly include visitors reception, onsite cleaning, security, repair and maintenance services to assist property developers in showcasing and marketing their properties at the pre-sale stage; (ii) consultancy services and other pre-delivery services such as cleaning, inspection, repair and maintenance services at the pre-delivery stage and a little of repair and maintenance services after delivery; and (iii) property agency services provided for sales and leases of properties to property developers.

The following tables summarise the consolidated financial information of the Group for FY2020, FY2021, 1H2021 and 1H2022 as extracted from the 2021 Annual Report and the 2022 Interim Report:

Table 1: Summarised financial results of the Group

	1H2022 *(RMB'000)* *(Unaudited)*	**1H2021** *(RMB'000)* *(Unaudited)*	**FY2021** *(RMB'000)* *(Audited)*	**FY2020** *(RMB'000)* *(Audited)*
Revenue	418,228	323,100	737,218	600,906
Gross profit	105,207	76,432	186,073	160,730
Gross profit margin (%)	*25.1*	*23.7*	*25.2*	*26.7*
Profit attributable to the Shareholders for the period/year	22,553	14,441	58,331	65,560

Sources: the 2021 Annual Report and the 2022 Interim Report

FY2021

The Group's revenue increased by approximately 22.7% from approximately RMB600.9 million for FY2020 to approximately RMB737.2 million for FY2021 due to: (i) the increase in number of projects and gross floor area ("**GFA**") under the management of the Group, resulting in another increase in revenue from property management services; (ii) the gradual scope expansion of community value-added services provided by the Group as a result of the Group's continuous business development; and (iii) the expansion of value-added service scope to non-property owners. As of 31 December 2021, the Group's property management services covered 26 cities, with a total GFA under management of 23.45 million square meters ("**sq.m.**"), a total contracted GFA of 31.97 million sq.m. and more than 150,000 households served.

The increase in the revenue was partially offset by the increase in cost of sales and services which led to the Group's gross profit increased by approximately 15.8% from approximately RMB160.7 million for FY2020 to approximately RMB186.1 million for FY2021. The gross profit margin slightly decreased from approximately 26.7% for FY2020 to approximately 25.2% for FY2021 which was primarily due to: (i) the increase in cost of quality improvement for the Group's projects to enhance its brand image; and (ii) the reduction in or exemption of payment of social insurance contributions for the employees due to the pandemic in 2020, while there was no such preferential policy in 2021. For FY2021, the profit attributable to the Shareholders was approximately RMB58.3 million, representing a decrease of approximately 11.1% as compared with approximately RMB65.6 million in the corresponding period in 2020 which was mainly due to the increase in administrative expenses which increased by approximately 47.1% from approximately RMB65.4

million for FY2020 to approximately RMB96.2 million for FY2021, primarily due to the increase in listing expenses and the continuous expansion of the Group's business.

1H2022

The Group's revenue increased by approximately 29.4% from approximately RMB323.1 million for 1H2021 to approximately RMB418.2 million for 1H2022. Such increase was mainly due to: (i) the increase in number of projects and GFA under management of the Group, resulting in an increase in revenue from property management services; (ii) the expansion of scope of community value-added services provided by the Group as a result of the Group's continuous business development; and (iii) the expansion of value-added service scope to non-property owners. As of 30 June 2022, the Group had expanded its property management services to 35 cities with a total GFA under management of 27.63 million sq.m. and a total contracted GFA of 36.49 million sq.m., serving over 230,000 households.

While the revenue of the Groups increased by almost 30% during 1H2022, the cost of sales and services increased by approximately 26.7% during 1H2022 which led to the Group's gross profit increased by approximately 38.2% from approximately RMB76.4 million for 1H2021 to approximately RMB105.2 million for 1H2022 due to the increase in revenue. The gross profit margin increased from approximately 23.7% for 1H2021 to approximately 25.1% for 1H2022, which remained relatively steady. During 1H2022, the profit attributable to the Shareholders was approximately RMB22.6 million, representing a significant increase of approximately 56.9% as compared with approximately RMB14.4 million in the corresponding period in 2021 which was mainly due to the increase in gross profit as mentioned above after partially offset by the increase of approximately RMB15.6 million in impairment losses under expected credit loss model.

As at 30 June 2022, the total assets of the Group amounted to approximately RMB963.8 million, representing an increase of approximately 13.7% or RMB115.8 million as compared to that as at 31 December 2021. The increase in total assets was mainly due to, among others, an increase in the goodwill of approximately RMB60.8 million and in increase in the intangible assets of approximately RMB45.1 million due to the acquisition of subsidiaries. As at 30 June 2022, the assets of the Group mainly comprised of, among others, trade receivables of approximately RMB365.4 million, cash and cash equivalents of approximately RMB240.4 million and prepayments and other receivables of approximately RMB195.7 million. The total liabilities of the Group were approximately RMB568.8 million as at 30 June 2022, representing an increase of approximately 17.9% or approximately RMB86.5 million as compared to approximately RMB482.3 million as at 31 December 2021. The increase in the liabilities of the Group was primarily attributable to, among others, the increase in contract liabilities of approximately RMB36.6 million and trade and other payables of approximately RMB33.6 million. The increase in the contract liabilities was attributable to the increase in property management services and the increase in trade and other payables was attributable to the increase in amounts collected on behalf of property owners.

The equity attributable to the Shareholders increased from approximately RMB361.4 million as at 31 December 2021 to approximately RMB387.4 million as at 30 June 2022. The gearing ratio (which is calculated by dividing bank and other borrowings, lease liabilities and amounts due to related parties by total equity) was approximately 0.91% as at 30 June 2022 which remained stable compared with approximately 0.57% as at 31 December 2021.

2. Information on the Target Group

As stated in the Letter from the Board, the Target Company is a company established on 2 June 2021 in the PRC with limited liability. The Target Group is engaged in the management and operation of apartment lease. The scope of business of the Target Company pursuant to its business licence* (營業執照) as extracted from the legal due diligence report of the Target Group, includes, among others, corporate management consultation, property management and apartment leasing in the PRC.

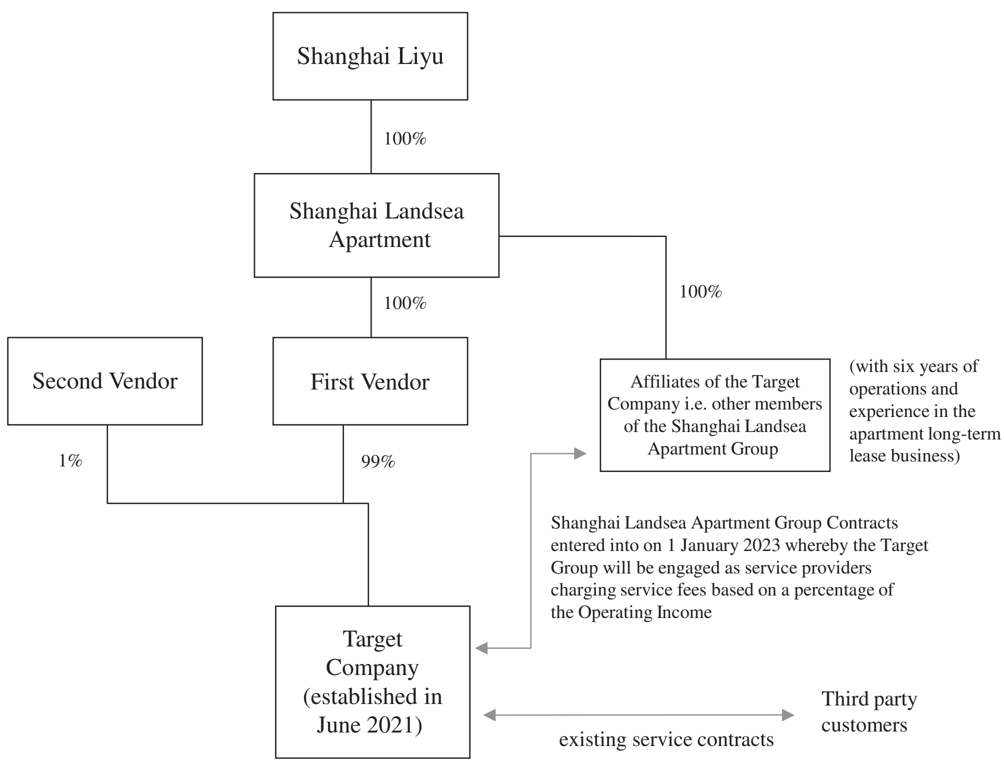
The table below sets forth a summary of certain unaudited financial information of the Target Group for the period from 2 June 2021 (being the date of establishment of the Target Company) to 31 December 2021 and FY2022 as extracted from the Letter from the Board:

	FY2022 *RMB*	**For the period from 2 June 2021 to 31 December 2021** *RMB*
Profit before taxation	2,278,900	1,546,236
Profit after taxation	1,951,338	1,498,462

The unaudited total asset and net asset value of the Target Group as at 31 December 2022 were approximately RMB13,968,210 and RMB3,449,800 respectively. As noted in the management accounts of the Target Group, as at 31 December 2022, the unaudited total assets of the Target Group mainly comprised of, among others, account receivables of approximately RMB10.8 million, intangible assets of approximately RMB1.3 million, capitalised development expenditure of approximately RMB0.9 million and cash and cash equivalents of approximately RMB0.7 million. The unaudited total liabilities of the Group were approximately RMB10.5 million as at 31 December 2022 which mainly comprised of, among others, other payables of approximately RMB6.2 million and account payables of approximately RMB2.3 million. It is further noted that the Target Group did not have any borrowings and non-current liabilities as at 31 December 2022.

As stated in the Letter from the Board, although the Target Company was established on 2 June 2021, the apartment long-term lease entrusted operation and management business under the brand of "Landsea Apartment" has already been operating for six years under the affiliates of the Target Company i.e. other members of the Shanghai Landsea Apartment Group (please see the chart below). As a business strategy, it was decided that the business would be conducted through one integrated platform i.e. through the Target Company. Therefore, the Target Company is the designated integrated platform currently holding the apartment long-term lease entrusted operation and management business which has already been operating for six years.

The chart below illustrates the business strategy:



To further elaborate, through the last six years of development, mature apartment long-term lease service capabilities have been nurtured by the Shanghai Landsea Apartment Group. In the running of such apartment long-term lease business, the income of the Shanghai Landsea Apartment Group was all the income generated from the operation and management of the subject premises, including but not limited to apartment accommodation fees and service fees charged to customers, shop rents and property management fees, parking space rent, advertising sign rent, government subsidies issued for the premises and other related income, but excluding water, electricity and other utility expenses and other income not directly related to the operation and management of the subject premises (the "**Operating Income**").

The Target Company was established in 2021 to be the specialized vehicle to continue the operation of the apartment long-term lease platform which has been built over the last six years.

The following steps were taken for the Target Company to undertake the apartment long-term lease business:

(i) in terms of contracts:

(a) service contracts were entered into by the Target Company with third party customers (i.e. the contracts listed under the paragraph headed "(1) Existing contracts already signed by the Target Group" in the Letter from the Board), and

(b) the Shanghai Landsea Apartment Group Contracts were entered into by the Target Company with the other members of the Shanghai Landsea Apartment Group (i.e. the contracts listed under the paragraph headed "(2) The Shanghai Landsea Apartment Group Contracts" in the Letter from the Board), whereby the Target Company would be charging service fees based on a certain percentage of the Operating Income from the services to be provided by the Target Group to the members of the Shanghai Landsea Apartment Group. Such contracts were not required to be in place before;

(ii) in terms of management team, the management team employed by the other members of the Shanghai Landsea Apartment Group has been transferred to the Target Group; and

(iii) in terms of brand and specialized systems for the management and operation of the apartment long-term lease business, the Shanghai Landsea Apartment Group has authorised the Target Group to use the brand and specialized systems needed for the management and operation of the apartment long-term lease business without fees and for a period from 1 January 2023 to 31 December 2034.

The integrated platform of the Target Group has served projects located in various cities in the PRC including Shanghai, Hangzhou, Suzhou, Chengdu, Xi'an, Guangzhou, Wuxi, Beijing, Shenzhen, Hefei, Chongqing, Ningbo and Nanjing.

For the details of the track record of the business run by the Shanghai Landsea Apartment Group (including the Target Group) in terms of the number of projects, the size (in terms of the number of rooms managed) and the number of employees involved in the last six years as well as the service scope for the Target Group's projects, please refer to the Letter from the Board.

The business model of the Target Group is as follows:

(i) Members of the Target Group enter into the individual operation and management agreements with members of the Shanghai Landsea Apartment Group as well as independent third parties (collectively, the "**Entrusting Parties**").

(ii) The Entrusting Parties own or lease relevant apartments and typically bear the costs of developing the apartments, including rentals, expenses related to construction and renovation and regular maintenance and repair costs, whereas members of the Target Group typically provide the Services without bearing any loss incurred or sharing any profit realised by the Entrusting Parties.

(iii) In return, members of the Target Group are entitled to a service fee which is typically determined based on a certain percentage of total rental and other income earned by the Entrusting Parties from the users of the relevant apartments.

Where the apartments are owned by third parties and leased by the Shanghai Landsea Apartment Group, the Company has assessed the business risks in connection with the business model of the Target Group and is of the view that, based on the information provided by Shanghai Landsea Apartment Group, the risk of the Shanghai Landsea Apartment Group Contracts being adversely affected by the termination of the lease agreements between Shanghai Landsea Apartment Group and the third party landlords would be manageable, taking into account the following:

(i) generally, the lease contracts cannot be easily terminated. If there is any unlawful termination of the leases by the landlords, the landlords would need to bear penalty under the contracts;

(ii) the apartment operation and management business of the Shanghai Landsea Apartment Group has already been operating for around six years and there has been no past record of the lease contracts between the Shanghai Landsea Apartment Group and the landlords being terminated pre-maturely by the landlords, indicating such business model is viable and sustainable;

(iii) under normal circumstances, the landlords would not terminate the leases unless the relevant lessee cannot pay the rent. Based on the information available to the Company, Shanghai Landsea Apartment Group has had a good past record for its rental payments. The relevant unaudited financial information of the Shanghai Landsea Apartment Group available to the Company for the last two years, which demonstrates Shanghai Landsea Apartment Group's financial capability, is as shown above. The Shanghai Landsea Apartment Group has maintained positive EBITDA for FY2021 and FY2022, demonstrating the financial strength of the Shanghai Landsea Apartment Group. Based on the historical financial performance, it is expected that there will be a stable source of cash flow for the Shanghai Landsea Apartment Group, and that the risk of Shanghai Landsea Apartment Group failing to pay rent thereby resulting in the termination of the lease agreements between Shanghai Landsea Apartment Group and the third party landlords would be low; and

(iv) it is not uncommon for the property management companies in the property management sector in the PRC to enter into property management agreements with clients who lease relevant properties from the landlords.

Furthermore, we note that the Company disclosed two reasons in the Letter from the Board that the property landlords generally would not directly enter into service contracts with the Group: (i) for property landlords which would only like to earn rental income by leasing their properties without bearing any subsequent development and management and operational costs, they would not enter into service contracts with the Group as they do not require the Group's services; and (ii) even for property landlords (or those who lease properties from the landlords) which require management services for apartment long-term leases, they would appoint service providers with the relevant qualifications and experience in the apartment long-term lease sector, which is a specialized field in property management. The Target Group is equipped with such qualifications and experience (as detailed in point 2 below), but not the Group.

Based on the above, we consider the current business model of the Target Group entering into of the service contracts with Shanghai Landsea Apartment Group instead of directly with the individual property landlords to be in the interests of the Company and the Shareholders as a whole.

For details of (i) the track record of the apartment long-term lease business in terms of the number of projects, the size (in terms of the number of rooms managed) and the number of employees involved in the last six years; (ii) the service scope for the Target Group's projects; (iii) the existing contracts already signed by the Target Group (the "**Existing Contracts**"); and (iv) the Shanghai Landsea Apartment Group Contracts, please refer to section headed "Information on the Target Group" in the Letter from the Board.

3. Information on the Parties to the Equity Transfer Agreement

Purchaser

The Purchaser is a company established in the PRC with limited liability and is principally engaged in investment holding. The Purchaser is a wholly-owned subsidiary of the Company. The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in PRC.

Target Company

The Target Company is a company established in the PRC with limited liability and is principally engaged in the management and operation of apartment lease. As at the Latest Practicable Date, the Target Company is held as to 99% by the First Vendor and as to 1% by the Second Vendor.

First Vendor

The First Vendor is a company established in the PRC which is principally engaged in investment holding. It is indirectly wholly-owned by Shanghai Landsea Apartment, which is in turn indirectly wholly-owned by Shanghai Liyu. Shanghai Liyu is held:

(i) as to 50% by Nanjing Dingchong Investment Management Consultancy Limited* (南京鼎重投資管理顧問有限公司), a company held as to 100% by Mr. Tian;

(ii) as to 26.1953% by Nanjing Textile Import & Export Co., Limited* (南京紡織品進出口股份有限公司) ("**Nanjing Textile**"), a company listed on the Shanghai Stock Exchange (600250). Based on public information, Nanjing Tourism Group Co., Ltd. (南京旅遊集團有限責任公司) ("**Nanjing Tourism Group**") is the single largest shareholder of Nanjing Textile holding 33.68% equity interest of Nanjing Textile. Nanjing Tourism Group is the platform for the state-owned tourism industry built by the Nanjing Municipal Party Committee and Municipal Government;

(iii) as to 20.1247% by 深圳市盈信國富實業有限公司, which is indirectly held as to over 90% by Mr. Lin Jinfeng (林勁峰) and as to less than 10% by three other individuals; and

(iv) as to 3.68% by three other shareholders.

As the Target Company was established by the First Vendor, and was not acquired from a third party, there is no original acquisition cost for the equity interest of the Target Company.

Second Vendor

The Second Vendor is a company incorporated in Hong Kong with limited liability which is principally engaged in investment holding. It is indirectly held as to 100% by Mr. Chen Huaijun, a PRC citizen. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Second Vendor and its ultimate beneficial owner are independent of, and not connected with, the Company and its connected persons save for being a Shareholder holding Shares representing approximately 7.42% of the issued share capital of the Company.

Shanghai Liansheng

As stated in the Letter from the Board, Shanghai Liansheng is a company established on 29 June 2022 in the PRC with limited liability. As at the Latest Practicable Date, Shanghai Liansheng is a wholly-owned subsidiary of the Purchaser which is in turn an indirect wholly-owned subsidiary of the Company. Immediately before completion of the Disposal, it is expected that other than cash and cash equivalent of RMB197,000,000, Shanghai Liansheng has no other assets and liabilities.

As at the Latest Practicable Date, Shanghai Liansheng has not commenced any business and recorded no revenue nor profit or loss. The scope of business of Shanghai Liansheng includes water conservancy consulting services, environmental protection consulting services, new materials technology promotion services, soil pollution prevention and control services, and technical consultation services on resource recycling.

As Shanghai Liansheng was established by the Purchaser, and was not acquired from a third party, there is no original acquisition cost for the equity interest of Shanghai Liansheng to the Group.

4. Reasons for and Benefits of the Acquisition

Background to the Acquisition

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

As stated in the section headed "2. Information on the Target Group" above, the Target Company has been developing the apartment long-term lease market for many years in more than a dozen first-tier and strong second-tier cities. Over the years, the Target Company has accumulated rich experience in the operation and management of apartment long-term leases, established the high-quality apartment long-term lease brand of "Landsea Apartment" and nurtured the asset-light apartment long-term lease entrusted operation and management business model. The apartment lease management and operation business of the Target Group has somewhat similar nature with the property management business of the Group.

Through the Acquisition, the Group will acquire the apartment long-term lease entrusted operation and management business under the brand of "Landsea Apartment" and the cultivated core capabilities of the operation and management of apartment long-term leases will be injected directly into the Group, thereby expanding the businesses and service boundaries of the Group, enriching the Group's businesses and adding new revenue and profit growth points, which are in the interests of the Company and its Shareholders as a whole. Such Landsea Apartment brand, which is popular among the apartment long-term lease market across many different cities in the PRC, is not currently under the Group.

Through the acquisition of business of the Target Group which provides services to, among others, the Shanghai Landsea Apartment Group with the prestigious "Landsea Apartment" brand which had attained a number of industry awards nationwide, the clientele and business profile of the Group as a property management company can be further strengthened and diversified. As a service provider, the profile of the clients is very important in terms of marketing and building market presence for the service provider. Upon Completion, the Group would be able to, through the Target Group, benefit from and leverage on the brand influence of "Landsea Apartment" in the PRC, which would in turn assist the Group in acquiring more quality customers and expanding market share in future. Therefore, through the acquisition of the business under the "Landsea Apartment" brand, the Company will be able to consolidate its market position in the property management business benefiting from the "Landsea Apartment" brand.

Independent Shareholders' attention is also drawn to the sub-section headed "Reasons for and Benefits of the Acquisition" under the section headed "The Equity Transfer Agreement", where the Company highlighted (1) the business dynamics in the apartment long-term lease sector; (2) the qualifications and experience of the Target Group; (3) the synergy effects between the business of the Target Group and the business of the Group; and (4) the industry outlook for the apartment long-term lease sector to be the key benefits of the Acquisition.

We noted from the 2022 Interim Report that, as of 30 June 2022, the property management services provided by the Group covered 35 cities, including 26 cities in the Yangtze River Delta and 9 other cities in the PRC. After referring to the "Outline of the Yangtze River Delta Regional Integration Development Plan*" (長江三角洲域整體化發展規劃綱要) published by the government of the PRC dated 1 December 2019 for the list of cities within the Yangtze River Delta, we noted that some cities where the Target Company is currently operating in such as Chengdu as mentioned in the Letter from the Board are not within the Yangtze River Delta. As such, the Acquisition is considered to facilitate the Group to expand the businesses and service boundaries by quickly gaining presence in cities where the Group currently does not have operation which is also in line with the acquisition strategy of the Company as disclosed in tin the prospectus of the Company dated 25 June 2021 (the "**Prospectus**") of planning to prioritise in assessing the possibility of acquisitions of property management companies located in the Yangtze River Delta, cities located in South China and Southwest China. After the Group expands the operation by establishing the presence in new cities, it will raise the brand awareness of the Group as the Target Company has already established the high-quality apartment long-term lease brand of "Landsea Apartment" and enable the Group to consolidate its market position in the property management business benefiting from the "Landsea Apartment" brand. It will also enable the Group to expand its business boundary and develop new income stream by providing property management services, community value-added services and/or value added services to non-property owners along with the provision of property management and apartment leasing services through the Target Group.

After considering the above, we consider that the Acquisition is in the interests of the Company and its Shareholders as a whole.

5. Reasons for the Disposal

Shanghai Liansheng is a company established on 29 June 2022 in the PRC and it has not commenced any business. In order to streamline its group structure, the Company decided to dispose of Shanghai Liansheng. To facilitate the payment of the Consideration to the First Vendor, under the Supplemental Agreement, subject to satisfaction of the conditions to completion of the Disposal, the parties agreed that the consideration payable for the Disposal will set off in part the Consideration on a dollar-for-dollar basis. No proceeds will be received by the Group as a result of the Disposal.

Based on the above, the Directors (other than Mr. Tian who has abstained from voting but including the independent non-executive Directors who have taken into account our advice) are of the view that the terms of the Original Equity Transfer Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. To the best of the Director's knowledge, information and belief, the transactions contemplated under the Supplemental Agreement did not violate the applicable laws in the PRC.

As the First Vendor is ultimately owned as to 50% by Mr. Tian, the chairman of the Board and a non-executive Director, Mr. Tian is considered to have a material interest in the Supplemental Agreement and the transactions contemplated thereunder (inter alia the Disposal). Mr. Tian has abstained from voting on the resolution in relation to the Supplemental Agreement and the transactions contemplated thereunder (inter alia the Disposal). Save as disclosed above, none of the Directors has a material interest in the Supplemental Agreement and the transactions contemplated thereunder (inter alia the Disposal).

It is noted from the Letter from the Board that the Consideration shall be settled by the Purchaser to the Vendors partly by the Set Off and partly by cash in the amount of RMB4,700,000. We noted that the Set Off is on a dollar-to-dollar basis as the set off of a part of the Consideration in an amount equal to RMB197,000,000 is equivalent to consideration for the Disposal and is equivalent to the unaudited net asset value of Shanghai Liansheng of RMB197,000,000 as at the Payment Date. As such, the form of settlement of the Consideration has no adverse impact to the Purchaser. Further, as stated in the Letter from the Board, Shanghai Liansheng has not commenced its business since its establishment. The Set Off will facilitate the streamline of the group structure of the Group. In view of the above, we consider that the Disposal in the interests of the Company and its Shareholders as a whole.

Industry outlook

According to Frost & Sullivan ("**F&S**"), an independent global business consulting firm, China's rental apartment market has grown remarkably in the last few years. The size of the rental apartment market in China increased from approximately RMB1.2 trillion in 2017 to approximately RMB1.8 trillion in 2021 and is expected to further increase to RMB2.7 trillion by 2026, which will be primarily driven by high home ownership costs, the delay of marriage among younger generations, the increase in China's urbanisation rate and urban population, notably the influx of young people into Chinese cities.

Significant market potential awaits China's rental apartment market as it is currently a very scattered market with a large number of noninstitutionalised rental apartments in operation. According to F&S, the penetration rate of institutionalised rental apartments was only approximately 7.4% in China in 2021, which was far lower compared to that in the developed world. In particular, the penetration rates of institutionalised rental apartments in the United Kingdom and the United States were approximately 42.0% and 30.0% respectively, in 2021. With the further development of China's rental apartment market, the penetration rate of institutionalised rental apartments in China is expected to increase to approximately 9.4% in 2026 and significant headroom to develop is available even until then. As predicted by F&S, while the size of the total rental apartment market in China is expected to grow at a compound annual growth rate ("**CAGR**") of approximately 8.4% from 2021 to 2026, the market size of institutionalised rental apartments is expected to increase at a higher CAGR of approximately 13.7% for the same period.

The above industry outlook point to a favourable outlook for the industry and the Target Company which, in the context of the Acquisition, suggest that the decision taken by the management of the Group can be viewed in a positive light.

6. Principal terms of the Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement in relation to the Acquisition (having taken into account the amendments under the Supplemental Agreement) are set out below:

Subject matter

Pursuant to the Equity Transfer Agreement, the Purchaser agreed to acquire, and the First Vendor agreed to sell, 99% equity interests in the Target Company, and the Purchaser agreed to acquire, and the Second Vendor agreed to sell, 1% equity interests in the Target Company. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Company.

Consideration

The Consideration is RMB201,700,000, of which RMB199,683,000 is payable to the First Vendor, and RMB2,017,000 is payable to the Second Vendor.

The Consideration shall be settled by the Purchaser to the Vendors partly by the Set Off and partly by cash in the amount of RMB4,700,000, the cash portion of which is intended to be funded by the portion of the net proceeds received by the Company from its initial public offering on the Stock Exchange on 8 July 2021 and the exercise of the over-allotment option which had been allocated for the purpose of strategic acquisitions and investments and working capital. As disclosed in the Prospectus, the Company planned to prioritise in assessing the possibility of acquisitions of property management companies located in the Yangtze River Delta, cities located in South China and Southwest China. The Target Company has presence in more than a dozen first-tier and strong second-tier cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou and Chengdu. The location of the business of the Target Company is therefore in line with the aforesaid acquisition strategy of the Company. In addition, as set out in the Prospectus, the Company planned to target property management companies that will create synergies with the Company's business, for instance, property management companies which provide services to both residential and non-residential properties. As further explained in the section headed "Reasons for and Benefits of the Acquisition" in the Letter from the Board, through the Acquisition, the Group will acquire the apartment long-term lease entrusted operation and management business under the brand of "Landsea Apartment", thereby expanding the businesses and service boundaries of the Group. The Acquisition is therefore in line with the aforesaid business plan, strategy and direction of the Group as set out in the Prospectus.

The Consideration was determined on the basis of normal commercial terms and after arm's length negotiations among the parties to the Equity Transfer Agreement, with reference to the preliminary Valuation of the Target Company of approximately RMB201,700,000 prepared by the Independent Valuer, as at 30 November 2022 using the market approach. The Valuation has been determined based on the 2023 Guaranteed Profit (details of which are set out in the section headed "Undertaking by the First Vendor on the 2023 Guaranteed Profit" below) times the 2023 Forward P/E Multiple (as defined below) of 7.08 times, adjusted for discount for lack of marketability and control premium, details of which are set out in the Valuation Report set out in Appendix I to the Circular.

Conditions precedent to Completion

The conditions precedent to Completion under the Equity Transfer Agreement (having taken into account the amendments under the Supplemental Agreement) are as follows:

(i) the Purchaser having completed the business, financial and legal due diligence of the Target Group Companies and being satisfied with the results of the due diligence;

(ii) the shareholders of the Target Company having passed resolution to approve the following matters:

(a) the transactions contemplated under the Equity Transfer Agreement; and

(b) the execution and performance by the Target Company of the Equity Transfer Agreement, the amendments to the articles of association of the Target Company and other necessary transaction documents;

(iii) the Vendors having agreed in writing to waive the exercise of the pre-emptive right in respect of the transactions contemplated under the Equity Transfer Agreement;

(iv) the Equity Transfer Agreement having been executed by all parties thereto and the original or scanned copies of which have been delivered to the Purchaser;

(v) the representations and warranties made by the Vendors and the Target Company under the Equity Transfer Agreement being true, accurate and complete, and neither the Vendors nor the Target Company having breached the Equity Transfer Agreement;

(vi) the Independent Shareholders having passed resolution at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder; and

(vii) the Vendors and the Target Company having completed the registration of the changes contemplated under the Equity Transfer Agreement with the competent authority for industry and commerce, including the transfer of equity interests in the Target Company and the change of the directors, supervisor and general manager of the Target Company.

The condition precedent set out in paragraph (vi) above cannot be waived. The Purchaser may waive the other conditions precedent. If any of the conditions precedent set out above cannot be satisfied or waived (as applicable) on or before the Long Stop Date, the Equity Transfer Agreement shall automatically terminate.

Completion

Completion shall take place on the date falling on the fifth business day after the above conditions are satisfied or waived by the Purchaser or on such other date as may be agreed by the parties (i.e. the Completion Date).

Payment

On a date (the "**Payment Date**") within 15 business days of the Completion Date, the Purchaser shall settle the Consideration as follows:

(i) as to RMB199,683,000 payable to the First Vendor to be settled by way of:

(a) the Set Off; and

(b) payment to the First Vendor of an amount equal to RMB2,683,000 in cash;

(ii) as to RMB2,017,000 to be paid to the Second Vendor in cash.

Deposit

Pursuant to the Original Equity Transfer Agreement, the Purchaser has paid a deposit in the amount of RMB30,000,000 (the "**Deposit**") to the First Vendor.

Pursuant to the Supplemental Agreement, the First Vendor shall return the Deposit to the Purchaser within 10 business days of the date of the Supplemental Agreement. We note that such arrangement is aimed at reversing the Deposit so as to facilitate the Set Off in the amount of RMB197,000,000 in full.

Undertaking by the First Vendor on the 2023 Guaranteed Profit

The First Vendor undertakes to the Purchaser that the audited net profit after tax of the Target Company in 2023 after deducting non-recurring profits and losses shall not be less than RMB26,600,000 (the "**2023 Guaranteed Profit**"), according to the Hong Kong Financial Reporting Standards.

The 2023 Guaranteed Profit was determined by the First Vendor and the Company after arm's length negotiation with reference to the current operation status of the existing projects as well as the expected growth of the business undertaken by the Target Group taking into consideration (i) the Existing Contracts; and (ii) the Shanghai Landsea Apartment Group Contracts. Details of such contracts are set out in the section headed "Information on the Target Group" in the Letter from the Board.

If the actual audited net profit after tax of the Target Company after deducting non-recurring profits and losses (the "**2023 Actual Profit**") in 2023 is lower than the 2023 Guaranteed Profit, the First Vendor shall pay the Purchaser a performance compensation amount calculated according to the following formula within 15 business days from the date of receipt of the notice from the Purchaser:

$$\frac{\text{(2023 Guaranteed Profit – 2023 Actual Profit)}}{\text{2023 Guaranteed Profit}} \times \text{Consideration}$$

If the performance compensation amount calculated according to the above formula is less than or equal to zero, the First Vendor shall not be required to pay any performance compensation.

The Company will publish further announcement(s) to inform the Shareholders whether the 2023 Guaranteed Profit has been met and will comply with the disclosure requirements under Rules 14.36B and 14A.63 of the Listing Rules if the actual performance fails to meet the 2023 Guaranteed Profit. The Company will also disclose whether the actual performance of Target Company meet the 2023 Guaranteed Profit in its annual report for FY2023 as required under Rules 14.36B(3) and 14A.63(3) of the Listing Rules.

Guarantee by Shanghai Landsea Apartment

In order to ensure the recoverability of the performance compensation (if any), the Group has obtained a corporate guarantee from Shanghai Landsea Apartment (the shareholder of the First Vendor) with respect to the guarantee of the performance of the obligations of the First Vendor to pay the performance compensation (if any) under the Equity Transfer Agreement.

Based on the information available to the Company, the Shanghai Landsea Apartment Group is financially healthy with unaudited financial information for the last two financial years set out in the Letter from the Board.

As an ongoing monitoring measure, the Group will implement the following with respect to the Shanghai Landsea Apartment Group:

(i) the Shanghai Landsea Apartment Group shall provide the Group with the following information on a quarterly basis for the purpose of assessing its financial capability and credit risks:

(a) the latest unaudited consolidated financial statements of the Shanghai Landsea Apartment Group; and

(b) the latest credit reports of the Shanghai Landsea Apartment Group issued by People's Bank of China (if available);

(ii) the Finance Department of the Group will from time to time perform the following:

(a) conduct financial analysis on the latest consolidated financial statement of the Shanghai Landsea Apartment Group to assess its financial capability and credibility;

(b) perform background search to identify any material adverse events and/or credit defaults in relation to the Shanghai Landsea Apartment Group; and

(c) obtain the credit reports of the Shanghai Landsea Apartment Group (if available).

Due Diligence

The due diligence work performed by the Directors on the Acquisition, including but not limited to the Target Group, the basis of the Consideration and the valuation report set out in Appendix I to the circular are as follows:

(i) reviewed the legal due diligence report on the Target Group prepared by the PRC legal advisers;

(ii) reviewed the operational records for the apartment long-term lease business and the financial statements of the Shanghai Landsea Apartment Group for FY2021 and FY2022;

(iii) scrutinized the legal and statutory documents in relation to the apartment long-term lease business and reviewed the material contracts including the Shanghai Landsea Apartment Group Contracts, the existing contracts already signed by the Target Group, the underlying lease contracts between the members of the Shanghai Landsea Apartment Group and the landlords and the license contracts between the relevant member of the Shanghai Landsea Apartment Group and the Target Company in relation to the use of the brand and the specialized systems;

(iv) reviewed the revenue forecast of the Target Group from FY2023 to FY2025 prepared by the management of the Target Group;

(v) conducted management meetings with the management of the Target Group;

(vi) conducted meetings with the Independent Valuer to discuss the basis of the valuation and the underlying bases and assumptions; and

(vii) conducted own research to assess the reasonableness and fairness of the information provided by the Target Group.

Our Analysis

To assess the revenue forecast of the Target Group, we have requested and obtained an exhaustive list of projects (the "**Project List**") provided by the Management which include, among others, the details of the Shanghai Landsea Apartment Group Contracts and Existing Contracts entered into by the Target Company with third party customers which may include information such as the expected revenue to be derived from each of the projects. We then selected from the Project List, obtained and reviewed four Shanghai Landsea Apartment Group Contracts (the "**Landsea Samples**") by giving regard to the top four highest amount of service fees payable by the Shanghai Landsea Apartment Group to the Target Group for FY2023.

After considering: (i) the Project List is confirmed to be exhaustive as at the Latest Practicable Date by the Management; and (ii) the total service fees of the Landsea Samples accounts for more than one-fifth of the total service fees of the Shanghai Landsea Apartment Group Contracts for FY2023, we consider the coverage of the Landsea Samples is sufficient. As such, we consider that the Landsea Samples are fair and representative.

We noted that all the Landsea Samples were signed. We obtain comfort in relation to the existence of the Shanghai Landsea Apartment Group Contracts by obtaining the contract of each of the Landsea Samples and noted that all of them were signed. From the review of the Landsea Samples, we noted that the service period ranges from four years to 11 years which cover a period well beyond FY2023. We then reviewed and cross-checked the expected revenue to be derived from each of the Landsea Samples against the expected revenue in the Project List for FY2023 and noted no discrepancy. As such, we consider that the information contained in the Project List, in particular the expected revenue to be derived from each project for FY2023, although on a sampled basis, provides comforts on the 2023 Guaranteed Profit. As noted under the paragraph headed "(1) Existing contracts already signed by the Target Group" under section headed "Information on the Target Group" in the Letter from the Board, we noted that all the existing contracts already signed by the Target Group cover a period well beyond FY2023. We further noted from the above that the annual service fees shall remain fixed during the contract period of each existing contracts already signed by the Target Group. As confirmed by the Management, it is anticipated that the expected revenue from the existing contracts already signed by the Target Group and the cost structure of the Target Group will remain more or less the same after FY2023 based on the current operation model of the Target Group and under normal economic environment. We are of the view that the above would provide adequate support for the Target Group to sustain its profitability beyond FY2023.

7. Assessment of the Valuation

Introduction

As stated in the Letter from the Board, the Consideration of approximately RMB201,700,000 was determined after taking into account, among others, the preliminary Valuation of approximately RMB201,700,000 prepared by the Independent Valuer as at 30 November 2022 using the market approach.

Suitability of the Independent Valuer

We have reviewed the Valuation Report and the Valuation Workings and interviewed the relevant team members of the Independent Valuer with particular attention to: (i) the terms of engagement of the Independent Valuer with the Company; (ii) the qualifications and experience of the Independent Valuer; and (iii) the steps and due diligence measures taken by the Independent Valuer in performing the Valuation. After our review of the engagement letter between the Company and the Independent Valuer, we are satisfied that the scope of work performed by the Independent Valuer is appropriate to perform the Valuation. We are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Independent Valuer. The Independent Valuer has confirmed that it is independent from the Company, the Purchaser, the Target Company and the Vendors and their respective related persons. We further understand that the Independent Valuer is certified with the relevant professional qualifications required to perform the Valuation. The person in-charge of the Business Valuation has over 20 years in conducting valuation to a wide range of clients in different industries which includes the industry of the Target Company. We also note that the Independent Valuer mainly conducted its due diligence through its own research and has relied on public information obtained through its own research as well as the financial information provided by the Management. The Independent Valuer represented that it has assumed such information to be true, complete and accurate and has accepted it without verification.

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

Valuation methodology

We understand that the common valuation approaches include cost approach, market approach and income approach. Cost approach provides an indication of value using the economic principle that a buyer will pay no more for a business entity than the cost to obtain a business entity of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. Market approach provides an indication of value by comparing the asset with identical or comparable assets for which price information is available. Income approach provides an indication of value by converting future economic benefits to a present value.

We interviewed the Independent Valuer to understand the rationale of the selection of valuation approaches. As discussed with the Independent Valuer, the Independent Valuer considers that the market approach to be the most appropriate valuation approach over the income approach and the cost approach as: (i) cost approach does not directly incorporate information about the economic benefits contributed by the Target Company; (ii) the income approach requires a discount rate that reflects the time value of money and the degree of risk associated with the Target Company, which incorporates a high degree of subjectivity. Also, detailed operational information and a long-term financial projection with objective supporting evidence are required; and (iii) the application of market approach is relatively more objective as publicly available data is used which reflects the market consensus on the pricing of similar assets. We made further enquiry to the Independent Valuer and we understand that the Independent Valuer is of the view that: (i) the cost approach is not appropriate for the Valuation after considering the economic benefits contributed and to be contributed by the Target Company; and (ii) the income approach is not appropriate after considering the need for a long-term financial projection with objective supporting evidence. In view of the above limitations of the cost approach and the income approach, we concur with the Independent Valuer that the market approach is appropriate for the Valuation.

Under market approach, we understand that guideline public company method and guideline transaction method are two common methods. We noted that the Independent Valuer adopted the guideline public company method where the Valuation was performed by comparing the Target Company with reference to comparable listed companies (the "**Comparable Companies**"). As explained by the Independent Valuer, the guideline transaction method, being another commonly adopted valuation methodology under the market approach, was not selected because there were nil acquisition/disposal transactions involving private companies engaged in business similar to that of the Target Company.

Sample selection

As part of our due diligence work done, we reviewed the Valuation Report and the Valuation Workings and held discussion with the Independent Valuer. We understand that they have exhaustively identified five Comparable Companies that: (i) derive a significant portion, if not all, of their revenues from the same industry of the Target Company, i.e. property operation and management services in the PRC (the "**Revenue Requirement**") although not exactly service apartment operations; (ii) market capitalisation of the Comparable Companies is within the range of US$10.59 million (approximately HK$0.083 billion) and US$627.80 million (approximately HK$4.90 billion), which is defined as micro-cap decile according to Duff & Phelps Cost of Capital Navigator Study (the "**Study**"); (iii) the Comparable Companies are searchable in Bloomberg and Capital IQ; (iv) the shares of the Comparable Companies are listed on the Stock Exchange and the stock exchanges in the PRC and the United States; and (v) sufficient data including the 2023 Forward P/E Multiple (as defined below) is publicly available.

We have discussed with the Independent Valuer to obtain further understanding of the appropriateness of each aforementioned selection criteria of the Comparable Companies. For details of the Comparable Companies, please refer to the Valuation Report as set out in Appendix I to the Circular. In the course of our independent assessment of the Valuation, we interviewed the Independent Valuer and noted that they selected those Comparable Companies with over 40% of the revenue generated from the provision of commercial property operation services and hotel operation services as the Revenue Requirement because these are the services provided under the Existing Contracts.

With respect to the Comparable Companies selected by the Independent Valuer, we have extracted the latest annual report of each of the Comparable Companies from the Stock Exchange and each company's website to review and cross-check their respective operating scale, business activities, products and segment revenue. We understand that each of the Comparable Companies met the aforesaid selection criteria. Further, as stated in the Letter from the Board, all the Comparable Companies are commercial property management service providers, and derive a significant portion of their revenues from the same industry of the Target Company, i.e. property operation and management services. Taking into account (i) the properties to be managed by the Group under the Operation and Management Framework Agreement are apartments which are a kind of commercial properties; and (ii) such apartments are owned by third parties and leased by the Shanghai Landsea Apartment Group, it is considered and we concur that there is a close resemblance between the client pool of the Target Group and that of the Comparable Companies. We note that although these Comparable Companies are mostly property management companies, they are the closest comparables with over 40% of the revenue generated from the provision of commercial property operation services and hotel operation services as the Revenue Requirement and there was no listed company that is solely focused on service apartment property operation services[1] which was listed on the Stock Exchange as at the Latest Practicable Date.

Based on our review of the Valuation Workings, we noted that Independent Valuer began its preliminary search of the comparable companies on Bloomberg based on the key words search criteria of "property management" and "commercial operations" to arrived at total initial sample size of 18 companies. We note that amongst these 18 companies, the Independent Valuer had excluded 12 of them mainly due to the fact that these companies are primarily focused on the provision of property management services and property operation services on residential properties and other businesses unrelated to the Revenue Requirement. To us, it makes sense and is prudent for the Independent Valuer to exclude them because their price to earnings ratios would yield an average and median of approximately 14.4 times and 9.5 times respectively.

We enquired and discussed with the Independent Valuer about the adoption of the range of the market capitalisation as we noted from the Letter from the Board that the unaudited net asset value of the Target Group as at 30 June 2022 was approximately RMB1,120,603. From our discussion with the Independent Valuer, we understand that they have taken into consideration the operating scale of the Target Company and considered that the range of market capitalisation between US$10.59 million (approximately HK$0.083 billion) and US$627.80 million (approximately HK$4.90 billion) as defined as micro-cap decile according to Duff & Phelps Cost of Capital Navigator Study, a widely adopted research for valuation, is suitable. We

[1] Cubic City Service Apartment Group Holdings Limited, being the nearest comparable company which is engaged in the centralized rental apartment model in China, had yet been listed as at the Latest Practicable Date.

noted from the website of Duff & Phelps (currently known as Kroll Inc.) that it is a leading global independent provider of risk and financial advisory solutions founded in 1932 and served clients in 140 countries across a wide range of industries and sectors. For the selected range of market capitalisation, we made an enquiry to and confirmed with the Independent Valuer that the selected range of market capitalisation is the lowest range of market capitalisation as set out in the Study. We have reviewed and noted that the market capitalisation of the Comparable Companies as at the date of the Valuation were all within the selected range of market capitalisation.

We then discussed with the Independent Valuer in relation to the stock exchange selection criterion adopted and we understand that the Independent Valuer adopted public companies as a selection criterion as the information of public companies is publicly available for the Valuation and the selection of the Stock Exchange and the stock exchanges in the PRC and the United States are perceived as the major stock exchanges for PRC companies to get their shares listed. We consider that the said criterion is considered fair and reasonable.

Based on the above, we agree with the Independent Valuer's adoption of the Revenue Requirement and we consider the Independent Valuer's adopting the Comparable Companies for the Valuation is fair and reasonable.

Choice of valuation multiples

In carrying out the Valuation, the valuation multiple adopted by the Independent Valuer was the forward price-to-earnings multiples of FY2023 (the "**2023 Forward P/E Multiples**") which is a price-to-earnings multiples (the "**P/E Multiple**") based on a forward earnings. We made enquiry to the Independent Valuer and understand that they considered the adoption of other valuation multiples. As advised by the Independent Valuer, other valuation multiples with the likes of price-to-sales multiples (the "**P/S Multiples**") and the enterprise value to earnings before interest, taxes, depreciation and amortisation multiples (the "**EV/EBITDA Multiples**") have not been chosen because they have not accounted for costs, expenses, finance costs and taxes, as applicable. Further, the Target Company has been profit-making while the P/S Multiples is commonly adopted for valuing loss-making companies. As such, it does not reflect the profit generating ability of the Target Company. The Independent Valuer did not consider the price-to-book multiples (the "**P/B Multiples**") is appropriate for the Valuation due to the asset-light operation nature of the Target Company.

We also discussed with the Independent Valuer of adopting the 2023 Forward P/E Multiples instead of the price-to-earnings multiples (the "**P/E Multiple**"). As stated in the Letter from the Board, the audited net profit after tax of the Target Company in FY2023 after deducting non-recurring profits and losses shall not be less than the 2023 Guaranteed Profit. It is also noted that the 2023 Guaranteed Profit only guarantees the profit for FY2023. As stated in the Letter from the Board, the Shanghai Landsea Apartment Group Contracts have a term of 3 to 12 years and cannot be unilaterally terminated unless under limited specified breach situations which have low likelihood of occurrence. The Shanghai Landsea Apartment Group Contracts represent a longstanding business relationship between the Target Group and Shanghai Landsea Apartment Group. Although the guaranteed profit is only in relation to 2023, the revenue deriving from the Shanghai Landsea Apartment Group Contracts will span across a long period of time and will therefore serve as a source of steady revenue for the Target Group in the foreseeable future, in the absence of unforeseen circumstances. In view of the above, we concur with the view of the Independent Valuer that the 2023 Forward P/E Multiples to be a suitable and appropriate valuation multiple for the Valuation. As advised by the Independent Valuer, the 2023 Forward P/E Multiples of the Comparable Companies are extracted from Bloomberg Terminal which is considered a reliable source of financial information. We have also cross-checked the accuracy of the 2023 Forward P/E Multiples of the Comparable Companies by conducting our independent research in Bloomberg Terminal and did not note any inconsistency.

Discount on lack of marketability

As the Target Company is a private Company, the Independent Valuer has applied a discount on lack of marketability (the "**DLOM**") of 15.8% due to its lack of marketability as compared to public companies. We have discussed with the Independent Valuer and understand that the DLOM was adopted with reference to the restricted stock study published in "2021 Edition Stout Restricted Stock Study Companion Guide" by Stout Risius Ross, LLC, one of the national preeminent firms offering a broad range of financial advisory services to private and public companies. We have obtained the relevant extract of the study and noted that, according to the study, the median of the DLOM in 763 private placement transactions (as of December 2020) of unregistered common stock issued by publicly traded companies from July 1980 to December 2020 was approximately 15.8%.

We have enquired and confirmed with the Independent Valuer that the information as of December 2020 is the latest available information as at the Latest Practicable Date. We have also enquired and as advised by the Independent Valuer, the median instead of the average was adopted for the sake of minimising the effect of extreme data considering the large sample size which we agree. Having considered: (i) the empirical data supported by a global financial database provider; and (ii) the reason for adopting the median instead of the average DLOM, we consider that the DLOM of 15.8% applied by the Independent Valuer to be fair and reasonable.

Control premium

As set out in the Valuation Report, the control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognise that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block. As the Purchaser will gain control of the Target Company after the Completion, a control premium of 26.9% (the "**Control Premium**") was applied to the Valuation by making reference to the latest control premium study published by FactSet Mergerstat, LLC., an independent information provider for merger and acquisition transaction data, in 2022 whereby 50.01% or more of a company was acquired. As advised by the Independent Valuer, such study of control premium is widely adopted in valuation. We have obtained the relevant extract of the study and noted that, according to the study, the average and median of the Control Premium in 553 transactions in the previous 12 months (as of second quarter of 2022) were approximately 50.6% and 26.9% respectively.

We have enquired and confirmed with the Independent Valuer that the information as of second quarter of 2022 is the latest available information as at the Latest Practicable Date. We have also enquired and as advised by the Independent Valuer, the median instead of the average was adopted to minimise the effect of extreme data considering the large sample size, which we agree. Having considered: (i) the empirical data supported by an independent information provider specific for merger and acquisition transaction; and (ii) the reason for adopting the median instead of the average Control Premium, we consider that the Control Premium of 26.9% applied by the Independent Valuer to be fair and reasonable.

Calculation of the appraised value

As shown in the Valuation Report, to arrive at the Valuation, the Independent Valuer first multiplied the average 2023 Forward P/E Multiple (excluding outlier) of the Comparable Companies of approximately 7.08 times by the forecasted net profits of FY2023 of approximately RMB26.65 million.

We noted that the 2023 Forward P/E Multiple of a Comparable Company, being GreenTree Hospitality Group Ltd. ("**GHG**"), has been excluded from the Valuation. We further noted that the 2023 Forward P/E Multiple of GHG is higher than 15 times which is more than double of the average 2023 Forward P/E Multiple (excluding outlier) of the Comparable Companies. We enquired and were advised by the Independent Valuer that they are of the view that the 2023 Forward P/E Multiple of GHG is an outlier as its 2023 Forward P/E Multiple deviates from the average 2023 Forward P/E Multiples of all the Comparable Companies for more than one standard deviation. We further enquired and understood from the Independent Valuer that such approach of observing outliers by referring to one standard deviation is consistent with their other valuation engagements. We understand that there are approximately 68% of values, which is a majority, are within one standard deviation of the average. After considering that the 2023 Forward P/E Multiple of GHG falls out of the majority and such approach has been consistently applied by the Independent Valuer, we concur with the Independent Valuer that GHG can be considered outlier.

After adjusting by the DLOM of 15.8% and applying the adjustment of the Control Premium of 26.9%, the appraised value of the Target Company is approximately RMB201.7 million.

Our view

Having discussed the above market approach adopted by the Independent Valuer and reviewed the details of their valuation methodology, bases and assumptions, we are of the opinion that the chosen valuation methodology in establishing the Valuation is in line with market practices to value businesses of a similar nature.

8. Financial effects of the Acquisition

Earnings

Following Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the results of which will be consolidated into the financial statements of the Company while Shanghai Liansheng will cease to be an indirect subsidiary of the Company and the financial results of Shanghai Liansheng will no longer be consolidated into the financial statements of the Company. It is expected that the Target Company will contribute to the results of the Group.

Gearing ratio

The gearing ratio of the Group was calculated by dividing bank and other borrowings, lease liabilities and amounts due to related parties by total equity. As discussed above, the Target Group did not have borrowings as at 30 June 2022. As noted from the management accounts of the Target Group and after our discussion with the Management, the Target Company did not have any lease liabilities and only had a minimal amount of amounts due to related parties as at 30 June 2022. As stated in the Letter from the Board, the Company intends to settle the Consideration by partly by the Set Off and partly by cash in the amount of RMB4,700,000, the settlement of the Consideration is not expected to have a material impact on the gearing ratio of the Group.

Working capital

The cash and cash equivalents of the Group amounted to approximately RMB240.4 million as at 30 June 2022. Since the Group intends to settle the Consideration partly by the Set Off and partly by cash in the amount of RMB4,700,000, and since we are given the understanding that substantially the unaudited net asset value of Shanghai Liansheng as at the Payment Date would be made up of cash, the balances of the cash and cash equivalents and therefore the working capital of the Group are expected to decrease.

Net assets value

Given that upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the results of which will be consolidated into the financial statements of the Company while Shanghai Liansheng will cease to be an indirect subsidiary of the Company and the financial results of Shanghai Liansheng will no longer be consolidated into the financial statements of the Company. Since the Consideration is higher than the net asset value of the Target Company as at 30 June 2022, it is expected that the net assets value of the Group will decrease upon Completion.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon Completion.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE OPERATION AND MANAGEMENT FRAMEWORK AGREEMENT

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Operation and Management Framework Agreement, we have taken into consideration, inter alia, the following principal factors and reasons:

1. Information on the Target Company

Information on the Target Company is set out under the sub-section headed "2. Information on the Target Group" under the section headed "Principal Factors and Reasons Considered on the Acquisition".

2. Information on Shanghai Landsea Apartment

Shanghai Landsea Apartment is principally engaged in the investment and operation of apartment long-term lease. It is wholly-owned by Shanghai Liyu. The shareholding structure of Shanghai Liyu is set out in the section headed "Information on the Parties to the Equity Transfer Agreement" above.

3. Reasons for and Benefits of the Operation and Management Framework Agreement

As stated in the Letter from the Board, the Target Company has been developing the apartment long-term lease market for many years, with its current layout in more than a dozen first-tier and strong second-tier cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou and Chengdu. Over the years, the Target Company has accumulated rich experience in the operation and management of apartment long-term leases, established the high-quality apartment long-term lease brand of "Landsea Apartment" and nurtured the asset-light apartment long-term lease entrusted operation and management business model.

By supplying the Services to the Shanghai Landsea Apartment Group through the Target Group after Completion, the Group can broaden its income stream and improve its overall operational performance. The Operation and Management Framework Agreement hence represents a strong business relationship which the Group can utilise for the future growth of the Group. The Group believes that it is in the interests of the Group to provide the Services, which will allow the Group to further strengthen its market presence in the cities which the Target Group has already developed the apartment long-term lease market.

We noted that it is not the first time, instead, the Target Group has been providing the Services to the Shanghai Landsea Apartment Group. As noted from the Letter from the Board, the Target Company has been developing the apartment long-term lease market for many years. As such, the Target Group is experienced in providing the Services and familiar with the operation of the Shanghai Landsea Apartment Group which enables the Shanghai Landsea Apartment Group to obtain the Services in a relatively efficient manner to, in turn, improve the operational performance. Hence, the on-going business cooperation between the Target Group and the Shanghai Landsea Apartment Group is considered to be able to provide the Group with a new stable income stream.

Based on the above, we consider that the entering into of the Operation and Management Framework Agreement is in the interests of the Company and its Shareholders as a whole.

4. Principal terms of the Operation and Management Framework Agreement

The principal terms of the Operation and Management Framework Agreement are set out below:

Term

From the Commencement Date to 31 December 2025, which may be renewed as the parties may mutually agree, subject to compliance with the applicable requirements under the Listing Rules.

Subject matter

The Operation and Management Framework Agreement sets out the framework of the terms under which the members of the Target Group may provide the Services to the members of the Shanghai Landsea Apartment Group from time to time.

Scope of the Services

The members of the Target Group will provide the members of the Shanghai Landsea Apartment Group with the apartment operation and management services for long-term apartment lease projects including but not limited to: (i) early-stage consultation services; (ii) renovation work management services; (iii) daily operation and management services; (iv) marketing, planning and promotion services; (v) commercial business promotion services; and (vi) special consulting services.

The long-term apartment lease projects include white-collar apartments, boutique apartments, youth apartments, serviced apartments and boarding houses.

Pricing and other terms

(i) The parties shall enter into the Individual Agreements to set out the detailed terms for the transactions contemplated under the Operation and Management Framework Agreement in the ordinary course of business on normal commercial terms.

(ii) The Service Fees payable by the members of the Shanghai Landsea Apartment Group shall be determined in the Individual Agreements with reference to factors including but not limited to: (i) the type, location, size and condition of the long-term apartment leasing project; (ii) the nature and scope of the Services; (iii) the expected operating costs (including but not limited to personnel costs, administrative costs and material costs); (iv) the charging level of similar services provided to similar long-term apartment leasing projects in the market; and (v) the service fees charged by members of the Target Group for providing similar services to Independent Third Parties.

(iii) The terms of the Individual Agreements shall be no less favourable to the Group than those entered into between the Group and Independent Third Parties for the provision of similar services.

Historical transaction amount

The following table summarises the total historical transaction amounts derived from providing the Services by the members of the Target Group to members of the Shanghai Landsea Apartment Group for the period from 2 June 2021 (the date of establishment of the Target Company) to 31 December 2021:

	For the period from 2 June 2021 (the date of establishment of the Target Company) to 31 December 2021 *RMB*
Transaction amount (unaudited)	3,838,127

Proposed annual caps of the Operation and Management Framework Agreement and basis of determination

The following table summarises the proposed annual caps of the Operation and Management Framework Agreement for each of the three years ending 31 December 2025:

	For the period ending 31 December 2023*	**FY2024**	**FY2025**
	RMB	*RMB*	*RMB*
Proposed annual caps	33,000,000	36,000,000	40,000,000

* *From the Commencement Date to 31 December 2023.*

Condition precedent

The Operation and Management Framework Agreement is conditional upon Completion having occurred.

Termination

The Operation and Management Framework Agreement may be terminated before expiration of its full term upon mutual agreement in writing by both parties or in certain circumstances, including upon default by a party to the Operation and Management Framework Agreement.

5. Analysis on the pricing terms of the Operation and Management Framework Agreement

To assess the pricing terms of the Operation and Management Framework Agreement, we have requested and obtained the Project List from the Management which include both the Existing Contracts and the Shanghai Landsea Apartment Group Contracts. We then selected from the Project List, obtained and reviewed four Existing Contracts (the "**Independent Samples**") and the Landsea Samples by giving regard to the top four highest amount of service fees payable by the Independent Third Parties and to be payable by the Shanghai Landsea Apartment Group to the Target Group for FY2023.

After considering: (i) the Project List is exhaustive; (ii) the total service fees of the Independent Samples accounts for more than half of the total service fees of the Existing Contracts for FY2023; and (iii) the total service fees of the Landsea Samples accounts for more than one-fifth of the total service fees of the Shanghai Landsea Apartment Group Contracts for FY2023, we consider the coverage of the Independent Samples and the Landsea Samples is sufficient. As such, we consider that the Independent Samples and the Landsea Samples are fair and representative.

From the review of the Independent Samples and the Landsea Samples, we noted that the pricing basis adopted are consistent with each other and in line with the pricing basis as stated in the Letter from the Board with reference to, among others, (i) the type, location, size and condition of the long-term apartment leasing project; (ii) the nature and scope of the services; (iii) the expected operating costs (including but not limited to personnel costs, administrative costs and material costs); (iv) the charging level of similar services provided to similar long-term apartment leasing projects in the market; and (v) the service fees charged by members of the Target Group for providing similar services to independent third parties. From the review of the Landsea Samples, we further noted that the service fees charged by members of the Target Group for providing the Services to the members of the Shanghai Landsea Apartment Group are not lower than that to the Independent Third Parties as noted from the review of the Independent Samples. As such, we consider that the pricing terms of the Individual Agreements under the Operation and Management Framework Agreement are no less favourable to the Group than those entered into between the Target Group and the Independent Third Parties for the provision of similar services.

In view of the above, we are of the view that the terms of the Individual Agreements under the Operation and Management Framework Agreement are fair and reasonable and on normal commercial terms.

6. Analysis on internal control measures

As stated in the Letter from the Board, to ensure the Individual Agreements will be entered into on normal commercial terms and in accordance with the terms of the Operation and Management Framework Agreement, the Group has adopted the following measures:

(i) the general managers of the relevant business units and operations divisions of the Company's local subsidiaries in which the relevant apartment long-term lease projects are situated (the "**General Managers**") will be responsible for negotiating with the Shanghai Landsea Apartment Group for the purpose of entering into the Individual Agreements;

(ii) in respect of each potential project, the General Managers will conduct market research and feasibility studies to evaluate its potential risk and return including its marketability;

(iii) the General Managers will negotiate with the Shanghai Landsea Apartment Group and determine the amount of service fees for the relevant projects on an arm's length basis based on the factors set out in the Operation and Management Framework Agreement to ensure that the Group has a reasonable profit margin;

(iv) the General Managers will submit the feasibility studies and the terms of the Individual Agreements (including the amount of service fees for the relevant projects) to the finance department of the Group and an executive Director for review and approval;

(v) the Finance Department of the Group will monitor the transactions contemplated under the Operation and Management Framework Agreement and submit quarterly reports to the Board overseeing finance-related matters to ensure that the annual caps for the transactions contemplated under the Operation and Management Framework Agreement will not be exceeded;

(vi) the audit committee of the Company and the independent non-executive Directors will review the continuing connected transactions of the Company annually to ensure that the transactions contemplated under the Operation and Management Framework Agreement are conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the Operation and Management Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(vii) the external auditor of the Company will conduct an annual review on the continuing connected transactions of the Company to confirm whether (i) the transactions contemplated under the Operation and Management Framework Agreement are approved by the Board; (ii) these transactions are in compliance with the pricing policies of the Group in all material aspects; (iii) these transactions are entered into in accordance with the Operation and Management Framework Agreement; and (iv) annual caps are exceeded.

To assess the internal control measures, we have randomly selected, obtained and reviewed: (i) two sets of meeting minutes as the negotiation record between the General Managers of the Target Company and the Shanghai Landsea Apartment Group prior to the entering into of the Individual Agreements (the "**Negotiation Record**"); (ii) two sets of the market research and feasibility studies records on the potential projects before entering into the Individual Agreements between the General Managers of the Target Company and the Shanghai Landsea Apartment Group (the "**Research and Study**"); (iii) the Landsea Samples; and (iv) the Independent Samples. Further, we have also obtained and reviewed the internal guideline of conducting connected transactions (the "**Internal Guideline**") adopted by the Group.

From the review of the Negotiation Record as above, it is noted that prior to the entering into of the individual agreements, the General Managers of the Target Company and the Shanghai Landsea Apartment Group had a negotiation process for, among others, the amount of service fees for the potential projects. From the review of the Research and Study, it is noted that the General Managers conducted the market research and feasibility studies in order to evaluate the potential risk and profit return to ensure a reasonable profit margin for the Target Group.

As noted from the Letter from the Board, the Group will continue the aforementioned internal control procedures. Further, the General Managers will submit the feasibility studies and the terms of the Individual Agreements (including the amount of service fees for the relevant projects) to the finance department of the Group and an executive Director for review and approval. The Finance Department of the Group will monitor the transactions contemplated under the Operation and Management Framework Agreement and submit quarterly reports to the Board overseeing finance-related matters to ensure that the annual caps for the transactions contemplated under the Operation and Management Framework Agreement will not be exceeded.

In addition, the audit committee of the Company and the independent non-executive Directors will review the continuing connected transactions of the Company annually to ensure that the transactions contemplated under the Operation and Management Framework Agreement are conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the Operation and Management Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The external auditor of the Company will conduct an annual review on the continuing connected transactions of the Company to confirm whether (i) the transactions contemplated under the Operation and Management Framework Agreement are approved by the Board; (ii) these transactions are in compliance with the pricing policies of the Group in all material aspects; (iii) these transactions are entered into in accordance with the Operation and Management Framework Agreement; and (iv) annual caps are exceeded.

We made reference to the current review practice of the existing continuing connected transactions of the Group to assess the effectiveness of the aforesaid internal control procedures. As noted in the 2021 Annual Report, the annual review conducted by the independent non-executive Directors and the external auditor of the Company is consistent with the said internal control procedures. Further, we also noted the adoption of the Internal Guideline which provides guidance of conducting connected transactions.

In view of the above, we are of the view that the internal control measures for the Operation and Management Framework Agreement are sufficient.

7. Analysis on proposed annual caps of the Operation and Management Framework Agreement

As stated in the Letter from the Board, the proposed annual caps of the Operation and Management Framework Agreement were determined taking into account, among others, (i) the number of apartment long-term lease projects which are expected to be managed by the members of the Target Group and the expected demand from the members of the Shanghai Landsea Apartment Group for the Services for the coming three years; (ii) the service type, contents and standard of the Services required to be provided; (iii) the expected general inflation and expected increase in operating costs for providing the Services in the PRC (including labour costs and administrative costs, etc.); and (iv) the prevailing market rates for providing similar services with respect to the same or similar types of properties in the market.

In assessing the fairness and reasonableness of the proposed annual caps of the Operation and Management Framework Agreement, we obtained and reviewed the calculation worksheet of the proposed annual caps the Operation and Management Framework Agreement provided by the Company (the "**Calculation**"). After our review of the Calculation and discussion with the Management, we understand that the proposed annual caps for FY2023 is determined by aggregating the service fees payable by the Shanghai Landsea Apartment Group for all the Individual Agreements included in the Project List. We further understand that such service fees is calculated by making references to: (i) the number of units in each Individual Agreement (i.e. the estimated numbers of apartment long-term lease projects which are expected to be managed by the members of the Target Group) which range from approximately 60 units to 700 units, being item A in the formula as set out below; (ii) the unit price, being item B in the formula as set out below; (iii) the occupancy rates, being item C in the formula as set out below; and (iv) the management fee percentage charged by the Target Group for providing the Services, being item D in the formula as set out below. The formula below is for illustration purpose.

$$\text{Service fees payable by the Shanghai Landsea Apartment Group} = \Sigma(A \times B \times C \times D)$$

For the unit prices adopted in the Calculation, we reviewed the unit prices adopted for the apartment long-term lease projects in the Landsea Samples and conducted our desktop research for the current market prices of long-term lease apartment in the same districts and noted that the unit prices adopted in the Calculation are comparable to the market prices which range from RMB2,000 to RMB12,000 per month. For the management fee percentage charged by the Target Group for providing the Services, we noted that such percentage adopted in the Calculation is no less favourable to the Group than those charged by the Target Group to the Independent Third Parties as noted from the Independent Samples. After our enquiry with the Management, we understand that the occupancy rates adopted in the Calculation for FY2023 are based on the actual occupancy rates in FY2022 of the units under the Existing Contracts for providing the apartment operation and management services which were approximately 90% or more. As such, we consider that the determination basis of the proposed annual caps for FY2023 of RMB33 million is fair and reasonable.

We then assess the proposed annual caps for FY2024 and FY2025. We noted from the Calculation that the calculation basis adopted for the proposed annual caps for FY2024 and FY2025 is the same as that for FY2023. We noted that the number of units in each Individual Agreement, the unit prices and the management fee percentage charged by the Target Group for providing the Services remain unchanged in FY2024 and FY2025. For the occupancy rates, we noted that some occupancy rates remain unchanged while some are estimated to increase by merely 1% to 3%. It is noted that the proposed annual caps for FY2024 of RMB36 million represents an increase of approximately 10% to that for FY2023 and the proposed annual caps for FY2025 of RMB40 million represents an increase of approximately 10% to that for FY2024. As noted from the Letter from the Board, the Management also take into consideration the expected general inflation and expected increase in operating costs for providing the Services in the PRC for determining the proposed annual caps. After considering the minimal increase in the estimation of the occupancy rates for some, but not all, Individual Agreements in FY2024 and FY2025 and the aforesaid determination factors, we consider that the proposed annual caps for FY2024 and FY2025 are fair and reasonable.

OPINION AND RECOMMENDATION

Based on the factors discussed above, we are of the opinion that, albeit not in the ordinary and usual course of business of the Group, the entering into the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms of the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in relation to the Equity Transfer Agreement, the Operation and Management Framework Agreement and the transactions contemplated thereunder.

Yours faithfully, For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Mr. Cheung has over 14 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory engagements.

* *English name for identification purposes only.*

The following is the full text of the valuation report of the Target Company prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer, for the purpose of inclusion in this circular.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
Tel +852 2846 5000 Fax +852 2169 6001
Company Licence No.: C-030171

3 March 2023

The Board of Directors
Landsea Green Life Service Company Limited
Unit 407
8 Queen's Road East
Wanchai, Hong Kong

Dear Sirs,

In accordance with the instructions from Landsea Green Life Service Company Limited (the "**Company**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") has undertaken a valuation exercise which requires us to express an independent opinion on the market value in 100% equity interest (the "**Subject**") in 北海朗潤商業管理有限公司 (the "**Target Company**") as at 30 November 2022 (the "**Valuation Date**"). The purpose of this valuation is to express an independent opinion for the Company's internal reference and inclusion in its public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

BACKGROUND

The Target Company was established in year 2021 and principally engaged in managing and operating franchised properties either under their brands or under the brands of the relevant entrusting parties. The Target Company offers to manage a variety of property types such as residential apartments, office buildings, exhibition centres, etc.

The Target Company is currently in negotiation with 上海朗詩寓實業發展有限公司 ("**Landsea Apartment**"), for a long-rent apartment operation and management framework agreement. According to the draft agreement, the Target Company will provide the property projects of Landsea Apartment with operation and management services including but not limited to: (i) project consultation services; (ii) renovation management services; (iii) daily operation and management services; (iv) marketing planning and promotion services; and (v) business investment services, in return for a percentage of the rental income of the underlying property projects received from Landsea Apartment.

Below is an extract of key consolidated financial data from the unaudited management accounts of the Target Company:

	Year ended 31 December 2021 *RMB*	**11 month period ended 30 November 2022** *RMB*
Revenue	3,917,335	10,750,468
Gross Profit	3,917,335	5,395,135
Net Profit	1,498,462	1,177,984
Net Asset Value	1,498,462	2,676,446

SOURCES OF INFORMATION

In conducting our valuation of the Subject, we have reviewed information including, but not limited to:

- Background of the Target Company and relevant corporate information;
- Historical financial information of the Target Company from year 2021 and the 11-month period ended 30 November 2022;
- Existing commercial property or long-rent apartment operational contracts of the Target Company;
- Revenue forecast of the Target Company from year 2022 to year 2025 prepared by their management;
- A proposed list of property projects under the long-rent apartment operation and management framework with Landsea Apartment; and
- Other operation and market information in relation to the business of the Target Company.

We have held discussions with management of the Company and conducted market research from public sources to assess the reasonableness and fairness of information provided. We assumed such information to be reliable and legitimate, and we have relied to a considerable extent on the information provided in arriving at our conclusion of value.

BASIS OF OPINION

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Council ("**IVSC**"). The valuation procedures employed include a review of legal status and economic condition of the Target Company and an assessment of key assumptions, estimates and representations made by the proprietor or the operator of the Target Company. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- Projected sales and cost of services of the Target Company for the year 2023;
- The draft long-rent apartment operation and management framework agreement with Landsea Apartment and the associated project list;
- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Subject;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income and the projected future results;
- Analysis on tactical planning, management standard and synergy of the Subject;
- Consideration and analysis on the macro economy affecting the business of the Subject; and
- Assessment of the leverage of the Subject.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the valuation of the Subject.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

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 or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

To select the most appropriate approach, we have considered the purpose of the valuation and the resulting basis of value as well as the availability and reliability of information provided to us to form perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of this Subject. In our opinion, the cost approach is inappropriate for valuing the Subject, as it does not directly incorporate information about the economic benefits contributed by the Subject. The income approach is inappropriate as this approach requires a discount rate that reflects the time value of money and the degree of risk associated with the Subject, which incorporates a high degree of subjectivity. Also, detailed operational information and a long-term financial projection with objective supporting evidence are required. Hence, the market approach is adopted in this valuation.

There are two common methods under market approach, namely, guideline public company method and guideline transaction method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transaction method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to Target Company's financial parameters.

In this valuation exercise, the market value of the 100% equity interest of the Target Company was developed through the guideline public company method. The guideline transaction method is not adopted due to lack of recent market transactions with similar nature as the Target Company. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple.

In this valuation, we have considered the following commonly used benchmark multiples:

Price-to-Earnings Multiple

Price-to-earnings multiple (the "**P/E Multiple**"), which is computed as share price dividend by earning per share, is the most commonly used multiple since investors want to know how profitable a company is, hence earnings are important for valuing a company's stock. This multiple has the limitations that it cannot be used to value loss-making companies and fails to overcome the distortions caused by different accounting policies and capital structures.

Price-to-Book Multiple

Price-to-book multiple (the "**P/B Multiple**"), which is computed as the proportion of share price to book value per share, is common to value companies within asset intensive industries. However, since book value captures only the tangible assets of a company, a company's intangible assets as well as company-specific competencies and advantages are not captured in the P/B Multiple.

Price-to-Sales Multiple

Price-to-sales multiple (the "**P/S Multiple**"), which is estimated by dividing share price by sales per shares, is commonly used to value early-stage or loss-making companies. A shortcoming of this multiple is that it ignores the cost structure and hence the profitability of a company.

Enterprise Value-to-Earnings Before Interest, Tax, Depreciation and Amortization Multiple

A firm's enterprise value is equal to its equity value plus its debt less any cash. Enterprise value to earnings before interest, tax, depreciation and amortization multiple (the "**EV/EBITDA Multiple**"), which is estimated by dividing enterprise value by earnings before interest, tax, depreciation and amortization, allows direct comparison of firms regardless of their difference in capital structure. Compared to the P/E Multiple, the EV/EBITDA Multiple is considered to be less affected by difference in accounting treatment. Yet, since the EV/EBITDA Multiple excludes depreciation and amortization expenses, which measure how much the company needs to spend on capital expenditure to maintain its business growth, the multiple does not account for cost of debt capital or its tax effect.

By taking into consideration the asset-light nature of the business and the profitability of the Target Company, it is considered that the P/E Multiple is the most appropriate multiple. We have adopted the P/E multiple instead of EV/EBITDA multiple as the Target Company is an asset-light and debt-light business, in which interest, depreciation and amortization shall not play a significant role in its financial performance.

In order to reflect the future growth potential of the Target Business with the consideration of the proposed partnership with Landsea Apartment, we have adopted the 2023 Forward P/E Multiple of the comparable companies.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions in determining the market value of the Subject have been made:

- The valuation was primarily based on the financial projection prepared by the Target Company with reference to the draft long-rent apartment operation and management framework agreement with Landsea Apartment and latest historical financial information made available to us. We have assumed that the financial projections provided are prepared on a reasonable basis, reflecting aspects of the individual property projects, including but not limited to, market conditions, economic fundamentals, expected unit rental price, occupancy rate, rental income split percentage, and costs of services and operations of the property projects, and that they will materialize;

- The Target Company have, or will have, sufficient capital, competent management and sufficient personnel, as well as sufficient facilities and systems for future expansion, to achieve or contribute to projected sales and costs of services;

- We assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued;

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Subject;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- We have assumed that the facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge;

- There will be no material change in the core operations of the Target Company from what is present and/or expected;

- We have assumed the accuracy of the financial and operational information such as management accounts, contractual agreements and manufacturing capabilities, provided to us by the Company relied to a considerable extent on such information in arriving at our opinion of value; and

- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

MARKET MULTIPLE

In determining the market multiple, a list of comparable companies was identified. The selection criteria include the followings:

- The companies derive a significant portion, if not all, of their revenues from the same industry of the Target Company, i.e. property operation and management services in the PRC;
- The market capitalization of the comparable companies is within the range of USD10.59 million (HKD0.083 billion) and USD627.80 million (HKD4.90 billion), which is defined as micro-cap decile according to Duff & Phelps Cost of Capital Navigator Study;
- The comparable companies are searchable in Bloomberg and Capital IQ;
- The comparable companies are publicly listed in the exchanges of the PRC, Hong Kong and US (i.e. Beijing Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong Stock Exchange, NYSE Stock Exchange and Nasdaq Stock Exchange); and
- Sufficient data including the 2023 Forward P/E Multiple as at the Valuation Date of the comparable companies is available.

As sourced from Bloomberg and Capital IQ, an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis. The details of the comparable companies are listed below:

Bloomberg Ticker	**Company Name**	**2023 Forward P/E Multiple**	**Market Capitalization** *(HKD Billion)*	**Company Description**
606 HK Equity	SCE Intelligent Commercial Management Holdings Limited	12.02	3.84	SCE Intelligent Commercial Management Holdings Limited operates as a property management service provider. The Company provides residential property management services, commercial property management services, and other services. SCE Intelligent Commercial Management Holdings offers services in China.

Bloomberg Ticker	Company Name	2023 Forward P/E Multiple	Market Capitalization *(HKD Billion)*	Company Description
6989 HK Equity	Excellence Commercial Property & Facilities Management Group Limited	4.89	4.39	Excellence Commercial Property & Facilities Management Group Limited provides commercial property management services. The Company offers property management services for office buildings, residential apartments, and other building. Excellence Commercial Property & Facilities Management Group provides services in Hong Kong.
9909 HK Equity	Powerlong Commercial Management Holdings Limited	5.06	3.11	Powerlong Commercial Management Holdings Limited offers real estate services. The Company provides residential property management, office buildings management, serviced apartments management, and other services. Powerlong Commercial Management Holdings provides its services throughout China.
6668 HK Equity	E-Star Commercial Management Company Limited	6.37	1.79	E-Star Commercial Management Company Limited provides commercial operational services. The Company offers construction consultancy, tenant sourcing services, operational management services, property leasing services, and other services. E-Star Commercial Management provides services worldwide.

Bloomberg Ticker	Company Name	2023 Forward P/E Multiple	Market Capitalization *(HKD Billion)*	Company Description
GHG US Equity	GreenTree Hospitality Group Ltd.	15.09 (outlier)	2.34	GreenTree Hospitality Group Ltd., through its subsidiaries, develops leased-and-operated, and franchised-and-managed hotels under the GreenTree brand in the People's Republic of China. As of December 31, 2021, it operated 66 leased-and-operated hotels with 7,064 rooms; and had franchised-and-managed hotels network consisting of 4,593 hotels with 330,089 rooms covering 367 cities in China, and an additional 1,225 hotels with 91,887 rooms that were contracted for or under development. The company was founded in 2004 and is headquartered in Shanghai, the People's Republic of China. GreenTree Hospitality Group Ltd. is a subsidiary of GreenTree Inns Hotel Management Group, Inc.
Average excluding outlier		7.08	3.09	

Discount for Lack of Marketability (the "DLOM")

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. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the DLOM of this interest referencing an empirical study titled "2021 Edition Stout Restricted Stock Study Companion Guide" published by Stout Risius Ross, LLC.

According to the empirical study, the publisher has examined 763 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through December 2020. The discount was calculated by dividing the difference between the private placement price and the market reference price by the market reference price. The overall median DLOM for all 763 transactions in the study of 15.80% has been adopted.

Control Premium ("CP")

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognize that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block.

We have made reference to the control premium study published by FactSet Mergerstat, LLC. in the year of 2022. The control premium is estimated based on the control premium as implied by the consideration paid for over 500 transactions whereby 50.01% or more of a company was acquired. In the valuation, we adopted the control premium of 26.90%.

CALCULATION OF VALUATION RESULT

The valuation was performed based on the forecasted financial information available to us, which is for the year ended 31 December 2023. The forecasted net profit as at 31 December 2023 is RMB26,650,536.

Under the guideline public company method, the market value of the Subject is estimated based on the forecasted financial information of the Target Company and the market multiples of the comparable companies derived from Bloomberg and Capital IQ as at the Valuation Date. We have also taken into account the two factors, which is being the marketability discount and control premium.

The calculation of the market value of Subject as at the Valuation Date is as follows:

As at Valuation Date		**Amount**
Adopted P/E Multiple	A	7.08
Forecasted year 2023 12-month net profit (RMB)	B	26,650,536
Equity Value before DLOM and CP as at the Valuation Date (RMB)	**C = A * B**	**188,739,760**
Adjusted for DLOM (%)	D	15.80
Adjusted for CP (%)	E	26.90
Equity Value of the Subject (RMB, Rounded)	**F = C * (1 – D) * (1 + E)**	**201,700,000**

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company and JLL.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

INDEPENDENCE DECLARATION

We confirm that to the best of our knowledge and belief, we are independent of the Company and the Target Company and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value of 100% equity interest in the Target Company as at the Valuation Date is reasonably stated at the amount of **RMB201,700,000**.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also a fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of this Report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/Target Company and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our Report was used as part of the analysis of the Company/Target Company in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subject rests solely with the Company.

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

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The board of directors and the management of Company/Target Company have reviewed this Report and agreed and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the Report is subject to the terms of the Agreement and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client/Target Company because events and circumstances

frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This Report is confidential to the Company and the calculation of values expressed herein is valid only for the purpose stated in the Agreement as at the Valuation Date. In accordance with our standard practice, we must state that this Report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by parties interested in the Subject, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. The Company/Target Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Report and conclusion of values are not intended by the author, and should not be construed by any reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/Target Company and other sources. Actual transactions involving the Subject might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the knowledge and motivation of the buyers and sellers at that time.

17. The board of directors, management, staff, and representatives of the Company/Target Company have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Company/Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

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

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position 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), which (i) 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, if any, which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

Name	Capacity/ Nature of interest	Number of Shares held	Approximate percentage in total number of issued Shares
Mr. Tian	Interest in controlled corporation	165,137,165 *(Note)*	40.20%

Note: These include (i) 95,620,820 Shares held through Honor Limited; (ii) 23,998,345 Shares held through Green Sailing (PTC) Limited, a wholly-owned subsidiary of Honor Limited; (iii) 202,000 Shares held through Easycorps Group Limited ("**Easycorps**"); (iv) 4,316,000 Shares held through Greensheid Corporation ("**Greensheid**") and (v) 41,000,000 Shares held through Tian Family Investment Pte. Ltd. ("**Tian Family Investment**"). Mr. Tian is the sole and legal beneficial owner of Honor Limited. Greensheid is wholly-owned by Landsea International Holdings Limited, which is in turn wholly-owned by Landsea Group Co., Ltd. ("**Landsea Group**"). Landsea Group is owned as to 34.15% by Nanjing Ding Chong Investment Management Consultants Ltd. ("**Nanjing Ding Chong**") and 15.85% by Mr. Tian. Nanjing Ding Chong is a company wholly and beneficially owned by Mr. Tian. Easycorps is a company wholly and beneficially owned by Mr. Tian. Tian Family Investment is wholly-owned by Tian Family Holding Pte. Ltd. which is in turn wholly and beneficially owned by Mr. Tian. Therefore, Mr. Tian is deemed to be interested in these 165,137,165 Shares held by Honor Limited, Green Sailing (PTC) Limited, Easycorps, Greensheid and Tian Family Investment pursuant to the SFO.

(b) Substantial Shareholders' interests and short positions

Save as disclosed below, as at the Latest Practicable Date, the Directors and the chief executive of the Company had not been notified of any other relevant interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein:

Name	Capacity/ Nature of interest	Number of Shares held	Approximate percentage in total number of issued Shares
Ms. Murong Xinyao *(Note 1)*	Interest of spouse	165,137,165	40.20%
Honor Limited *(Note 2)*	Beneficial owner and interest in controlled corporation	119,619,165	29.12%
Green Sailing (PTC) Limited *(Note 2)*	Trustee	23,998,345	5.84%
Tian Family Investment Pte. Ltd. *(Note 3)*	Beneficial owner	41,000,000	9.98%
Tian Family Holding Pte. Ltd. *(Note 3)*	Interest in controlled corporation	41,000,000	9.98%
Hong Kong New Tourism Corporation Limited *(Note 4)*	Beneficial owner	71,575,509	17.42%
南京輕紡產業(集團)有限公司 *(Note 4)*	Interest in controlled corporation	71,575,509	17.42%
南京新工投資集團有限責任公司 *(Note 4)*	Interest in controlled corporation	71,575,509	17.42%
State-owned Assets Supervision and Administration Commission of Nanjing Municipal Government *(Note 4)*	Interest in controlled corporation	71,575,509	17.42%
Mr. Lin Jinfeng	Beneficial owner	43,735,222	10.65%
Mr. Chen Huaijun *(Note 5)*	Beneficial owner and interest in controlled corporation	30,501,000	7.43%
Lucky Front Investments Limited *(Note 5)*	Beneficial owner	26,801,000	6.52%

Notes:

(1) Ms. Murong Xinyao is the spouse of Mr. Tian. By virtue of the SFO, Ms. Murong Xinyao is deemed to be interested in the Shares in which Mr. Tian is interested.

(2) These include (i) 95,620,820 Shares held through Honor Limited; and (ii) 23,998,345 Shares held through Green Sailing (PTC) Limited. Green Sailing (PTC) Limited acts as the trustee of the Green Life Trust, which is set up for the purpose of a share incentive scheme to be adopted at least six months after Listing, and is wholly owned by Honor Limited. By virtue of the SFO, Honor Limited is deemed to be interested in the Shares in which Green Sailing (PTC) Limited is interested.

(3) Tian Family Investment Pte. Ltd. is wholly owned by Tian Family Holding Pte. Ltd.. By virtue of the SFO, Tian Family Holding Pte. Ltd. is deemed to be interested in the Shares in which Tian Family Investment Pte. Ltd. is interested.

(4) Hong Kong New Tourism Corporation Limited is wholly owned by 南京輕紡產業(集團)有限公司. 南京輕紡產業(集團)有限公司 is wholly owned by 南京新工投資集團有限責任公司 which is in turn held as to 90.79% by the State-owned Assets Supervision and Administration Commission of Nanjing Municipal Government ("**Nanjing SASAC**"). By virtue of the SFO, each of 南京輕紡產業(集團)有限公司, 南京新工投資集團有限責任公司 and Nanjing SASAC is deemed to be interested in the Shares in which Hong Kong New Tourism Corporation Limited is interested.

(5) These include (i) 26,801,000 Shares held through Lucky Front Investments Limited, a company wholly-owned by Mr. Chen Huaijun; and (ii) 3,700,000 Shares held by Mr. Chen Huaijun. By virtue of the SFO, Mr. Chen Huaijun is deemed to be interested in the Shares in which Lucky Front Investments Limited is interested.

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, Mr. Tian Ming is a director of Honor Limited, Green Sailing (PTC) Limited, Tian Family Investment Pte. Ltd. and Tian Family Holding Pte. Ltd.. Save for the foregoing, none of the Directors is a director or employee of a company which has interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective close associates is and was interested in any business (other than the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion contained in this circular:

Name	Qualification
Opus Capital	a corporation licensed to conduct Type 6 (Advising on Corporate Finance) regulated activity under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	an independent valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appeared.

The letter and recommendation given by each of the above experts are given as at the date of this circular for incorporation herein.

As at the Latest Practicable Date, neither of the above experts had any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2021, the date to which the latest audited financial statements of the

Group was made up; and had no shareholding, directly or indirectly, in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (https://en.landseawy.com/) for a period of 14 days from the date of this circular (both days inclusive):

(a) the Equity Transfer Agreement; and

(b) the Operation and Management Framework Agreement.

Landsea Green Life Service Company Limited
朗詩綠色生活服務有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 1965)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Landsea Green Life Service Company Limited (the "**Company**") will be held at Landsea Green Center, Building 5, Lane 280, Linhong Road, Changning District, Shanghai, China on 20 March 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

Unless otherwise defined, capitalised terms used therein shall have the same meanings as those defined in the circular of the Company dated 3 March 2023.

ORDINARY RESOLUTION

"**THAT**:

(a) the entering into of the Equity Transfer Agreement i.e. the Original Equity Transfer Agreement dated 16 December 2022 as amended by the Supplemental Agreement dated 24 February 2023, each as defined and described in the circular of the Company dated 3 March 2023 (the "**Circular**") and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the entering into of the Operation and Management Framework Agreement dated 16 December 2022 as defined and described in the Circular and all the transactions contemplated thereunder, including the proposed annual caps set out in the Circular, be and are hereby approved, confirmed and ratified;

(c) any one Director, or any two Directors if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to do all such acts and things and sign, agree, ratify or execute all such documents which he/she/they in his/her/their discretion considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Equity Transfer Agreement and the Operation and Management Framework Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of such Director, in the interest of the Company."

By Order of the Board
Landsea Green Life Service Company Limited
Tian Ming
Non-executive Director and Chairman of the Board

Hong Kong, 3 March 2023

Registered Office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll, vote on his/her behalf. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she is solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy together with any power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM (or any adjournment thereof).

4. The above resolution will be put to vote at the EGM by way of poll.

5. In order to facilitate the prevention and control of the novel coronavirus pandemic and to safeguard the public health, shareholders of the Company are encouraged to consider appointing the chairman of the EGM as his/her/their proxy to vote on the relevant resolutions, instead of attending the EGM in person.

As at the date of this notice, the Board comprises Ms. Zhou Qin, Mr. Wu Xu and Mr. Liu Chao as executive Directors, Mr. Tian Ming (the Chairman) and Mr. Liu Yong as non-executive Directors, and Ms. Lu Mei, Dr. Chen Kevin Chien-wen and Ms. Katherine Rong Xin as independent non-executive Directors.