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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in Xingye Wulian Service Group Co. Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

XINGYE WULIAN SERVICE GROUP CO. LTD.
興業物聯服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9916)

VERY SUBSTANTIAL ACQUISITION CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO (1) THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HENAN ZHENG ZHI YUE REAL ESTATE CO., LTD; AND (2) THE MASTER CONSTRUCTION FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

建泉融資有限公司
VBG Capital Limited

A letter from the board of directors of Xingye Wulian Service Group Co. Ltd. (the "**Company**") is set out on pages 6 to 24 of this circular. A letter from the Independent Board Committee (as defined herein) is set out on pages 25 to 26 of this circular. Letters from VBG Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders (as defined herein) of the Company, are set out on pages 27 to 53 of this circular.

A notice convening the EGM (as defined herein) to be held at Room 105, 1st floor, No. 1 Gangwan Road, Guancheng District, Zhengzhou City, Henan Province, China on Thursday, 19 October 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM of the Company is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.xingyewulian.com). Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the office of the Company's share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. not later than Tuesday, 17 October 2023 at 10:00 a.m.). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

References to times and dates in this circular are referring to Hong Kong local times and dates.

28 September 2023

CONTENT

In this circular, unless the context otherwise requires, the following terms and expressions have the following meaning:

"Acquisition"	the acquisition of the Sale Share under the Agreement
"Acquisition Announcement"	the announcement of the Company dated 5 July 2023 in relation to the proposed acquisition of the Target Company
"Agreement"	the agreement entered into between the Vendor and the Purchaser on 5 July 2023 in relation to sale and purchase of the Sale Share in the Target Company
"Annual Caps"	the maximum annual transaction amounts payable by the Group to Zensun Development Group for the Construction Services for the period from the Effective Date to 31 December 2023 and each of the two years ending 31 December 2025
"Assessment Committee"	the assessment committee formed by the Company for the purpose of reviewing the tenders and quotations of the Construction Services
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"CCT Announcement"	the announcement of the Company dated 5 July 2023 in relation to the Master Construction Framework Agreement, the Transactions and the Annual Caps
"Company"	Xingye Wulian Service Group Co. Ltd. (興業物聯服務集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange (stock code: 9916)
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Agreement
"Completion Date"	the date of Completion
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Acquisition

"Construction Services"	the provision of construction, engineering and related services by Zensun Development Group to the Group, details of which are set out under sub-paragraph headed "Services to be provided" under the paragraph headed "The Master Construction Framework Agreement" in the Letter from the Board of this circular
"continuing connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Deed of Non-Competition"	the deed of non-competition entered into by the controlling shareholders of the Company in favour of the Company on 18 February 2020
"Director(s)"	the director(s) of the Company
"Effective Date"	the date on which all conditions precedent set out in the Master Construction Framework Agreement, which are set out in the sub-paragraph headed "Condition Precedent" under the paragraph headed "The Master Construction Framework Agreement" in the Letter from the Board of this circular, are fulfilled
"EGM"	an extraordinary general meeting of the Company to be held for the purposes of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps
"Enlarged Group"	the Group (including the Target Company) upon Completion
"Ever Diamond"	Ever Diamond Global Company Limited, a company incorporated in Hong Kong with limited liability
"GFA"	gross floor area
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hotel"	the hotel being developed under the Property Project
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Xu Chun, Mr. Feng Zhidong and Mr. Zhou Sheng formed to advise the Independent Shareholders on the fairness and reasonableness of terms of the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps, and to advise the Independent Shareholders how to vote at the EGM
"Independent Financial Adviser" or "VBG Capital"	VBG Capital Limited (建泉融資有限公司), a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps
"Independent Shareholders"	Shareholder(s) other than Foison Amber Development Limited
"Independent Third Party(ies)"	a person(s) or company(ies) who/which is or are independent of and not connected with the Company and connected persons of the Company
"Independent Valuer"	APAC Asset Valuation and Consulting Limited, an independent professional valuer appointed by the Company for the valuation of the Property Project
"Individual Agreement(s)"	individual agreements which may be entered into between any member(s) of the Group and any member(s) of the Zensun Development Group from time to time in relation to the provisions of the Construction Services at any time during the Term and pursuant to the Master Construction Framework Agreement

"IPO Proceeds"	net proceeds from the global offering of shares of the Company, details of which are set out in the prospectus of the Company dated 25 February 2020 and the announcements of the Company dated 31 January 2023 and 1 March 2023
"Latest Practicable Date"	22 September 2023, being the latest practicable date for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Construction Framework Agreement"	the agreement entered into between the Company and Zensun Development on 5 July 2023 in relation to the provision of the Construction Services by Zensun Development Group to the Group
"Ms. Huang"	Ms. Huang Yanping, the mother of Ms. Zhang
"Ms. Zhang"	Ms. Zhang Huiqi, a non-executive Director and a controlling shareholder of the Company
"PRC"	the People's Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Property Project"	the property development project undertaken by the Target Company in Zhengzhou City, Henan Province, the PRC with details set out in the paragraph headed "Information of the Group, the Target Company, the Vendor, Ever Diamond Group and Zensun Development Group" in the Letter from the Board of this circular
"Purchaser"	Henan Xingye Internet of Things Management Technology Co., Ltd.* (河南興業物聯網管理科技有限公司), a limited liability company established under the laws of the PRC and indirectly wholly-owned by the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Share"	the entire issued share capital of the Target Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	the holder(s) of share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Target Company"	Henan Zheng Zhi Yue Real Estate Co., Ltd* (河南正之悅置業有限公司), a company incorporated in the PRC with limited liability owned as to 100% by the Vendor as at the Latest Practicable Date
"Term"	has the meaning as set out in the sub-paragraph headed "Term" under the paragraph headed "The Master Construction Framework Agreement" in the Letter from the Board of this circular
"Transactions"	the transactions contemplated under the Master Construction Framework Agreement
"Vendor"	Henan Zensun Real Estate Co., Ltd.* (河南正商置業有限公司), a limited liability company established under the laws of the PRC and is indirectly owned as to 100% by Ms. Huang
"Zensun Development"	Henan Zensun Enterprise Development Group Co., Ltd.* (河南正商企業發展集團有限責任公司) (formerly known as Henan Zensun Enterprise Development Co., Ltd.* (河南正商企業發展有限責任公司)), a company established in the PRC with limited liability
"Zensun Development Group"	Zensun Development and its subsidiaries
"Zhengyang Construction"	Henan Zhengyang Construction Engineering Group Co., Ltd.* (河南正陽建設工程集團有限公司), a limited liability company established under the laws of the PRC and indirectly non-wholly owned by Ms. Zhang
"%"	per cent.

English names marked with "*" are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.

XINGYE WULIAN SERVICE GROUP CO. LTD.
興業物聯服務集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 9916)

Executive Director:
Mr. Qiu Ming
(Chairman and Chief Executive Officer)

Non-executive Directors:
Ms. Zhang Huiqi
Mr. Wang Jinhu
Mr. Liu Zhenqiang

Independent Non-executive Directors:
Mr. Xu Chun
Mr. Feng Zhidong
Mr. Zhou Sheng

Registered office in the Cayman Islands:
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Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Headquarters in the PRC:
Room 105, 1st Floor
No.1 Gangwan Road
Guancheng District
Zhengzhou City
Henan Province
China

Place of business in Hong Kong:
24th Floor, Wyndham Place
40-44 Wyndham Street
Central, Hong Kong

28 September 2023

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO (1) THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HENAN ZHENG ZHI YUE REAL ESTATE CO., LTD; AND (2) THE MASTER CONSTRUCTION FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Acquisition Announcement dated 5 July 2023 in relation to the proposed acquisition of the entire issued share capital of the Target Company, which is subject to the approval by the Independent Shareholders at the EGM. Upon completion of the acquisition of the Target Company, the Target Company will become a wholly-owned subsidiary of the Group.

Reference is also made to the CCT Announcement dated 5 July 2023 in relation to the Master Construction Framework Agreement with Zensun Development, pursuant to which the Group has conditionally engaged Zensun Development Group as its service provider for the provision of the Construction Services from time to time for the period commencing from the Effective Date and ending on 31 December 2025 subject to the Annual Caps as set out in the CCT Announcement.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement and the transactions contemplated thereunder; (ii) details of the Master Construction Framework Agreement, the Transactions and the Annual Caps; (iii) the recommendation from the Independent Board Committee in respect of the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps; (iv) the letters of advice from VBG Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps; (v) the accountant's report on the Target Company; (vi) the unaudited pro forma financial information on the Enlarged Group; (vii) the valuation report on the Property Project; (viii) other information as required to be disclosed under the Listing Rules; and (ix) the EGM Notice.

THE ACQUISITION

On 5 July 2023 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Share, representing the entire issued share capital of the Target Company, free from all encumbrances and together with all rights and benefits attaching thereto at any time on or after the Completion Date, at the consideration of RMB95,000,000.

Summarised below are the principal terms of the Agreement:

Date:	5 July 2023
Purchaser:	Henan Xingye Internet of Things Management Technology Co., Ltd.* (河南興業物聯網管理科技有限公司), an indirect wholly-owned subsidiary of the Company
Vendor:	Henan Zensun Real Estate Co., Ltd.* (河南正商置業有限公司)

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Share, representing the entire issued share capital of the Target Company, free from all encumbrances and together with all rights and benefits attaching thereto at any time on or after the Completion Date.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

Consideration

The Consideration is RMB95,000,000. In accordance with the terms and conditions of the Agreement, the Consideration will be paid in cash by the Purchaser within six months from the date of Agreement. The Consideration will be funded by internal resources of the Group, without utilising the Company's IPO Proceeds.

The Consideration was determined after arm's length negotiations with reference to, among others:

1. the indicative valuation of the Property Project of the Target Company as at 30 April 2023 issued by the Independent Valuer at RMB277,000,000 (equivalent to approximately HK$315,780,000);

2. the unaudited net asset value of the Target Company as at 30 April 2023 in an amount of approximately RMB92,547,000 (equivalent to approximately HK$105,504,000);

3. the unaudited reassessed net assets value of the Target Company in an amount of approximately RMB93,978,000 (equivalent to approximately HK$107,135,000) which was determined by adding (i) the unaudited net assets value of the Target Company as at 30 April 2023; and (ii) the increase in the unaudited net assets value of the Target Company in an amount of approximately RMB1,431,000 (equivalent to approximately HK$1,631,000) arising from the indicative valuation of the Property Project of the Target Company as at 30 April 2023 as assessed by the Independent Valuer;

4. the business development and future prospects of the Target Company as stated under the section headed "Information of the Group, the Target Company, the Vendor, Ever Diamond Group and Zensun Development Group" below; and

5. the reasons and benefits of entering into the Acquisition as stated under the section headed "Reasons for and benefits of entering into the Acquisition" below.

Conditions

Payment Conditions

The payment of the Consideration is subject to and conditional upon, including but not limited to, the fulfilment (or waiver) of the following Conditions:

(i) all necessary approval or consents in connection with the Agreement and its performance obligations having been obtained;

(ii) the passing of all resolutions by the independent Shareholders (who are entitled to vote and not required to be abstained from voting under the Listing

Rules) at a general meeting of the Company approving the entering into the Agreement by the Company and the performance of the transactions contemplated hereunder including, but not limited to, the Acquisition, in accordance with the relevant provisions in the Listing Rules, the articles of the association of the Company and the applicable laws and regulations in the PRC;

(iii) the warranties provided by the Vendor under the Agreement remaining true and accurate; and

(iv) there being no adverse change which may render the performance of the Agreement invalid under the applicable laws and regulations in the PRC.

Completion Conditions

Completion is subject to and conditional upon, including but not limited to, the fulfilment (or waiver) of the following Conditions:

(i) as at the Completion Date, the Sale Share together with all rights and benefits attaching thereto (including the respective land use rights and buildings corresponding to the Property Project held by the Target Company) are free from encumbrances;

(ii) the warranties provided by the Vendor under the Agreement remaining true and accurate; and

(iii) there being no adverse change which may render the performance of the Agreement invalid under the applicable laws and regulations in the PRC.

The long stop date is either (1) within six months after the signing of the Agreement for the fulfillment of the Payment Conditions; or (2) within four months after the settlement of the Consideration in full for the fulfillment of the Completion Conditions. Under either circumstances, if the Conditions are not fulfilled or waived (as the case may be) on or before the long stop date, all rights and obligations of the Vendor and the Purchaser under the Agreement shall cease and terminate and the Vendor shall forthwith refund to the Purchaser the Consideration paid under the Agreement (if any) without interest.

Completion

Completion shall take place on the Completion Date or on such other date as the Parties may agree in writing. Upon Completion, the Target Company will become a subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial results of the Group.

Assumption of Shareholder's Loan

The key terms of the agreement in respect of the shareholder's loan are set out below.

Date:	31 March 2018
Party:	The Vendor as the lender The Target Company as the borrower
Loan:	The Vendor agreed to provide a loan in an amount of not more than RMB300 million to the Target Company. The Target Company may request the loan in instalments according to its own capital needs.
Interest:	Nil
Security:	Nil
Repayment terms:	The Target Company can make repayments at any time according to its own operation conditions.
Purpose:	The loan shall be used to support the future real estate development projects and the working capital for daily production and operation of the Target Company.

As at the Latest Practicable Date, the Target Company was indebted to the Vendor in the amount of approximately RMB145,155,000. According to the terms of the Agreement, the Purchaser will procure the Target Company to repay the full amount of the shareholder's loan to the Vendor within 6 months from the Completion Date.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION

The Group is principally engaged in property management and value-added services and property engineering services. The Directors consider that the property management market industry in which the Group operates has intensified and the competition are increasingly fierce. The Group may not be able to procure new property management service contracts as planned or at desirable pace or price. To maintain its business growth, the Group has appointed Mr. Qiu Ming as the executive Director, chairman and chief executive officer of the Company on 28 April 2023 with a view to bring his insights and strategic visions into the Group to develop and pursue sustainable business strategies as well as seize profitable market opportunities. Under the leadership of Mr. Qiu, the Group has conducted a strategic review of its business.

The Company sees the opportunities to step forward and continue to develop our potential in commercial properties, especially at prime locations. Such includes but is not limited to opportunities arising from distressed sale from property developers in the property market in the PRC. As such, we see the market is gradually correcting which allows properties at prime location to become available in the market. Further, in light of our track record in property management and value-added services to our customers, we foresee that the Group can also expand our existing services to property projects which are still under development. We believe that the Group can fully integrate our IOT (Internet of things) solutions if the Company is involved in an earlier stage of property development projects.

The Directors consider that the foray into a new business segment in investment, development and construction of non-residential properties, with the primary objective of long-term holding, leasing and management of such properties in the PRC, provides good opportunity to the Group to tap the new market which is of greater growth potential and higher profit margin.

It is expected that there will be high growth potential in the property construction industry in the PRC. Given that the Property Project by the Target Company currently relates to development of the Hotel, for which the Target Company has engaged a hotel management company to, inter alia, manage the operation and promote the business of the Hotel, and saleable commercial units, by entering into of the Agreement, the Directors believe the Property Project under the Target Company will deliver attractive return to the Group in the medium to long term spectrum.

It is however not the Company's intention to tap into a new market and become a property developer which will deviate from the Group's principal business. On the other hand, the controlling shareholders of the Company, who are principally engaged in the business of property development and have certain projects involving hotels and commercial units in the proximity of Zhengzhou City, the PRC, have entered into the Deed of Non-Competition. The Directors consider that there is no potential competition to be dealt with given that (a) the Group will continue to provide property management and value-added services and property engineering services as its principal business, and (b) there is a clear delineation between both (i) the saleable commercial units operated by the controlling shareholders of the Company and those in the Property Project in terms of the property price difference, and (ii) the hotel currently operated by the controlling shareholder of the Company and the hotel being developed under the Property Project in terms of the key differences of the business operation and market positioning. For further details of the Deed of Non-Competition and the potential competition to be dealt with, please refer to the sub-paragraph headed "(d) Interests in competing business" under the paragraph headed "Interests of Directors and Chief Executives" as set out in Appendix VI to this circular.

Ms. Huang is the settlor and protector of the discretionary trust which ultimately owns the entire issued share capital in Ever Diamond, and Ms. Zhang is the daughter of Ms. Huang. Therefore, Ms. Zhang, a non-executive Director, is considered to have material interests in the Agreement and the transactions contemplated thereunder and had abstained from voting on the Board resolutions of the Company to approve the Agreement and the transactions contemplated thereunder. Save for the aforementioned, no other Director has a material interest in the Agreement and the transactions contemplated thereunder and therefore is required to abstain from voting on the Board resolutions of the Company to approve the Agreement and the transactions contemplated thereunder.

Having considered above, the Directors (excluding the independent non-executive Directors forming the Independent Board Committee whose view will be given after considering the advice of the Independent Financial Adviser, and Ms. Zhang who abstained from voting due to Ms. Huang's material interest in the Acquisition) are of the view that the Acquisition is in the interests of the Group, and the terms of the Agreement (including but not limited to the Consideration) are on normal commercial terms, which are fair and reasonable and in the interests of the Shareholders as a whole.

After considering (i) the strategic review of the Company's business and the opportunity in the property construction industry in the PRC; (ii) the Property Project under the Target Company would deliver attractive return to the Group in the medium to long term spectrum; (iii) there would be no potential competition between the Group and the controlling shareholders of the Company; and (iv) the terms of the Agreement (including but not limited to the Consideration) are on normal commercial terms and are fair and reasonable, the Board (excluding the independent non-executive Directors forming the Independent Board Committee whose view will be given after considering the advice of the Independent Financial Adviser, and Ms. Zhang who has abstained from voting in this regard) are not aware of any disadvantages of entering into the Acquisition for the Company.

THE MASTER CONSTRUCTION FRAMEWORK AGREEMENT

On 5 July 2023 (after trading hours), the Company entered into the Master Construction Framework Agreement with Zensun Development, pursuant to which the Group has conditionally engaged Zensun Development Group as its service provider for the provision of the Construction Services from time to time for the period commencing from the Effective Date and ending on 31 December 2025 subject to the Annual Caps as set out in this circular.

The principal terms of the Master Construction Framework Agreement are set out below.

Date:	5 July 2023
Parties:	(1) The Company; and
	(2) Zensun Development as service provider

Term:	The Master Construction Framework Agreement shall commence on the date on which all conditions precedent set out in the Master Construction Framework Agreement are fulfilled. The term of the Master Construction Framework Agreement shall commence from the Effective Date and shall continue up to and including 31 December 2025, unless terminated earlier in accordance with the terms of the Master Construction Framework Agreement
Condition precedent:	The Master Construction Framework Agreement is conditional upon approval by the Independent Shareholders at the EGM having been obtained with respect to (i) the proposed acquisition of the Target Company, and (ii) the Master Construction Framework Agreement, the Transactions and the Annual Caps
Subject matter:	Pursuant to the Master Construction Framework Agreement, the Group shall conditionally appoint Zensun Development Group as its service provider to provide the Construction Services to the Group during the Term. Relevant members of the Group may from time to time enter into individual agreement(s) with relevant members of Zensun Development Group in relation to the provision of the Construction Services during the Term. The individual agreements shall be on the basis of the service plans prepared by the Group and confirmed by both the Group and Zensun Development Group, and the terms of the individual agreement(s) shall be subject to the terms and conditions of the Master Construction Framework Agreement. All transactions under the existing agreements between the relevant members of the Group and the relevant members of Zensun Development Group in respect of the Construction Services to be rendered after the date of the Master Construction Framework Agreement will be governed by the Master Construction Framework Agreement as from the Effective Date and subject to the Annual Caps

Services to be provided:	Pursuant to the Master Construction Framework Agreement, Zensun Development Group shall provide Construction Services to the Group which shall be construction, engineering and related services, including but not limited to, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance, consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction and project management, supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installations of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services and electrical systems
Pricing policy:	For contracts in relation to procurement of Construction Services with contract sum of RMB2.0 million or above, the Group shall issue tender invitations to at least three construction contractors on the list of authorised contractors (including Independent Third Parties and Zensun Development Group) maintained by the Group with the required qualifications and capability to undertake construction projects as well as good reputation and credibility. For contracts in relation to procurement of Construction Services with contract sum of less than RMB2.0 million, the Group shall obtain quotations from at least three organisations with the required qualifications and capability as well as good reputation and credibility.

The Assessment Committee will assess the tenders or quotations submitted in respect of the Construction Services with the following principal criteria:

(i) the pricing of the tender or quotation (in particular, in respect of a quotation or tender submitted by Zensun Development Group, the service fees and terms shall be no less favourable to the Group than the fees to be quoted by and terms available from Independent Third Parties);

(ii) the technical specifications of the tender including construction planning, technical skills, quality and construction schedule; and

(iii) the evaluation of the service provider considering the background and qualification, industry reputation, track record and previous work experience with the Group (if any).

In the event that the Company fails to receive enough bids or quotations at its satisfaction, the Company may reassess the scope of services required or revisit the design requirements and relaunch the tender or seek revised quotations.

The service provider assessed with the highest score based on the above assessment criteria will be awarded the individual agreement for the Construction Services. If a member of Zensun Development Group is considered by the Assessment Committee to have achieved the highest score based on the assessment criteria, an individual agreement will be entered into, where the fees for the Construction Services will be the pricing bid or quotation placed by the member of Zensun Development Group.

Proposed annual caps: Under the Master Construction Framework Agreement, the proposed annual caps are as follows:

	For the period from the Effective Date to 31 December 2023	For the year ending 31 December	
	2023	2024	2025
	RMB'million	*RMB'million*	*RMB'million*
Annual caps	36.8	212.6	244.5

Each of the Annual Caps under the Master Construction Framework Agreement has been determined with reference to:

(a) the total contract sum in relation to the Property Project that have been awarded to Zensun Development Group by the Target Company amounted to approximately RMB4.2 million, RMB39.9 million and RMB1.0 million for the two years ended 31 December 2022 and the four months ended 30 April 2023, respectively;

(b) the estimated total contract sum in relation to the existing Property Project that may be awarded to Zensun Development Group by the Target Company amounted to approximately RMB35.0 million, RMB150.0 million and RMB154.2 million for the period from the Effective Date to 31 December 2023 and for the two years ending 31 December 2025, respectively, with an additional 5% buffer on the estimated total contract sum as possible variance of the costs arising from inflation in respect of such Construction Services; and;

(c) the estimated demand from the Group for Construction Services to be provided by Zensun Development Group for the three years ending 31 December 2025, taking into account the potential contract(s) of the Group. The Group currently expects to undertake one additional property refurbishment project with contract fee of not more than RMB220 million and construction period of around three years, and around 25% (i.e. RMB55 million) and 37.5% (i.e. RMB82.5 million) of the contract fees will be required in the years ending 31 December 2024 and 2025, respectively.

The service fees payable under the Master Construction Framework Agreement will be funded by cashflow to be generated from its operation, external financing and/or internal resources of the Group, without utilising the Company's IPO Proceeds.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER CONSTRUCTION FRAMEWORK AGREEMENT

As mentioned in the Acquisition Announcement, the Target Company has entered into a construction contract (the "**Construction Contract**") with Zhengyang Construction, a direct wholly-owned subsidiary of Zensun Development, pursuant to which the Target Company agreed to engage Zhengyang Construction as the contractor for the provision of design and construction services for the Property Project which is under development. Zhengyang Construction engages in, among others, construction and renovation works in the PRC.

Zensun Development Group possesses various required certifications, qualifications and registrations with abundant experience in carrying out the Construction Services in the PRC, which includes special-grade qualification for construction main contractor* (建築工程施工總承包特級資質), which is the highest construction qualification in the scope of construction main contractor recognised by the relevant government bureaux and enables Zensun Development Group to take up large-scale non-municipal engineering construction projects without restrictions.

Zensun Development is a 30%-controlled company held indirectly by Ms. Zhang. Therefore, Ms. Zhang, a non-executive Director, is considered to have material interests in the Master Construction Framework Agreement, the Transactions and the Annual Caps. As a result, Ms. Zhang had abstained from voting on the Board resolutions of the Company to approve the Master Construction Framework Agreement, the Transactions and the Annual Caps. Save for the aforementioned, no other Director has a material interest in the Master Construction Framework Agreement and therefore is required to abstain from voting on the Board resolutions of the Company to approve any of the same.

Taking into account Zensun Development Group's experience and reputation in property development and construction and its track record in providing Construction Services, particularly its reliability in delivering completed properties in a timely manner and its ability to select appropriate sub-contractors and manage them effectively, the Directors (excluding the independent non-executive Directors forming the Independent Board Committee whose view will be given after considering the advice of the Independent Financial Adviser, and Ms. Zhang who has abstained from voting in this regard) are of the opinion that the terms of the Master Construction Framework Agreement, the Transactions and the Annual Caps are (i) on normal commercial terms and in the ordinary and usual course of the business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

After considering (i) Zensun Development Group's qualifications, experience and reputation in property development and construction and its track record in providing Construction Services; (ii) the existing engagement of Zhengyang Construction (a direct wholly-owned subsidiary of Zensun Development) by the Target Company for the provision of design and construction services for the Property Project; and (iii) the terms of the Master Construction Framework Agreement are on normal commercial terms and are fair and reasonable, the Board (excluding the independent non-executive Directors forming the Independent Board Committee whose view will be given after considering the advice of the Independent Financial Adviser, and Ms. Zhang who has abstained from voting in this regard) are not aware of any disadvantages of entering into the Master Construction Framework Agreement for the Company.

INTERNAL CONTROL

The Company has established various internal control measures to monitor the transactions contemplated under the Master Construction Framework Agreement, including:

(i) the Company has established an assessment committee for the purpose of reviewing the tenders and quotations of the Construction Services. For details of the procurement process and pricing policy, please refer to the sub-paragraph headed "Pricing policy" under the paragraph headed "The Master Construction Framework Agreement" above in this circular;

(ii) the Company has appointed its chief financial officer, who is familiar with the finance and business operations of the Group, to monitor the aggregate amount of the transactions contemplated under the Master Construction Framework Agreement, and assesses on a monthly basis whether the annual cap thereunder may be exceeded;

(iii) the independent non-executive Directors conduct annual reviews with respect to the transactions contemplated under the Master Construction Framework Agreement, and confirm in the annual report, pursuant to the requirements under the Listing Rules, whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, and in accordance with the Master Construction Framework Agreement on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and

(iv) the Company's external auditors conduct annual reviews of the Master Construction Framework Agreement, and the transactions contemplated thereunder in accordance with the Listing Rules.

INDEPENDENT BOARD COMMITTEE'S VIEWS

The Independent Board Committee (which comprises all independent non-executive Directors) has been established to consider the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps.

In considering the Acquisition and the Master Construction Framework Agreement and in particular in determining whether the Deed of Non-Competition would be complied with after completion of the Acquisition, the Independent Board Committee, having (a) considered the commercial rationale and factual background of the Acquisition; (b) reviewed and considered the existing projects involving hotels and commercial units operated by the controlling shareholders of the Company; and (c) consulted the Independent Financial Adviser, shares the same view as of the Board and considers that there is no potential competition to be dealt with given that:

(i) the Group will continue to provide property management and value-added services and property engineering services as its principal business;

(ii) there is a clear delineation between the saleable commercial units operated by the controlling shareholders of the Company and those in the Property Project in terms of the location and material property price difference (i.e. below RMB10,000 per square meter for areas either outside the prime locations of Zhengzhou City or within surrounding counties/cities adjacent to Zhengzhou City where the infrastructure is still under development which are where the saleable commercial units operated by the controlling shareholders of the Company are located as compared to at least RMB25,000 per square meter within the prime locations of Zhengzhou City where the Hotel is located); and

(iii) there is a clear delineation between the hotel currently operated by the controlling shareholders of the Company, the Zensun Jianguo Hotel and the Hotel being developed under the Property Project due to key differences in various aspects (including the location, scale, rating, management, food & beverage and ancillary facilities, room rates, target customers and revenue model) of the two hotels, as explained in sub-paragraph headed "(d) Interests in competing business" under the paragraph headed "Interests of Directors and Chief Executives" as set out in Appendix VI to this circular.

In light of the above and after considering (i) the strategic review of the Company's business to step forward and continue to develop the Group's potential in commercial properties especially at prime locations; (ii) the Property Project under the Target Company would deliver attractive return to the Group in the medium and long term spectrum given, among other things, the high growth potential in the property construction industry in the PRC and the engagement of a hotel management company to manage the operation and promote the business of the Hotel under a globally recognised brand; (iii) there would be no potential competition between the Group and the controlling shareholders of the Company; and (iv) the terms of the Agreement (including but not limited to the Consideration) are on normal commercial terms and are fair and reasonable, the Independent Board Committee is of the view that, the Acquisition is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP, THE TARGET COMPANY, THE VENDOR, EVER DIAMOND GROUP AND ZENSUN DEVELOPMENT GROUP

The Group is principally engaged in the provision of property management and value-added services and property engineering services. The Purchaser is a limited liability company established under the laws of the PRC, an indirect wholly-owned subsidiary of the Company and is principally engaged in internet of things technology development, hotel and property management services.

The Target Company was established on 30 March 2018. It is a real estate developing company incorporated in the PRC. As at the Latest Practicable Date, the entire issued share capital of the Target Company was held by the Vendor. To the best of the Directors' knowledge, the Vendor is a company incorporated in the PRC principally engaged in property development, and it was ultimately owned as to 100% by Ms. Huang as at the Latest Practicable Date.

To the best of the Directors' knowledge, Ever Diamond Group is principally engaged in property development business in the PRC and Zensun Development Group is principally engaged in the businesses of provision of construction services and investment holdings in the PRC.

Property Project held by the Target Company

As at the Latest Practicable Date and upon Completion, the Target Company shall own the property under development in Zhengzhou City, Henan Province, the PRC. Set out below are the details of the Property Project which is directly held by the Target Company:

Property project:	**Zhengzhou Zensun Centre Project**
Registered owner:	The Target Company
Date(s) of issue of the land use rights certificate(s):	31 May 2018
Site area of the land(s) (in square meters):	14,923.11
Location(s):	East Ruyi Road West and South Ruyi River West 1st Street, Zhengzhou City, Henan Province
Term(s) of the land use rights:	40 years
Type(s) of land usage:	Commercial Service
Gross floor area (in square meters):	44,655
Expected/Actual completion year(s):	By the end of 2025
Current status:	Under development
Plot ratio(s):	2.99

LISTING RULES IMPLICATIONS

Very Substantial Acquisitions

As the Master Construction Framework Agreement is entered into with the parties connected or otherwise associated with one another under the Acquisition and the transaction contemplated thereunder, the transactions contemplated under the Acquisition and the Master Construction Framework Agreement shall be subjected to aggregation under Rule 14.22 and Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratio(s) in respect of the Acquisition and the Master Construction Framework Agreement (after aggregation) is more than 100% on an aggregated basis, the Acquisition together with the assumption of the shareholder's loan from the Vendor and the Master Construction Framework Agreement constitute a very substantial acquisition of the Company under the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Connected Transaction and Continuing Connected Transactions

Ms. Zhang is our non-executive Director and one of our controlling shareholders and therefore is a connected person of the Company. As at the Latest Practicable Date, the entire issued share capital in Ever Diamond is ultimately owned by a discretionary trust established by Ms. Huang, who is the mother of Ms. Zhang, as settlor and protector, and Vistra Trust (Singapore) Pte. Limited as trustee and Ms. Huang and Ms. Zhang as beneficiaries under the discretionary trust. Accordingly, Ever Diamond is an associate of Ms. Zhang and connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Based on the information provided by the Vendor, (i) the Vendor is an indirect wholly-owned subsidiary of Ever Diamond; (ii) Ever Diamond is a wholly-owned subsidiary of HQ Neptune Investments Limited, which in turn is wholly-owned by Zensun International Holdings Company Limited. Zensun International Holdings Company Limited is wholly-owned by Zensun Group Limited; and (iii) Zensun Group Limited is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited is the assets of a discretionary trust established by Ms. Huang as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee. As the Vendor is a company beneficially owned and ultimately controlled by Ms. Huang, the entering into of the Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. The entering into of the Agreement and the transactions contemplated thereunder, including but not limited to the Acquisition are therefore subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as at the date of the Master Construction Framework Agreement, Zensun Development was a 30%-controlled company held indirectly by Ms. Zhang. Accordingly, Zensun Development Group is an associate of Ms. Zhang and a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Accordingly, the Acquisition and the Master Construction Framework Agreement are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios based on the Annual Caps in relation to the Master Construction Framework Agreement exceeds 25% and the Annual Caps exceed HK$10,000,000, the Transactions constitutes continuing connected transactions of the Company and are subject to announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EGM

The EGM Notice is set out on pages EGM-1 to EGM-3 of this circular.

Foison Amber Development Limited, being the Controlling Shareholder and an associate of Ms. Zhang, holding 226,350,000 shares, representing approximately 56.59% of the entire issued share capital, of the Company as at the Latest Practicable Date, shall have a material interest in relation to the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps and shall be required to abstain from voting on the resolution of the Company in approving the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps and is required to abstain from voting on the resolution of the Company in approving the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps at the EGM.

A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than Tuesday, 17 October 2023 at 10:00 a.m.). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM, or any adjournment thereof, should you so wish.

An Independent Board Committee comprising all independent non-executive Directors has been established to consider the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps and to advise the Independent Shareholders on whether or not the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole. VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the EGM will demand a poll for each and every resolution put forward at the EGM pursuant to Article 66(1) of the articles of association of the Company. An announcement of the results of the poll will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 October 2023 to Thursday, 19 October 2023, both dates inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than Friday, 13 October 2023 at 4:30 p.m.

RECOMMENDATION

The Directors (including the independent non-executive Directors after considering the advice of VBG Capital) consider that the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps are (i) fair and reasonable so far as the Independent Shareholders are concerned; (ii) on normal commercial terms and (in respect of the Master Construction Framework Agreement and the Transactions) in the ordinary and usual course of the business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 25 to 26 of this circular which contains its recommendation to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps after taking into account the letters from VBG Capital as set out on pages 27 to 53 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps.

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

Yours faithfully,
By Order of the Board
Xingye Wulian Service Group Co. Ltd.
Qiu Ming
Chairman and Chief Executive Officer

XINGYE WULIAN SERVICE GROUP CO. LTD.
興業物聯服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9916)

28 September 2023

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO (1) THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HENAN ZHENG ZHI YUE REAL ESTATE CO., LTD; AND (2) THE MASTER CONSTRUCTION FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company dated 28 September 2023 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to give a recommendation to the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole, and to give a recommendation as to voting at the EGM.

We wish to draw your attention to the letter from the Board and the letters of advice from VBG Capital as set out in the Circular. Having considered the terms of Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps and the advice given by VBG Capital, we are of the opinion that the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps are (i) fair and reasonable so far as the Independent Shareholders are concerned; (ii) on normal commercial terms and (in respect of the Master Construction Framework Agreement and the Transactions) in the ordinary and usual course of the business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder, the Master Construction Framework Agreement, the Transactions and the Annual Caps.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Xu Chun	**Mr. Feng Zhidong**	**Mr. Zhou Sheng**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this circular.

建泉融資有限公司
VBG Capital Limited

21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

28 September 2023

To: *The independent board committee and the independent shareholders of Xingye Wulian Service Group Co. Ltd.*

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HENAN ZHENG ZHI YUE REAL ESTATE CO., LTD

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 Acquisition, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 28 September 2023 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular unless the context requires otherwise.

On 5 July 2023, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Share at the total cash consideration of RMB95,000,000 (the "**Consideration**"). Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

According to the Letter from the Board, the Acquisition constitutes a very substantial acquisition and a connected transaction for the Company under Chapters 14 and 14A of the Listing Rules respectively. The Acquisition is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising Messrs. Xu Chun, Feng Zhidong and Zhou Sheng (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from (i) having acted as the independent financial adviser of the Company relating to the continuing connected transactions of which a circular dated 25 November 2022 was issued; and (ii) the existing engagement in connection with the Acquisition and the Transactions, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent pursuant to Rule 13.84 of the Listing Rules to form our opinion in respect of the Acquisition.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Acquisition, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

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

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

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group or the Target Company, and we have not been furnished with any such evaluation or appraisal, save and except for the valuation report of the Property Project as set out in Appendix V to the Circular (the "**Valuation**"). The Valuation was prepared by the Independent Valuer. Since we are not experts in the valuation of land and properties, we have relied solely upon the Valuation for the market value of the Property Project as at 31 July 2023.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent in-depth investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Acquisition

Information on the Group

Established in 1999, the Group is a reputable property management service provider in Henan Province. The Group provides a wide range of property management services which include, amongst others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas and customer services, and other value-added services.

The Group's portfolio of properties under management expanded rapidly in recent years. The year-on-year expansion of the aggregate GFA of properties under management of the Group was approximately 50.0% and 29.2% in 2019 and 2020, respectively. Since 2021, in view of the intensified competition in the property management services industry, the Group has implemented new strategy to expand its pipeline property portfolio to residential properties other than non-residential properties. As a result, the Group's portfolio of properties under management expanded significantly by approximately 112.9% from 2020 to 2021 and further by approximately 9.1% from 2021 to 2022. As at 31 December 2022, the aggregate GFA of properties under the Group's management was approximately 7.2 million square meters.

Starting from October 2017, the Group also provides its customers with property engineering services which include planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems.

Contributed by the successful development of the aforesaid two business segments, the Group's total revenue rose by approximately 14.0% from approximately RMB281.7 million for the year ended 31 December 2021 to approximately RMB321.1 million for the year ended 31 December 2022. Nonetheless, owing to fierce market competition, net profit of the Group dropped by approximately 13.4% from approximately RMB54.5 million for the year ended 31 December 2021 to approximately RMB47.2 million for the year ended 31 December 2022.

Information on the Target Company

As extracted from the Letter from the Board, the Target Company is a real estate developing company incorporated in the PRC. As at the Latest Practicable Date, the Target Company was wholly-owned by the Vendor.

The Property Project

As at the Latest Practicable Date, save for the Property Project which is a commercial development located in a central business district and high-end financial industry cluster of Zhengzhou City, Henan Province, the Target Company did not have other material business operation. At present, the Property Project is at the construction stage and will be developed into a commercial complex comprising the Hotel and saleable commercial units. Construction of the Property Project is scheduled to be completed in early 2026.

As advised by the Directors, the Target Company has engaged a hotel management company (the "**Hotel Management Company**") to, inter alia, manage and promote the business of the Hotel and saleable commercial units. From our due diligence research, we noted that the Hotel Management Company belongs to a leading international hotel group with 18 hotel brands. That hotel group currently owns, manages and leases more than 6,000 hotels with over 900,000 hotel rooms in more than 100 countries and regions globally, of which around 650 hotels and 167,000 hotel rooms are situated in the PRC. For the year ended 31 December 2022, the said hotel group recorded revenue from reportable segments of approximately USD1,843 million, surging substantially by approximately 32.6% as compared to the prior year. During the same said year, it also enjoyed profit after tax of approximately USD376 million, surging substantially by approximately 41.9% as compared to the prior year.

Further information with regard to the business operation and market positioning of the Hotel shall be presented under the section headed "The Deed of Non-Competition" of this letter of advice.

Financial information on the Target Company

Set out below is the audited financial information on the Target Company for the four months ended 30 April 2023 and the two years ended 31 December 2022 as extracted from Appendix II to the Circular:

	For the four months ended 30 April 2023	**For the year ended 31 December 2022**	**For the year ended 31 December 2021**
	RMB'000	*RMB'000*	*RMB'000*
Loss for the period/year	452	1,504	1,669

As the Target Company has not commenced any business, no revenue was generated and the losses were mainly arising from administrative expenses.

As at 30 April 2023, the audited net asset value of the Target Company was approximately RMB92,547,000.

Industry overview

Based on our independent research, the gross domestic products ("**GDP**") of Henan Province was approximately RMB6,134.5 billion in 2022, representing an increase of approximately 3.1% as compared to the prior year. In terms of GDP contribution, Zhengzhou City ranked first in Henan Province, with a GDP of approximately RMB1,293.5 billion in 2022, increasing by approximately RMB24.4 billion year-on-year and accounting for approximately 21.1% of the total GDP of Henan Province.

The tourism industry

In 2022, Henan Province received approximately 436.0 million domestic tourists, and its total tourism revenue was approximately RMB316.0 billion. The visitor traffic of Henan Province ranked the 5th in the PRC. By the end of the year, there were 681 A-class tourist attractions in Henan Province, among them, 215 tourist attractions were above 4A-class. The number of star hotels and tourist agencies in Henan Province were 361 and 1,229, respectively.

Following the relaxation of control measures in 2023, the tourism industry of Henan Province has experienced a strong recovery. The number of tourists visited Henan Province during the Lunar New Year Festival in 2023 was approximately 33.8 million, ranking the 5th in the PRC. At the same time, the tourism industry of Henan Province generated revenue of approximately RMB17.5 billion, ranking the 7th in the PRC. Subsequent to the Lunar New Year Festival, Henan Province attracted approximately 55.2 million tourists during the Labour Day holiday in 2023, which was the first "golden week" for traveling after the relaxation of the control measures. As compared to the pre-pandemic situation in 2019, the number of tourists who visited Henan Province during the Labour Day holiday in 2023 jumped by approximately 21.3%; whereas the revenue generated by the tourism industry jumped by approximately 7.7% to approximately RMB31.0 billion.

In accordance with the "Notice on Printing and Issuing the "14th Five-Year Plan" for the Integrated Development of Cultural Tourism in Henan Province (《關於印發河南省"十四五"文化旅遊融合發展規劃的通知》)" issued by the Henan government, the "14th Five-Year" period is an important strategic period full with opportunities to develop the culture and tourism industry in Henan Province. The Henan government intends to use Zhengzhou Xinzheng International Airport as a hub to accelerate the construction of a comprehensive aviation airport group covering all provincial cities, key counties and important tourist attractions. The Henan government will also commence the construction of new tourist attractions. It is estimated that by the end of 2025, the aggregate contribution of the Henan tourism industry will account for more than 12% of the provincial GDP, with the number of tourists and revenue generated achieving an average annual growth rate of around 15% and 20%, respectively.

On the other hand, the exhibition industry is one of the leading modern service industries of Zhengzhou City. The construction of the Zhongyuan International Exhibition Center and Zhongyuan Longzi Lake Academic Exchange Center have already been completed, bringing an additional exhibition area of 86,000 square meters. At present, the occupancy rate of the Henan exhibition halls is two times the national average. Some well-known exhibitions will be permanently settled in Zhengzhou City, including, amongst others, the Cross-Border Electronic Commerce Conference, the World Sensors Conference, Abrasives Grinding Exhibition and the Industrial Equipment Expo. Those will become the trendsetters of industrial development and attract more business travelers to Zhengzhou City.

The rental apartments market

Attributable to various factors, such as accelerated urbanization, high housing prices, and the tightening of property purchase and loan restrictions imposed by the PRC government, which have caused difficulties in home buying by the non-resident population and new urban residents, there have been a mounting demand for rental apartments in the PRC. From 2017 to 2021, the size of the PRC's centralized long-term rental apartments market jumped from approximately RMB14.4 billion to approximately RMB44.9 billion. The size of the PRC's centralized long-term rental apartments market is expected to reach approximately RMB125.2

billion in 2026, demonstrating an astonishing compound annual growth rate of approximately 22.8% from 2021 to 2026.

While first-tier cities are the largest and fastest growing markets from 2017 to 2021, with a compound annual growth rate of approximately 33.8% and an estimated aggregate market size of approximately RMB73.5 billion in 2026, the centralized long-term rental apartments markets of other cities have also grown considerably by approximately 18.4% on a compound annual basis from 2017 to 2021, the aggregate market size of which is expected to reach approximately RMB51.7 billion in 2026.

With the increase of national per capita disposable income, tenants can afford more spending on rental apartments and have higher requirements for the quality of living environment. As a result, the price index for rental transactions has been persistently rising, providing a strong economic basis for the future development of the rental apartments market. Leveraging on the accumulated experience in project construction and operation management, it is expected that an increasing number of rental apartment brands will emerge from the role of merely a rental housing asset management expert to a comprehensive one-stop rental housing service provider. Through the application of digital intelligence, Internet of Things and 5G etc., the development of smart living can be further promoted which will bring tenants with a more convenient and efficient living experience. In the future, the rental apartments market will utilize full digitalization to realize intelligence and reconstruct the management of rental apartments. Systematic-and-digital apartment management will become an industry consensus. On the one hand, the grouping and analysis of tenants' preference and behaviours data in the backstage system will allow a more accurate matching of household needs. On the other hand, the online mode and visualization of business management, personnel management and financial account management will be able to provide more opportunities for the expansion of property management scale, cost reduction and efficiency enhancement of the rental apartments market.

China Hotel Industry Study 2022

We have further researched independently about the PRC's hotel industry and found a report named "China Hotel Industry Study 2022" jointly prepared by the China Tourist Hotel Association and Horwath HTL (the "**Industry Report**"). With reference to the Industry Report, due to market changes, the PRC's hotel industry evolved and demonstrates the following characteristics in recent years:

- Although operating income rose in general due to the rebound in demand, profit increases varied across different tiers of the hotel market. In terms of the five-star market, the increase in revenue coupled with relative control of operating costs drove a 30% increase in gross operating profit per available room (GOPPAR) as compared to 2020, resulting in an increase in gross operating profit margin (GOP%) from 20% to 23%. With streamlined facilities helping to ease operating burden, three-star/limited-service hotels were relatively less affected by the pandemic, with GOP% already levelling off at 33% of pre-epidemic levels. Amidst pressure from both sides, the traditional four-star full-service hotel markets were struggling once again, performing at the bottom of all tiers in terms of GOPPAR and GOP%, resulting in a gradually widening gap with the other tiers.

- In general, people are now desperate to escape the pandemic by spending time with mother nature, and the enthusiasm for vacations has never been so high, not only driving the market performance of the resort hotels, but also promoting that of the urban luxury hotels. Under the policy initiatives such as "staying put holidays" and "not leaving your city unless necessary", more and more residents are willing to spend their weekends and holidays in local luxury hotels for a "staycation". Thus, the "star hotels" with excellent facilities were widely sought after by the market, and their price premiums were further accentuated. By contrast, the traditional hotels with limited facilities struggled to improve their room rates.

- New ways of attracting guests have been emerging, such as customized theme presentations, influencer marketing, cross-border cooperation and co-branding, international brand therefore enjoyed comparative advantage in marketing.

- Specifically, the 2021 key operating statistics of international five-star hotels and domestic four-star hotels in the PRC differed in the manner as detailed below:

	International five-star hotels	**Domestic four-star hotels**
Size per available room		
– Standard room	44 square meters	32 square meters
– Executive room	47 square meters	38 square meters
Average room rate	RMB778 per night	RMB387 per night
Annual revenue per available room	RMB259,617	RMB133,152
Annual GOPPAR (GOP%)	RMB63,157 (24.3%)	RMB18,245 (13.7%)
Departmental revenue per available room		
– Rooms	RMB141,971	RMB62,649
– Food & beverage	RMB105,811	RMB48,820
– Spa & fitness center	RMB4,674	RMB3,421

	International five-star hotels	Domestic four-star hotels
Departmental expense per available room		
– Administration & general expenses	RMB25,028	RMB21,328
– Marketing & promotion	RMB15,194	RMB5,687
– Energy	RMB18,240	RMB9,673
Origin of guests		
– China & Hong Kong	94.4%	98.3%
– Other Asia	2.4%	1.0%
– North America	1.2%	0.1%
– South America	0.1%	0.1%
– Europe	1.0%	0.3%
Average food & beverage check per cover		
– Coffee shop	RMB102	RMB74
– Chinese	RMB271	RMB180
– Western/Specialty	RMB251	RMB90
– Lounge/Bar	RMB141	RMB51
– Room service	RMB139	RMB64
– Banquet & function	RMB359	RMB179

Reasons for the Acquisition

As illustrated under the sub-section headed "Information on the Group" of this letter of advice, the Group is principally engaged in property management and value-added services and property engineering services. Throughout the years of business advancement, the Group has proactively responded to market changes by adopting new strategies for sustaining business growth.

As advised by the Directors, the Company sees the opportunities to step forward and continue to develop its potential in commercial properties, especially at prime locations. Further, in light of its track record in the provision of property management and value-added services, the Directors foresee that the Group can also expand the scope of its existing services to and fully integrate its property management solutions into property projects which are still under development. Amidst the fierce competition in the market that the Group currently operates in, the Directors consider that the foray into a new business segment in investment, development and construction of non-residential properties, with the primary objective of long-term holding, leasing and management of such properties, provides good opportunity to the Group to tap into a new market which is of greater growth potential and higher profit margin. Given that the Property Project relates to development of the Hotel, the Target Company has engaged the Hotel Management Company to, inter alia, manage and promote the business of the Hotel. The

Directors believe that the Property Project will deliver attractive return to the Group in the medium to long term spectrum.

We noted that the Group is a reputable property management service provider in Henan Province with over 24 years of operating history. Initially targeting non-residential properties and then further expanded to residential properties, the Group provides a wide range of property management services and other value-added services to its customers. From 2017 onwards, the Group also started to provide its customers with property engineering services. With such profound experience, we concur with the Directors that the Group possesses ample knowledge on the property market of Henan Province. The Property Project will be developed into a commercial complex comprising the Hotel and saleable commercial unit. To assist the Group in the management and promotion of the business of the Hotel and saleable commercial units, the Hotel Management Company, being a member of a leading international hotel group based on our independent research, has been engaged. Moreover, as revealed by our independent research, the future outlook of both the tourism industry of Henan Province and the rental apartments market of the PRC are likely to be positive. Having considered the above together with the possible benefits and synergies to be created through the integration of the Group's expertise in its existing and new businesses, we concur with the Directors that the Acquisition is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. The Deed of Non-Competition

On 18 February 2020, the controlling shareholders of the Company (the "**Controlling Shareholders**"), who are principally engaged in the business of property development, have entered into the Deed of Non-Competition in favour of the Company. As at the Latest Practicable Date, the Controlling Shareholders together operated several saleable commercial units (the "**Commercial Units**") and a hotel (being the Zhengshang Jianguo Hotel) in Zhenzhou City.

Given the commercial rationale of the Acquisition as discussed under the sub-section headed "Reasons for the Acquisition" above, the Directors consider that notwithstanding that the Property Project involving the Hotel and commercial saleable units, and the Commercial Units and the Zhengshang Jianguo Hotel currently held by the Controlling Shareholders appear to be in potential competition with each other, there will be no potential competition between the Group and the Controlling Shareholders as the Group will continue to focus on its principal business of provision of property management and property engineering services and therefore will not become a competitor of the Controlling Shareholders in the property development market.

Besides the commercial rationale of the Acquisition which may eliminate the potential competition, as advised by the Directors, although the Commercial Units are located in Zhengzhou City, they are situated either outside the prime locations of Zhengzhou City or within surrounding counties/cities adjacent to Zhengzhou City where the infrastructure (especially the roads and transportation facilities) is still under development and property prices are much lower (below RMB10,000 per square meter versus at least RMB25,000 per square meter as in the case of prime locations of Zhengzhou City). Because of the material property price difference, the Directors are of the view that no potential competition will exist as there is a clear delineation between the Group and the Controlling Shareholders with respect to the existing development of the Property Project and the Commercial Units.

As aforementioned, the Hotel is located in a central business district and high-end financial industry cluster in Zhengzhou City. Based on its existing development plan, the Hotel will be developed into a large scale five-star hotel with a variety of restaurants and ancillary facilities such as swimming pools, spa and fitness center, children center and banquet and function rooms. In addition, the Hotel will be managed by the Hotel Management Company under a globally recognized brand. Leveraging on its proximity to the central business district in Zhengzhou City, the Hotel will also be equipped with convention centers and conference rooms to cater for the need of business travelers. Given the said distinctive features, the Hotel will target at high-end business travelers and corporate guests, as well as high-end leisure travelers, with an expected average room rate of around RMB650 per night. On top of income from room rentals, it is expected that the Hotel can enjoy a diversified income stream from providing services in relation to conferences, banquets and food & beverage.

At the same time, we understand that the Controlling Shareholders operate the Zhengshang Jianguo Hotel in Zhengzhou City, which was refurbished from a premise originally not intended to be operated as a hotel. With limited dining area and other ancillary facilities, the Zhengshang Jianguo Hotel is positioned in the market as a medium scale four-star domestic "loft" style hotel targeting at individual transient travelers. Currently, the average room rate of the Zhengshang Jianguo Hotel is around RMB350 per night. A majority of its revenue is derived from room rentals.

With the above being the case, we concur with the Directors that there is clear delineation between the business operation and market positioning of the Hotel and the Zhengshang Jianguo Hotel. Having undergone thorough feasibility study and market research, the Hotel is intended to be operated as a five-star luxury hotel targeting at high-end domestic and international business and leisure travelers. Moreover, in order to enhance the brand image and quality of management of the Hotel, the Hotel Management Company was engaged as the management company to oversee the daily operation and management of the Hotel.

As also revealed by the Industry Report, international five-star hotels (being the Hotel) and domestic four-star hotels (being the Zhengshang Jianguo Hotel) in the PRC differ substantially in terms of room size and rates, profitability, revenue model and cost structure, target guests group (in turn the spending power and pattern of their customers) etc. Due to market changes, the PRC's hotel industry evolved and the divergences between international five-star hotels and domestic four-star hotels have been widened. As such, the Directors' view that there is no potential competition between the Hotel and the Zhengshang Jianguo Hotel to be dealt with is substantiated.

Taking into account the above factors, we are of the view that the Deed of Non-Competition would be complied with after Completion.

3. Principal terms of the Agreement

On 5 July 2023, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Share at the Consideration of RMB95,000,000. The entire Consideration shall be settled in cash.

The Consideration

As confirmed by the Directors, the Consideration was determined with reference to, among other factors, the unaudited reassessed net asset value of the Target Group (the "**Reassessed NAV**") in the amount of approximately RMB93,978,000. The Reassessed NAV was calculated by:

	RMB'000	*Note*
Indicative market value of the Property Project as at 30 April 2023 *(Note 1)*	277,000	(a)
Minus: Audited book value of the Property Project as at 30 April 2023	275,569	(b)
Increase in value of the Property Project	1,431	(c)=(a)-(b)
Add: Audited net asset value of the Target Company as at 30 April 2023 *(Note 2)*	92,547	(d)
The Reassessed NAV	**93,978**	**(c)+(d)**

Notes:

1. Referencing to the valuation report of the Property Project as set out in Appendix V to the Circular.

2. Based on the accountants' report on the Target Company as set out in Appendix II to the Circular.

With reference to the above calculation, the Consideration is roughly equivalent to the Reassessed NAV.

The Valuation

We have reviewed the Valuation, sent out an information request list and discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuation. The Independent Valuer have adopted the market approach as the principal valuation methodology.

As confirmed by the Independent Valuer, this approach is universally considered as an accepted valuation approach for valuing most forms of real estate and property project and is consistent with normal market practice. We have reviewed the market comparable transactions adopted by the Independent Valuer and discussed with the Independent Valuer regarding the reasons for adoption of those market comparable transactions and the calculations to arrive at the Valuation. As advised by the Independent Valuer, since the Property Project shall comprise the Hotel and saleable commercial units, they have identified market transactions of both hotels and commercial properties for comparison purpose. There are altogether four and five hotel comparables and commercial properties comparables, respectively. The hotel comparables are located in Chongqing City, Wuhan City, Zhengzhou City and Beijing City with around 80 to 500 rooms; whereas the commercial properties comparables are all located in the same district as the Property Project in Zhengzhou City and are of similar commercial nature. As the hotel comparables differ from the Hotel in terms of location and scale of operation, the Independent Valuer have made adjustments to the applicable parameters deduced therefrom for the purpose of the Valuation. Other adjustments have also been made in consideration for the variance in quality of the commercial properties comparables. After obtaining and studying the background information of those market comparable transactions, we concur with the Independent Valuer that they are largely similar with the Property Project in terms of usage and property type and the adjustments made due to imperfect comparability in location, scale of development and quality are justifiable.

For our due diligence purpose, we have enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's experience and qualification in relation to the preparation of the Valuation; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Valuation. We were informed that site inspection of the Property Project was carried out in July 2023 by the Independent Valuer, during which the Independent Valuer have inspected the exterior of the Property Project. From the mandate letter provided by the Independent Valuer, we are satisfied with their terms of engagement with the Company. From the credentials they provided, we noted that the Independent Valuer were involved in the valuation for a number of acquisitions conducted by listed companies in Hong Kong, and the director in charge of the Valuation is a Registered Professional Surveyor in General Practice Division with over 26 years valuation experience on properties in Hong Kong and the PRC. We are thus satisfied with the Independent Valuer's experience and qualification for preparation of the Valuation. The Independent Valuer have further confirmed that they are independent to the Group, the Vendor and the Target Company.

Details of the basis and assumptions of the Valuation are included in the valuation report of the Property Project as contained in Appendix V to the Circular. During our discussion with the Independent Valuer regarding the basis and assumptions of the Valuation, we have not found any material facts which may lead us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Valuation. Nevertheless, Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the Valuation may or may not reflect the true market value of the Property Project as at 31 July 2023.

Other valuation methodologies

Trading multiples analysis

As the trading multiples analysis is a commonly adopted valuation method in the market, we have attempted to use this analysis to further assess the fairness and reasonableness of the Consideration. As the first step, we began with searching for Hong Kong listed companies which are engaged in similar line of business as the Target Company, i.e. real estate development in the PRC, and generate their revenues entirely from such business. Given that the Target Company only owns one property development project in a single province of the PRC, the scale of its operation is much smaller than the other listed PRC property developers in Hong Kong. Moreover, the Target Company is currently a private company. These two factors have posed difficulties for our search and selection of fair and representative samples of comparable listed companies (the "**Comparable Companies**") as basis for the price multiples analysis. In addition, the major parameters for calculations of the price to earnings ratio and price to book ratio of the Target Company under the trading multiples analysis are its latest net profit and net asset value. In this relation, we noted that the Target Company was loss making in its latest full financial year, making the price to earnings ratio inapplicable. As for the price to book ratio, as said, the Target Company is only at its preliminary stage of development while the operations and asset structure of other potential listed Comparable Companies are relatively more mature. In such circumstances, the appropriateness of the price to book ratio as an alternative assessment for the Consideration would be undermined. Taking into account (i) the aforesaid limitations of the price multiples analysis for assessing the Consideration; and (ii) the operations and prospects of the Comparable Companies are inevitably different from the Target Company, the trading multiples analysis would not be an appropriate valuation method for assessing the fairness and reasonableness of the Consideration.

Dividend yield analysis

Since the Target Company had not declared any dividend to its shareholders during the year ended 31 December 2022, there is no recent basis to assess the Consideration based on the historical dividend yield of the Target Company. Thus, the dividend yield analysis would be inapplicable for assessing the fairness and reasonableness of the Consideration.

Having considered that the Target Company's major business operation is the Property Project, the valuation of the Target Company shall hence largely be the Valuation. In light of that the Consideration is roughly equivalent to the Reassessed NAV, we are of the view that the Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

4. Possible financial effects of the Acquisition

As advised by the Directors, upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

Net asset value and gearing

According to the annual report of the Company for the year ended 31 December 2022 (the "**Annual Report**"), the audited consolidated net assets of the Group amounted to approximately RMB413.5 million as at 31 December 2022. Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to the Circular, as if the Acquisition had been completed on 31 December 2022, the net assets of the Enlarged Group would remain stable at approximately RMB412.5 million.

According also to the Annual Report, the gearing ratio (defined as the total debt (of which debt represents interest-bearing borrowings) divided by the total equity) was nil as at 31 December 2022 as the Group had no interest-bearing borrowings as at the even date. Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to the Circular, the gearing ratio of the Enlarged Group would stay at nil upon Completion.

Liquidity

According to the Annual Report, the audited consolidated cash and cash equivalents of the Group as at 31 December 2022 amounted to approximately RMB467.7 million. Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to the Circular, as if the Acquisition had been completed on 31 December 2022, the cash and cash equivalents of the Enlarged Group would be reduced slightly to approximately RMB466.8 million.

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

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 18 years of experience in corporate finance industry.

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Construction Framework Agreement, the Transactions and the Annual Caps for the purpose of inclusion in this circular.

建泉融資有限公司
VBG Capital Limited

21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

28 September 2023

To: The independent board committee and the independent shareholders of Xingye Wulian Service Group Co. Ltd.

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONTINUING CONNECTED TRANSACTIONS THE MASTER CONSTRUCTION FRAMEWORK AGREEMENT

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 Master Construction Framework Agreement, the Transactions and the Annual Caps, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 28 September 2023 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular unless the context requires otherwise.

Reference is made to the Acquisition Announcement. Upon completion of the Acquisition which is subject to, among other things, approval by the Independent Shareholders at the EGM, the Target Company will become a wholly-owned subsidiary of the Group. As at the Latest Practicable Date, the Target Company held the Property Project. On 5 July 2023, the Company and Zensun Development entered into the Master Construction Framework Agreement pursuant to which the Group has conditionally agreed to engage Zensun Development Group for provision of the Construction Services to the Group from time to time for the period commencing from the Effective Date and ending on 31 December 2025. Based on the Company's current estimation, it is proposed that the Annual Caps be set at RMB36.8 million, RMB212.6 million and RMB244.5 million for the period from the Effective Date to 31 December 2023 and each of the two years ending 31 December 2024 and 2025, respectively.

According to the Letter from the Board, the Transactions constitute a very substantial acquisition and non-exempt continuing connected transactions for the Company under Chapters 14 and 14A of the Listing Rules, respectively. The Master Construction Framework Agreement, the Transactions and the Annual Caps are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

The Independent Board Committee comprising Messrs. Xu Chun, Feng Zhidong and Zhou Sheng (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Master Construction Framework Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Master Construction Framework Agreement, the Transactions and the Annual Caps at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from (i) having acted as the independent financial adviser of the Company relating to the continuing connected transactions of which a circular dated 25 November 2022 was issued; and (ii) the existing engagement in connection with the Transactions and the Acquisition, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent pursuant to Rule 13.84 of the Listing Rules to form our opinion in respect of the Master Construction Framework Agreement, the Transactions and the Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Master Construction Framework Agreement, the Transactions and the Annual Caps, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the announcements of the Company regarding the Transactions and the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

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

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

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

In addition, Shareholders should note that as the Annual Caps are relating to future events and estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenues or costs to be recorded from the Master Construction Framework Agreement. Consequently, we express no opinion as to how closely the actual revenues or costs to be recorded under the Master Construction Framework Agreement will correspond with the Annual Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Master Construction Framework Agreement, the Transactions and the Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Master Construction Framework Agreement

Information on the Group

Established in 1999, the Group is a reputable property management service provider in Henan Province. The Group provides a wide range of property management services which include, amongst others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas and customer services, and other value-added services.

The Group's portfolio of properties under management expanded rapidly in recent years. The year-on-year expansion of the aggregate GFA of properties under management of the Group was approximately 50.0% and 29.2% in 2019 and 2020, respectively. Since 2021, in view of the intensified competition in the property management services industry, the Group has implemented new strategy to expand its pipeline property portfolio to residential properties other than non-residential properties. As a result, the Group's portfolio of properties under management expanded significantly by approximately 112.9% from 2020 to 2021 and further by approximately 9.1% from 2021 to 2022. As at 31 December 2022, the aggregate GFA of properties under the Group's management was approximately 7.2 million square meters.

Starting from October 2017, the Group also provides its customers with property engineering services which include planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems.

Contributed by the successful development of these two business segments, the Group's total revenue rose by approximately 14.0% from approximately RMB281.7 million for the year ended 31 December 2021 to approximately RMB321.1 million for the year ended 31 December 2022. Nonetheless, owing to fierce market competition, net profit of the Group dropped by approximately 13.4% from approximately RMB54.5 million for the year ended 31 December 2021 to approximately RMB47.2 million for the year ended 31 December 2022.

Information on Zensun Development Group

So far as known to the Directors, the principal business of Zensun Development Group (including Zhengyang Construction) comprises provision of Construction Services and investment holdings in the PRC.

As advised by the Directors, Zensun Development Group possesses various required certifications, qualifications and registrations with abundant experience in carrying out the Construction Services in the PRC, which includes Special-grade Qualification for Construction Main Contractor* (建築工程施工總承包特級資質), being the highest construction qualification in the scope of construction main contractor recognised by the relevant government bureaus, and such qualifications and experience enable Zensun Development Group to take up large-scale non-municipal engineering construction projects without restrictions.

For our due diligence purpose, we have requested and obtained (i) copies of the construction and engineering qualification certificate(s) possessed by Zensun Development Group; and (ii) information regarding the track record of Zensun Development Group in providing Construction Services in the PRC.

Reasons for the Transactions

As mentioned in the Acquisition Announcement, the Target Company has entered into a construction contract (the "**Construction Contract**") with Zhengyang Construction, a direct wholly-owned subsidiary of Zensun Development, pursuant to which the Target Company agreed to engage Zhengyang Construction as the contractor for provision of design and construction services for the Property Project which is under development.

As mentioned under the sub-section headed "Information on Zensun Development Group" of this letter of advice, Zensun Development Group possesses various required certifications, qualifications and registrations with abundant experience in carrying out the Construction Services in the PRC, and such qualifications and experience enable Zensun Development Group to take up large-scale non-municipal engineering construction projects without restrictions. Accordingly, the Directors consider Zensun Development Group to be a competent candidate to continue to provide the Construction Services for the development of the Property Project.

Taking into account the above reasons for the Transactions, we concur with the Directors that the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Master Construction Framework Agreement

Summarised below are the principal terms of the Master Construction Framework Agreement as extracted from the Letter from the Board:

Date:	5 July 2023
Parties:	(1) The Company; and (2) Zensun Development as service provider
Term:	The Master Construction Framework Agreement shall commence from the Effective Date and continue up to and including 31 December 2025, unless terminated earlier in accordance with the Master Construction Framework Agreement.
Subject matter:	Pursuant to the Master Construction Framework Agreement, the Group shall conditionally appoint Zensun Development Group as its service provider to provide Construction Services to the Group during the Term. Relevant members of the Group may from time to time enter into Individual Agreement(s) with relevant members of Zensun Development Group in relation to the provision of Construction Services during the Term. The Individual Agreement(s) shall be on the basis of the service plans prepared by the Group and confirmed by both the Group and Zensun Development Group and the terms of the Individual Agreement(s) shall be subject to the terms and conditions of the Master Construction Framework Agreement. All transactions under the existing agreements between relevant members of the Group and relevant members of Zensun Development Group in respect of the Construction Services to be rendered after the date of the Master Construction Framework Agreement will be governed by the Master Construction Framework Agreement as from the Effective Date and subject to the Annual Caps.

Services to be provided: Pursuant to the Master Construction Framework Agreement, Zensun Development Group shall provide Construction Services to the Group which shall be construction, engineering and related services, including but not limited to, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance, consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction and project management, supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installations of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services and electrical systems.

Pricing policy

For contracts in relation to procurement of Construction Services with contract sum of RMB2 million or above, the Group shall issue tender invitations to at least three construction contractors on the list of authorised contractors (including Independent Third Parties and Zensun Development Group) (the "**Authorised Contractors List**") maintained by the Group with the required qualifications and capability to undertake construction projects as well as good reputation and credibility.

For contracts in relation to procurement of Construction Services with contract sum of less than RMB2 million, the Group shall obtain quotations from at least three construction contractors with the required qualifications and capability as well as good reputation and credibility.

The Assessment Committee will assess the tenders or quotations submitted in respect of the Construction Services with the following principal assessment criteria (the "**Criteria**"):

(i) the pricing of the tender or quotation (in particular, in respect of a quotation or tender submitted by Zensun Development Group, the service fees and terms shall be no less favourable to the Group than the fees quoted by and terms available from Independent Third Parties);

(ii) the technical specifications of the tender including construction planning, technical skills, quality and construction schedule; and

(iii) the evaluation of the service provider considering the background and qualification, industry reputation, track record and previous work experience with the Group (if any).

In the event that the Company fails to receive enough bids or quotations at its satisfaction, the Company may reassess the scope of services required or revisit the design requirements and relaunch the tender or seek revised quotations.

Bidders assessed with the highest score based on the above Criteria will be awarded the Individual Agreement(s) for the Construction Services. If a member of Zensun Development Group is considered by the Assessment Committee to have achieved the highest score based on the Criteria, an Individual Agreement will be entered into, where the fees for the Construction Services will be the pricing bid or quotation placed by relevant member of Zensun Development Group.

In relation to the aforesaid pricing and procurement process, we have (i) requested the Company to provide us with copies of the relevant internal control policy of the Group and the Authorised Contractors List; and (ii) discussed with the Directors regarding the implementation of the entire process. Based on the documents we obtained and our discussion with the Directors, we understand that there are four qualified and competent construction contractors on the Authorised Contractors List from which the Group can select to issue tender invitations for contracts in relation to procurement of Construction Services with contract sum of RMB2 million or more. Such number of qualified and competent construction contractors is sufficient to fulfil the tender invitations requirement. As for contracts with contract sum of less than RMB2 million, the Group shall obtain quotations from at least three construction contractors with the required qualifications and capability as well as good reputation and credibility. The Group has set up the Assessment Committee, whose members shall consist of Mr. Qiu Ming, the Chief Executive Officer and Chairman of the Board, Mr. Liu Zhenqiang, a non-executive Director, Mr. Feng Zhidong, an independent non-executive Director, Mr. Zhang Yong, the deputy general manager of the Group and other responsible management officers of the Group, to assess the tenders or quotations submitted in respect of the Construction Services based on the standard objective Criteria as highlighted above. Having considered that (i) suitable independent contractors will be invited to compete with Zensun Development Group as service provider for the Construction Services; (ii) the Assessment Committee, comprising senior executives/officers of the Group, shall oversee the entire appraisal and scoring process; and (iii) the assessment Criteria are objective and appropriate, we consider that the pricing and procurement process under the Master Construction Framework Agreement is fair and reasonable.

In light of the above, we are of the opinion that the terms of the Master Construction Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. The Annual Caps

The table below demonstrates the Annual Caps for the period from the Effective Date to 31 December 2023 and each of the two years ending 31 December 2024 and 2025:

	For the period from the Effective Date to 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
	RMB' million	*RMB' million*	*RMB' million*
The Annual Caps	36.8	212.6	244.5

As aforementioned, the Target Company has entered into the Construction Contract with Zhengyang Construction pursuant to which the Target Company agreed to engage Zhengyang Construction as the contractor for provision of design and construction services for the Property Project which is under development. The preliminary contract fee under the Construction Contract is RMB380 million (the "**Preliminary Contract Fee**"). It is expected that the construction of the Property Project will be completed in early 2026. As advised by the Directors, out of the total Preliminary Contract Fee, the contract sum awarded to Zhengyang Construction was approximately RMB4.2 million, RMB39.9 million and RMB1 million, respectively, for the two years ended 31 December 2021 and 2022, and the four months ended 30 April 2023.

In view of the expertise, qualification and reputation of Zensun Development Group in property development and construction, the Directors consider it to be a competent candidate to continue to provide the Construction Services for the development of the Property Project. With this being the case, the Annual Caps were mainly determined with reference to the current development plan and construction schedule of the Property Project, as well as the budgeted Preliminary Contract Fee to be incurred at each stage of the construction. In this relation, we have requested and obtained from the Company the said development plan and schedule of the Property Project. We have further discussed with the Directors regarding the construction progress and scale, and breakdown of the budgeted Preliminary Contract Fee. Upon our enquiry, we understand that at present, the Property Project is at the preliminary construction stage with the site preparation and levelling work completed. The foundation work has commenced, after the completion of which the major rough framing and exterior construction work are scheduled to get started in 2024, then followed by the chief mechanical, electrical and plumbing, and other interior fixtures work. Based on such timetable, it is expected that substantial amount of Construction Services will be required in 2024 and 2025. The total budgeted Preliminary Contract Fee payable to Zensun Development Group annually from 2023 (from the Effective Date) to 2025 is RMB35 million, RMB150 million and RMB154.2 million, respectively. At the same time, given that the construction period is of medium to long term, the actual construction and engineering costs may vary from the budgets due to inflation and/or potential increase in market price and other unforeseeable factors. Hence, the Directors have set aside an additional 5% buffer and we consider such buffer to be reasonable.

Moreover, as advised by the Directors, the Company sees the opportunities to step forward and continue to develop its potential in commercial properties, especially at prime locations. In light of its track record in the provision of property management and value-added services, the Directors foresee that the Group can also expand the scope of its existing services to and fully integrate its property management solutions into property projects which are still under development. Having considered it is the Group's first attempt to tap into the new business segment in investment, development and construction of non-residential properties and the Property Project will still be under construction in the coming few years, the Company will take a prudent approach and currently expect to undertake one additional property refurbishment project with contract fee of not more than RMB220 million and construction period of around three years. The Company expects that around 25% (i.e. RMB55 million) and 37.5% (i.e. RMB82.5 million) of the contract fee will be required in 2024 and 2025, respectively. Thus, when setting the Annual Caps for the years ending 31 December 2024 and 2025, the Company has included such additional possible demand for Construction Services and we consider the estimation basis to be justifiable.

In view of the above basis of determination of the Annual Caps, we are of the view that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. Relevant Listing Rules' requirements

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the amounts of the Transactions must be restricted by the Annual Caps for the years concerned under the Master Construction Framework Agreement; (ii) the terms of the Master Construction Framework Agreement (together with the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Master Construction Framework Agreement (together with the Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the Transactions are carried out in accordance with the pricing policies of the Company, and the Annual Caps are not being exceeded. In the event that the total amounts of the Transactions exceed the Annual Caps, or that there is any material amendment to the terms of the Master Construction Framework Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the aforesaid stipulated requirements for continuing connected transactions of the Listing Rules in place, the Transactions will be monitored and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Master Construction Framework Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Master Construction Framework Agreement, the Transactions and the Annual Caps, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 18 years of experience in corporate finance industry.

1. CONSOLIDATED FINANCIAL STATEMENTS

Financial information of the Group for each of the three years ended 31 December 2022 and the six months ended 30 June 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.xingyewulian.com):

- interim report of the Company for the six months ended 30 June 2023 published on 18 September 2023 (pages 27 to 56):
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0918/2023091801270.pdf

- annual report of the Company for the year ended 31 December 2022 published on 25 April 2023 (pages 90 to 191):
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042502355.pdf

- annual report of the Company for the year ended 31 December 2021 published on 28 April 2022 (pages 92 to 195):
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801336.pdf

- annual report of the Company for the year ended 31 December 2020 published on 15 April 2021 (pages 85 to 191):
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500381.pdf

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the Acquisition and the financial resources and the banking facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, save for the Group's lease liabilities of RMB3,147,000 as at 31 August 2023 and the Target Company's amount due to the immediate holding company of RMB145,155,000 and contingent liabilities relating to guarantee of RMB160,756,000 to certain related parties in relation to their borrowings as at 31 August 2023, the Enlarged Group did not have outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

4. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of performance and other information of the Group for the year ended 31 December 2022 and the six months ended 30 June 2023 principally extracted from the annual results announcement of the Company for the year ended 31 December 2022 and the interim results announcement of the Company for the six months ended 30 June 2023, respectively. Unless the context otherwise requires, capitalised terms used therein shall have the same meanings as those ascribed in the annual results announcement of the Company for the year ended 31 December 2022 and the interim results announcement of the Company for the six months ended 30 June 2023.

FOR THE YEAR ENDED 31 DECEMBER 2022

Revenue

The Group's revenue was primarily generated from (i) property management and value-added services and (ii) property engineering services.

For the year ended 31 December 2022, the Group's total revenue was approximately RMB321.1 million, representing an increase of approximately RMB39.4 million or 14.0% as compared to approximately RMB281.7 million for the year ended 31 December 2021. Such increase was primarily attributable to the increase in segment revenue from property management services.

Cost of Sales

The Group's cost of sales consisted of subcontracting costs, staff costs and materials and consumables. The Group recorded an increase in cost of sales of approximately RMB33.5 million or 17.9% from approximately RMB187.9 million for the year ended 31 December 2021 to approximately RMB221.4 million for the year ended 31 December 2022. Such increase was generally in line with the Group's growth in revenue during the year ended 31 December 2022 associated with the expansion in the Group's properties under management.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately RMB5.9 million or 6.3% from approximately RMB93.8 million for the year ended 31 December 2021 to approximately RMB99.7 million for the year ended 31 December 2022. The Group's gross profit margin was approximately 31.0% for the year ended 31 December 2022 as compared to that of approximately 33.3% for the year ended 31 December 2021. The decrease in the Group's gross profit margin was mainly resulted from the downturn of the overall real estate economy, in which the contract price undertaken during the year was relatively lower than the year ended 31 December 2021.

Administrative Expenses

The Group's administrative expenses mainly comprised staff costs of the Group's administrative staff at the Group's headquarters, office expenses and professional fees. The Group's administrative expenses remained fairly stable, amounted to approximately RMB35.5 million during the year ended 31 December 2022 as compared to that of approximately RMB35.7 million for the year ended 31 December 2021.

Finance Costs

The Group's finance costs represented the imputed interest generated from rights of use assets in connection with the lease contract payments for the Group's lease properties.

Income Tax Expenses

The Group's income tax expenses slightly decreased by approximately RMB0.4 million or 2.2% from approximately RMB18.2 million for the year ended 31 December 2021 to approximately RMB17.8 million for the year ended 31 December 2022 which was in line with the decrease in profit before tax brought from the decrease in other income and gains during the year ended 31 December 2022.

Profit for the year ended 31 December 2022

As a result of the foregoing, the Group's profit attributable to the owners of the parent decreased by approximately RMB7.3 million or 13.4% from approximately RMB54.5 million for the year ended 31 December 2021 to approximately RMB47.2 million for the year ended 31 December 2022.

Dividend for the year ended 31 December 2022

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Revenue

The Group's revenue was primarily generated from (i) property management and value-added services and (ii) property engineering services.

For the six months ended 30 June 2023, the Group's total revenue was approximately RMB159.7 million, representing an increase of approximately RMB4.1 million or 2.6% as compared to approximately RMB155.7 million for the six months ended 30 June 2022. Such increase was primarily attributable to the increase in segment revenue from property management services.

Cost of Sales

The Group's cost of sales primarily consisted of subcontracting costs, staff costs and materials and consumables. The Group recorded an increase in cost of sales of approximately RMB4.3 million or 4.1% from approximately RMB104.9 million for the six months ended 30 June 2022 to approximately RMB109.2 million for the six months ended 30 June 2023. Such increase was generally in line with the Group's growth in revenue during the six months ended 30 June 2023 associated with the growth in the Group's properties under management.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased slightly by approximately RMB0.2 million or 0.5% from approximately RMB50.7 million for the six months ended 30 June 2022 to approximately RMB50.5 million for the Period. The Group's gross profit margin was approximately 31.6% for the six months ended 30 June 2023 as compared to approximately 32.6% for the six months ended 30 June 2022. The slight decrease in the Group's gross profit margin was mainly resulted from the downturn of the overall real estate economy, in which the contract price undertaken during the six months ended 30 June 2023 was relatively lower than the six months ended 30 June 2022.

Administrative Expenses

The Group's administrative expenses mainly comprised staff costs of the Group's administrative staff at the headquarters, office expenses and professional fees. The Group recorded an increase in administrative expenses of approximately RMB3.7 million or 26.7% from approximately RMB13.8 million for the six months ended 30 June 2022 to approximately RMB17.5 million for the six months ended 30 June 2023, mainly resulted from the increase in legal and professional fee in relation to the Acquisition and the Transactions and consulting and advisory fee for property management service systems.

Finance Costs

The Group's finance costs represented the imputed interest generated from rights-of-use assets in connection with the lease contract payments for the Group's lease properties.

Income Tax Expenses

The Group's income tax expenses decreased by approximately RMB0.5 million or 4.9% from approximately RMB10.9 million for the six months ended 30 June 2022 to approximately RMB10.4 million for the six months ended 30 June 2023, yet the effective tax rate has increased from 25% for the six months ended 30 June 2022 to 33% for the six months ended 30 June 2023, which is primarily resulted from the increased impact from the tax loss not recognised during the six months ended 30 June 2023.

Profit for the six months ended 30 June 2023

As a result of the foregoing, the Group's profit attributable to the owners of the parent decreased by approximately RMB11.2 million or 35.1% from approximately RMB32.0 million for the six months ended 30 June 2022 to approximately RMB20.8 million for the six months ended 30 June 2023.

Dividend for the six months ended 30 June 2023

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023.

Business Overview

Established in 1999, the Group is a reputable property management service provider in Henan Province with a particular focus on offering property management and value-added services. The Group provides a wide range of property management services which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas and customer services, and value-added services which include repair and maintenance for exclusive use areas, renovation waste clearance, intermediary leasing services, etc. The Group also provides its customers with property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems, in order to enhance the quality of the property management systems of the Group's customers.

During the year ended 31 December 2022 and the six months ended 30 June 2023, the Group continued its business strategies to diversify its portfolio of pipeline properties from non-residential properties to also residential properties in provision of property management and value-added services. Thus, the Group's portfolio of properties under management expanded during the year ended 31 December 2022 and the six months ended 30 June 2023 from GFA of approximately 6.6 million sq.m. as at 31 December 2021 to approximately 7.2 million sq.m. as at 31 December 2022 and approximately 8.2 million sq.m. as at 30 June 2023. As at 30 June 2023, the Group's portfolio of contracted properties covered GFA of approximately 12.7 million sq.m. in aggregate.

During the year ended 31 December 2022 and the six months ended 30 June 2023, the Group continued to expand the scale of property engineering services performed for the customers as compared with 2021. During the year ended 31 December 2022 and the six months ended 30 June 2023, the Group had entered into 34 and 7 new property engineering contracts with an aggregated contract amount of approximately RMB40.2 million and RMB6.1 million, respectively. As at 30 June 2023, the total contract sum for contracted engineering services with remaining performance obligations amounted to contract sum for RMB35.6 million, which will contribute to the Group's revenue in the future.

Financial Review

Liquidity and Capital Resources

The Group maintained a healthy financial position. As at 31 December 2022, the current assets amounted to approximately RMB583.9 million, representing an increase of approximately RMB57.9 million or 11.0% as compared to approximately RMB526.0 million as at 31 December 2021. As at 30 June 2023, the current assets amounted to approximately RMB607.3 million, representing an increase of approximately RMB23.4 million or 4.0% as compared to approximately RMB583.9 million as at 31 December 2022. As at 31 December 2022, cash and cash equivalents of the Group amounted to approximately RMB467.7 million, representing an increase of approximately RMB68.6 million or 17.2% as compared to approximately RMB399.1 million as at 31 December 2021. As at 30 June 2023, cash and cash equivalents of our Group amounted to approximately RMB478.7 million, representing an increase of approximately RMB11.0 million or 2.4% as compared to approximately RMB467.7 million as at 31 December 2022. As at 31 December 2022 and 30 June 2023, the cash and cash equivalents of the Group were mainly denominated in RMB and Hong Kong dollars.

Gearing ratio is calculated based on the total debt (of which debt represents interest-bearing borrowings) divided by the total equity as at the end of the reporting period. As at 31 December 2022 and 30 June 2023, the Group has no interest-bearing borrowings and hence the gearing ratio was nil.

The capital structure of The Group is primarily equity which comprises issued share capital and reserves.

Charge of Group's Assets and Pledge of Assets

As at 31 December 2022 and 30 June 2023, none of the assets of the Group was pledged and there were not any charges on the Group's assets.

Contingent Liabilities

As at 31 December 2022 and 30 June 2023, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2022 and 30 June 2023, the Group did not have any material capital commitments.

Foreign Exchange Risks

The Group mainly operates in the PRC with most of the transactions settled in RMB. Therefore, the Group is not exposed to significant foreign currency exchange risk except certain bank balances denominated in Hong Kong dollars that were held by the Company. Currently, the Group did not enter into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

Significant Investments

As at 31 December 2022 and 30 June 2023, the Group did not have any significant investments accounting for more than 5% of the Group's total assets.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2022 and the six months ended 30 June 2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 31 December 2022 and 30 June 2023. Details of the Acquisition are set out in this circular.

Funding and Treasury Policies

The Group has continued to maintain a healthy and sound financial position and have followed a set of funding and treasury policies to manage its capital resources and mitigate potential risks involved, and the primary objectives of which are to prevent its capital risks and ensure the safety of its funds. The management of the Group will continue to closely monitor the funds generated from operations. After the completion of the Acquisition, the Target Company will follow and adhere to the funding and treasury policies of the Group.

Employment and Remuneration Policy

As at 31 December 2022 and 30 June 2023, the Group had 570 employees and 612 employees, respectively. The Group offers comprehensive compensation to employees, including salary and bonuses, generally determines employees' compensation based on their qualification, position, seniority and performance. Pursuant to relevant laws and regulations in the PRC, the Group participates in various employee social security plans that are organised by applicable local municipal and provincial governments, including pension, medical, maternity, work-related injury and unemployment benefit plans. The Group provides on-the-job training to its employees. Total staff related cost, including Directors' emoluments, was approximately RMB50.2 million during the year ended 31 December 2022 (2021: RMB43.3 million) and approximately RMB34.0 million for the six months ended 30 June 2023 (30 June 2022: RMB26.8 million).

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Acquisition.

Outlook and Prospects

The Group actively extends the boundary of its property market expansion, following the thinking of "A single spark can start a prairie fire"; focusing on office buildings and extending to services for public buildings and even the entire housing sector, with a view of "building barriers against professional service entrants".

In the future and the new era, the Group will follow the Group's goal of "technology innovation and service improvement" and strive to develop a smart internet technology platform that serves the whole country. The Group will keep enhancing the Group's technical strength in artificial intelligence, database and other areas and keep extending the Group's services to projects such as smart cities and smart environmental protection, so as to contribute to achieving significant results in "the harmonious coexistence of people, nature and ecology" in cities. Meanwhile, in order to improve the Group's property management service, the Group will put services in the Group's first priority, bring customers with valuable services, and adhere to the Group's enterprise mission which is "to provide services to its fullest extent that exceed customers' expectation", and earnestly fulfil the Group's social responsibility to become an explorer, builder and contributor in urban services.

In view of the intensifying competition in the property management services industry amidst the uncertain economic outlook in the market, the Group will continue to diversify its portfolio of pipeline properties to mid to high-end residential properties by means of submitting tenders or quotations for provision of property management services, with a focus on residential properties and mergers and acquisitions of property management services providers or project companies.

The property management industry is now in a new age and a new era, and the Group itself also has the foundation and conditions to accelerate development. Amid a competitive, complicated and ever-changing environment, the Group will set its clear development goals, stay innovative and reward the Group's shareholders, investors, employees, the society, departments at all levels as well as care and support from all aspects with brand new idea, more substantial operations, more scientific management and better performance.

5. FINANCIAL PROSPECTS OF THE ENLARGED GROUP

The Group will continue to strengthen the position in the property management service and property engineering services industry by implementing the following strategies: (i) undertake additional property management projects with a focus on mid to high-end non-residential properties; (ii) selectively pursue merger and acquisition opportunities within the property management industry; (iii) participate in an early stage of construction projects by leveraging its ability in property engineering services with a view to winning the property management agreement tender at a later stage of the projects; (iv) continue to develop its mobile application to enhance its customer and user experience; (v) continue to enhance its property engineering services by offering new products with enhanced functionalities and enhancing relevant technology; (vi) continue to upgrade its information technology systems to enhance operational efficiency in property management business; and (vii) focus on multi-economic business from the space, house, residents and other aspects, and deeply develop community value-added services to meet the diversified needs of business and extend the length of services.

Furthermore, the Group sees the opportunities to step forward and continue to develop its potential in commercial properties, especially at prime locations. Such includes but is not limited to opportunities arising from distressed sale from property developers in the property market in the PRC. As such, the Group sees the market is gradually correcting which allows properties at prime location to become available in the market. Further, in light of the Group's track record in property management and value-added services to customers, it is foreseen that the Group can also expand the Group's existing services to property projects which are still under development. It is believed that the Group can fully integrate its IOT (Internet of things) solutions if the Company is involved in an earlier stage of property development projects.

The Group considers the Acquisition as the foray into a new business segment in investment, development and construction of non-residential properties, with the primary objective of long-term holding, leasing and management of such properties in the PRC, provides good opportunity to the Group to tap the new market which is of greater growth potential and higher profit margin.

The following is the text of a report set out on pages II-1 to II-29, received from the Company's reporting accountant, Ernest & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XINGYE WULIAN SERVICE GROUP CO. LTD.

Introduction

We report on the historical financial information of Henan Zheng Zhi Yue Real Estate Co., Ltd (the "**Target Company**") set out on pages II-4 to II-29, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 (the "**Relevant Periods**"), and the statements of financial position of the Target Company as at 31 December 2020, 2021 and 2022 and 30 April 2023 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-29 forms an integral part of this report, which has been prepared for inclusion in the circular of Xingye Wulian Service Group Co. Ltd. (the "**Company**") dated 28 September 2023 (the "**Circular**") in connection with the proposed acquisition of the Target Company by the Company.

Director's responsibility for the Historical Financial Information

The director of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the director determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2020, 2021 and 2022 and 30 April 2023, and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2022 and other explanatory information (the "**Interim Comparative Financial Information**"). The director of the Target Company is responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 9 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

No historical financial statements for The Target Company

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation.

Ernst & Young
Certified Public Accountants
Hong Kong

28 September 2023

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Statements of profit or loss and other comprehensive income

					Four months ended	
		Year ended 31 December			30 April	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Other income and gains	*5*	22	1	1	–	–
Administrative expenses		(1,545)	(1,670)	(1,505)	(464)	(452)
LOSS BEFORE TAX	*8*	(1,523)	(1,669)	(1,504)	(464)	(452)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(1,523)	(1,669)	(1,504)	(464)	(452)
Attributable to:						
Owner of the Target Company		(1,523)	(1,669)	(1,504)	(464)	(452)

Statements of financial position

					As at
		As at 31 December			30 April
	Notes	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*10*	135,773	138,796	161,285	161,703
Total non-current assets		135,773	138,796	161,285	161,703
CURRENT ASSETS					
Properties under development	*11*	79,766	83,807	113,297	113,866
Prepayments, other receivables and other assets	*12*	6,107	2,194	5,506	5,520
Cash and cash equivalents	*13*	93	175	2	17
Total current assets		85,966	86,176	118,805	119,403
CURRENT LIABILITIES					
Trade payables	*14*	497	558	22,812	23,360
Other payables and accruals	*15*	2,692	2,748	19,708	20,044
Amount due to the immediate holding company	*16*	222,378	227,163	244,571	145,155
Total current liabilities		225,567	230,469	287,091	188,559
NET CURRENT LIABILITIES		(139,601)	(144,293)	(168,286)	(69,156)
TOTAL ASSETS LESS CURRENT LIABILITIES		(3,828)	(5,497)	(7,001)	92,547
Net assets		(3,828)	(5,497)	(7,001)	92,547
(DEFICIT IN EQUITY)/EQUITY					
(Deficit)/equity attributable to owner of the Target Company					
Paid in capital	*17*	–	–	–	100,000
Reserve		(3,828)	(5,497)	(7,001)	(7,453)
Total (deficit)/equity		(3,828)	(5,497)	(7,001)	92,547

Statements of changes in equity

	Attributable to owner of the Target Company		
	Paid in capital *RMB'000* *(note 17)*	**Accumulated losses** *RMB'000*	**Total (deficit)/ equity** *RMB'000*
As at 1 January 2020	–	(2,305)	(2,305)
Loss and total comprehensive loss for the year	–	(1,523)	(1,523)
As at 31 December 2020 and 1 January 2021	–	(3,828)	(3,828)
Loss and total comprehensive loss for the year	–	(1,669)	(1,669)
As at 31 December 2021 and 1 January 2022	–	(5,497)	(5,497)
Loss and total comprehensive loss for the year	–	(1,504)	(1,504)
As at 31 December 2022 and 1 January 2023	–	(7,001)	(7,001)
Loss and total comprehensive loss for the period	–	(452)	(452)
Received paid in capital	100,000	–	100,000
As at 30 April 2023	100,000	(7,453)	92,547

	Attributable to owner of the Target Company		
	Paid in capital *RMB'000* *(note 17)*	**Accumulated losses** *RMB'000*	**Total deficit** *RMB'000*
As at 1 January 2022	–	(5,497)	(5,497)
Loss and total comprehensive loss for the period (unaudited)	–	(464)	(464)
As at 30 April 2022	–	(5,961)	(5,961)

Statements of cash flows

		Year ended 31 December			Four months ended 30 April	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(1,523)	(1,669)	(1,504)	(464)	(452)
Adjustments for:						
Depreciation of property, plant and equipment	*10*	42	42	43	14	14
		(1,481)	(1,627)	(1,461)	(450)	(438)
Increase in properties under development		(1,187)	(4,041)	(29,490)	(10,425)	(569)
(Increase)/decrease in prepayments, other receivables and other assets		(182)	3,913	(3,312)	(1,685)	(14)
(Decrease)/increase in trade payables		(203)	61	22,254	11,269	548
(Decrease)/increase in other payables and accruals		(18)	11	(10)	552	(66)
Net cash flows used in operating activities		(3,071)	(1,683)	(12,019)	(739)	(539)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(1,287)	(3,020)	(5,562)	–	(30)
Net cash flows used in investing activities		(1,287)	(3,020)	(5,562)	–	(30)
CASH FLOWS FROM FINANCING ACTIVITIES						
Advance from the immediate holding company		4,082	4,785	17,408	585	584
Repayment to the immediate holding company		–	–	–	–	(100,000)
Capital injection from the shareholder		–	–	–	–	100,000
Net cash flows from financing activities		4,082	4,785	17,408	585	584
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(276)	82	(173)	(154)	15
Cash and cash equivalents at beginning of year/period		369	93	175	175	2
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		93	175	2	21	17
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the statements of financial position	*13*	93	175	2	21	17

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is an exempted company with limited liability incorporated under the laws of the People's Republic of China (the "**PRC**") on 30 March 2018. The registered office of The Target Company is located at Room 101, Zensun Zhenrui Shangjing Sales Center, intersection of Ruyihe West Second Street and Longteng First Street, Zhengdong New District of Zhengzhou, Henan Province.

The principal activities of the Target Company are property development and hotel operations in the PRC.

In the opinion of the director of the Target Company, the immediate holding company of the Target Company is Henan Zensun Real Estate Co., Ltd. (河南正商置業有限公司, "**Zensun Real Estate**"), a limited liability company incorporated in Zhengzhou, Henan Province. The ultimate holding company of the Target Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, as trustee of a discretionary trust which is set up by Ms. Huang Yanping ("**Ms. Huang**"). Ms. Huang is the settlor and protector of the discretionary trust.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

Going concern

Notwithstanding that the Target Company had net current liabilities of RMB69,156,000 as at 30 April 2023, in the opinion of the Target Company's director, the Target Company is able to operate as a going concern since the immediate holding company and other related party of the Target Company, has undertaken to arrange the payment of the liabilities due to the immediate holding company and other related party according to the profitability and cash flow situation of the Target Company, and provide sufficient working capital to enable the Target Company to meet its liabilities and obligations as and when they fall due and to continue its operations.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Target Company has not applied the following revised IFRSs, which have been issued but are not yet effective, in the Historical Financial Information:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]

1 Effective for annual periods beginning on or after 1 January 2024
2 No mandatory effective date yet determined but available for adoption
3 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

The Target Company is in the process of making a detailed assessment of the impact of these revised IFRSs upon initial application. So far, the Target Company considers that these revised IFRSs are unlikely to have a significant impact on the Target Company's financial performance and financial position in the period of initial application.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statements of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statements of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Target Company;

  (ii) has significant influence over the Target Company; or

  (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Target Company are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles and equipment	9.5% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets except those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on the classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statements of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Target Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company compares the risk of a default occurring on the financial instrument as at the end of each of the Relevant Periods with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Target Company's financial liabilities include trade payables, amount due to the immediate holding company and financial liabilities in other payables and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Financial liabilities at amortised cost (trade payables, other payables and accruals)

After initial recognition, trade payables, other payables and accruals are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Target Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Company measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Retirement benefit scheme and pension scheme

The Target Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statements of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Company in an independently administered fund. The Target Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Target Company are required to participate in a pension scheme (the "**Pension Scheme**") operated by the local municipal government in Mainland China. The Target Company is required to contribute a certain percentage of its payroll costs to the Pension Scheme. The contributions are charged to the statements of profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholder in a general meeting.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Target Company's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. An intangible asset not yet available for use is tested for impairment annually and at other times when such an indicator exists. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realisable value assessment of properties under development

The Target Company carried out assessment on net realisable value of properties under development at the end of each of the Relevant Periods and compared the costs and its net realisable value. The net realisable value is the estimated future selling price less estimated cost of completion or the estimated costs necessary to make the sale (if any). The estimated future selling prices are estimated by management with reference to the recent selling prices of similar properties in the nearby or relevant locations. The management also estimated the future selling expenses and the expected costs to completion by reference to the actual selling expenses of Zensun Real Estate and its subsidiaries' completed projects, adjusted by certain current market data, the legal and regulating framework and general market condition. The Target Company's properties under development are all situated in the PRC, details of which are set out in the statements of financial position and note 11 to the Historical Financial Information. The carrying amounts of properties under development are expected to be recovered through future sales and stated at the lower of cost and net realisable value. The properties under development are expected to be recovered higher than the cost and hence no write down to net realisable value was required at the end of each of the Relevant Periods. When there is any decrease in net realisable value of the properties and it is lower than the cost of the properties, loss will be recognised on the properties under development in the statements of profit or loss.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Target Company has only one reportable operating segment, which is property development as the project is under construction at present. Since this is the only reportable operating segment of the Target Company, no further operating segment analysis thereof is presented.

Geographical information

During the Relevant Periods, since the Target Company has operations in Mainland China only, no further operating geographical segment analysis thereof is presented.

5. OTHER INCOME AND GAINS

	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government grants	21	–	–	–	–
Interest income	1	1	1	–	–
	22	1	1	–	–

6. DIRECTOR'S AND CHIEF EXECUTIVE'S REMUNERATION

The Target Company was incorporated on 30 March 2018. Ms. Guo Wei ("**Ms. Guo**") was appointed as the executive director and the chief executive of the Target Company on 11 June 2018.

Ms. Guo did not receive any remuneration from the Target Company during the Relevant Periods.

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods were neither a director nor chief executive of the Target Company. Details of the remuneration for the Relevant Periods of the five highest paid employees who are neither a director nor chief executive of the Target Company are as follows:

	Year ended 31 December			**Four months ended 30 April**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	831	834	894	297	296

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			**Four months ended 30 April**	
	2020	**2021**	**2022**	**2022** (Unaudited)	**2023**
HK$100,001 to HK$200,000	4	4	4	–	–
HK$200,001 to HK$300,000	1	1	1	–	–
	5	5	5	–	–

8. LOSS BEFORE TAX

The Target Company's loss before tax is arrived at after charging:

	Year ended 31 December			**Four months ended 30 April**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Employee benefit expense					
Wages and salaries	933	937	1,009	335	334
Pension scheme contributions	149	149	149	50	50
Depreciation of property, plant and equipment *(note 10)*	42	42	43	14	14

9. DIVIDENDS

No dividends have been paid or declared by the Target Company during the Relevant Periods.

10. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2020			
Cost:			
At 1 January 2020	265	132,917	133,182
Additions	23	2,667	2,690
At 31 December 2020	288	135,584	135,872
Accumulated depreciation:			
At 1 January 2020	57	–	57
Depreciation provided	42	–	42
At 31 December 2020	99	–	99
Net carrying amount:			
At 1 January 2020	208	132,917	133,125
At 31 December 2020	189	135,584	135,773
31 December 2021			
Cost:			
At 1 January 2021	288	135,584	135,872
Additions	–	3,065	3,065
At 31 December 2021	288	138,649	138,937
Accumulated depreciation:			
At 1 January 2021	99	–	99
Depreciation provided	42	–	42
At 31 December 2021	141	–	141
Net carrying amount:			
At 1 January 2021	189	135,584	135,773
At 31 December 2021	147	138,649	138,796

	Motor vehicles and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2022			
Cost:			
At 1 January 2022	288	138,649	138,937
Additions	–	22,532	22,532
At 31 December 2022	288	161,181	161,469
Accumulated depreciation:			
At 1 January 2022	141	–	141
Depreciation provided	43	–	43
At 31 December 2022	184	–	184
Net carrying amount:			
At 1 January 2022	147	138,649	138,796
At 31 December 2022	104	161,181	161,285
30 April 2023			
Cost:			
At 1 January 2023	288	161,181	161,469
Additions	–	432	432
At 30 April 2023	288	161,613	161,901
Accumulated depreciation:			
At 1 January 2023	184	–	184
Depreciation provided	14	–	14
At 30 April 2023	198	–	198
Net carrying amount:			
At 1 January 2023	104	161,181	161,285
At 30 April 2023	90	161,613	161,703

The property, plant and equipment with aggregate carrying amounts of RMB135,584,000, RMB138,649,000, RMB161,181,000 and RMB161,613,000 have been pledged for certain of the related parties' bank and other borrowings as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. Further details are contained in note 23 to the Historical Financial Information.

11. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC. The Target Company carried out assessment on net realisable value at the end of each of the Relevant Periods and compared to the cost and there was no write-down to the net realisable value of properties under development during the Relevant Periods.

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and prepayments	4,561	55	55	64
Deductible value-added taxes and other taxes	946	1,502	4,851	4,856
Other receivables	600	637	600	600
	6,107	2,194	5,506	5,520
Less: Impairment	–	–	–	–
	6,107	2,194	5,506	5,520

Deposits and other receivables mainly represent deposits with suppliers and other receivables due from third parties. Where applicable, an impairment analysis is performed at the end of each of the Relevant Periods by considering the probability of default, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Target Company. No provision for impairment of deposits and other receivable was provided for as at 31 December 2020, 2021 and 2022 and 30 April 2023 as the director of the Target Company considers the expected credit loss is insignificant.

Included in deposits and prepayments is an advances to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("**Ms. Zhang**"), of approximately RMB4,500,000 at 31 December 2020, for its construction work.

13. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	93	175	2	17
Denominated in:				
RMB	93	175	2	17

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating or fixed rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

14. TRADE PAYABLES

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	367	61	22,289	13,643
1 to 2 years	130	367	26	9,194
2 to 3 years	–	130	367	393
Over 3 years	–	–	130	130
At end of year/period	497	558	22,812	23,360

The trade payables are non-interest-bearing and are normally settled in less than three months. The carrying amounts of trade payables approximate to their fair values.

Included in trade payables is an amount due to a related company controlled by Ms. Zhang, of approximately RMB88,000, RMB21,422,000 and RMB21,934,000 at 31 December 2021, 31 December 2022 and 30 April 2023, respectively, for its construction work of properties under development.

15. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Real estate and other taxes payable	67	67	67	–
Retention deposits and payable	36	36	36	36
Other payables	2,589	2,645	19,605	20,008
	2,692	2,748	19,708	20,044

The carrying amounts of financial liabilities included in other payables and accruals approximate to their fair values.

Included in other payables is an amount due to a related company controlled by Ms. Zhang, of approximately RMB416,000, RMB18,750,000 and RMB19,188,000 at 31 December 2021, 31 December 2022 and 30 April 2023, respectively, for its construction work of construction in progress.

16. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company is unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang Jingguo, and her daughter, Ms. Zhang, have the controlling interests over the immediate holding company.

17. PAID IN CAPITAL

At 31 December 2020, 2021 and 2022 and 30 April 2023, the Target Company was a wholly-owned subsidiary of Zensun Real Estate. During the Relevant Periods, movements in paid in capital are set out below:

	Paid in capital
	RMB'000
At 1 January 2020, 31 December 2020, 31 December 2021 and 31 December 2022	–
Capital contribution	100,000
At 30 April 2023	100,000

18. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. In view of the Target Company's expansion strategy, the Target Company has sourced funding from its immediate holding company in which Ms. Huang has beneficial interests and continued to look for other external financing sources. The Target Company's overall strategy remains unchanged from the prior year.

The director of the Target Company reviews the capital structure on an annual basis. As part of this review, the director of the Target Company considers the cost of capital and the risks associated with the paid-in capital. Based on the recommendation of the director of the Target Company, the Target Company will balance its overall capital structure through the payment of dividends, new share issues, raising of new borrowings or redemption of debts.

The capital structure of the Target Company consists of net debt, which includes an amount due to the immediate holding company, net of cash and cash equivalents. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			**As at 30 April**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to the immediate holding company	222,378	227,163	224,571	145,155
Less: Cash and cash equivalents	93	175	2	17
Net debt	222,285	226,988	224,569	145,138
Total assets	221,739	224,972	280,090	281,106
Gearing ratio	1.00	1.01	0.80	0.52

19. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
Financial assets included in prepayments, other receivables and other assets	600	637	600	600
Cash and cash equivalents	93	175	2	17
	693	812	602	617
Financial liabilities at amortised cost				
Trade payables	497	558	22,812	23,360
Financial liabilities included in other payables and accruals	2,625	2,681	19,641	20,044
Amount due to the immediate holding company	222,378	227,163	244,571	145,155
	225,500	230,402	287,024	188,559

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and an amount due to the immediate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Company's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. As at the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments mainly include cash and cash equivalents, other receivables, trade payables, other payables and accruals and an amount due to the immediate holding company, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Target Company's operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. Generally, the Target Company introduces conservative strategies on its risk management. The Target Company does not hold or issue derivative financial instruments for trading purposes. The director reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Target Company trades only with recognised and creditworthy third parties and related parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Company's exposure to bad debts is not significant.

Maximum exposure and year-end/period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end/period-end staging classification as at the end of each of the Relevant Periods.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets					
– Normal*	600	–	–	–	600
Cash and cash equivalents					
– Not yet past due	93	–	–	–	93
	693	–	–	–	693

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets					
– Normal*	637	–	–	–	637
Cash and cash equivalents					
– Not yet past due	175	–	–	–	175
	812	–	–	–	812

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets					
– Normal*	600	–	–	–	600
Cash and cash equivalents					
– Not yet past due	2	–	–	–	2
	602	–	–	–	602

As at 30 April 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets					
– Normal*	600	–	–	–	600
Cash and cash equivalents					
– Not yet past due	17	–	–	–	17
	617	–	–	–	617

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of an amount due to the immediate holding company. Cash flows are being closely monitored on an ongoing basis.

The maturity profiles of the Target Company's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, are as follows:

As at 31 December 2020

	On demand or within 1 year
	RMB'000
Trade payables	497
Financial liabilities included in other payables and accruals	2,625
Amount due to the immediate holding company	222,378
	225,500
Financial guarantee contracts *(Note)*	160,756

As at 31 December 2021

	On demand or within 1 year
	RMB'000
Trade payables	558
Financial liabilities included in other payables and accruals	2,681
Amount due to the immediate holding company	227,163
	230,402
Financial guarantee contracts *(Note)*	160,756

As at 31 December 2022

	On demand or within 1 year
	RMB'000
Trade payables	22,812
Financial liabilities included in other payables and accruals	19,641
Amount due to the immediate holding company	244,571
	287,024
Financial guarantee contracts *(Note)*	160,756

As at 30 April 2023

	On demand or within 1 year *RMB'000*
Trade payables	23,360
Financial liabilities included in other payables and accruals	20,044
Amount due to the immediate holding company	145,155
	188,559
Financial guarantee contracts *(Note)*	160,756

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Target Company could be required to settle under the arrangement for financial the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of each of the Relevant Periods, the Target Company considers that it is more likely than not that no amount will be payable under the arrangement.

22. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Amount due to the immediate holding company *RMB'000*
As at 1 January 2020	218,296
Changes from financing cash flows	4,082
As at 31 December 2020 and 1 January 2021	222,378
Changes from financing cash flows	4,785
As at 31 December 2021 and 1 January 2022	227,163
Changes from financing cash flows	17,408
As at 31 December 2022 and 1 January 2023	244,571
Changes from financing cash flows	584
Non-cash transitions *(Note)*	(100,000)
As at 30 April 2023	145,155

	Amount due to the immediate holding company
	RMB'000
As at 1 January 2022	227,163
Changes from financing cash flows (Unaudited)	585
As at 30 April 2022 (Unaudited)	227,748

Note: In April 2023, the Target Company settled certain payables due to the immediate holding company using the capital contribution from the immediate holding company, leading to the non-cash transitions of RMB100,000,000.

23. PLEDGE OF ASSETS

The following assets are pledged for certain of the related parties' bank and other borrowings at the end of each of the Relevant Periods:

	As at 31 December			**As at 30 April**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	135,584	138,649	161,181	161,613
Properties under development	79,766	83,807	113,297	113,566
	215,350	222,456	274,478	275,179

In addition, shares of the Target Company were pledged as securities to obtain certain financial facilities granted to the related parties as at the end of each of the Relevant Periods.

24. COMMITMENTS

(a) The Target Company had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			**As at 30 April**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property development expenditures	15,430	16,277	352,240	351,290

(b) The Target Company has no lease contracts during the Relevant Periods and have not yet commenced as at 30 April 2023.

25. CONTINGENT LIABILITIES

The Target Company had contingent liabilities relating to guarantee amounted to RMB160,756,000 as at 31 December 2020, 2021 and 2022 and 30 April 2023 to certain related parties in relation to their borrowings, respectively. Such guarantee will be released by the financial institution after the repayment of the borrowings.

The director of the Target Company considers that the possibility of default in payment regarding the borrowings of the related parties is remote after taking the fair value of pledged assets provided by other parties and the predicted cash inflow of the related parties into consideration, and therefore, no provision has been made in the consolidated financial statements for the contingent liability arising from the guarantee provided by the Target Company.

26. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Company had the following transactions with the related parties during the Relevant Periods:

Related companies *(Note (i))* Transactions *(Note (ii))*

	Year ended 31 December			**Four months ended 30 April**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Relevant members of Henan Zensun Corporate Development Group Company Limited ("**Zensun Development**") together with its subsidiaries (collectively, the "**Zensun Development Group**")	–	4,604	39,922	18,349	950
Relevant members of Xingye Wulian Service Group Co. Ltd. together with its subsidiaries (collectively, the "**Group**")	–	72	–	–	–

Notes:

(i) Zensun Development Group provides construction service to the Target Company which capitalised in properties under development during the Relevant Periods, and it is ultimately controlled by Ms. Zhang.

The Group provides property engineering services to the Target Company which capitalised in properties under development during the Relevant Periods, and it is ultimately controlled by Ms. Zhang.

(ii) The transaction was based on terms mutually agreed by both parties.

Certain of the Target Company's property, plant and equipment and properties under development were pledged for the bank and other borrowings which were granted to the related parties. Details are set out in notes 23 and 25 to the Historical Financial Information.

(b) Outstanding balances with related parties:

Details of the Target Company's balances with related parties as at the end of each of the Relevant Periods are included in notes 12, 14, 15 and 16 to the Historical Financial Information.

27. EVENT AFTER THE RELEVANT PERIODS

There was no material subsequent event undertaken by the Target Company after 30 April 2023.

Set out below is the management discussion and analysis of the Target Company for the three years ended 31 December 2022 and the four months ended 30 April 2023 (the "**Relevant Periods**"), which is based on the financial information of the Target Company as set out in Appendix II to this circular.

All references to "FY2020" means the financial period from 1 January 2020 to 31 December 2020, "FY2021" means the financial period from 1 January 2021 to 31 December 2021, "FY2022" means the financial year from 1 January 2022 to 31 December 2022 and "4M2023" means the period from 1 January 2023 to 30 April 2023. Set out below is the management discussion and analysis of the Target Company for each of FY2020, FY2021, FY2022 and 4M2023.

FINANCIAL REVIEW

Set out below is the key financial information of the Target Company for FY2020, FY2021, FY2022 and 4M2023.

	Year ended 31 December			**Four months ended 30 April**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other income and gains	22	1	1	–	–
Administrative expenses	(1,545)	(1,670)	(1,505)	(464)	(452)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	(1,523)	(1,669)	(1,504)	(464)	(452)

For further financial information of the Target Company, please refer to the accountants' report of the Target Company as set out in Appendix II of this circular.

Other income and gains

Other income and gains mainly included government grants and interest income. Other income and gains were approximately RMB22,000, RMB1,000, RMB1,000 and nil respectively for FY2020, FY2021, FY2022 and 4M2023.

Administrative expenses

Administrative expenses primarily consisted of (i) staff costs, (ii) traveling and office expense, (iii) entertainment fees and (iv) depreciation and amortization. Administrative expenses were approximately RMB1.5 million, RMB1.7 million, RMB1.5 million and RMB0.5 million, respectively for FY2020, FY2021, FY2022 and 4M2023. The changes over the Relevant Periods were primarily due to the changes in staff costs which was in line with the development phases of Property Project.

Loss and total comprehensive loss for the year/period

Due to the above reasons, loss and total comprehensive loss for the year/period was approximately RMB1.5 million, RMB1.7 million, RMB1.5 million and RMB0.5 million, respectively for FY2020, FY2021, FY2022 and 4M2023.

Financial Position

As at 31 December 2020

As at 31 December 2020, the Target Company had non-current and current assets of approximately RMB135.8 million and RMB86.0 million, respectively.

As at 31 December 2020, the Target Company had current liabilities of approximately RMB225.6 million.

As at 31 December 2020, the Target Company had net current liabilities of approximately RMB139.6 million.

As at 31 December 2021

As at 31 December 2021, the Target Company had non-current and current assets of approximately RMB138.8 million and RMB86.2 million, respectively.

As at 31 December 2021, the Target Company had current liabilities of approximately RMB230.5 million.

As at 31 December 2021, the Target Company had net current liabilities of approximately RMB144.3 million.

As at 31 December 2022

As at 31 December 2022, the Target Company had non-current and current assets of approximately RMB161.3 million and RMB118.8 million, respectively.

As at 31 December 2022, the Target Company had current liabilities of approximately RMB287.1 million.

As at 31 December 2022, the Target Company had net current liabilities of approximately RMB168.3 million.

As at 30 April 2023

As at 30 April 2023, the Target Company had non-current and current assets of approximately RMB161.7 million and RMB119.4 million, respectively.

As at 30 April 2023, the Target Company had current liabilities of approximately RMB188.6 million.

As at 30 April 2023, the Target Company had net current liabilities of approximately RMB69.2 million.

Liquidity, financial resources and capital structure

The Target Company managed its capital to ensure that it will be able to continue as a going concern while maximising the return to its shareholders through the optimization of the equity balance. The Target Company continuously monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flow. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 April 2023, the cash and cash equivalents of the Target Company were denominated in RMB.

In FY2020, the Target Company recorded a net cash outflow of approximately RMB0.3 million, which was mainly due to net cash used in operating activities.

In FY2021, the Target Company recorded a net cash inflow of approximately RMB82,000, which was mainly derived from advance from the immediate holding company.

In FY2022, the Target Company recorded a net cash outflow of approximately RMB0.2 million, which was mainly due to net cash used in operating activities and cash outflow for purchases of items of property, plant and equipment, and partially offset by advance from the immediate holding company.

In 4M2023, the Target Company recorded a net cash inflow of approximately RMB15,000, which mainly represented combined effects of net cash used in operating activities and advance from the immediate holding company.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 April 2023, the Target Company had outstanding amount due to its immediate holding company of approximately RMB222.4 million, RMB227.2 million, RMB244.6 million and RMB145.2 million respectively. The Target Company's gearing ratio (calculated by dividing net debt, consisting of an amount due to the immediate holding company and net of cash and cash equivalents, with total assets) was approximately 1.00, 1.01, 0.80 and 0.52 respectively.

Significant investments

The Target Company did not hold any significant equity investment as at 31 December 2020, 2021 and 2022 and 30 April 2023.

Material investment, acquisition and disposal of subsidiaries and associated companies

The Target Company did not have any material investment and had not entered into any material acquisitions and/or disposals of any of its subsidiaries and associated companies during the Relevant Periods.

Segment information

The Target Company only has one reportable operation segment which is property development for FY2020, FY2021, FY2022 and 4M2023. Since this is the only reportable operating segment of the Target Company, no further operating segment analysis thereof is presented.

Employment and remuneration policy

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 April 2023, the Target Company had 7, 7, 7 and 7 employees respectively. Remuneration for employees for FY2020, FY2021, FY2022 and 4M2023 amounted to approximately RMB1.1 million, RMB1.1 million, RMB1.2 million and RMB0.4 million respectively. The remuneration of the employees of the Target Company is determined in accordance with performance, professional experiences and the prevailing market conditions. Management reviews the employee remuneration policy and arrangement of the Target Company on a regular basis. Apart from pension and mandatory provident funds, the Target Company may grant discretionary bonus to employees as awards in accordance with individual performance.

Charge on assets

The charged assets of the Target Company as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 April 2023 were disclosed in Note 23 to the Accountant's Report of the Target Company in Appendix II of this circular.

Commitments

The commitments of the Target Company as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 April 2023 were disclosed in Note 24 to the Accountant's Report of the Target Company in Appendix II of this circular.

Contingent liabilities

The contingent liabilities of the Target Company as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 April 2023 were disclosed in Note 25 to the Accountant's Report of the Target Company in Appendix II of this circular.

Foreign exchange exposure

As the operations of the Target Company were principally in the PRC and most of the transactions, assets and liabilities of Target Company were denominated in RMB, the operations of Target Company were not subject to significant exchange risk. Accordingly, no financial instruments for hedging purposes were used by Target Company for the Relevant Periods.

Dividend

The directors of the Target Company resolved that there was no dividend attributable from FY2020 to FY2022 or proposed after FY2022.

Events after the reporting period

There was no other significant event taken place subsequent to 30 April 2023 up to the Latest Practicable Date.

Future Plans

The Target Company is primarily engaged in property development in the PRC and it owns the Property Project in Zhengzhou City in the PRC. It is intended that the Target Company will continue the development of the existing Property Project. There is no specific plan for material investments or capital assets.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Introduction

The following is a summary of the illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (the "**Unaudited Pro Forma Financial Information**") of Enlarged Group (being the Group together with the Target Company) as if the proposed acquisition of the Target Company (the "**Acquisition**") had been completed on (i) 31 December 2022 in respect of the unaudited pro forma statement of financial position of the Enlarged Group; and (ii) 1 January 2022 in respect of the unaudited pro forma statement of profit or loss and other comprehensive income and the unaudited pro forma statement of cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the actual results of financial position, operations or cash flows of the Enlarged Group that would have been attained had the proposed Acquisition been completed on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future results of financial position, operations or cash flows.

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2022 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 as extracted from the published annual report of the Company for the year ended 31 December 2022; (ii) the audited statement of financial position of the Target Company as at 30 April 2023, the statement of profit or loss and other comprehensive income and the statement of cash flows of the Target Company for the year ended 31 December 2022 as extracted from the accountants' reports set out in Appendix II to this circular; and (iii) after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2022, and that of the Target Company, as set out in this circular and the accountants' report on the Target Company set out in Appendix II to this circular.

(ii) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 31 December 2022	The Target Company as at 30 April 2023	Unaudited Pro Forma Adjustments					Unaudited Pro Forma of Enlarged Group
	RMB'000 *(note 1)*	*RMB'000* *(note 2)*	*RMB'000* *(note 3)*	*RMB'000* *(note 4)*	*RMB'000* *(note 5)*	*RMB'000* *(note 6)*	*RMB'000* *(note 7)*	*RMB'000*
NON-CURRENT ASSETS								
Property, plant and equipment	3,603	161,703					1,196	166,502
Right-of-use assets	2,484	–						2,484
Investment in subsidiary	–	–	95,000				(95,000)	–
Deferred tax assets	1,300	–						1,300
Total non-current assets	7,387	161,703						170,286
CURRENT ASSETS								
Properties under development	–	113,866		(72)			1,257	115,051
Trade receivables	82,206	–						82,206
Prepayments, other receivables and other assets	10,841	5,520						16,361
Contract assets	23,074	–						23,074
Restricted and pledged bank deposits	100	–						100
Cash and cash equivalents	467,723	17				(902)		466,838
Total current assets	583,944	119,403						703,630
CURRENT LIABILITIES								
Trade payables	41,750	23,360						65,110
Other payables and accruals	60,609	20,044	95,000		145,155			320,808
Contract liabilities	66,853	–						66,853
Amount due to the immediate holding company	–	145,155			(145,155)			–
Lease liabilities	1,216	–						1,216
Provisions	1,688	–						1,688
Tax payable	956	–						956
Total current liabilities	173,072	188,559						456,631
NON-CURRENT LIABILITIES								
Lease liabilities	2,142	–						2,142
Provisions	2,030	–						2,030
Deferred tax liabilities	590	–						590
Total non-current liabilities	4,762	–						4,762
Net assets	413,497	92,547						412,523
EQUITY								
Equity attributable to owners of the Company								
Share capital	3,572	100,000					(100,000)	3,572
Reserves	409,902	(7,453)		(72)		(902)	7,453	408,928
Non-controlling interests	23	–						23
Total equity	413,497	92,547						412,523

(iii) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group

	The Group for the year ended 31 December 2022	The Target Company for the year ended 31 December 2022	Unaudited Pro Forma Adjustments	Unaudited Pro Forma of Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*	*(note 6)*	
REVENUE	321,069	–		321,069
Cost of sales	(221,387)	–		(221,387)
Gross profit	99,682	–		99,682
Other income, other gains and losses, net	2,916	1		2,917
Sales and marketing expenses	(1,250)	–		(1,250)
Administrative expenses	(35,496)	(1,505)	(902)	(37,903)
Impairment losses on financial and contract assets	(732)	–		(732)
Finance costs	(134)	–		(134)
PROFIT/(LOSS) BEFORE TAX	64,986	(1,504)	(902)	62,580
Income tax expense	(17,788)	–		(17,788)
PROFIT/(LOSS) FOR THE YEAR	47,198	(1,504)	(902)	44,792
Attributable to:				
Owners of the parent	47,175	(1,504)	(902)	44,769
Non-controlling interests	23	–		23
	47,198	(1,504)	(902)	44,792
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Currency translation differences	3,971	–		3,971
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	3,971	–		3,971
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	51,169	(1,504)	(902)	48,763
Attributable to:				
Owners of the parent	51,146	(1,504)	(902)	48,740
Non-controlling interests	23	–		23
	51,169	(1,504)	(902)	48,763

(iv) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	The Group for the year ended 31 December 2022	The Target Company for the year ended 31 December 2022	Unaudited Pro Forma Adjustments		Unaudited Pro forma of Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*	*(note 5)*	*(note 6)*	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	64,986	(1,504)		(902)	62,580
Adjustments for:					
Depreciation of property, plant and equipment	1,064	43			1,107
Depreciation of right-of-use assets	355	–			355
Finance costs	134	–			134
Interest income	(2,539)	–			(2,539)
Exchange loss	4,267	–			4,267
Impairment losses on trade receivables and contract assets	732	–			732
	68,999	(1,461)		(902)	66,636
Increase in trade receivables	(42,716)	–			(42,716)
Increase in contract assets	(1,132)	–			(1,132)
Increase in properties under development	–	(29,490)			(29,490)
Decrease/(increase) in prepayments, other receivables and other assets	3,949	(3,312)			637
Increase in trade payables	19,244	22,254			41,498
Increase/(decrease) in other payables and accruals	6,802	(10)			6,792
Decrease in contract liabilities	(7,187)	–			(7,187)
Cash generated from/(used in) operations	47,959	(12,019)		(902)	35,038
Income tax paid	(18,568)	–			(18,568)
Net cash flows from/(used in) operating activities	29,391	(12,019)		(902)	16,470
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(2,994)	(5,562)			(8,556)
Decrease in pledged deposits	50,000	–			50,000
Investment deposit paid to a third party	(370,000)	–			(370,000)
Collection of investment deposits from a third party	370,000	–			370,000
Net cash flows from/(used in) investing activities	47,006	(5,562)			41,444

	The Group for the year ended 31 December 2022	The Target Company for the year ended 31 December 2022	Unaudited Pro Forma Adjustments		Unaudited Pro forma of Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*	*(note 5)*	*(note 6)*	
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	(8,180)	–			(8,180)
Advance from the immediate holding company	–	17,408	(17,408)		–
Advance from a related party	–	–	17,408		17,408
Net cash flows (used in)/from financing activities	(8,180)	17,408	–		9,228
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	68,217	(173)		(902)	67,142
Cash and cash equivalents at beginning of year	399,132	175			399,307
Effect of foreign exchange rate changes, net	374	–			374
Cash and cash equivalents at end of year	467,723	2		(902)	466,823
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents	467,723	2		(902)	466,823

(v) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

(1) The amounts were extracted from the Company's published annual report for the year ended 31 December 2022.

(2) The amounts were extracted from Appendix II to this circular.

(3) On 5 July 2023, the Company entered into the Agreement with the Vendor, pursuant to which the Company agreed to acquire the entire issued share capital of the Target Company from the Vendor at an aggregate consideration of RMB95,000,000. The pro forma adjustment represents the aggregate consideration amounting to RMB95,000,000 for the acquisition of the Target Company. All conditions precedent set out in the Agreement assumed have not been paid as at 28 September 2023.

(4) All intra-group balances within the Enlarged Group are eliminated on consolidated as if the Acquisition was completed on 31 December 2022.

(5) The pro forma adjustment represents the reclassification of the Enlarged Group account balances to conform to the presentation of the Company.

(6) For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the total transaction costs of legal, accountancy and other professional services to the Acquisition are estimated to be RMB902,000.

(7) The pro forma adjustment represents the allocation of aggregated consideration of RMB95,000,000 to the assets and liabilities acquired at the Acquisition as if the Acquisition was completed on 31 December 2022. The Acquisition is mainly to acquire a project in progress through acquisition of the entire issued share capital of the Target Company, therefore it does not meet the definition of a business acquisition and should be accounted for as an asset deal.

For the purpose of preparing the Unaudited Pro Forma Statement of Financial Position of the Enlarged Group, the pro forma fair values of the identifiable assets and liabilities of the Target Company as at 30 April 2023 were assumed to be the same as their carrying amounts as at 30 April 2023 except that the acquired property, plant and equipment and properties under development were with fair values of RMB162,300,000 and RMB114,700,000, respectively, which were with reference to an independent valuation report performed by APAC Asset Valuation and Consulting Limited as at 28 September 2023.

(8) Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 31 December 2022 for the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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Quarry Bay, Hong Kong

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Xingye Wulian Service Group Co. Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xingye Wulian Service Group Co. Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") and Henan Zheng Zhi Yue Real Estate Co., Ltd (the "**Target Company**") (the Group together with the Target Company are collectively referred to as the "**Enlarged Group**"), by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022 and related notes as set out in Section A of Appendix IV to the circular dated 28 September 2023 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the acquisition of the entire issued share capital of the Target Company by the Company (the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact on the Group's financial position as at 31 December 2022 and on the Group's financial performance and cash flows for the year ended 31 December 2022 as if the transaction had taken place at 31 December 2022 and 1 January 2022 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2022, on which an independent auditor's report has been published, and the information about the Target Company's financial position, financial performance and cash flows has been extracted by the Directors from the Target Company's financial statements for each of the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 on which an accountants' report has been published in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

28 September 2023

The following is the text of a property valuation report prepared for inclusion in this document, received from APAC Asset Valuation and Consulting Limited, an independent property valuer, in connection with their valuations as of 31 July 2023 of the Property to be acquired by the Company.

APAC Asset Valuation and Consulting Limited
5/F, Blissful Building, 243 – 273 Des Voeux Road Central, Hong Kong
Tel: (852) 2357 0059
Fax: (852) 2951 0799

Xingye Wulian Service Group Co. Ltd.
Room 105, 1st Floor,
No. 1 Gangwan Road,
Guancheng District,
Zhengzhou City, Henan Province,
The People's Republic of China

28 September 2023

Dear Sirs,

RE: VALUATION OF A COMMERCIAL DEVELOPMENT LOCATED AT THE EASTERN SIDE OF RUYI WEST ROAD, SOUTHERN SIDE OF NO. 1 RUYI HEXI STREET, JINSHUI DISTRICT, ZHENGZHOU, HENAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")

In accordance with the instructions from Xingye Wulian Service Group Co. Ltd. (the "Company") for us to value the Property situated in The People's Republic of China (the "PRC"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 July 2023 (the "valuation date") for the purpose of incorporation into the circular issued by the Company.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of the Company and our valuation is prepared in accordance with the "HKIS Valuation Standards 2020" published by the Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the Property on the open markets without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Property.

No allowance has been made in our valuation report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

VALUATION METHODOLOGY

In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction cost and the cost that will be expended to complete the development to reflect the quality of the completed development. We have valued the Property on the basis that it will be developed and completed in accordance with the latest development proposal provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposal have been obtained without onerous conditions or delays.

TITLE AND ASSUMPTIONS

We have been provided with copies of extracts of title documents relating to the Property. However, we have not caused title searches to be made for the Property at the relevant government bureaus in the PRC and have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the Property in the PRC, we have relied on the legal opinion provided by the Company's PRC legal adviser, Commerce & Finance Law Offices (通商律師事務所), regarding the title and other legal matters to the Property.

SOURCES OF INFORMATION

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, site and floor areas and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation report are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

We have inspected the Property and the inspection was carried out by Ms Kathy Lau (BBA (Hons)) in July 2023. We were unable to access the interior of the Property during our visit due to ongoing construction. However, we have inspected the exterior of the Property as well as several neighboring residential and commercial developments. We have not carried out site investigation to determine the suitability of the ground conditions or the services for any property development thereon. The valuation has been prepared on the assumption that these aspects are satisfactory.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (RMB).

Our valuation report is attached.

Yours faithfully,
For and on behalf of
APAC Asset Valuation and Consulting Limited
Pang Kin Fai
MHKIS, MRICS, RPS (GP)
Director

Note: Mr. Pang Kin Fai is a Registered Professional Surveyor in General Practice Division with over 26 years valuation experience on properties in Hong Kong and the PRC.

Encl.

VALUATION REPORT

<table>
<tr><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market value in existing state as at 31 July 2023</th></tr>
<tr>
<td>A commercial development located at the Eastern Side of Ruyi West Road, Southern Side of No. 1 Ruyi Hexi Street, Jinshui District, Zhengzhou, Henan Province, The PRC</td>
<td>The Property is a commercial development being erected on a parcel of land with a total site area of approximately 14,923.11 sq.m.

The Property is situated on the south side of Zhengzhou Financial Island, less than one kilometer away from the center of the island. Zhengzhou Financial Island is a newly developed zone within Zhengdong New District that aims to become a thriving hub for financial institutions, commerce, and tourism. Surrounding the island, there are numerous low-density residential and commercial developments, among which the Property stands as one.

According to the latest development proposal provided by the Company, the Property is planned to be developed into a commercial development comprising two 10 to 11-storey buildings with a total gross floor area of approximately 44,655.14 sq.m. The Property also includes 448 car parking spaces. Detail of the areas are as follow:

<table>
<tr><th>Use</th><th>Approximate Gross Floor Area
(sq.m.)</th></tr>
<tr><td>Hotel</td><td>28,431.89</td></tr>
<tr><td>Serviced Apartment</td><td>14,954.57</td></tr>
<tr><td>Retail</td><td>992.77</td></tr>
<tr><td>Ancillary Facilities</td><td>275.91</td></tr>
<tr><td>Total:</td><td>44,655.14</td></tr>
</table>

The Property is scheduled to be completed by the end of 2025.

The land use rights of the Property have been granted for a term expiring on 13 May 2058 for wholesale, retail, accommodation, and catering uses.</td>
<td>As at the valuation date, the Property was under construction with about 6-7 floors completed as part of its overall construction progress.</td>
<td>RMB277,000,000</td>
</tr>
</table>

Notes:

1. Pursuant to a Real Estate Title Certificate – Yu (2018) Zheng Zhou Shi Bu Dong Chan Quan No. 0158412 dated 31 May 2018, the land use rights of the Property with a site area of 14,923.11 sq.m. were granted to Henan Zhengzhiyue Real Estate Co., Ltd. ("**Henan Zhengzhiyue**") for a term expiring on 13 May 2058 for wholesale, retail, accommodation, and catering uses.

2. Pursuant to the Construction Land Planning Permits – Zheng Gui Di Zi No. 410100201839308 dated 2 May 2018, Henan Zhengzhiyue was permitted to use a parcel of land with a total site area of 14,922.98 sq.m. for commercial use.

3. Pursuant to the Construction Work Planning Permit - Zheng Gui Jian Zi No. 410100202039084 dated 31 December 2020, the construction works of the Property with a total floor area of 65,912.38 sq. m. has been approved.

4. Pursuant to the Construction Work Commencement Permit No. 410170202206170101 dated 17 June 2022, the construction works of the Property with a total floor area of 65,912.38 sq. m. has been approved for commencement.

5. As advised by the Company, the total construction cost incurred for the Property as at the valuation date was approximately RMB72,619,000 whereas the total budget construction cost was approximately RMB430,071,000. In the course of our valuation, we have taken into account the said amounts in our valuation.

6. The market value of the Property if completed as at the date of valuation was about RMB901,776,000.

7. As advised by the Company, the hotel portion of the Property was held for owner occupation, while the serviced apartments were held for sale.

8. We have been provided with a legal opinion on the Property issued by the Company's PRC legal adviser, which contains, inter alia, the followings:

   i. Henan Zhengzhiyue has obtained the state-owned land use rights of the Property legally and validly and is entitled to use the land of the Property within the tenure of land use rights in accordance with laws;

   ii. Henan Zhengzhiyue has obtained necessary approval and permits for the development and construction of the proposed development of the Property;

   iii. upon completion of the construction of the Property and registration of examination of completion of the Property by relevant government department, Henan Zhengzhiyue can apply for the relevant title document for the buildings;

   iv. the Property is subject to a mortgage in favour of 華融資產 and the disposal of the Property is limited by the mortgage.

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. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(a) Interests in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and 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 which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions

(i) Interests in Shares

Name of Director	Capacity in which the interests are held	Number of Share held	Approximate percentage of the issued share capital *(%)*
Ms. Zhang Huiqi	Interest of controlled corporation *(Note)*	226,350,000	56.59

Note: 226,350,000 Shares are directly held by Foison Amber Development, which is indirectly wholly-owned by Vistra Trust (BVI) Limited, the trustee of the family trust (the "**Blossom Trust**"). The Blossom Trust is a discretionary trust established by Ms. Huang Yanping as the settlor, with Ms. Zhang acting as the protector and Ms. Zhang and her descendants being the discretionary beneficiaries. Foison Amber Development is wholly-owned by Fast Achieve Global Limited ("**Fast Achieve**"). Fast Achieve is a wholly-owned subsidiary of Glory Reach Enterprises Limited ("**Glory Reach**"), which in turn is wholly-owned by Vistra Trust (BVI) Limited, as the trustee of the Blossom Trust. Foison Amber Development, Fast Achieve and Glory Reach are holding companies of the Company, each of them is an associated corporation of the Company under the SFO. Pursuant to the trust instrument governing the Blossom Trust, Ms. Zhang as the protector of the Blossom Trust has the control over the Blossom Trust. Accordingly, Ms. Zhang as protector of the Blossom Trust is considered to be interested in the Shares held by Foison Amber Development.

(ii) Interests in ordinary shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity in which the interests are held	Number of share held	Approximate percentage of the issued share capital *(%)*
Ms. Zhang Huiqi	Glory Reach	Interest of controlled corporation *(Note 1)*	100	100
Ms. Zhang Huiqi *(Note 2)*	Fast Achieve	Interest of controlled corporation *(Note 1)*	100	100
Ms. Zhang Huiqi *(Note 2)*	Foison Amber Development	Beneficial owner *(Note 1)*	50,000	100

Notes:

(1) 226,350,000 Shares are directly held by Foison Amber Development, which is indirectly wholly-owned by Vistra Trust (BVI) Limited, the trustee of the Blossom Trust. The Blossom Trust is a discretionary trust established by Ms. Huang Yanping as the settlor, with Ms. Zhang acting as the protector and Ms. Zhang and her descendants being the discretionary beneficiaries. Foison Amber Development is wholly-owned by Fast Achieve. Fast Achieve is a wholly-owned subsidiary of Glory Reach, which in turn is wholly-owned by Vistra Trust (BVI) Limited, as the trustee of the Blossom Trust. Foison Amber Development, Fast Achieve and Glory Reach are holding companies of the Company, each of them is an associated corporation of the Company under the SFO. Pursuant to the trust instrument governing the Blossom Trust, Ms. Zhang as the protector of the Blossom Trust has the control over the Blossom Trust. Accordingly, Ms. Zhang as protector of the Blossom Trust is considered to be interested in the Shares held by Foison Amber Development.

(2) Ms. Zhang Huiqi is a director of both Fast Achieve and Foison Amber Development.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or 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 which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests in assets

As at the Latest Practicable Date, save for the Acquisition (details of which are set out in this circular), none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(c) Interests in contracts

As at the Latest Practicable Date, save for the Agreement, the Master Construction Framework Agreement (details of which are set out in this circular) and the Construction Contract (details of which are set out in the CCT Announcement), no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Enlarged Group.

(d) Interests in competing business

As at the Latest Practicable Date, Ms. Zhang Huiqi, the non-executive Director and one of the Controlling Shareholders, and her close associates have been conducting other business or holding interest in Henan Zensun Property Management Co., Ltd.* (河南正商物業管理有限公司) ("**Zensun PM**"), a company established in the PRC and indirectly wholly-owned by Henan Zensun Enterprise Development Group Co., Ltd.* (河南正商企業發展集團有限責任公司), which focused primarily on property management services for residential properties. The Directors are of the view that there are clear business delineations between the Group and Zensun PM due to the differences in business scope, customer base, and as well as segregated management and employees. Therefore, the Directors consider that the business operation of Zensun PM does not compete, and is not likely to compete, either directly or indirectly, with the business of our Group.

With respect to the Acquisition, the Target Company is principally engaged in the business of real estate development, which holds a Property Project located at East Ruyi Road West and South Ruyi River West 1st Street, Zhengzhou City. The Property Project involves development of the Hotel and saleable commercial units, located in a central business district and high-end financial industry cluster in Zhengzhou City. Furthermore, the Target Company has engaged a hotel management company, to, inter alia, manage the operation and promote the business of the Hotel, and it is agreed between the Target Company and the hotel management company that the Hotel will be operated under a globally recognised brand. Since the incorporation of the Target Company and up to the Latest Practicable Date, the Target Company does not engage in other business activities apart from the Property Project.

On the other hand, the controlling shareholders of the Company are principally engaged in, among other, the business of property development in Zhengzhou City, and currently operate a hotel in Zhengzhou City (the "**Zensun Jianguo Hotel**") as well as other various property projects under development/planning which involve development of hotel and/or commercial saleable units in various cities within Henan province as at the Latest Practicable Date.

The controlling shareholders of the Company have entered into the Deed of Non-Competition, for which each of the controlling shareholders of the Company has undertaken and covenanted with the Company that she/it shall not, and shall procure her/its close associates and entities or companies controlled by her/it (other than a member of our Group) not to at any time during the restricted period, directly or indirectly, among other things, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of our Group or be in competition with any member of our Group in any business activities which any member of our Group may undertake in the future.

It is in the view of the Board that there is no competition to be dealt between the Group and its controlling shareholders given that there is a clear delineation between both 1) the saleable commercial units operated by the controlling shareholders of the Company ("**Commercial Units**") and those in the Hotel, and 2) the Hotel and the Zensun Jianguo Hotel for the following reasons:

With respect to the Commercial Units, although the Commercial Units are located in Zhengzhou City, they are situated either outside the prime locations of Zhengzhou City or within surrounding counties/cities adjacent to Zhengzhou City, where the infrastructure in those areas, especially road infrastructure and transport facilities, is still under development and property prices are much lower (below RMB10,000 per square metre) as compared with the area within the prime locations of Zhengzhou City (at least RMB25,000 per square metre). Accordingly, given the material property price difference and the location, there is a clear delineation between the Group and the Company's controlling shareholders with respect to the existing development of the Commercial Units, and that the Board is of the view that there is no potential competition to be dealt with.

As regards the Hotel and the Zensun Jianguo Hotel, it is respectfully submitted that the Board is also of the view that there is no potential competition to be dealt on the basis of the following key differences in terms of the location, business operation and market positioning of these two hotels:

	The Hotel	**The Zensun Jianguo Hotel**
Location	• East Ruyi Road West and South Ruyi River West 1st Street, Zhengzhou City • Located in the area of a central business district and high-end financial industry cluster in Zhengzhou City	• Southeast corner of the intersection of Putian West Road and Qilihe South Road, Guancheng Hui District, Zhengzhou City • Within walkable distance from Zhengzhou East Railway Station
Scale	• Approximate GFA: 44,655 square metre with around 540 rooms in total	• Approximate GFA: 15,849 square metre with around 300 rooms in total
Rating	• Five-star hotel	• Four-star hotel
Management	• To be managed by a subsidiary under a luxury hotel group, and it is agreed between the Target Company and such hotel management company that the Hotel will be operated under a globally recognized brand	• Managed by a local hotel management company established in China, under "Zensun" brand
Food & beverage	• Lounge, coffee shop and restaurants serving western and Chinese cuisine, with over 600 seats	• A small restaurant
Ancillary facilities	• Indoor swimming pools, spa and fitness center, children centers, conference rooms, convention centers, banquet and function rooms	• Conference rooms and a gymnastic room
Room rates	• Average RMB650 per night	• Average RMB350 per night

	The Hotel	The Zensun Jianguo Hotel
Target customers	• High-end business travelers and corporate guests for in-house meeting, and high-end leisure travelers	• Individual transient travelers
Revenue model	• Around 50% from room rentals and around 50% from conferences, banquets and dining	• Over 60% from room rentals, the rest from conferences and dining

According to the best knowledge of the Directors, the controlling shareholders of the Company opened the Zensun Jianguo Hotel in 2022 after completion of a local refurbishment project. Usage of the original premise was switched from commercial units to hotel operation taking into account the relatively stagnant property market condition back then. The Zensun Jianguo Hotel, which is equipped, is positioned as a medium scale four-star domestic "loft" style hotel targeting at individual transient travellers.

On the other hand, the Hotel is a brand-new high-end and luxury hotel development project located within close proximity to a recently developed central business district in Zhengzhou City. Based on its existing development plan, the Hotel will be developed into a large scale five-star hotel with a variety of restaurants and ancillary facilities such as swimming pools, spa and fitness centre, children centre and banquet and function rooms. In addition, the Hotel will be managed by a subsidiary under a luxury hotel group with a globally recognized brand. Leveraging on its proximity to the central business district in Zhengzhou City, the Hotel will also be equipped with convention centres and conference rooms to cater for the need of the business travellers.

The Board is also in the view that the respective locations of the Hotel and the Zensun Jianguo Hotel give rise to clear delineation in terms of the implication of target customers, where the Hotel is situated in close proximity to the newly developed business financial district whilst the Zensun Jianguo Hotel is next to Zhengzhou East Railway Station. Such distinctions lead to obvious differentiation among the customer groups the Hotel and the Zensun Jianguo Hotel would target on, i.e. the Hotel targets on corporate travellers who stay for conferences/meetings in the central business district in Zhengzhou City while the Zensun Jianguo Hotel targets on travellers who commute by high-speed rail at Zhengzhou East Railway Station.

Furthermore, with the limited dining area and other ancillary facilities the Zensun Jianguo Hotel is currently charging lower average room rate while on the other hand, given the said distinctive features, the Hotel will target at high-end business travellers and corporate guests, as well as high-end leisure travellers. It is expected that apart from income from room rentals the Hotel can enjoy a diversified income streams from providing services in relation to conferences, banquets and food & beverage.

In light of the above, the Directors consider that there is no potential competition to be dealt with between the Company and its controlling shareholders given that (a) the Group will continue to provide property management and value-added services and property engineering services as its principal business, and (b) there is a clear delineation between both (i) the Commercial Units operated by the controlling shareholder of the Company and those in the Property Project in terms of the property price difference, and (ii) the Zensun Jianguo Hotel currently operated by the controlling shareholder of the Company and the Hotel being developed under the Property Project in terms of the key differences of the business operation and market positioning. Accordingly, the controlling shareholders of the Company could still comply with the Deed of Non-Competition after completion of acquisition of the Target Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and his/her close associates was interested in any business apart from the Group's business, which competed or was likely to compete, either directly or indirectly, with the Group's businesses.

(e) 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 Enlarged Group which is not expiring or determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares or 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, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Company *(%)*
Vistra Trust (BVI) Limited	Trustee of a trust *(Note)*	226,350,000	56.59
Glory Reach	Interest in controlled corporation *(Note)*	226,350,000	56.59
Fast Achieve	Interest in controlled corporation *(Note)*	226,350,000	56.59
Foison Amber Development	Beneficial owner *(Note)*	226,350,000	56.59
Eco-Victory Limited ("**Eco-Victory**")	Beneficial owner	73,650,000	18.41

Note: 226,350,000 Shares are directly held by Foison Amber Development, which is indirectly wholly-owned by Vistra Trust (BVI) Limited, the trustee of the Blossom Trust. The Blossom Trust is a discretionary trust established by Ms. Huang Yanping as the settlor, with Ms. Zhang acting as the protector and Ms. Zhang and her descendants being the discretionary beneficiaries. Foison Amber Development is wholly-owned by Fast Achieve. Fast Achieve is a wholly-owned subsidiary of Glory Reach, which in turn is wholly-owned by Vistra Trust (BVI) Limited, as the trustee of the Blossom Trust. Pursuant to the trust instrument governing the Blossom Trust, Ms. Zhang as the protector of the Blossom Trust has the control over the Blossom Trust. Accordingly, Ms. Zhang as protector of the Blossom Trust is deemed to be interested in the Shares held by Foison Amber Development.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or 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, or who were recorded in the register required to be kept by the Company under section 336 of the SFO or, who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or 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.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

5. MATERIAL CONTRACTS

Save for the following, during the two years immediately preceding the Latest Practicable Date, members of the Enlarged Group had not entered into any other contracts which are not in the ordinary course of its business that are or may be material:

(i) the Agreement; and

(ii) an agreement dated 5 July 2023 entered into between the Target Company and the Vendor confirming the amount of shareholder's loan owed by the Target Company to the Vendor of approximately RMB145,155,000 as at 30 April 2023 which shall be repayable within 6 months from the Completion Date.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice contained in this circular (collectively, the "**Experts**"):

Name	**Qualification**
VBG Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants
APAC Asset Valuation and Consulting Limited	Independent valuer

As at the Latest Practicable Date, each of the Experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the Experts did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up).

As at the Latest Practicable Date, each of the Experts did not have any shareholding in any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. GENERAL

(a) The registered office of the Company in the Cayman Islands is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The headquarters and registered office of the Company in the PRC is situated at Room 105, 1st Floor, No.1 Gangwan Road, Guancheng District, Zhengzhou City, Henan Province, China.

(c) The place of business in Hong Kong is situated at 24th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong.

(d) The share registrar of the Company is Tricor Investor Services Limited, which is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(e) The company secretary of the Company is Mr. Chang, Eric Jackson, who is member of the Hong Kong Institute of Certified Public Accountants.

(f) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS ON DISPLAY

The following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.xingyewulian.com) for not less than 14 days from the date of this circular, up to and including the date of the EGM:

(a) the Agreement;

(b) the Master Construction Framework Agreement;

(c) the other material contract as referred to in the paragraph headed "Material contracts" in this appendix;

(d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 25 to 26 of this circular;

(e) the letters from VBG Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 27 to 53 of this circular;

(f) the accountant's report on the Target Company prepared by Ernst & Young, the text of which is set out in Appendix II to this circular;

(g) the unaudited pro forma financial information on the Enlarged Group prepared by Ernst & Young, the text of which is set out in Appendix IV to this circular;

(h) the valuation report prepared by the Independent Valuer on the Property Project, the text of which is set out in Appendix V to this circular; and

(i) the letters of consent referred to under the section headed "Experts and Consents" in this appendix.

XINGYE WULIAN SERVICE GROUP CO. LTD.
興業物聯服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9916)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Xingye Wulian Service Group Co. Ltd. (the "**Company**") will be held at Room 105, 1st floor, No. 1 Gangwan Road, Guancheng District, Zhengzhou City, Henan Province, China on Thursday, 19 October 2023 at 10:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

(1) to, as special business, consider and, if thought fit, pass the following resolution (with or without modifications) as an ordinary resolution:

"**THAT**

(a) the Agreement as defined and described in the circular of the Company dated 28 September 2023 (the "**Circular**"), a copy of the Circular marked "A" together with a copy of the Agreement marked "B" are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder as described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed; and

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Agreement, the transactions contemplated thereunder and all matters incidental or ancillary thereto."

(2) to, as special business, consider and, if thought fit, pass the following resolution (with or without modifications) as an ordinary resolution:

"**THAT**

(a) the Master Construction Framework Agreement as defined and described in the Circular, a copy of the Master Construction Framework Agreement marked "C" is tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder as described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;

(b) the Annual Caps as defined and described in the Circular in respect of the construction services to be provided to the Company and its subsidiaries under the transactions contemplated under the Master Construction Framework Agreement for the period from the effective date of the Master Construction Framework Agreement to 31 December 2023 and each of the financial years ending 31 December 2024 and 2025 be and are hereby approved; and

(c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Master Construction Framework Agreement, the transactions contemplated thereunder and the Annual Caps and all matters incidental or ancillary thereto."

By Order of the Board
Xingye Wulian Service Group Co. Ltd.
Qiu Ming
Chairman and Chief Executive Officer

Hong Kong, 28 September 2023

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A member who is the holder of two or more shares in the Company (the "**Shares**") may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.

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

3. In order to be valid, the form of proxy must be in writing under the hand of the appointer or of his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the share registrar of the Company, Tricor Investor Services Limited, which is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (i.e. not later than Tuesday, 17 October 2023 on 10:00 a.m.) (or any adjournment thereof).

4. For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from Monday, 16 October 2023 to Thursday, 19 October 2023 (both days inclusive), during which no transfer of the Shares will be effected. In order to qualify for attending the Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Friday, 13 October 2023.

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

6. All times and dates specified herein refer to Hong Kong local times and date.

7. The meeting will be conducted in Chinese and no translation will be provided.

As at the date of this notice, the Board comprises one executive Director namely, Mr. Qiu Ming, three non-executive Directors, namely, Ms. Zhang Huiqi, Mr. Wang Jinhu and Mr. Liu Zhenqiang, and three independent non-executive Directors, namely, Mr. Xu Chun, Mr. Feng Zhidong and Mr. Zhou Sheng.