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Dexin Services Group Limited

德信服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2215)

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO (1) THE ACQUISITION OF TARGET PARKING SPACES; (2) THE EQUITY ACQUISITION; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 38 of this circular. A letter from the Independent Board Committee is set out on pages 39 to 40 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 70 of this circular.

A notice convening the EGM to be held at 7/F, Dexin Group Building, No. 588, East Huanzhan Road, Shangcheng District, Hangzhou, Zhejiang, China on Wednesday, 13 March 2024 at 9:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 9:30 a.m. on Monday, 11 March 2024) or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the form of proxy shall be deemed to be revoked.

23 February 2024

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DEFINITIONS

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

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| “Acquisitions” | collectively, the Acquisition of Target Parking Spaces and the Equity Acquisition |
| “Acquisition of Target Parking Spaces” | the acquisition of the rights-of-use of the Target Parking Spaces pursuant to the terms and conditions of the Underground Parking Space Use Rights Transfer Agreements |
| “associate(s)” | has the meaning ascribed to this term under the Listing Rules |
| “Board” | the board of Directors |
| “BVI” | The British Virgin Islands |
| “China” or “PRC” | the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Company” | Dexin Services Group Limited (德信服务集团有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2215) |
| “connected person(s)” | has the meaning ascribed to this term under the Listing Rules |
| “controlling shareholder(s)” | has the meaning ascribed to this term under the Listing Rules |
| “Dexin China” | Dexin China Holding Company Limited (德信中國控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2019) |
| “Dexin China Group” | Dexin China and its subsidiaries |
| “Dexin Movie City” | Deqing Moganshan Dexin Movie City Development Co., Ltd. (德清莫干山德信影視城開發有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Dexin China |
| “Director(s)” | the director(s) of the Company |

DEFINITIONS

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| “Effective Date” | the effective date of each of the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement, being the date on which the Company obtains the approval by the Independent Shareholders for each of the transactions contemplated under the Acquisition of Target Parking Spaces and the Equity Acquisition |
| “EGM” | the extraordinary general meeting of the Company to be convened at 7/F, Dexin Group Building, No. 588, East Huanzhan Road, Shangcheng District, Hangzhou, Zhejiang, China on Wednesday, 13 March 2024 at 9:30 a.m. to consider and, if thought fit, approve, among other things, the terms of the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder including, but not limited to, the Acquisition of Target Parking Spaces and the Equity Acquisition |
| “Enlarged Group” | the Group as enlarged by the Acquisitions (assuming the Acquisitions have been completed) |
| “Equity Acquisition” | the acquisition of the 100% equity interest in the Target Company pursuant to the terms and conditions of the Equity Transfer Agreement |
| “Equity Acquisition Completion” | completion of the Equity Transfer Agreement |
| “Equity Transfer Agreement” | the equity transfer agreement dated 24 August 2023 and entered into by Shengquan Property, Dexin Movie City and the Target Company |
| “Global Offering” | the Hong Kong Public Offering and the International Offering as disclosed in the prospectus of the Company dated 29 June 2021 |
| “Group” | the Company and its subsidiaries |
| “Hangzhou Junde” | Hangzhou Junde Commercial Operations Management Co., Ltd. (杭州駿德商業運營管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Hong Kong” | The Hong Kong Special Administrative Region of the People’s Republic of China |

DEFINITIONS

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| “Independent Board Committee” | the independent board committee of the Company comprising the independent non-executive Directors, namely Mr. Rui Meng and Mr. Yang Xi, to advise the Independent Shareholders in relation to the terms of the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement. The Company would like to clarify that there was an inadvertent clerical error on page 3 and page 23 of the Announcement in relation to the composition of the independent board committee, which should comprise “the independent non-executive Directors” instead of “all the independent non-executive Directors” |
| “Independent Financial Adviser” | Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, and has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement |
| “Independent Shareholder(s)” | The Shareholder(s) other than those who are required by the Listing Rules to abstain from voting at the EGM on the resolutions to approve the transactions contemplated under the Underground Parking Spaces Use Rights Agreements and the Equity Transfer Agreement |
| “independent third party(ies)” | independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates |
| “Kaibang International” | Kaibang International Limited (凱邦國際有限公司), a company incorporated in the BVI with limited liability and one of the substantial shareholders of the Company |
| “Latest Practicable Date” | 14 February 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular |
| “Listing” | the listing of the Shares on the Main Board of the Stock Exchange on 15 July 2021 |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Parking Space Leasing and Sales Agency Services Framework Agreement” | the Parking Space Leasing and Sales Agency Services Framework Agreement dated 9 June 2022 and entered into by the Company and Dexin China |

DEFINITIONS

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| “percentage ratio” | as defined under Rule 14.07 of the Listing Rules |
| “Property” | Moganshan Yungu Dexin New Century Mingting Hotel (莫干山雲谷德信開元名庭酒店), located at No. 66 Sanmo Line, Moganshan Town, Deqing County, Huzhou City, Zhejiang Province, the PRC, of which the land use rights has been registered in the Real Estate Ownership Certificate — Zhe (2021) De Qing Xian Bu Dong Chan Quan Di No. 0024577 issued by the Deqing Municipal Bureau of Natural Resources and Planning (德清縣自然資源和規劃局) |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Shengfu International” | Shengfu International Limited (盛富國際有限公司), a company incorporated in the BVI with limited liability and one of the controlling shareholders of the Company |
| “Shengquan Property” | Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) (formerly known as Shengquan Property Services Co., Ltd. (盛全物業服務股份有限公司)), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Deqing Moganshan Ruijing Real Estate Co., Ltd. (德清莫干山瑞璟置業有限公司), a company established under the laws of the PRC with limited liability, which is directly wholly owned by Dexin Movie City as at the Latest Practicable Date |
| “Target Parking Spaces” | collectively, the Target Asset A, the Target Asset B, the Target Asset C and the Target Asset D |
| “Target Parking Spaces Acquisition Completion” | completion of each of the Underground Parking Space Use Rights Transfer Agreements in accordance with their respective terms |
| “Termination Agreement” | an agreement for termination of the Parking Space Leasing and Sales Agency Services Framework Agreement dated 24 August 2023 entered into by the Company and Dexin China |

DEFINITIONS

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| “Underground Parking Space Use Rights Transfer Agreement A” | the Heping Dexin Center Project underground parking space use rights transfer agreement dated 24 August 2023 entered into by Hangzhou Junde and Hangzhou Desheng |
| “Underground Parking Space Use Rights Transfer Agreement B” | the Yinhu Technology Park Project underground parking space use rights transfer agreement dated 24 August 2023 entered into by Hangzhou Junde and Hangzhou Deyin |
| “Underground Parking Space Use Rights Transfer Agreement C” | the Montnorth Project underground parking space use rights transfer agreement dated 24 August 2023 entered into by Hangzhou Junde and Hangzhou Kaishen |
| “Underground Parking Space Use Rights Transfer Agreement D” | the Konggang City Project underground parking space use rights transfer agreement dated 24 August 2023 entered into by Hangzhou Junde and Hangzhou Konggang |
| “Underground Parking Space Use Rights Transfer Agreements” | collectively, the Underground Parking Space Use Rights Transfer Agreement A, the Underground Parking Space Use Rights Transfer Agreement B, the Underground Parking Space Use Rights Transfer Agreement C and the Underground Parking Space Use Rights Transfer Agreement D, and each as an “Underground Parking Space Use Rights Transfer Agreement” |
| “Valuer” | Avista Valuation Advisory Limited, an independent professional valuer appointed by the Company |
| “Vendor A” or “Hangzhou Desheng” | Hangzhou Desheng Real Estate Co., Ltd. (杭州德昇置業有限公司), a company established under the laws of the PRC with limited liability |
| “Vendor B” or “Hangzhou Deyin” | Hangzhou Deyin Real Estate Co., Ltd. (杭州德銀置業有限公司) (formerly known as Hangzhou Wangxin Yinhu Real Estate Co., Ltd. (杭州網新銀湖置業有限公司)), a company established under the laws of the PRC with limited liability |
| “Vendor C” or “Hangzhou Kaishen” | Hangzhou Kaishen Enterprise Management Co., Ltd. (杭州凱樂企業管理有限公司) (formerly known as Hangzhou Kaishen Investment Management Co., Ltd. (杭州凱樂投資管理有限公司)), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Dexin China |

DEFINITIONS

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| “Vendor D” or “Hangzhou Konggang” | Hangzhou Konggang Real Estate Co., Ltd. (杭州空港置業有限公司), a company established under the laws of the PRC with limited liability |
| “Vendors” | collectively, the Vendor A, the Vendor B, the Vendor C and the Vendor D |
| “%” | per cent |



Dexin Services Group Limited

德信服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2215)

Executive Directors:

Mr. Hu Yiping (*Chairman*)
Mr. Tang Junjie
Ms. Zheng Peng

Independent Non-executive Directors:

Dr. Wong Wing Kuen Albert
Mr. Rui Meng
Mr. Yang Xi

Registered Address:

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P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

40th Floor
Dah Sing Financial Centre
No.248 Queen's Road East
Wanchai
Hong Kong

23 February 2024

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO
(1) THE ACQUISITION OF TARGET PARKING SPACES;
(2) THE EQUITY ACQUISITION;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 24 August 2023 (the “**Announcement**”) in relation to, among other things, the Underground Parking Space Use Rights Transfer Agreements, the Termination Agreement, the Equity Transfer Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information on (i) the Acquisitions; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisitions; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions; (iv) the financial information of the Group; (v) the financial information of the Target Company; (vi) the management discussion and analysis of the Target Company; (vii) the valuation report of the Target Parking Spaces and the Property; (viii) the unaudited pro forma financial information of the Enlarged Group; (ix) the reports on profit forecast of the Target Company; (x) the notice of the EGM; and (xi) other information as required to be disclosed under the Listing Rules.

At the EGM, ordinary resolutions will be proposed to consider and approve the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement. This circular is prepared to enable the Shareholders to have a better understanding of the resolutions to be proposed at the EGM.

II. THE ACQUISITION OF TARGET PARKING SPACES AND THE TERMINATION AGREEMENT

1. Underground Parking Space Use Rights Transfer Agreements

The acquisition by the Group of the Target Parking Spaces is pursuant to the individual Underground Parking Space Use Rights Transfer Agreements. The parties to and the principal terms of each of the Underground Parking Space Use Rights Transfer Agreements are set out below:

Underground Parking Space Use Rights Transfer Agreement A

| | | |
|----------------|---|---|
| Date | : | 24 August 2023 (after trading hours) |
| Parties | : | (1) Hangzhou Junde, as the purchaser (the “ Purchaser A ”); and (2) Hangzhou Desheng, as the Vendor A |
| Subject matter | : | The Purchaser A has conditionally agreed to purchase and the Vendor A has conditionally agreed to sell the rights-of-use of the designated 250 underground car parking spaces in Heping Dexin Center (和平德信中心) (the “ Target Asset A ”), which is situated at the intersection of Shaoxing Road and Desheng Road, Gongshu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市拱墅區紹興路與德勝路交匯處) upon the terms and conditions of the Underground Parking Space Use Rights Transfer Agreement A. |

LETTER FROM THE BOARD

The Target Asset A were selected by the Group after taking into consideration their prevailing market value, their location, the relevant supply and demand of car parking spaces in the vicinity of the Target Asset A, and rental income and/or sale proceeds that the Company will be able to derive in due course.

Based on information provided by the Vendor A, the Target Asset A were constructed by the Vendor A itself. The construction cost in relation to the Target Asset A was approximately RMB44,872,000. The construction work in relation to the Target Asset A was completed in around March 2023, which were originally intended to be used for re-sale purpose instead of rental purpose. As such, the Target Asset A did not generate any revenue and net profits for the two financial years immediately preceding the Latest Practicable Date.

- Consideration and payment conditions :
- The unit price of the car parking space use right ranges from RMB75,000 to RMB250,000 under the Underground Parking Space Use Rights Transfer Agreement A and the total consideration for acquiring the rights-of-use of the Target Asset A (the “**Consideration A**”) is RMB52,825,000, which will be settled by the Purchaser A in the following manner:
- (1) the first instalment: RMB26,412,500, being 50% of the Consideration A shall be transferred to the bank account as designated by the Vendor A within 5 working days after the Effective Date; and
 - (2) the second instalment: RMB26,412,500, being the remaining 50% of the Consideration A, shall be transferred to the bank account as designated by the Vendor A within 5 working days upon the fulfilment of all the condition precedents of the Underground Parking Space Use Rights Transfer Agreement A.

LETTER FROM THE BOARD

- Basis of consideration : The Consideration A was arrived at after arm's length negotiations between the Purchaser A and the Vendor A after taking into consideration of factors including but not limited to (a) the appraised value of the rights-of-use of the Target Asset A in an amount of RMB63,340,000 as set out in the valuation report prepared by the Valuer based on the benchmark date (31 December 2023) using the market approach; and (b) the positive prospects of the car parking market in the PRC in the foreseeable future.
- Having considered the aforesaid factors, the Board (including the independent non-executive Directors, whose recommendation is contained in the Letter from the Independent Board Committee of this circular) is of the view that the Consideration A is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.
- Conditions precedent : The completion of the Underground Parking Space Use Rights Transfer Agreement A is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:
- (i) the Company having issued the relevant circular in relation to the Acquisition of Target Parking Spaces and the transactions contemplated thereunder in accordance with the Listing Rules; and
 - (ii) the Company having obtained all necessary approvals for the Acquisition of Target Parking Spaces (including but not limited to the approval by the Independent Shareholders).
- Completion : The completion of the Underground Parking Space Use Rights Transfer Agreement A shall take place on a date to be agreed by the Purchaser A and the Vendor A after all the conditions precedent have been satisfied (or waived, where applicable).

LETTER FROM THE BOARD

Underground Parking Space Use Rights Transfer Agreement B

Date : 24 August 2023 (after trading hours)

Parties : (1) Hangzhou Junde, as the purchaser A; and
(2) Hangzhou Deyin, as the Vendor B

Subject matter : The Purchaser A has conditionally agreed to purchase and the Vendor B has conditionally agreed to sell the rights-of-use of the designated 429 underground car parking spaces in Yinhu Technology Park (銀湖科技園) (the “**Target Asset B**”), which is situated at West of the intersection of Fuxian Road and Chuangyi Road, Fuyang District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市富陽區富閑路與創意路交匯處以西) upon the terms and conditions of the Underground Parking Space Use Rights Transfer Agreement B.

The Target Asset B were selected by the Group after taking into consideration their prevailing market value, their location, the relevant supply and demand of car parking spaces in the vicinity of the Target Asset B, and rental income and/or sale proceeds that the Company will be able to derive in due course.

Based on information provided by the Vendor B, the Target Asset B were constructed by the Vendor B itself. The construction cost in relation to the Target Asset B was approximately RMB30,266,000. The construction work in relation to the Target Asset B was completed in around August 2020, which were originally intended to be used for re-sale purpose instead of rental purpose. As such, the Target Asset B did not generate any revenue and net profits for the two financial years immediately preceding the Latest Practicable Date.

Consideration and payment conditions : The unit price of the car parking space use right is RMB50,000 per car parking space under the Underground Parking Space Use Rights Transfer Agreement B and the total consideration for acquiring the rights-of-use of the Target Asset B (the “**Consideration B**”) is RMB21,450,000, which will be settled by the Purchaser A in the following manner:

LETTER FROM THE BOARD

- (1) the first instalment: RMB10,725,000, being 50% of the Consideration B shall be transferred to the bank account as designated by the Vendor B within 5 working days after the Effective Date; and
- (2) the second instalment: RMB10,725,000, being the remaining 50% of the Consideration B, shall be transferred to the bank account as designated by the Vendor B within 5 working days upon the fulfilment of all the condition precedents of the Underground Parking Space Use Rights Transfer Agreement B.

Basis of consideration : The Consideration B was arrived at after arm's length negotiations between the Purchaser A and the Vendor B after taking into consideration of factors including but not limited to (a) the appraised value of the rights-of-use of the Target Asset B in an amount of RMB27,710,000 as set out in the valuation report prepared by the Valuer based on the benchmark date (31 December 2023) using the market approach; and (b) the positive prospects of the car parking market in the PRC in the foreseeable future.

Having considered the aforesaid factors, the Board (including the independent non-executive Directors, whose recommendation is contained in the Letter from the Independent Board Committee of this circular) is of the view that the Consideration B is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions precedent : The completion of the Underground Parking Spaces Use Rights Transfer Agreement B is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) the Company having issued the relevant circular in relation to the Acquisition of Target Parking Spaces and the transactions contemplated thereunder in accordance with the Listing Rules; and

LETTER FROM THE BOARD

(ii) the Company having obtained all necessary approvals for the Acquisition of Target Parking Spaces (including but not limited to the approval by the Independent Shareholders) (or waived, where applicable).

Completion : The completion of the Underground Parking Space Use Rights Transfer Agreement B shall take place on a date to be agreed by the Purchaser A and the Vendor B after all the conditions precedent have been satisfied.

Underground Parking Space Use Rights Transfer Agreement C

Date : 24 August 2023 (after trading hours)

Parties : (1) Hangzhou Junde, as the purchaser A; and
(2) Hangzhou Kaishen, as the Vendor C

Subject matter : The Purchaser A has conditionally agreed to purchase and the Vendor C has conditionally agreed to sell the rights-of-use of the designated 195 underground car parking spaces in Montnorth (嘉悦府) (the “**Target Asset C**”), which is situated at the intersection of Xingguo Road and Xingchen Road, Linping District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市臨平區興國路與星辰路交匯處) upon the terms and conditions of the Underground Parking Space Use Rights Transfer Agreement C.

The Target Asset C were selected by the Group after taking into consideration their prevailing market value, their location, the relevant supply and demand of car parking spaces in the vicinity of the Target Asset C, and rental income and/or sale proceeds that the Company will be able to derive in due course.

Based on information provided by the Vendor C, the Target Asset C were acquired in or around December 2020 in an original acquisition cost of RMB21,264,750. Based on the information provided by the Vendor C, the Vendor C acquired the Target Asset C and other car parks for re-sale purpose. As at 30 June 2023, the Target Asset C had not been leased out. As such, the Target Asset C did not generate any revenue and net profits for the two financial years immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

Pursuant to a Car Parking Space Use Rights Transfer Agreement dated 28 December 2020 between Hangzhou Yuerong Real Estate Development Co., Ltd. (杭州越榮房地產開發有限公司, “**Hangzhou Yuerong**”) and Hangzhou Kaishen Investment Management Co., Ltd. (杭州凱燊投資管理有限公司, “**Hangzhou Kaishen Investment**”), which is now renamed to Hangzhou Kaishen Enterprise Management Co., Ltd. (杭州凱燊企業管理有限公司, “**Hangzhou Kaishen Enterprise**”), in which Vendor C holds an indirect ownership stake of 100%, the rights-of-use of 611 car parking spaces have been contracted to be purchased by Hangzhou Kaishen Investment at a total consideration of RMB66,629,550 (the “**Prior Transaction**”).

According to the Civil Code of the PRC, areas designated for car parking purposes should prioritize the needs of residential flat owners. In the Prior Transaction, Hangzhou Yuerong had an obligation to inform all residential flat owners about the transfer of car parking space rights-of-use to prevent the possibility of residential flat owners asserting the invalidity of the aforementioned Car Parking Space Use Rights Transfer Agreement. On 25 December 2020, Hangzhou Yuerong fulfilled this requirement by notifying all residential flat owners through a formal Notice of Transfer of Remaining Car Parking Space Use Rights. Consequently, after seeking clarification with the legal advisors to the Company, it is highly unlikely that the aforementioned Car Parking Space Use Rights Transfer Agreement will be deemed invalid, and therefore the risk of extinguishment for the rights-of-use of car parking spaces acquired by the Group in this transaction is extremely remote.

LETTER FROM THE BOARD

As advised by the Vendor C, among the 611 car parking spaces acquired in the Prior Transaction, apart from the 195 target parking spaces, all the remaining 416 of the other underground car parking spaces in Montnorth (嘉悦府), which is situated at the intersection of Xingguo Road and Xingchen Road, Linping District, Hangzhou City, Zhejiang Province, the PRC (not forming the Target Asset C but situated at the same location as Target Asset C) have been sold as of August 2023.

- Consideration and payment conditions : The unit price of the car parking space use right is RMB88,000 under the Underground Parking Space Use Rights Transfer Agreement C and the total consideration for the rights-of-use of the Target Asset C (the “**Consideration C**”) is RMB17,160,000, which will be settled by the Purchaser A in the following manner:
- (1) the first instalment: RMB8,580,000, being 50% of the Consideration C shall be transferred to the bank account as designated by the Vendor C within 5 working days after the Effective Date; and
 - (2) the second instalment: RMB8,580,000, being the remaining 50% of the Consideration C, shall be transferred to the bank account as designated by the Vendor C within 5 working days upon the fulfilment of all the condition precedents of the Underground Parking Space Use Rights Transfer Agreement C.
- Basis of consideration : The Consideration C was arrived at after arm’s length negotiations between the Purchaser A and the Vendor C after taking into consideration of factors including but not limited to (a) the appraised value of the rights-of-use of the Target Asset C in an amount of RMB17,490,000 as set out in the valuation report prepared by the Valuer based on the benchmark date (31 December 2023) using the market approach; and (b) the positive prospects of the car parking market in the PRC in the foreseeable future.

LETTER FROM THE BOARD

Having considered the aforesaid factors, the Board (including the independent non-executive Directors, whose recommendation is contained in the Letter from the Independent Board Committee of this circular) is of the view that the Consideration C is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

- Conditions precedent : The completion of the Underground Parking Space Use Rights Transfer Agreement C is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:
- (i) the Company having issued the relevant circular in relation to the Acquisition of Target Parking Spaces and the transactions contemplated thereunder in accordance with the Listing Rules; and
 - (ii) the Company having obtained all necessary approvals for the Acquisition of Target Parking Spaces (including but not limited to the approval by the Independent Shareholders).
- Completion : The completion of the Underground Parking Space Use Rights Transfer Agreement C shall take place on a date to be agreed by the Purchaser A and the Vendor C after all the conditions precedent have been satisfied (or waived, where applicable).

Underground Parking Space Use Rights Transfer Agreement D

- Date : 24 August 2023 (after trading hours)
- Parties : (1) Hangzhou Junde, as the purchaser A; and
(2) Hangzhou Konggang, as the Vendor D

LETTER FROM THE BOARD

Subject matter : The Purchaser A has conditionally agreed to purchase and the Vendor D has conditionally agreed to sell the rights-of-use of the designated 1,000 underground car parking spaces in Dexin Konggang City (德信空港城) (the “**Target Asset D**”), which is situated at East of the intersection of Jichang Avenue and Kanhong Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市蕭山區機場大道與坎紅路交匯處以東) upon the terms and conditions of the Underground Parking Space Use Rights Transfer Agreement D.

The Target Asset D were selected by the Group after taking into consideration their prevailing market value, their location, the relevant supply and demand of car parking spaces in the vicinity of the Target Asset D, and rental income and/or sale proceeds that the Company will be able to derive in due course.

Based on information provided by the Vendor D, the Target Asset D were constructed by the Vendor D itself. The construction cost in relation to the Target Asset D was approximately RMB135,510,000. The construction work in relation to the Target Asset D was completed in around November 2022, which were originally intended to be used for re-sale purpose instead of rental purpose. As such, the Target Asset D did not generate any revenue and net profits for the two financial years immediately preceding the Latest Practicable Date.

Consideration and payment conditions : The unit price of the car parking space use right is RMB120,000 under the Underground Parking Space Use Rights Transfer Agreement D and the total consideration for the rights-of-use of the Target Asset D (the “**Consideration D**”) is RMB120,000,000, which will be settled by the Purchaser A in the following manner:

- (1) the first instalment: RMB60,000,000, being 50% of the Consideration D shall be transferred to the bank account as designated by the Vendor D within 5 working days after the Effective Date; and

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- (2) the second instalment: RMB60,000,000, being the remaining 50% of the Consideration D, shall be transferred to the bank account as designated by the Vendor D within 5 working days upon the fulfilment of all the condition precedents of the Underground Parking Space Use Rights Transfer Agreement D.

Basis of consideration : The Consideration D was arrived at after arm's length negotiations between the Purchaser A and the Vendor D after taking into consideration of factors including but not limited to (a) the appraised value of the rights-of-use of the Target Asset D in an amount of RMB123,210,000 as set out in the valuation report prepared by the Valuer based on the benchmark date (31 December 2023) using the market approach; and (b) the positive prospects of the car parking market in the PRC in the foreseeable future.

Having considered the aforesaid factors, the Board (including the independent non-executive Directors, whose recommendation is contained in the Letter from the Independent Board Committee of this circular) is of the view that the Consideration D is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions precedent : The completion of the Underground Parking Space Use Rights Transfer Agreement D is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) the Company having issued the relevant circular in relation to the Acquisition of Target Parking Spaces and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (ii) the Company having obtained all necessary approvals for the Acquisition of Target Parking Spaces (including but not limited to the approval by the Independent Shareholders).

Completion : The completion of the Underground Parking Space Use Rights Transfer Agreement D shall take place on a date to be agreed by the Purchaser A and the Vendor D after all the conditions precedent have been satisfied (or waived, where applicable).

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Based on the existing timetable, the management of the Company expects the Target Parking Spaces Acquisition Completion will take place by 31 March 2024.

2. The Termination Agreement

References are made to the announcement dated 9 June 2022, the circular dated 16 September 2022 and the announcement dated 11 October 2022 of the Company, in relation to, among other things, the Parking Space Leasing and Sales Agency Services Framework Agreement with a term from 11 October 2022 to 31 December 2024.

On 24 August 2023, in view of the entering into of the Underground Parking Space Use Rights Transfer Agreements, the Company and Dexin China entered into a Termination Agreement to terminate the Parking Space Leasing and Sales Agency Services Framework Agreement subject to and upon the Target Parking Spaces Acquisition Completion.

Pursuant to the Termination Agreement, both parties have agreed to terminate the Parking Space Leasing and Sales Agency services Framework Agreement subject to and with effect from the Target Parking Spaces Acquisition Completion. The agency services fees receivable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement up to the Target Parking Spaces Acquisition Completion and the deposits that should be repaid to the Company by Dexin China under the Parking Space Leasing and Sales Agency Services Framework Agreement (which, as at the Latest Practicable Date, amounted to RMB250,000,000) (the “**Deposits**”) will be paid/repaid by Dexin China to the Company prior to or concurrently with the payment of the first installment under the Underground Parking Space Use Rights Transfer Agreements. Under the Underground Parking Space Use Rights Transfer Agreements, the first installment (the “**First Installment**”) payable by the Group amounted to RMB105,717,500. The Company intends to apply all of the Deposits received to settle the considerations of the Acquisitions. Based on the proposed arrangement as further detailed in the paragraph headed “IV. Payment Arrangement” in this Circular, the Directors believe that the Group will not be bearing any credit risk in connection with non-refunding of the Deposits under the Parking Space Leasing and Sales Agency services Framework Agreement. In the event that the Company is unable to receive the repayment of Deposits from Dexin China prior to the payment deadline of the First Installment, the Company is prepared to off-set the Deposit against the Group’s obligation to pay the First Installment as part of the consideration for the Acquisitions.

3. Reasons for and Benefits of the Acquisition of Target Parking Spaces and the Termination of the Parking Space Leasing and Sales Agency Services Framework Agreement

The Group is committed to fully utilise various internal and external high-quality resources to provide the community owners with high-quality diversified living services and to provide the customers of the Group with a more valuable portfolio of professional services.

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The Board believes the Acquisition of Target Parking Spaces would be more advantageous to the Company in the long-term, given that there are signs of stabilising PRC's property market, which is expected to sustain improvement and drive recovery in the market taking into account the following considerations:

(i) Prime locations of the Target Parking Spaces

The Group has selected the Target Parking Spaces at locations where it currently provides (or will in the near future provide) property management services to the community property owners. The Company has also considered the advantages of the individual Target Assets, as follow:

- Target Asset A (being 250 underground car parking spaces in Heping Dexin Center) — these represent car parking spaces constructed below from Heping Dexin Center, a recently completed commercial building located close to a metro station, which attracts numerous cooperative merchants and a high flow of customers. Given its proximity to the well-developed commercial areas near the recently developed commercial space. The Company expects to operate the car parking spaces to provide temporary car parking service to the customers which is to be charged on hourly basis. Some of the car parking spaces are expected to be leased on monthly basis.
- Target Asset B (being 429 underground car parking spaces in Yinhu Technology Park) — the Yinhu Technology Park is a mixed office/technology park development. Based on information provided by the Vendor B, as at 30 June 2023, the technology park has an occupancy rate of over 95%, and has tenants in various industries including healthcare, information technology, training and development and electronics technology which provide strong demands for car parking spaces. The Company expects to operate the car parking spaces by leasing them on monthly or hourly basis.
- Target Asset C (being 195 underground car parking spaces in Montnorth) — Montnorth is a residential area that has recently completed construction with 1,400 residential units which have been sold up as at the Latest Practicable Date. The underground car parking spaces are intended to be sold to residents in the area but the Company reserves the option to either sell or lease out these carpark spaces.
- Target Asset D (being 1,000 car parking spaces in Dexin Konggang City) — these carparks are intended to be held by the Group as an asset for short-term lease to car owners who are looking to park near the Hangzhou Xiaoshan International Airport. Dexin Konggang City is located next to the highway to the airport, with a metro station nearby, and is expected to have easy access to the airport express train that is currently being constructed. Dexin Konggang City has also retail shops, offices and a hotel planned for construction. The Company intends to

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lease out but reserves the option to either sell or lease out these carpark spaces to owners and tenants of Dexin Konggang City. The Company also believes that the Group would be able to attract travelers to “park and fly”. The Company has also considered the lease-out rate of the carparks that are proposed to be acquired, and is of the view that these carparks would be able to provide long-term and steady cash flow to the Group.

The Company has been providing property management services to the properties constructed in Heping Dexin Center, Yinhu Technology Park and Dexin Konggang City, which match with our high-end commercial property management services, and therefore the Company also considers that having these Target Parking Spaces will enhance the management efficiency and achieve synergy with the Group’s property services business. Specifically, the Directors believe that the close proximity of these Target Parking Spaces to the locations where the Group currently provides (or will in the near future provide) property management services to the community property owners will allow the Group to better utilise and allocate its financial and human resources in locations where the Group has been operating. The Group has established close relationship with the local authorities, suppliers, customers and employees which are beneficial to its business. The acquisition of Target Parking Spaces in these prime locations aligns with our management’s intention to focus the Group’s resources in developing the relationship with its existing customers which is crucial to the business growth.

(ii) Business opportunities arising from the Acquisition of Target Parking Spaces

Based on the Parking Space Leasing and Sales Agency Services Framework Agreement, the Company will receive at least 20% of the agreed price for sales or leasing payable by Dexin China as agency services fee. Through the implementation of the Parking Space Leasing and Sales Agency Services Framework Agreement, the Group has identified the business opportunities for acquiring the rights-of-use of the Target Parking Spaces for the Group to own them outright and operate the lease and/or sales on a proprietary basis. As advised by Dexin China, as at 30 June 2023, Dexin China sold a total of 604 car parking spaces pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement. Given that the 604 car parking spaces was already sold to other vendors pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, such car parking spaces did not form part of the parking spaces under the Target Asset C. Based on the management’s estimation, the Company intends to sell approximately 80 units of the car parking spaces, equivalent to approximately 40% of the parking spaces under the Target Asset C during the year ending 31 December 2024 to the community owners. The Group intends to commence the sales of the Target Parking Spaces upon the Target Parking Spaces Acquisition Completion. Based on the management’s expectation, assuming the Independent Shareholders’ approval is obtained, the Company intends to proceed with the Target Parking Spaces Acquisition Completion by the first quarter of 2024, and will commence the sales of the Target Parking Spaces

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thereafter. Through the Group's business resources, the network of community owners established through its operation, and its understanding to the community owners' needs, the Group targets to sell the parking spaces to the community owners in all the main urban areas in Hangzhou with low unit price. The Group may consider to introduce sales personnel to facilitate the sales of car parking spaces in various locations. As advised by the management of the Company, the sales progress of the Target Parking Spaces would be subject to the prevailing business development plan of the Dexin China Group. As at the Latest Practicable Date, only Target Asset C, which form parts of the car parking spaces in Montnorth (嘉悦府), were launched to the market following the sales of the residential units where the construction has been completed recently. In respect of Target Asset A, Target Asset B and Target Asset D, which collectively account for approximately 90% of the Target Parking Spaces, had not yet been launched to the market by the Dexin China Group and accordingly remained unsold immediately prior to the date of the Underground Parking Space Use Rights Transfer Agreements. It is expected that their respective sales will be launched subject to various factors including but not limited to the launch of the associated residential/commercial properties and/or completion of the construction of surrounding infrastructure which may drive the demand of the relevant Target Parking Spaces. As at the Latest Practicable Date, although the residential and commercial properties associated with Target Asset A, Target Asset B and Target Asset D have not been launched for sale, the occupancy rate of the tenants in (i) the commercial buildings nearby Target Asset A and (ii) the technology park nearby Target Asset B has reached over 80% and 95%, respectively. As for the Target Asset D, it is located at the prime location near the Hangzhou Xiaoshan International Airport with easy access to the transportation system. Hence, the management of the Group considered that the commencement date of the launch for sale of the residential and commercial properties associated with Target Asset A, Target Asset B and Target Asset D would not have a significant impact on the Group's sale of car parking spaces under Target Assets A, Target Asset B and Target Asset D. The Company intends to commence to launch the target parking spaces for sale as soon as the acquisition of Target Parking Spaces is completed.

As all of the Target Parking Spaces are located within Hangzhou, which are within the locality where the Group's headquarter is located, the Group is well aware of the market trends of the value of the Target Parking Spaces, and purchasing them would allow the Group additional flexibility to sell at a preferable price while maintaining the flexibility for the Group to choose to either sell or lease out the Target Parking Spaces based on the market demand from time to time, thus earning rental income itself and to capture potential capital appreciation opportunities. The Group can enjoy the freedom to determine the sale price or rent, based on the market demand, locations, types of car parks; and it can raise its sale price or rent based on the market demand. Hence, the Company considers that the potential upside from purchasing outright the rights-of-use of the Target Parking Spaces would be higher, as compared with earning a fixed percentage of sale or leasing price, which is approximately 20% of

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the said prices. Besides, the management of the Group noted that towards the second half of 2023, the number of second-handed residential property transactions in Hangzhou has shown robust growth outperforming the sales of new homes. As advised by the management of the Company, the developers in Hangzhou usually adopt the bundle-selling strategy to sell car parking spaces and new homes. The out-performance of the sales of second-handed residential property transactions in Hangzhou indicated that the potential buyers would purchase the car parking spaces from car parking spaces owners like our Group instead of through the developers of the new homes. In addition, based on the management's understanding, the second-handed home usually are not sold with the car parking spaces, as such, the residential property owners will have to purchase the car parking spaces after purchasing the second-handed homes. This is expected to increase the demand of the car parking spaces. Having considered the current economic environment and the industry prospects, the management is of the view that this would bring positive impacts to the Group's parking space sales.

At the time of the Listing, the allocation of net proceeds from the Global Offering (the "**Net Proceeds**") was determined with reference to the then market conditions and sentiments. In view of the change in circumstances post-Listing, in particular the impact of COVID-19 and the development of the PRC economy and its property market, the Company needs to explore new business opportunities and diversify its business scope to enhance the return on capital for the benefits of the Shareholders. The Board believes that part of the unutilised Net Proceeds should be used to fund the Acquisitions (including both the Acquisition of Target Parking Spaces and the Equity Acquisition) after considering factors such as the (i) expected future outlook and market demand brought by favourable policies which is likely to drive the industry recovery as further demonstrated in the paragraph headed "Expected future outlook and market demand brought by favourable policies in the PRC" below; (ii) no potential acquisition or investment target has been identified by the Company, which can reduce the risks associated with potential acquisitions or investments implemented by the Group in view of the general economic environment in the PRC; (iii) the unfavourable interest rate of fixed term deposits placed with large commercial banks in the PRC, which means that putting money with banks as fixed deposits would not in themselves allow for any meaningful growth in the revenue, profits or market influence of the Group; and (iv) other considerations set out in this section and the section headed "Reasons for and Benefits of Entering into the Equity Transfer Agreement" in this letter.

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The Directors are of the view that, based on the current market conditions and the market demand of car parking spaces in Hangzhou, holding the Target Parking Spaces directly would be more advantages to the Group as this allows the Group to enjoy the potential capital appreciation opportunities. Besides, while holding the Target Parking Spaces, the Group may lease the Target Parking Spaces and adjust its strategy to sell or lease them subject to the market demand and market conditions, while at the same time can serve as the Group's stable source of cash flow and revenue, which would be beneficial to the Group's financial position in the long run.

(iii) Expected future outlook and market demand brought by favourable policies in the PRC

The Company is confident in the industry prospects, and the market is expected to experience a moderate recovery. The Company takes the view that though the property management industry in the PRC had experienced downturn in 2021 and 2022, it has been gradually recovering since 2023. Based on the Directors' estimation, the prices of the car parking space use rights under the Underground Parking Space Use Rights Transfer Agreements signify a good timing for the Group to invest in high quality assets at a favourable price. Besides, since August 2023, there has been a number of policies to promote the real estate market in Hangzhou and reduce the personal housing mortgage interest rates, including but not limited to the Circular on Optimising the Criteria for Determining the Number of No. Comments Housing Units in Personal Housing Loans (《關於優化個人住房貸款中住房套數認定標準的通知》) and the lower interest rates announced by The People's Bank of China (Zhejiang Provincial Branch). With these favourable policies, and taking into account the consideration for the Acquisitions are slightly below their appraised value (the consideration for which were determined prior to these policies having been announced), the Company expects that the returns that the Company will be able to obtain from the Acquisitions will be significant. As such, the Company believes that the Acquisition of Target Parking Spaces represents an attractive investment opportunity for the Group to acquire high quality assets at a favourable price.

Despite the fact that the Target Parking Spaces did not generate any revenue and net profits for the two financial years immediately preceding the Latest Practicable Date, through the implementation of the Parking Space Leasing and Sales Agency Services Framework Agreement, the Group has gained firsthand knowledge on the business opportunities in implementing the Acquisition of Target Parking Spaces and owning Target Parking Spaces outright and operate the lease and/or sales on a proprietary basis, which would allow it additional flexibility to sell at a preferable price while maintaining the flexibility for the Group to choose to either sell or lease out the Target Parking Spaces based on the market demand from time to time. In addition, based on the favourable policies announced and the Directors' evaluation of the industry prospects, the Group does not expect to suffer from any depreciation or amortization of car parking spaces.

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Based on the market research conducted by the Company's management, taking into consideration factors such as the degree and level of urbanization in Hangzhou, the lowering of mortgage rates which is believed to accelerate the recovery of the property development industry; together with the lifting quarantine measures in the PRC since the first quarter of 2023 which contributed to the growth of overall economic activities, investment confidence, demand in the real estate and stimulated the market demand and value of parking spaces in the first-tier cities like Hangzhou, the Company remains optimistic about the industry prospect. For illustrative purpose only and based on the market research conducted by the Group, the rental yield of the car parking spaces in Hangzhou ranges from 5% to 20% per annum depending on the locations and types of the car parking spaces. The Board has also taken into account the returns of its capital, and considers that the proposed Acquisition of Target Parking Spaces would be able to enhance its revenue generating ability and to diversity its business scope. As at the Latest Practicable Date, the interest rate from bank deposit in the PRC was 1.65% per annum which is much lower than the rental yield of car parking spaces in Hangzhou. As such, the Company believes that the Acquisition of Target Parking Spaces can provide a stable source of rental income for the Group, generate a higher rate of return than the interest rate available from bank deposits generally available in the PRC, and preserve the value of the Group's assets against inflation. As for the payment obligations for settlement of the considerations under the Underground Parking Space Use Rights Transfer Agreements, after taking into account the refund of the Deposits prior to or concurrently with the payment of the first installment under the Underground Parking Space Use Rights Transfer Agreements, the Directors believe that the Acquisition of Target Parking Spaces will not adversely affect the overall liquidity of the Group from a cash flow management perspective and will not affect the Group's day-to-day operation.

The Group's future plan to lease or sell the Target Parking Spaces will be taken into account the prevailing market conditions, the relevant supply and demand situation for the acquired assets and also any relevant policies in-place. The Directors consider that the following non-exhaustive factors would be considered by the management of the Company in deciding to lease or sell: (i) location of the Target Parking Spaces; (ii) occupancy rate of the commercial and residential buildings nearby the Target Parking Spaces; (iii) market research on the acceptable pricing levels of residents/tenants in the region for purchase/renting of the Target Parking Spaces; (iv) market demand of Target Parking Spaces, which would be discovered through marketing events and enquiries received; and (v) overall business strategies of the Group. Furthermore, the Group also intends to establish a sales team and devise the sales and marketing strategies to implement the sale and/or rental of the Target Parking Spaces, and the Board will also take into account the recommendations by the sales team in determining and adjusting its strategy in light with the latest market conditions.

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Having considered (i) the prevailing market price of the rights-of-use of the carparks similar to the Target Parking Spaces of nearby areas; (ii) appraised value derived from the valuation report prepared by the Valuer; (iii) the Company's intention to strengthen the Group's income base; (iv) potential capital appreciation of the Target Parking Spaces; and (v) the overall financial condition of the Group, the Company considers that the Acquisition of Target Parking Spaces is a good opportunity to expand the Group's participation in the PRC property market. Furthermore, in view of the expected future outlook brought by favourable policies in the PRC, together with the market research conducted by the Company's management, the Directors remain optimistic about the prospects of the industry and consider that the long-term benefits of acquiring the Target Parking Spaces outright would be more advantageous to the Group.

In light of the above, the terms of the Underground Parking Space Use Rights Transfer Agreements are on normal commercial terms or better, and the Board considers that the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. THE EQUITY ACQUISITION

1. The Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are set out below:

| | | |
|----------------|---|--|
| Date | : | 24 August 2023 (after trading hours) |
| Parties | : | (1) Shengquan Property, as the purchaser (the " Purchaser B "); (2) Dexin Movie City, as the Vendor (the " Vendor E "); and (3) the Target Company, as the target company |
| Subject matter | : | The Purchaser B has conditionally agreed to acquire and the Vendor E has conditionally agreed to sell the 100% equity interest in the Target Company upon the terms and conditions of the Equity Transfer Agreement. |

Based on information provided by the Vendor E, the Property was constructed by the Vendor E itself. As advised by Vendor E, the construction cost in relation to the Property was approximately RMB217,925,000.

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The principal asset of the Target Company is the Property. Further information of the Target Company and the Property is disclosed in the section headed “General Information” in this letter.

Consideration and payment conditions : The consideration for the Equity Acquisition is RMB90,000,000, which will be settled by the Purchaser B in the following manner:

(1) the first instalment: RMB63,000,000, being 70% of the consideration for the Equity Acquisition shall be payable within 5 working days after the Effective Date; and

(2) the second instalment: RMB27,000,000, being the remaining 30% of the consideration for the Equity Acquisition shall be payable within 5 working days upon the date of the industrial and commercial registration changes of the Target Company’s equity interest being completed. The Company would like to clarify that there was an inadvertent clerical error on page 16 of the Announcement in relation to the second instalment of the consideration for the Equity Acquisition, which should read “RMB27,000,000” instead of “RMB21,000,000”.

Basis of consideration : The consideration for the Equity Acquisition was arrived at after arm’s length negotiations between the Purchaser B and the Vendor E after taking into consideration of factors including but not limited to (a) the net asset value of the Target Company as at 31 December 2022 and 31 December 2023, were approximately RMB28,637,000 and RMB9,308,000 respectively (whereas the net current liabilities of the Target Company as at 31 December 2022 and 31 December 2023 were approximately RMB168,056,000 and 45,227,000 respectively); and (b) the appraised value of the Property being RMB261,397,000 as set out in the valuation report prepared by the Valuer as at 31 December 2023. The book value of the Property of approximately RMB180,139,000 as at 31 December 2023.

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Having considered the aforesaid factors, the Board (including the independent non-executive Directors, whose recommendation is contained in the Letter from the Independent Board Committee of this circular) is of the view that the consideration for the Equity Acquisition is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Reconciliation of Property (Target Company) between Valuation report figure as at 31 December 2023 and Accountants' report as at 30 November 2023

RMB

| | |
|---|---------------------------|
| Net book value of Property per Accountants' report as at 30 November 2023 | 181,464,000 |
| Depreciation for 1 December 2023 to 31 December 2023 | (1,325,000) |
| Fair value gain for Property | <u>81,258,000</u> |
| Fair value per Valuation report as at 31 December 2023 | <u><u>261,397,000</u></u> |

- Conditions precedent : The Equity Acquisition Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions precedent:
- (i) all representations, warranties and undertakings made by the Vendor E under the Equity Transfer Agreement remaining true, accurate and not misleading in all material aspects;
 - (ii) there being no laws, regulations or rules which may render the Equity Transfer Agreement illegal or impractical, none of the Parties facing any pending or potential claims which would restrict the performance of the Equity Transfer Agreement or have a material adverse effect on the legality or otherwise of the Equity Acquisition;

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- (iii) all necessary and required consents and approvals regarding the transactions contemplated under the Equity Transfer Agreement and the completion of such transactions having been obtained and completed, including but not limited to the consents from the parties' respective shareholders (if applicable) and their respective board of directors;
- (iv) the Equity Transfer Agreement having been duly signed and becoming effective;
- (v) no material adverse effect having resulted or being reasonably likely to result from the Equity Acquisition;
- (vi) the equity interest in the Target Company shall be free from liabilities and/or contingent liabilities;
- (vii) the Purchaser B being satisfied with the results of its business, legal and financial due diligence review on the Target Company and the assets of the Target Company;
- (viii) the Company having issued the relevant circular in relation to the Equity Acquisition and the transactions contemplated thereunder in accordance with the Listing Rules;
- (ix) the Company having obtained all necessary approvals for the Equity Acquisition (including but not limited to the approval by the Independent Shareholders);
- (x) the legal title of the Property having been registered under the Group; and
- (xi) the Equity Transfer Agreement and the transactions contemplated thereunder having been completed in accordance with the articles of association of the Purchaser B and the Vendor E, the Listing Rules and any relevant laws and regulations.

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Completion : Equity Acquisition Completion shall take place on a date to be agreed by the Purchaser B and the Vendor E after all the conditions precedent have been satisfied (or waived, where applicable).

Upon the Equity Acquisition Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will therefore be consolidated into the consolidated financial statements of the Company.

Based on the existing timetable, the management of the Company expects the Equity Acquisition Completion will take place by 31 March 2024.

2. Reasons for and Benefits of Entering into the Equity Transfer Agreement

The Group is committed to fully utilise various internal and external high-quality resources to provide the community owners with high-quality diversified living services and to provide the customers of the Group with a more valuable portfolio of professional services. The Company believes that the hotel management business is substantially the same as the Company's existing major business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services. It is the mission of the Group to concentrate on the quality improvement of fundamental property management services and enhance their density. Under the Group's community value-added services, the Group provides common area value-added services where the Group assists property owners in leasing common spaces and public facilities to third parties in exchange for a pre-determined percentage of the rental fees as commissions. The Group also cooperates with travel agencies to provide recommendation for hotels choices and travel routes planning. Normally, the Group charges a certain service fee to the relevant hotels/travel agencies. The Group believes that through the acquisition of the Target Company, it can better utilise its resources to provide hotel management services and the common area value-added services directly through the Group's self-owned assets, under which the Group can benefit from the hotel revenue. Throughout the years of operating history, the Group has accumulated an established network of property owners and non-property owners. Coupled with the steady recovery of the tourism industry since 2023, it is expected the Equity Acquisition will bring positive impact to the overall financial performance to the Group in the long run. The management believes that the Equity Acquisition would provides a platform for the Group to replicate its success in the property management services and achieve business growth. As such, the management is confident that this would allow the Group to expand its revenue stream and profitability. The Group endeavours to focus on core advantageous businesses in value-added services, deepen the concentration of services and release their potential value. The Company has derived high-end property services, including hotel management, to expand the scale of management and enhance the Company's

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management capability and talent reserves in the field of hotel management, which will enable the Company further enhance the Company's core competitiveness and brand recognition, promote the continuous improvement of the scale of profitability.

The Company's management has accumulated experience or expertise in the property management and related industries, which would be beneficial to the Group's hotel management business. Ms. Zhao Lixiang, the chief human resources and administration officer of the Company, served at a number of hotel groups from July 2006 to June 2013 before joining the Group. She held the position as the head of general manager office and was mainly responsible for the daily affairs of the general manager office at Shaoxing Shangyu Jinjin Hotel Co., Ltd. (紹興市上虞金錦大酒店有限公司). Besides, Mr. Hu, an executive Director and chairman of the Board, has over 25 years of experience in the PRC real estate industry and property management. Mr. Tang Junjie, an executive Director, has extensive experience in property management and related industries, and is responsible for the formulation and implementation of the business strategy, annual operation and financial planning. The Directors and the senior management of the Group collectively possesses in-depth knowledge of the industry and shares the strategic vision and positive outlook of the Group's operations. Subject to the business demands, the Company also intends to expand the headcount on recruiting professional hotel management personnel after the acquisition of the Target Company. As such, the management is confident that they could relate their operational experience in the property management and related industries in the hotel management business.

The Company operates in the real estates industry and has accumulated an established network of customers. The Company plans to promote the Property and the hotel management business to its existing customers and offer them with discounts to attract a stable flow of customers during the initial business cycle.

To maintain the competitiveness of the Group and to enhance the overall profitability of the Group, the Company intends to diversify its income streams and seek to identify new business opportunities to achieve stable revenue growth.

The Target Company is principally engaged in real estate development and operation. The Group has cooperated with the Property to carry out corporate activities. The Property is located within Moganshan, a well-known tourism district which is regarded as one of the four major summer resorts in China, with a number of tourist attractions including Mogan Mountain Scenic Resort and other scenic spots. The Directors are of the view that the prime location of the Property signifies the stable hospitality demand from both domestic and international business and travel arrangements, which would lead to the revenue growth to the Group's value-added services. The outbreak of COVID-19 has caused negative impact on the tourism and hospitality industry. However, since late 2022, the PRC government started to relax its zero-COVID policy, and most of the travel restrictions were lifted since December 2022. With the good progress on the relaxation in the government policies and traveling restrictions, the Company is optimistic about the recovery of domestic tourism and hospitality industry in the long-run to pre-pandemic levels and beyond.

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The Directors are confident to seize the opportunities to be brought by the industry revival when the tourism industry rebound completely in the near future. Besides, the principal asset of the Target Company is the Property, which has an appraised value of RMB261,397,000. In view of the future potential of domestic tourism and the valuation of the Property, coupled with the geographic location advantage of the Property the Directors are confident that the Equity Acquisition presents a valuable opportunity for the Group to invest in the Property through acquiring high quality asset at a favourable price. Through investing into this Property, which has over 100 guest rooms, conferencing facilities, restaurants and bars, the Directors believe that the Group would be able to diversify into commercial estate management, the provision of conferencing services, and also ride on the trend of increasing interest in eco-tourism and domestic tourism. Furthermore, taking into account the financial position and financial performance of the Target Company, the Board considers that the Equity Acquisition would be beneficial to the Group's income stream in the long run, and allow it to gain valuable experience in the hotel management field and allow the Group to expand its business scope.

In light of the above, the terms of the Equity Transfer Agreement are on normal commercial terms or better, and the Board considers that the transaction contemplated under the Equity Transfer Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. PAYMENT ARRANGEMENT

As at 30 June 2023, the cash and bank balance of the Group amounted to approximately RMB196.8 million. Further, given that the Group entered into the Termination Agreement with Dexin China, it is expected that the Group will receive the Deposits in the amount of RMB250,000,000 refund prior to or currently with the first instalment becoming payable by the Company as specified under each of the Underground Parking Space Use Rights Transfer Agreements. The Company intends to apply all of the Deposits received to settle the considerations of the Acquisitions. The said payment arrangement was arrived at after negotiations between the Company and Dexin China, taking into account that the Parking Space Leasing and Sales Agency Services Framework Agreement remains valid until all the conditions precedent under the Termination Agreement have been satisfied, and the Deposits is held for the purpose of securing the Group's obligations under the Parking Space Leasing and Sales Agency Services Framework Agreement. As such, at completion of the Acquisitions the Group will have sufficient internal resources to finance the remaining balance of consideration payable under the Acquisitions and will not be bearing any credit risk in connection with applying the Deposits against payments under the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement.

As disclosed in the announcement of the Company dated 16 December 2022 in relation to, among other things, the change in use of proceeds from the Global Offering as defined in the prospectus of the Company dated 29 June 2021 (the "**Prospectus**") and the interim announcement of the Company dated 21 August 2023, approximately HK\$83.7 million (equivalent to approximately RMB76.8 million) of the Net Proceeds designated for the

LETTER FROM THE BOARD

purpose of expanding the Group's business scale and increasing market share through multiple channels (the "**Intended Application**") remained unutilised as of 30 June 2023. As set out in the Prospectus, if our future acquisition plan cannot materialise, we will (i) continue exploring new acquisition targets; (ii) continue expanding our market share by obtaining engagements from new customers through improving service quality and enhancing our brand recognition; (iii) enhance our relationship with existing customers to obtain new engagements; and (iv) acquire new property management service agreements through participating in public tenders. The Directors consider that the Acquisitions represent an unique opportunity for the Group to expand its business scale and diversify into new and more profitable business areas, which is in line with the Intended Application. The Directors have also considered that the Acquisitions represent an opportunity for the Company to increase its brand recognition in the locations where the Target Parking Spaces and the Property are situated, strengthen the Group's relationship with its customers, enhance the management efficiency and achieve synergy with the Group's property services business, all of which are also consistent with the Intended Application. Therefore, the Directors are of the view that the Acquisitions, and the benefits brought about by them, fit within the stated Intended Application, namely, to expand the Group's business scale and increase market share through multiple channels. The Acquisitions will be funded from the refunds of the Deposits and the partial utilisation of the above-mentioned HK\$83.7 million from the Net Proceeds for the purpose of implementing the Acquisitions.

V. GENERAL INFORMATION

1. Information About Hangzhou Junde and the Vendors

Hangzhou Junde is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of home decoration services, property sales and assistance services.

Hangzhou Desheng is a company established in the PRC with limited liability and is ultimately controlled by Dexin China and Hu Yuegen (胡月根) as to 90.10% and 9.90% respectively. It is principally engaged in real estate development and operation.

Hangzhou Deyin is a company established in the PRC with limited liability and is ultimately controlled by Dexin China and Hu Yuegen as to 90.10% and 9.90% respectively. It is principally engaged in real estate development and operation.

Hangzhou Kaishen is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of Dexin China. It is principally engaged in real estate development and operation.

Hangzhou Konggang is a company established in the PRC with limited liability and is ultimately controlled by Dexin China, Sun Dashan (孫達山), Hu Jianrong (吳建榮), Hu Yuegen, Sun Zhongliang (孫仲良), Shen Jianmei (沈建妹) and Shi Fengxiang (史鳳香) as to 63.07%, 12.36%, 9.00%, 6.93%, 4.40%, 3.24% and 1.00% respectively. It is principally engaged in real estate development and operation.

LETTER FROM THE BOARD

2. Information About Shengquan Property and Dexin Movie City

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

Dexin Movie City is a company established in the PRC with limited liability and is the immediate holding company of the Target Company and is an indirect wholly-owned subsidiary of Dexin China. It is principally engaged in development, construction and investment management of film and television base and tourist attraction; and development, construction, management services of tourist attractions and amenities.

3. Information About the Group and Dexin China Group

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

Dexin China Group is principally engaged in the property development and construction services, property investment and hotel operations in the PRC.

As (i) Mr. Hu Yiping (“**Mr. Hu**”) is a Director and holds directorship and/or senior management positions in Dexin China and/or certain of its subsidiaries, and is the controlling shareholders of both the Company and Dexin China; and (ii) Mr. Tang Junjie is a Director and is interested in Kaibang International, a substantial shareholder of the Company, they are deemed to have material interests in the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement, and are therefore required to abstain from voting and did abstain from voting on the resolutions at the Board meeting. It is also clarified that, as Dr. Wong Wing Kuen Albert serves as an independent non-executive director in Dexin China, he is deemed or may be perceived to have a material interest in the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement. Accordingly, he had voluntarily abstained from voting on the relevant resolutions passed by the Board to approve the Acquisitions and the transactions contemplated thereunder. Save as aforementioned, none of the Directors has or deemed to have a material interest in the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder. Therefore, no other Director has abstained from voting on such Board resolutions.

4. Information about the Target Company

The Target Company is a company established in the PRC with limited liability and is wholly owned by Dexin Movie City as at the Latest Practicable Date. The Target Company is principally engaged in real estate development and operation.

LETTER FROM THE BOARD

Set out below is an extract of the audited financial statements prepared for the eleven months ended 30 November 2023 and the two financial years ended 31 December 2022 and 31 December 2021 respectively of the Target Company:

| | For the eleven months ended 30 November 2023 | For the year ended | |
|-------------------------------|---|-----------------------------|-----------------------------|
| | 30 November 2023 | 31 December 2022 | 31 December 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (audited) | (audited) | (audited) |
| Revenue | 4,037 | 4,404 | 1,835 |
| Profit (loss) before taxation | (18,954) | (21,676) | (16,350) |
| Profit (loss) after taxation | (18,954) | (21,676) | (16,350) |

The audited net assets as at 30 November 2023, 31 December 2022 and 31 December 2021 of the Target Company amounted to approximately RMB9,683,000, RMB28,637,000 and RMB50,313,000 respectively.

5. Information about the Property

The Property is located at No. 66 Sanmo Line, Deqing County, Huzhou City, Zhejiang Province, the PRC. The site area and the total gross floor area of the Property is 17,819.66 square metres and 31,955.09 square metres respectively. The Property comprises the 4-storey building (including 1-storey basement) providing a total of 186 guest rooms with 3 restaurants, a wine bar and a range of facilities including a pillar-free ballroom, several meeting rooms, an indoor swimming pool, home party and gym. In August 2021, the Property commenced business.

6. Financial Effects of the Acquisitions

Upon the Equity Acquisition Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will therefore be consolidated into the consolidated financial statements of the Company. The accompanying unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular is prepared as if the Acquisitions had taken place at 30 June 2023 to illustrate the effect of the Acquisitions.

Assets and Liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix V, the total assets of the Enlarged Group would have increased from RMB1,376 million to RMB1,551 million on a pro forma basis, the total liabilities of the Enlarged Group would have increased from RMB585 million to RMB760 million on a pro forma basis, and the net assets of the Enlarged Group would remain unchanged at RMB791 million on a pro forma basis.

LETTER FROM THE BOARD

VI. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Company is held as to 56.46% by Shengfu International Limited, the controlling shareholder of the Company, which is in turn held as to 91.6% by Mr. Hu, the executive Director. Meanwhile, as Dexin China is held as to 64.56% by Mr. Hu, of which (i) 2.52% were beneficially held by Tak Yuan International Limited, which is in turn held as to 100% by Mr. Hu; and (ii) 62.03% were beneficially held by Tak Shin International Limited, the controlling shareholder of Dexin China, which is in turn held as to 92% by Mr. Hu, therefore each of Dexin China, its indirect wholly-owned subsidiaries, Dexin Movie City and Hangzhou Kaishen as well as its ultimate beneficially controlled entities, Hangzhou Desheng, Hangzhou Deyin and Hangzhou Konggang is an associate of Mr. Hu and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under the Listing Rules in respect of each of the Acquisition of Target Parking Spaces and the Equity Acquisition are 5% or more but less than 25%, the entering into of each of the Acquisition of Target Parking Spaces and the Equity Acquisition, on a standalone basis, each constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Taking into account the Acquisition of Target Parking Spaces and the Equity Acquisition will be entered into by the Group with the same party, Dexin China Group, within a 12-month period, the Acquisitions should, in each case, be aggregated and treated as if the Acquisitions were one transaction with Dexin China Group for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules, on an aggregate basis, in respect of the Acquisitions is more than 25% but less than 100%, the Acquisitions would constitute major transactions of the Company. The Company would be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As the continuing connected transactions under the Parking Space Leasing and Sales Agency Services Framework Agreement will be terminated upon the Target Parking Spaces Acquisition Completion, the Company is also subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

VII. THE EGM

The EGM will be convened at 7/F, Dexin Group Building, No. 588, East Huanzhan Road, Shangcheng District, Hangzhou, Zhejiang, China on Wednesday, 13 March 2024 at 9:30 a.m., *inter alia*, for the Independent Shareholders to consider and, if thought fit, approve the terms of the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder including, but not limited to, the Acquisition of Target Parking Spaces and the Equity Acquisition.

LETTER FROM THE BOARD

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. The voting in relation to the resolutions proposed at the EGM will be conducted by way of poll.

As at the Latest Practicable Date, (i) Shengfu International is held as to 91.6% by Mr. Hu while Shengfu International and their associates held and controlled the voting rights of 529,202,279 Shares, representing approximately 56.46% of the total issued share capital of the Company; and (ii) Kaibang International is held by 16 individuals including approximately (a) 11.01% by Mr. Tang Junjie (being an executive Director), (b) 30.12% by Ms. Wei Yuefen (an associate of Mr. Hu), (c) 7.94% by Mr. Fei Zhongmin (being an executive director of Dexin China), and (d) 49.62% by other senior management and employees of the Group and Dexin China while Kaibang International held and controlled the voting rights of 129,629,630 Shares, representing approximately 13.83% of the total issued share capital of the Company. Therefore, Mr. Hu, Shengfu International, Kaibang International and their respective associates are deemed to have material interests in the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder and Shengfu International and Kaibang International shall be required to abstain from voting on the resolutions at the EGM accordingly. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

VIII. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 March 2024 to Wednesday, 13 March 2024, both days inclusive, during which period no transfer of Shares will be effected, in order to determine the identity of the Shareholders who are entitled to attend and vote at the EGM to be held on Wednesday, 13 March 2024. All transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 7 March 2024.

IX. RECOMMENDATION

The Independent Board Committee (comprising the independent non-executive Directors) has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 39 to 40 of this circular and (ii) the letter

LETTER FROM THE BOARD

from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 41 to 70 of this circular in connection with the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its advice.

Pursuant to the existing Parking Space Leasing and Sales Agency Services Framework Agreement, the Group provides exclusive parking spaces sales and leasing agency services in respect of the target parking spaces to Dexin China Group to facilitate the sales and leasing activities of parking space properties. The Board considers that the Acquisition of the Target Parking Spaces will benefit the Group to operate and manage the lease and/or sales of Target Parking Spaces directly. Furthermore, the acquisition of the Target Company will enable the Company further enhance the Company's core competitiveness and brand recognition, promote the continuous improvement of the scale of profitability.

The Board (including the Independent Board Committee having taken into account the recommendation of the Independent Financial Adviser) considers that the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement were on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in relation to the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder.

X. GENERAL

As completion of the Acquisitions is conditional upon fulfilment or waivers (as the case may be) of the conditions precedent set out in the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement, the Acquisitions or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

XI. ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board of
Dexin Services Group Limited
Hu Yiping
Chairman



Dexin Services Group Limited

德信服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2215)

23 February 2024

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO
(1) THE ACQUISITION OF TARGET PARKING SPACES;
AND
(2) THE EQUITY ACQUISITION**

We refer to the circular dated 23 February 2024 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders regarding the terms of the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement. The Independent Financial Adviser, Lego Corporate Finance Limited, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board, as set out on pages 7 to 38 of the Circular, and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its opinion in respect of the terms of the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement as set out on pages 41 to 70 of the Circular.

After taking into consideration the advice from the Independent Financial Adviser, we consider that although the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement were not conducted in the ordinary and usual course of business of the Group, each of the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement was entered into on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in relation to the terms of the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Rui Meng **Mr. Yang Xi**
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



23 February 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs and Madams,

**MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO
(1) THE ACQUISITION OF TARGET PARKING SPACES;
AND
(2) THE EQUITY ACQUISITION**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Underground Parking Space Use Rights Transfer Agreement, the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 23 February 2024 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

On 24 August 2023 (after trading hours), Hangzhou Junde, an indirect wholly-owned subsidiary of the Company, entered into separate transfer agreements of underground parking space use rights with the Vendors, pursuant to which, Hangzhou Junde has conditionally agreed to purchase and each of Hangzhou Desheng, Hangzhou Deyin, Hangzhou Kaishen and Hangzhou Konggang has conditionally agreed to sell the rights-of-use of the Target Parking Spaces at an aggregate consideration of RMB211,435,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 24 August 2023 (after trading hours), Shengquan Property, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Dexin Movie City and the Target Company, pursuant to which, Shengquan Property has conditionally agreed to acquire and Dexin Movie City has conditionally agreed to sell the 100% equity interest in the Target Company at a consideration of RMB90,000,000. Upon Equity Acquisition Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will therefore be consolidated into the consolidated financial statements of the Company.

As at the Latest Practicable Date, the Company was held as to 56.46% by Shengfu International Limited, the controlling shareholder of the Company, which was in turn held as to 91.6% by Mr. Hu, the executive Director. Meanwhile, as Dexin China was held as to 64.56% by Mr. Hu, of which (i) 2.52% were beneficially held by Tak Yuan International Limited, which was in turn held as to 100% by Mr. Hu; and (ii) 62.03% were beneficially held by Tak Shin International Limited, the controlling shareholder of Dexin China, which was in turn held as to 92% by Mr. Hu, therefore each of Dexin China, its indirect wholly-owned subsidiaries, Dexin Movie City and Hangzhou Kaishen as well as its ultimate beneficially controlled entities, Hangzhou Desheng, Hangzhou Deyin and Hangzhou Konggang was an associate of Mr. Hu and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under the Listing Rules in respect of each of the Acquisition of Target Parking Spaces and the Equity Acquisition are 5% or more but less than 25%, the entering into of each of the Acquisition of Target Parking Spaces and the Equity Acquisition, on a standalone basis, each constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Taking into account the Acquisition of Target Parking Spaces and the Equity Acquisition will be entered into by the Group with the same party, Dexin China Group, within a 12-month period, Acquisitions should, in each case, be aggregated and treated as if the Acquisitions were one transaction with Dexin China Group for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules, on an aggregate basis, in respect of the Acquisitions is more than 25% but less than 100%, the Acquisitions would constitute major transactions of the Company. The Company shall be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Acquisitions. As at the Latest Practicable Date, (i) Shengfu International was held as to 91.6% by Mr. Hu while Shengfu International and their associates held and controlled the voting rights of 529,202,279 Shares, representing approximately 56.46% of the total issued share capital of the Company; and (ii) Kaibang International was held by 16 individuals including approximately (a) 11.01% by Mr. Tang Junjie, being an executive Director, (b) 30.12% by Ms. Wei Yuefen, an associate of Mr. Hu, (c) 7.94% by Mr. Fei Zhongmin, being an executive director of Dexin China, and (d) 49.62% by other senior management and employees of the Group and Dexin China while Kaibang International held and controlled the voting rights of 129,629,630 Shares, representing approximately 13.83% of the total issued share capital of the Company. Therefore, Mr. Hu, Shengfu International, Kaibang International and their respective associates were deemed to have material interests in the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder, and Shengfu International and Kaibang International shall be required to abstain from voting on the resolutions at the EGM accordingly.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising the independent non-executive Directors, namely Mr. Rui Meng and Mr. Yang Xi, has been established to advise the Independent Shareholders in connection with the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder.

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder and to make recommendations as to, among others, whether the terms of the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, are normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole, and as to voting in respect of the relevant resolution(s) at the EGM. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

During the past two years, save for the engagement in connection with the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder, we had not been engaged by the Company for the provision of other services. As at the Latest Practicable Date, save for the normal professional fees for our services provided to the Company in relation to the engagement described above, there was no other arrangement whereby we would receive any fees and/or benefits from the Group. We are not aware of any relationships or interests between us and the Group, each of the Vendors, Dexin Movie City or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates. We are independent under the Listing Rules to act as the Independent Financial Adviser to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Independent Board Committee and the Independent Shareholders in connection with the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder.

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, among others, the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement, the Announcement, the annual reports of the Company for the financial year ended 31 December 2021 (the “**Annual Report 2021**”) and the financial year ended 31 December 2022 (the “**Annual Report 2022**”), the interim report of the Company for the six months ended 30 June 2023 (the “**Interim Report 2023**”), the valuation report (the “**Valuation Report**”) as prepared by the Valuer in respect of the respective valuations of the rights-of-use of the Target Parking Spaces and the Property (respectively, the “**Target Parking Spaces Valuation(s)**”) and the “**Property Valuation**”) as at 31 December 2023 (the “**Valuation Date**”), the circular of the Company dated 16 September 2022 in relation to the Parking Space Leasing and Sales Agency Services Framework Agreement (the “**Leasing and Sales Agency Services Circular**”), and certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses, market data which we deemed relevant; (ii) conducted verbal discussions with the Management regarding the terms of the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder, as well as the businesses and future outlook of the Group; and (iii) discussed with the Valuer the methodologies, bases and assumptions adopted in the Valuation Report.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, 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 not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise made to us by the Directors and the management of the Company for which they are solely responsible, were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material respects as at the Latest Practicable Date and Shareholders will be notified of material changes (if any) of the information contained in the Circular. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business, affairs, operations, financial position or future

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

(1) THE UNDERGROUND PARKING SPACE USE RIGHTS TRANSFER AGREEMENTS AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

In arriving at our opinions in respect of the Underground Parking Space Use Rights Transfer Agreements and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

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

Set out in Table 1 below is certain financial information of the Group for each of the three years ended 31 December 2022 as extracted from the Annual Report 2021 and the Annual Report 2022, and for each of the six months ended 30 June 2022 and 30 June 2023 as extracted from the Interim Report 2023.

Table 1: Financial information of the Group

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| | 2022 (audited) <i>RMB'000</i> | 2021 (audited) <i>RMB'000</i> | 2020 (audited) <i>RMB'000</i> | 2023 (unaudited) <i>RMB'000</i> | 2022 (unaudited) <i>RMB'000</i> |
| Revenue | 958,597 | 870,422 | 692,319 | 458,022 | 485,148 |
| Profit for the year attributable to owners of the Company | 122,023 | 98,222 | 97,190 | 63,015 | 85,395 |

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| | As at 31 December | | | As at |
|-------------------------|----------------------|----------------------|----------------------|------------------------|
| | 2022 | 2021 | 2020 | 30 June |
| | (audited) RMB'000 | (audited) RMB'000 | (audited) RMB'000 | (unaudited) RMB'000 |
| Non-current assets | 340,393 | 29,775 | 24,254 | 336,414 |
| Current assets | 974,496 | 1,208,762 | 420,689 | 1,039,637 |
| Current liabilities | (532,667) | (377,757) | (353,889) | (584,395) |
| Net current assets | 441,829 | 831,005 | 66,800 | 455,242 |
| Non-current liabilities | (1,026) | (569) | (2,626) | (540) |
| Net assets | 781,196 | 860,211 | 88,428 | 791,116 |

For the year ended 31 December 2021

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB870.4 million, representing a substantial increase of approximately 25.7% as compared to that of approximately RMB692.3 million recorded for the previous year. According to the Annual Report 2021, such year-on-year growth in revenue was primarily attributable to the year-on-year increases in the Group's revenue from both the property management services and the community value-added services recorded during the year ended 31 December 2021.

For the year ended 31 December 2021, the Group recorded profit attributable to owners of the Company of approximately RMB98.2 million, representing a slight increase of approximately 1.0% as compared to that of approximately RMB97.2 million for the preceding year. With reference to the Annual Report 2021, slight year-on-year increase in profit attributable to owners of the Company for the year ended 31 December 2021 was mainly due to, among others, (i) the aforesaid year-on-year increase in revenue; (ii) the year-on-year increase in other income as primarily attributable to the year-on-year increase in income from both the government grants and the value-added tax deductibles, which were partially offset by (i) the recognition of other net losses for the year ended 31 December 2021 as primarily attributable to exchange loss against the other net gains recognised for the preceding year; and (ii) the year-on-year increase in selling and marketing expenses as well as the administrative expenses.

As at 31 December 2021, the Group recorded net current assets and net assets of approximate RMB831.0 million and approximately RMB860.2 million, respectively.

For the year ended 31 December 2022

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB958.6 million, representing a moderate increase of approximately 10.1% as compared to that of approximately RMB870.4 million recorded for the previous year. According to the Annual Report 2022, such year-on-year growth in revenue was primarily attributable to the Group's business expansion and the increase in gross floor area under management.

For the year ended 31 December 2022, the Group recorded profit attributable to owners of the Company of approximately RMB122.0 million, representing a significant increase of approximately 24.2% as compared to that of approximately RMB98.2 million for the preceding year. With reference to the Annual Report 2022, such year-on-year increase in profit attributable to owners of the Company for the year ended 31 December 2022 was mainly due to, among others, (i) the aforesaid year-on-year increase in revenue; (ii) the year-on-year increase in other income as mainly attributable to the year-on-year increase in the income from both the governments grants and the financial guarantee contract; (iii) the year-on-year increase in net finance income, which were partially offset by the recognition of impairment loss on trade and other receivables for the year ended 31 December 2022 as opposed to the reversal of impairment recognised for the preceding year.

As at 31 December 2022, the Group recorded net current assets and net assets of approximately RMB441.8 million and approximately RMB781.2 million, respectively.

For the six months ended 30 June 2023

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB458.0 million, representing a decrease of approximately 5.6% as compared to that of approximately RMB485.1 million recorded for the six months ended 30 June 2022. According to the Interim Report 2023, such period-over-period decrease in revenue was primarily attributable to, among others, (i) the period-over-period decreases in segmental revenue from value-added services to non-property owners as a result of the decreasing demand for services from co-developers due to the periodic effect of the PRC real estate market; and (ii) the period-over-period decreases in segmental revenue from community value-added services as a result of the decreasing demand for services from property owners arising from the economic environment; which were then partially offset by the period-over-period increase in the segmental revenue from property management services due to the increase in gross floor area under management.

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For the six months ended 30 June 2023, the Group recorded profit attributable to owners of the Company of approximately RMB63.0 million, representing a decrease of approximately 26.2% as compared to that of approximately RMB85.4 million for the preceding corresponding period. With reference to the Interim Report 2023, such decrease in profit attributable to owners of the Company for the six months ended 30 June 2023 was mainly due to, among others, (i) the aforesaid period-over-period decrease in revenue; (ii) the period-over-period decrease in other income as primarily due to the nil recognition of income from financial guarantee contract for the six months ended 30 June 2023, as opposed to the recognition of such income of approximately RMB14.3 million for the preceding corresponding period; and (iii) the period-over-period increase in impairment loss on trade and other receivables.

As at 30 June 2023, the Group recorded net current assets and net assets of approximately RMB455.2 million and approximately RMB791.1 million, respectively.

2. Information of the Target Parking Spaces

According to the Letter from the Board, the Target Parking Spaces consist of a total of 1,874 underground car parking spaces located in Hangzhou, the PRC, of which:

- (i) Target Asset A consists of the designated 250 underground car parking spaces in Heping Dexin Center (和平德信中心), which is situated at the intersection of Shaoxing Road and Desheng Road, Gongshu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市拱墅區紹興路與德勝路交匯處), and is a recently completed commercial building located close to a metro station;
- (ii) Target Asset B consists of the designated 429 underground car parking spaces in Yinhu Technology Park (銀湖科技園), which is situated at West of the intersection of Fuxian Road and Chuangyi Road, Fuyang District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市富陽區富閭路與創意路交匯處以西), and among others, is a mixed office/technology park development with tenants in various industries that provides demands for car parking spaces;
- (iii) Target Asset C consists of the designated 195 underground car parking spaces in Montnorth (嘉悅府), which is situated at the intersection of Xingguo Road and Xingchen Road, Linping District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市臨平區興國路與星辰路交匯處), and is a residential area that has recently completed construction with 1,400 residential units which had been sold up as at the Latest Practicable Date; and

- (iv) Target Asset D consists of the designated 1,000 underground car parking spaces in Dexin Konggang City (德信空港城), which is situated at East of the intersection of Jichang Avenue and Kanhong Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市蕭山區機場大道與坎紅路交匯處以東). Specifically, Dexin Konggang City is located next to the highway to the airport, with a metro station nearby, and is expected to have easy access to the airport express train that is currently being constructed. Dexin Konggang City also has retail shops, offices and a hotel planned for construction.

With reference to the Letter from the Board, based on the information provided by the Vendors, the original acquisition cost of the Target Asset C was RMB21,264,750 and as each of the Target Asset A, the Target Asset B and the Target Asset D was constructed by the Vendor A, the Vendor B, and the Vendor D, respectively, there is no original acquisition cost of any of them. Further, the construction work in relation to the Target Asset A, the Target Asset B and the Target Asset D were respectively completed in around March 2023, August 2020 and November 2022, all of which were originally intended to be used for re-sale purpose instead of rental purpose, and hence did not generate any revenue and net profits for the two financial years immediately preceding the Latest Practicable Date. On the other hand, the Target Asset C was acquired by the Vendor C in or around December 2020 for re-sale purpose and had not been leased out as at 30 June 2023, and hence, the Target Asset C did not generate any revenue and net profits for the two financial years immediately preceding the Latest Practicable Date.

Reference is also made to the Letter from the Board regarding the Previous Transaction, pursuant to which, based on the clarification with the legal advisors to the Company, considering that Hangzhou Yuerong fulfilled the requirement under the Civil Code of the PRC on 25 December 2020 by notifying all residential flat owners of Montnorth through a formal notice of the transfer of the rights-of-use of the then remaining car parking spaces in the Previous Transaction, it is highly unlikely that the relevant agreement underlying the Previous Transaction will be deemed invalid and the risk of extinguishment for the rights-of-use of the Target Asset C acquired by the Group is extremely remote.

For further background information of the Target Parking Spaces, please refer to the section headed “II. THE ACQUISITION OF TARGET PARKING SPACES AND THE TERMINATION AGREEMENT” of the Circular.

3. Reasons for and benefits of entering into of the Underground Parking Space Use Rights Transfer Agreements and the transactions contemplated thereunder

The Group has been providing exclusive sales and leasing agency services to Dexin China Group in respect of certain parking spaces since 11 October 2022, being the date on which the Parking Space Leasing and Sales Agency Services Framework Agreement was approved by the then independent Shareholders. According to the Letter from the Board, through the implementing of the Parking Space Leasing and Sales Agency

Services Framework Agreement, the Group gained firsthand knowledge on the business opportunities in implementing the Acquisition of Target Parking Spaces. Upon Target Parking Spaces Acquisition Completion, the Company primarily intends to lease out the Target Parking Spaces for rental income, while it will also consider to sell the Target Parking Spaces in order to potentially benefit from the capital appreciation in value thereof shall the then circumstances become appropriate.

In conducting our analysis under this sub-section, we have primarily focused on assessing the future demand for automobiles in the PRC, which shall in turn drive the future demand for the car parking spaces in the PRC in both the sales and rental markets.

With reference to the monthly economy summaries published by the National Bureau of Statistics of the PRC (the “**Statistics Bureau**”) (<http://www.stats.gov.cn/>) in January 2024, after the previous downturn as resulted from the COVID-19 pandemic, the national economy witnessed the momentum of recovery in 2023 with supply and demand increased steadily, as well as employment and prices remained generally stable. Specifically, based on the statistics published by the Statistics Bureau in January 2023 and January 2024, respectively, the value-added of the manufacturing of automobiles in the PRC has exhibited year-on-year growths of 6.3% in 2022 and 13.0% in 2023, demonstrating an increasingly growth in the industrial production volume of automobiles vehicles in the PRC. Correspondingly, the retail sales of automobiles in the PRC has exhibited year-on-year growths of 0.7% in 2022 and 5.9% in 2023, indicating an increasingly growth in the amount of automobiles sold in the PRC. Nonetheless, according to the statistics released by the Ministry of Public Security of the PRC (<http://www.gov.cn/>) in October 2023 and January 2024, the number of motor vehicles in the PRC has been increasing annually during the past five years since 2018. By the end of September 2023, Hangzhou City was one of the seven cities in the PRC with more than four million motor vehicles. By the end of 2023, the total number of motor vehicles in the PRC reached approximately 435 million and there were 94 cities in the PRC with more than one million motor vehicles, as compared to 84 cities as at the end of 2022.

In addition to the solid statistics of the number of automobiles in the PRC, it is noted that the PRC government targets to further stimulate the consumption of motor vehicles in the PRC in the future. On 20 July 2023, the National Development and Reform Commission (<https://www.ndrc.gov.cn/>) and the relevant departments jointly formulated and released 《關於促進汽車消費的若干措施》 (“**Several Measures of Promoting the Automobile Consumption**”) (the “**Measures**”) pursuant to which, with the aims of expanding the automobile consumption and optimising the automobile market environment in the PRC, it is proposed that the PRC government shall, among others, support the renewal consumption of the aged automobiles, accelerate the cultivation of the second-hand automobiles market and increase the support for the automobile consumer credits, while all regions and relevant departments should promptly introduce supporting policies and measures to facilitate the implementation of the Measures.

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While there is a potential rising demand for car parking spaces given the increasing number of automobiles as demonstrated above, it is noted that parking spaces have been in shortage in the PRC for the past few years. According to 《全國停車場分析報告》 (“The Analysis Report on the National Parking Lots*”) jointly published in January 2022 by AutoNavi Software Co., Ltd. (<http://www.autonavi.com>), a Chinese web mapping, navigation and location-based services provider founded in 2001, and the Transportation Research Institute of Tsinghua University, while more than one million parking lots had been built in the PRC, there was still a shortage of parking spaces with a demand gap of 80 million parking spaces due to the significant number of automobiles in the PRC. It was also suggested in the report that Hangzhou City, a city in which the Target Parking Spaces are located, was ranked as the sixth most difficult city for finding parking spaces in the PRC. Also, with reference to the replies published by 杭州市城鄉建設委員會 (“The Hangzhou Urban and Rural Construction Committee*”) on 12 June 2023, it was disclosed that concerns have been raised during the Third Session of the 14th National People’s Congress of the PRC over the material shortage of parking spaces in the resettlement communities in Hangzhou City, demonstrating the significance of the issue.

On the other hand, we have enquired with the Management as to the reasons for the Target Parking Spaces to remain unsold immediately prior to the Acquisition of the Target Parking Spaces. As advised by the Management, the sales progress of the Target Parking Spaces would be subject to the prevailing business development plan of the Dexin China Group. As at the Latest Practicable Date, only Target Asset C, which form parts of the car parking spaces in Montnorth (嘉悦府), were launched to the market following the sales of the residential units where the construction has been completed recently. With reference to the Letter from the Board, as advised by the Vendor C, among the car parking spaces in Montnorth acquired in the Previous Transaction, apart from the Target Asset C, all remaining car parking spaces had been sold as of August 2023. In respect of Target Asset A, Target Asset B and Target Asset D, which collectively account for approximately 90% of the Target Parking Spaces, had not yet been launched to the market by the Dexin China Group and accordingly remained unsold immediately prior to the date of the Underground Parking Space Use Rights Transfer Agreements. The Group intends to launch the Target Parking Spaces as soon as practicable after completion of the respective corresponding Underground Parking Spaces Rights Transfer Agreements having taken place. Based on our review of the Company’s business development plan, the Group intends to launch the Target Asset A and the Target Asset B to the market for monthly rental as well as to operate them by providing temporary rental services (e.g. hourly and daily rental services) to the visitors and/or merchants of Heping Dexin Center and Yinhu Technology Park, respectively. As advised by the Management, the respective occupancy rates of the tenants of Heping Dexin Center and Yinhu Technology Park reached not less than 80% and not less than 90% as at the Latest Practicable Date, and a large number of merchants had expressed their intentions to rent the relevant Target Parking Spaces. In respect of the Target Asset C, the Group targets to sell such parking spaces to community owners and may consider to introduce sales personnel to facilitate the sales of car parking spaces in various locations. In respect of Target Asset D, the Group

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intends to lease out but reserves the option to either sell or lease out the parking spaces to owners and tenants of Dexin Konggang City, which is located near the Hangzhou Xiaoshan International Airport with easy access to the transportation system. Accordingly, despite the Target Parking Spaces remained unsold by the Dexin China Group immediately prior to the date of the Underground Parking Space Use Rights Transfer Agreements, considering, among others, (i) the Company's plan to launch the Target Parking Spaces to the market for rental and/or sale as soon as practicable following the Target Parking Spaces Acquisition Completion; (ii) the increasing trend in the number of automobiles in the PRC; (iii) the policies and measures launched by the National Development and Reform Commission to further stimulate the automobile consumption in the future; (iv) the shortage of parking spaces in the PRC; and (v) the high occupancy rates of tenants of Heping Dexin China and Yinhu Technology Park and the intentions of the merchants thereof to rent the Target Parking Spaces; as well as the prime location of Dexin Konggang City which is in turn near an airport with easy access to the transportation system, we are of the view that the demand for automobiles and accordingly the marketability and demand for parking spaces in the PRC including the Target Parking Spaces will generally remain positive in the future.

It is expected that the Group will engage in the provision of other related value-added services such as charging stations, car wash, advertisement and valet parking in addition to the monthly rental and temporary rental services mentioned above. As advised by the Management, the Company has been providing property management services to the properties constructed in Heping Dexin Center, Yinhu Technology Park and Dexin Konggang City, respectively. By obtaining the rights-of-use of the Target Parking Spaces through the Acquisition of Target Parking Spaces, from which the Group is provided with the flexibility to operate, rent out and/or sell the Target Parking Spaces subject to the market conditions and/or provide other related value-added services, it is expected that management efficiency will be enhanced and synergies with the Group's property services business will be gained. Specifically, based on our discussions with the Management, it is expected that the close proximity of the Target Parking Spaces to the locations where the Group currently provides, or will in the near future provide, property management services to the community property owners will allow the Group to better utilise and allocate its financial and human resources in locations where the Group has been operating. Further, the Group has established close relationships with the local authorities, suppliers, customers and employees which are beneficial to its business. Accordingly, the acquisition of the Target Parking Spaces aligns with the Group's intention to focus on its resources in developing the relationship with its existing customers which is crucial to the business growth.

Accordingly, notwithstanding that the Group shall be entitled to receive agency fees of not less than 20% of the agreed price for sales or leasing of the parking spaces under the Parking Spaces Leasing and Sales Agency Services Framework Agreement as disclosed in the Leasing and Sales Agency Services Circular, whereas the total consideration for the Target Parking Spaces represented a discount of approximately 8.8% to the total appraised value thereof as at the Valuation Date, taking into account

(i) the potential positive demand for parking spaces in the PRC including the Target Parking Spaces; (ii) the potential positive impacts on the Group's management efficiency and synergies with the Group's property services business; (iii) that the entering into the Underground Parking Space Use Rights Transfer Agreements would allow the Group to utilise its expertise in leasing out and/or selling parking spaces while diversifying its income stream by generating a new source of rental income from the Target Parking Spaces and/or benefiting from the potential capital appreciation of the Target Parking Spaces and/or provision of other related value-added services which were in fact unfeasible under the Parking Spaces Leasing and Sales Agency Services Framework Agreement; and (iv) the complete controls over the pricing as well as the decision-making and schedules as to the leasing out and/or selling of the Target Parking Spaces to be gained by the Group through implementing the Acquisition of Target Parking Spaces, as opposed to the significantly lower degree of such controls of the Group under the Parking Spaces Leasing and Sales Agency Services Framework Agreement, we are of the view that the entering into of the Underground Parking Space Use Rights Transfer Agreements and the transactions contemplated thereunder is in the interests of the Company and the Independent Shareholders as a whole.

4. Principal terms of the Underground Parking Space Use Rights Transfer Agreements and the transactions contemplated thereunder

Pursuant to the Underground Parking Space Use Rights Transfer Agreements, the aggregate consideration for the rights-of-use of the Target Parking Spaces is RMB211,435,000.

Specifically, the Consideration A, the Consideration B, the Consideration C and the Consideration D are RMB52,825,000, RMB21,450,000, RMB17,160,000 and RMB120,000,000, respectively, which were arrived at after arm's length negotiations between Hangzhou Junde and each of the Vendor A, the Vendor B, the Vendor C and the Vendor D after taking into consideration of factors including, among others, the respective appraised values of rights-of-use of the Target Asset A, the Target Asset B, the Target Asset C and the Target Asset D as at the Valuation Date as set out in the Valuation Report, detail of which are set out in Appendix IV to the Circular.

For further details of the principal terms of the Underground Parking Space Use Rights Transfer Agreements, please refer to the section headed "II. THE ACQUISITION OF TARGET PARKING SPACES AND THE TERMINATION AGREEMENT" in the Letter from the Board.

In assessing the fairness and reasonableness of the terms of the Underground Parking Space Use Rights Transfer Agreements and the transactions contemplated thereunder, we have primarily reviewed the Valuation Report and conducted interviews with the Valuer in relation to the Target Parking Spaces Valuations, details of our analysis of which are set out below.

4.1 Expertise and experience of the Valuer

In assessing the fairness and reasonableness of the determination of the appraised value of the rights-of-use of the Target Parking Spaces, we have reviewed the Valuation Report and conducted interviews with the Valuer regarding, among others, its relevant qualifications and experiences, independence and principal bases and assumptions adopted therein. According to the relevant information provided by the Valuer and our independent research conducted from the public domain, with a global presence particularly in the Asia-Pacific region, the Valuer is a professional advisory firm of more than 100 professional consultants specialised in performing a full range of valuation and corporate advisory services covering areas including but not limited to business valuation, real estate, plant and equipment, financial instruments, biological assets and intellectual properties. Based on our interview with the Valuer in relation to their experiences, we were given to understand that Mr. Vincent C B Pang, the person-in-charge of the Target Parking Spaces Valuations, is a member and a registered valuer of the Royal Institution of Chartered Surveyors, and has over 10 years of experience in the valuation of properties in Hong Kong, the PRC, the United States of America, as well as the East and Southeast Asia. The Valuer confirmed that it was an independent third party to the Group, each of the Vendors and their respective connected persons as at the Latest Practicable Date. Upon review of the engagement letter between the Company and the Valuer in respect of the Target Parking Spaces Valuations, we noted that the scope of work is appropriate to the opinion required to be given, and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer in the Valuation Report. Further, during the course of our review of the Target Parking Spaces Valuations and discussions with the Valuer, we were not aware of any material facts that would cause us to cast doubts on the experience and expertise of the Valuer in conducting the Target Parking Spaces Valuations.

4.2 Valuation methodology

As advised by the Valuer, in arriving at the appraised value of the rights-of-use of the Target Parking Spaces as at the Valuation Date, the Valuer has adopted the market approach taking into account of the availability of the reliable market evidence, which facilitates a meaningful comparison that require fewer subjective assumptions. It is also advised by the Valuer that it is a normal market practice to conduct valuation of parking spaces in the PRC via market approach. In respect of other valuation approaches such as the income approach, as advised by the Valuer, given the parameters required under the income approach including but not limited to the discount rate may not be easily verified or reasonably justified, income approach is considered to be inappropriate for the purpose of the valuations of the Target Parking Spaces. Based on our independent research, it is a common practice to adopt market approach for valuing assets including parking spaces.

4.3 Valuation bases and assumptions

During our review, we noted that the Target Parking Spaces Valuations were conducted based on the key assumptions that, among others, as at the Valuation Date, (i) the Target Parking Spaces were free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values; and (ii) there was full compliance with applicable national, provincial and local environmental regulations and laws. We have discussed with the Valuer regarding the assumptions adopted in the valuations and were given to understand that the abovementioned assumptions are in line with the general market practice.

In obtaining the appraised values of the rights-of-use of the Target Parking Spaces, the Valuer has adopted market approach by making reference to sale and purchase market of comparable car parking spaces located in vicinity to the subject Target Parking Spaces in the market (the “**Comparables**”). Considering that the Target Asset A, the Target Asset B, the Target Asset C and the Target Asset D are situated in different property developments in Hangzhou City, in identifying the corresponding Comparables in respect of each of the Target Asset A, the Target Asset B, the Target Asset C and the Target Asset D, the Valuer has included the criteria of (i) the underlying parking spaces were located in the same district and/or districts nearby the subject Target Parking Spaces; (ii) all underlying parking spaces were of the same nature as the subject Target Parking Spaces in terms of being either commercial or residential, as the case maybe; (iii) all underlying parking spaces were designated areas for car parking as the subject Target Parking Spaces; and (iv) the relevant transactions which had been completed during the 12 months preceding the Valuation Date and/or the relevant listings which had remained effective as at the Valuation Date. As confirmed by the Valuer, on a best-effort basis, the Comparables represent an exhaustive list of comparables having met all of the aforesaid selection criteria after excluding the outliers. We have enquired with the Valuer regarding the details of the outliers, and learnt that outliers include those initial results with values having deviated from the mean of initial results plus or minus one standard deviation and the adopted samples accounted for approximately 70% of the initial sample pool, which conforms to the normal valuation practice. We have, in this regard, conducted research on a non-exhaustive basis and noticed that the same criteria for determining the outliers of samples have been adopted in circulars of other listed companies in Hong Kong. Considering the adopted criteria is a common practice and the inclusion of the outliers may inappropriately skew the overall results, and that the samples included by the Valuer have substantially accounted for the initial sample pool, we are of the view that the criteria adopted by the Valuer for determining the outliers is fair and reasonable and the Comparables represent a representative list of transactions comparables for the purpose of the Target Parking Spaces Valuations. Subsequently, corresponding key adjustments have been made to the unit rates of the Comparables to reflect the differences in the characteristics of the underlying parking spaces as compared to subject Target Parking Spaces such as the duration of the remaining land use right and the underlying transaction status. We have reviewed these adjustments

and discussed with the Valuer about the rationale and methodologies for arriving at the adjustments. As confirmed by the Valuer, the adoption of the adjustments conforms to the general market practice.

We noted that the Valuer has relied on (i) 58同城 (“**58 Tongcheng***”) (<https://about.58.com/>); (ii) 第一房源網 (“**01Fangyuan***”) (<https://hz.01fangyuan.com/>); and (iii) 阿里司法拍賣 (the “**Ali Judicial Auction Platform***”) (<https://sf.taobao.com/>) as the sources of information on the Comparables. Based on our independent search, with an establishment of not less than 15 years, 58 Tongcheng is a life service platform in the PRC providing services including, among others, recruitment, real estate and automobiles, and owns various brands covering different service areas. In recent years, 58 Tongcheng and/or certain of its brands have been selected as a cooperative partner of certain national organisations or events such as the National Women’s Football Team of China, the China Media Group and the China Men’s Basketball Professional League, demonstrating its recognition within the market. On the other hand, it is noted that 01Fangyuan is a platform operated by Beijing Alliance Technology Development Co., Ltd. which specialises in providing housing information service with a network of more than 300 sub-platforms across the PRC. Further, Ali Judicial Auction Platform is an auction platform covering services including judicial auctions, asset trading and precious good auctions as operated by the Alibaba Group. As at the Latest Practicable Date, the Ali Judicial Auction Platform had been in a cooperative relationship with not less than 3,000 courts, 2,500 banks, 4,000 government agencies and 200 asset management companies in the PRC. In light of the foregoing, we are of the view that the sources of information on the Comparables are reliable and the Comparables are fair and reasonable.

As confirmed by the Valuer, during the course of the Target Parking Spaces Valuations, it has complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules, the RICS Valuation — Global Standards 2022 published by the RICS and the International Valuation Standards published from time to time by the International Valuation Standards Council. During our review of the Valuation Report and discussions with the Valuer, we have not identified any major factors that cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in arriving at the Target Parking Spaces Valuations.

Taking into account of the above, we consider that the valuation bases and assumptions adopted by the Valuer in the Target Parking Spaces Valuations are fair and reasonable.

According to the Valuation Report, the appraised values of the rights-of-use of the Target Asset A, the Target Asset B, the Target Asset C and the Target Asset D as at 31 December 2023 amounted to RMB63,340,000, RMB27,710,000, RMB17,490,000 and RMB123,210,000, respectively. Considering that (i) the Consideration A of RMB52,825,000 represents a discount of approximately 16.6% to the appraised value of the rights-of-use of the Target Asset A as at 31 December 2023; (ii) the Consideration B of RMB21,450,000 represents a discount of approximately 22.6% to the appraised value of the rights-of-use of the Target Asset B as at 31 December 2023; (iii) the Consideration C of RMB17,160,000 represents a discount of approximately 1.9% to the appraised value of the rights-of-use of the Target Asset C as at 31 December 2023; and (iv) the Consideration D of RMB120,000,000 represents a discount of approximately 2.6% to the appraised value of the rights-of-use of the Target Asset D as at 31 December 2023, we are of the view that the terms of the Underground Parking Space Use Rights Transfer Agreements and the transactions contemplated thereunder are fair and reasonable.

5. Financial effects of the Underground Parking Space Use Rights Transfer Agreements and the transactions contemplated thereunder

When assessing the financial impacts of the Underground Parking Space Use Rights Transfer Agreements and the transactions contemplated thereunder, we have primarily taken into account the following aspects:

5.1 Assets and liabilities

According to the Interim Report 2023, total assets and total liabilities of the Group as at 30 June 2023 amounted to approximately RMB1,376.1 million and approximately RMB584.9 million, respectively, and the net assets of the Group as at 30 June 2023 amounted to approximately RMB791.1 million. With reference to notes (3) and (4) to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to the Circular, assuming the Target Parking Spaces Acquisition Completion had been taken place on 30 June 2023, considering that, among others, the Target Parking Spaces will be recognised as the investment properties, inventories and property, plant and equipment of the Group at the respective fair values thereof, which are based on the total consideration of approximately RMB211.4 million payable by the Group, it is expected there will be no material impacts on the total assets, total liabilities and accordingly the net assets of the Group as at 30 June 2023. On the other hand, with reference to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to the Circular, assuming completion of the Acquisitions had been taken place on 30 June 2023, it is expected that as at 30 June 2023, total assets of the Group would have increased to approximately RMB1,550.6 million, total liabilities of the Group would have increased to approximately RMB759.5 million, and net assets of the Group would have remained the same at approximately RMB791.1 million.

5.2 Earnings

According to the Annual Report 2022, the Group recorded profit for the year attributable to owners of the Company of approximately RMB122.0 million for the year ended 31 December 2022. Upon Target Parking Spaces Acquisition Completion, the Group primarily intends to lease out the Target Parking Spaces for rental income. Considering that the demand for parking spaces in the PRC will generally remain positive in the future as analysed above in this letter, it is expected that there will be positive impacts on the earnings of the Group in the long run.

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

(2) THE EQUITY TRANSFER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

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

1. Information of the Group

For information on the Group including its principal businesses and financial information, please refer to the sub-section headed “(1) THE UNDERGROUND PARKING SPACE USE RIGHTS TRANSFER AGREEMENTS AND THE TRANSACTIONS CONTEMPLATED THEREUNDER — 1. Information of the Group” of this letter.

2. Information of the Target Company and the Property

The Target Company

The Target Company is a company established in the PRC with limited liability, and was wholly-owned by Dexin Movie City as at the Latest Practicable Date. The Target Company is principally engaged in real estate development and operation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is certain financial information of the Target Company for the two financial years ended 31 December 2022 and 31 December 2021 and the eleven months ended 30 November 2023, respectively, as extracted from Appendix II to the Circular:

| | For the eleven months ended 30 November 2023 | For the year ended 31 December | |
|----------------------|---|---|------------------|
| | 2023 | 2022 | 2021 |
| | <i>(RMB'000)</i> | <i>(RMB'000)</i> | <i>(RMB'000)</i> |
| | (audited) | (audited) | (audited) |
| Revenue | 4,037 | 4,404 | 1,835 |
| loss before taxation | 18,954 | 21,676 | 16,350 |
| loss after taxation | 18,954 | 21,676 | 16,350 |

As at 30 November 2023, the net asset value of the Target Company amounted to approximately RMB9,683,000.

The Property

The principal asset of the Target Company is the Property. According to the Letter from the Board, the Property is located at No. 66 Sanmo Line, Moganshan Town, Deqing County, Huzhou City, Zhejiang Province, the PRC. The site area and the total gross floor area of the Property is 17,819.66 square metres and 31,955.09 square metres, respectively. The Property comprises the 4-storey building (including 1-storey basement) providing a total of 186 guest rooms with 3 restaurants, a wine bar and a range of facilities including a pillar-free ballroom, several meeting rooms, an indoor swimming pool, home party and gym. In August 2021, the Property commenced business. The Group has cooperated with the Property to carry out corporate activities.

3. Reasons for and benefits of entering into of the Equity Transfer Agreement and the transactions contemplated thereunder

In conducting our analysis under this sub-section, we have primarily focused on assessing the economic outlook of, as well as the future prospect of the tourism industry in, Zhejiang Province which shall in turn be closely associated with the performance of the Property.

The economy of Zhejiang Province has generally improved steadily during 2023 with the key economic indicators having recorded steady growths. With reference to the statistics published by the Zhejiang Provincial Bureau of Statistics (<http://tjj.zj.gov.cn/>) in 23 January 2024, the Provincial GDP amounted to approximately RMB8,255.3 billion 2023, representing a year-on-year growth of 6.0%. Industrial production, on the other hand, continued to recover and the total amount of value added of industrial enterprises above designated size for 2023 have

exhibited a year-on-year growth of 6.0%. Further, there was a growth of investment in fixed assets of 6.1% as compared to that in 2022, and the consumer goods market has continued to pick up with the total retail sales of consumer goods having increased year-on-year by 6.8% during 2023.

On the other hand, affected by the COVID-19 pandemic, the tourism industry of Zhejiang Province has experienced its downturn during the past few years. Since the beginning of 2023 amid the global recovery from the pandemic, the relevant local departments have been making tremendous efforts to boost the public confidence in provincial tourism consumption and stimulate the tourism market in Zhejiang Province. For instance, in February 2023, the Zhejiang Provincial Department of Culture and Tourism (<http://ct.zj.gov.cn/>) (the “**Zhejiang Tourism Department**”) issued 《關於進一步促進文化和旅遊業加快恢復發展若干舉措的通知》 (“The Notice on Several Measure to Further Promote the Recovery and Development of Culture and Tourism*”) which summaries the guidance to promote the recovery and development of the tourism market in Zhejiang Province. According to the notice, the cultural and tourism departments at all levels in Zhejiang Province shall stimulate the tourism consumption by launching different festive fairs and exhibitions, issuing the consumption coupons for tourism consumption and promoting the applications of digital payment and travel insurance products. Also, the relevant departments shall strive to optimise the business environment of cultural tourism and support the development of all local cultural and tourism enterprises.

With the continuous efforts of the local departments in Zhejiang Province, the improving situation of the pandemic and the dismantlement of the global control measures and social restrictions, tourism industry in Zhejiang Province started to rebound significantly in 2023. According to the statistics published in December 2023 by the Zhejiang Tourism Department, inbound tourists to Zhejiang Province during the first eleven of 2023 has experienced a significant year-on-year growth of 483.4%. Particularly, tourism market recorded significantly satisfactory statistics during the Chinese New Year and Labour Day Holidays in 2023, demonstrating the sustainably strong momentum for the recovery of the market. Based on the statistics of the Zhejiang Tourism Department, during the Chinese New Year Holidays in 2023, inbound tourists to Zhejiang Province amounted to approximately 25 million, up by 4.4% year-on-year and 13.2% over the same period in 2019 before the COVID-19 pandemic. Further, tourism revenue exhibited a significant year-on-year increase of 36.1% and the per capita spending of tourists in Zhejiang Province during the Chinese New Year Holidays was approximately RMB1,300, which is higher than the national per capital consumption level. As for the Labour Day Holidays in 2023, inbound tourists to Zhejiang Province amounted to approximately 31.25 million, up by 71% year-on-year and 6.5% over the same period in 2019 before the COVID-19 pandemic. Tourism revenue, on the other hand, amounted to approximately RMB37.0 billion, significantly up by 122.6% year-on-year and 3.8% as compared to the same period in 2019 before the pandemic. Further, the number of hotel guests per day was averaged at approximately 1.8 million, up by 172.7% year-on-year and 53.2% over the same period in 2019 before the pandemic.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Specifically, situated in Moganshan Town, Deqing County, Zhejiang Province, the PRC, the Property commenced its business in 2021 and has awarded recognitions within the industry. For instance, the Property was awarded as the “best conference resort hotel” of the year in “The 13th China Best Hotel Awards” organized by 中國最佳酒店評選委員會 (“The Best Hotel Prize Jury and Academy*”) in 2021 and was selected to be on the ranking list of “Hotels with villas in Huzhou” in 2022 by Trip.com Group Limited (<https://investors.trip.com/>), a company whose shares are listed on the Stock Exchange (stock code: 9961) and is a one-stop travel service provider of accommodation reservation, transportation ticketing, packaged tours and corporate travel management. On the other hand, based on our research from the public domain, Moganshan is located in the centre of the triangle of Shanghai, Nanjing and Hangzhou, and the mountain is commonly known as the best mountain in the south of the Yangtze River (江南第一山) and one of the four major summer resorts in the PRC. Among others, Moganshan was listed as a national scenic spot in 1994 and a national tourist resort in the PRC in 2020, demonstrating the recognition of the ornamental and cultural values of Moganshan. As a famous tourism area, Moganshan is concentrated with different tourist spots such as 白雲山 (Baiyun Mountain Pavilion*), 怪石角 (Guishijiao*) and 毛主席下榻處 (The Lodging Place of Chairman Mao*) which attract tourists from different countries each year. In July 2022, 浙江省林業局 (“The Zhejiang Forestry Bureau*”) (<http://lyj.zj.gov.cn/>) issued 《莫干山風景名勝區總體規劃 (2018–2035年)》 (“The Master Plan of Moganshan Scenic Area (2018–2035)”) which set out the details of plans for developing as well as strengthening the strict protection and sustainability of the scenic area of Moganshan in the future.

Accordingly, considering (i) the steadily improving economy of Zhejiang Province, (ii) the policies and measures continuously implemented by the relevant local departments to stimulate the development of the tourism industry in Zhejiang Province; (iii) the recovery of the tourism industry in Zhejiang Province since early 2023; (iv) the recognitions of the Property within the industry; and (v) the recognition of Moganshan as a national scenic spot and the plans of the relevant departments to continuously develop and strengthen the sustainability of Moganshan in the future, we are of the view that the future prospect of the tourism industry surrounding the Property in Zhejiang Province, and accordingly the future prospect of the Property, shall be generally positive in the future. Taking into account the above and that the entering into of the Equity Transfer Agreement would potentially allow the Group to broaden its source of income, we are of the view that the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder is in the interests of the Company and the Independent Shareholders as a whole.

4. Principal terms of the Equity Transfer Agreement and the transactions contemplated thereunder

Pursuant to the Equity Transfer Agreement, the Group has conditionally agreed to purchase and Dexin Movie City has conditionally agreed to sell the 100% equity interests in the Target Company at a consideration of RMB90,000,000. For further details of the principal terms of the Equity Transfer Agreement, please refer to the section headed “III. THE EQUITY ACQUISITION” in the Letter from the Board.

As stated in the Letter from the Board, the consideration for the Equity Acquisition was arrived at after arm’s length negotiations between the Company and Dexin Movie City with reference to, among others, the appraised value of the Property as at the Valuation Date as set out in the Valuation Report, details of which are set out in Appendix IV to the Circular.

In assessing the fairness and reasonableness of the terms of the Equity Transfer Agreement and the transactions contemplated thereunder, we have reviewed the Valuation Report and conducted interviews with the Valuer in relation to the Property Valuation, details of our analysis of which are set out below.

4.1 Expertise and experience of the Valuer

For our due diligence purpose and in order to assess the expertise and experience of the Valuer, we have (i) reviewed the terms of engagement (including the scope of work) between the Valuer and the Company in respect of the Property Valuation; and (ii) conducted an interview with the Valuer regarding its expertise and experience. For details of our relevant analysis, please refer to the sub-section headed “(1) THE UNDERGROUND PARKING SPACE USE RIGHTS TRANSFER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER — 4.1 Expertise and experience of the Valuer” above of this letter. Specifically, we understand that the Valuer possesses necessary experience in appraising various kinds of assets including hotel properties as well as performing valuation exercises using various valuation approaches including the discounted cash flow method. The Valuer confirmed that it was an independent third party to the Group, Dexin Movie City and their respective connected persons as at the Latest Practicable Date. Upon review of the engagement letter between the Company and the Valuer in respect of the Property Valuation, we noted that the scope of work is appropriate to the opinion required to be given, and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer in the Valuation Report. Further, during the course of our review of the Property Valuation and discussions with the Valuer, we were not aware of any material facts that would cause us to cast doubts on the experience and expertise of the Valuer in conducting the Property Valuation.

4.2 Valuation methodology

In obtaining the appraised value of the Property, the Valuer has initially considered three generally adopted valuation approaches, namely the income approach, the market approach and the cost approach, and adopted discounted cash flow approach under the income approach for the purpose of the Property Valuation.

As discussed with the Valuer, under the income approach, which focuses on the income-producing capacity of the asset, the value of the asset could be measured by the present worth of the net economic benefits to be received over the life of the asset. Among all valuation approaches considered, the Valuer is of the view that the discounted cash flow approach is the most appropriate for the purpose of the Property Valuation given the Property's capacity to generate income, market intricacies and distinct features, which contribute to its market value. In respect of the other two approaches, as advised by the Valuer, given there is a lack of sufficient market data for comparable properties within the hotel market, market approach is considered to be inappropriate for the purpose of the valuation of the Property. Also, cost approach is considered to be inappropriate as it involves estimating the value of a property by calculating the cost of reproducing or replacing it, whereas it is less effective to capture the income-generating potential of the Property which contributes significantly to its overall market value. As confirmed by the Valuer, it is a common market practice to assess the appraised value of hotel properties using discounted cash flow approach. In light of the foregoing, we concur with the views of the Valuer that the adoption of the discounted cash flow approach under income approach for the Property Valuation is fair and reasonable.

4.3 Valuation bases and assumptions

The Property Valuation was conducted based on the key assumptions that, among others, as at the Valuation Date, (i) the Property was free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value; and (ii) there was full compliance with applicable national, provincial and local environmental regulations and laws. We have discussed with the Valuer regarding the assumptions adopted in the valuation and were given to understand that the abovementioned assumptions are in line with the general market practice.

Under the discounted cash flow approach, the Valuer has derived the appraised value of the Property as at the Valuation Date whereby (i) the estimated future net operating income attributable to the Property (the “**Net Operating Income**”) for the period from 1 January 2024 up to and including 31 December 2028 (the “**Forecast Period**”); and (ii) the estimated net operating net income of the Property being capitalised at the terminal capitalisation rate after the Forecast Period until the end of the land use term (the “**Terminal Value**”), have been discounted at a discount rate (the “**Discount Rate**”), which accounts for the time value of money and reflects the rate of return required by a third-party investor for an investment of similar type, to arrive at their respective present values as at 31 December 2023, being the Valuation Date.

The Net Operating Income

It is noted that the Net Operating Income has been principally estimated with reference to the estimated total revenue and the estimated total expenses of the Property for the respective years during the Forecast Period. We have also reviewed and discussed with the Valuer in relation to the bases and assumptions adopted for the estimations of the Net Operating Income.

Based on our review of the relevant estimations, the estimated total revenue of the Property for the Forecast Period primarily consists of the estimated total revenue to be attributable to the hotel rooms of the Property for the respective years, which were in turn mainly estimated with reference to, among others, (i) the estimated total occupied room nights; and (ii) the estimated amount of revenue per occupied room night. In estimating the total occupied room nights for the respective years during the Forecast Period, considerations have been primarily taken into account of the estimated occupancy rates, which were estimated with reference to the historical occupancy rate of approximately 46.6% for 2023 and assumed to be increasing steadily to approximately 52.1%, 57.5% and 63% in 2024, 2025 and 2026, respectively, and then become generally stable at the level of approximately 63% towards the end of the Forecast Period. Based on our discussions with the Valuer, the above estimated trend of the occupancy rates was projected after considering that the overall hotel sector is currently in a phase of recovery following the COVID-19 pandemic, and hence the overall performance is expected to gradually improve during the next two years and reach a level approximate to the pre-pandemic level in 2026, and then remain thereafter. We have, in this regard, reviewed the research report on the PRC hotel market issued on 19 February 2021 by Savills (<https://www.savills.com.cn/>), a global real estate services providers providing services including pre-consultation, investment agency, property and asset management and valuations covering different fields, in which the occupancy rates for star-rated hotels in different tiers in the PRC have been disclosed, and noted that the estimated occupancy rate adopted in the Property Valuation for the Forecast Period from 2026 onwards of 63% is in line with the relevant occupancy rate applicable to the Property of

approximately 63% before the pandemic in 2018 and 2019. Taking into account the generally positive prospect of the tourism industry surrounding the Property in Zhejiang Province, details of the relevant analysis of which are set out in the sub-section above headed “(2) THE EQUITY TRANSFER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER — 3. Reasons for and benefits of entering into of the Equity Transfer Agreement and the transactions contemplated thereunder” of this letter, and in particular, the recent recovery in the tourism industry in Zhejiang Province as compared to pandemic period; and that the adopted estimated occupancy rate of 63% for the Forecast Period from 2026 onwards is in line with the relevant occupancy rate before the pandemic in 2018 and 2019 as set out in the aforementioned report of Savills, we consider that the estimated occupancy rates adopted for the Forecast Period are fair and reasonable.

It is noted that the amount of revenue per occupied room night was estimated to have an increase in 2024 as compared to that in 2023, and such increase was estimated to be decreasing gradually in 2025 and eventually aligned with the expected inflation rate each year from 2026 towards the end of the Forecast Period. As advised by the Valuer, the estimation of the increased expected average amount of revenue per occupied room night in 2024 was made with reference to the corresponding historical average revenue per occupied room night for 2023, and to reflect the potential increase as a result of the expected inflation, as well as the expected increase in occupancy rate as analysed above and the expected increase in the average room rate due to the general recovery of the hotel business from the COVID-19 pandemic particularly in 2024 as compared to 2023. When assessing the growth rate in the amount of revenue per occupied room night in 2024 adopted under the Property Valuation, we have made reference to the report named “Hotel Monitor 2024” (the “**Amex GBT Report**”) issued in October 2023 by American Express Global Business Travel (<https://www.amexglobalbusinesstravel.com/>), a B2B travel platform operated by Global Business Travel Group, Inc., the shares of which are listed on the New York Stock Exchange (ticker: GBTG), and provides software and services to manage travel, expenses, meeting and events for companies worldwide with professionals in more than 140 countries, and noticed that such rate is generally in line with the average year-on-year increase of the expected hotel rates for the available cities of the PRC for 2024 as disclosed in the Amex GBT Report. Accordingly, taking into account that (i) the expected year-on-year increase in the expected amount of revenue per occupied room night in 2024 adopted by the Valuer is generally in line with the relevant data disclosed in the Amex GBT Report; and (ii) the estimations from 2025 onwards were made on a relatively prudent basis, whereby the year-on-year increase in 2025 was projected to be gradually decreasing from that in 2024 and eventually aligned with the expected inflation rate from 2026 onwards considering the possible end of recovery

period of the overall hotel industry from the COVID-19 pandemic, we are of the view that the estimations of the expected revenue per occupied room night adopted for the Forecast Period are fair and reasonable.

On the other hand, it is noted that the estimated total expenses of the Property for the Forecast Period primarily consist of the estimated total operating expenses, which in turn primarily consist of the estimated total expenses from principal business operations and the estimated total staff compensation costs for the respective years. Based on our review, the total expenses from principal business operations for the periods from 2024 onwards were made with reference to the corresponding cost margins, whereby such expenses were anticipated to increase year-on-year during the Forecast Period, demonstrating a generally consistent trend as the estimated total revenue to be attributable to the hotel rooms of the Property as analysed above. In respect of the estimated total staff compensation costs, such estimations were made with reference to the corresponding costs for 2023, whereby such costs were anticipated to exhibit an increase in 2024 as compared to 2023, as well as a slight increase at the expected inflation rate each year from 2025 towards the end of the Forecast Period. Based on our discussions with the Valuer, the aforesaid year-over-year increase in the total staff compensation costs in 2024 was anticipated after considering the plan of the Management to hire more staff in 2024 in order to facilitate the expected increase in demand for the principal businesses as compared to that in 2023 as a result of the general recovery of the hotel business from the pandemic. From 2025 onwards, the estimated staff compensation costs have been estimated on a relatively prudent basis and projected to align with the expected inflation rate.

In addition, we have also discussed with the Valuer regarding the estimations of other components of the Net Operating Income, including but not limited to the estimated utilities expenses and taxation, and nothing has come to our attention that would cause us to doubt the reasonableness of the estimations of the Net Operating Income including the bases and assumptions applied therein.

In view of the above, we consider that the bases and assumptions adopted in the estimations of the Net Operating Income are fair and reasonable.

The Discount Rate

We noted that the Discount Rate of 8% has been adopted under the Property Valuation. In estimating the Discount Rate, the Valuer has added together (i) the adopted terminal capitalisation rate of 6%; and (ii) the adopted terminal growth rate (the “**Terminal Growth Rate**”) of 2% which, as confirmed by the Valuer, is a common market practice used to derive the discount rate under the discounted cash flow approach. Based on our

discussions with the Valuer, the terminal capitalisation rate is a metric used to indicate the rate of return expected to be generated on a real estate investment property, and the Valuer has derived the terminal capitalisation rate with reference to the latest industry data published by Cushman and Wakefield (<https://www.cushmanwakefield.com/>). We have, in this regard, conducted independent research on the background of Cushman and Wakefield, and learnt that it is a global commercial real estate services firm which operates from approximately 400 offices in 60 countries with a large scale of around 52,000 employees worldwide. Further, based on our review of the research report named “2022–2023 Mainland China Investor Intentions and Cap Rate Survey” issued in December 2022 by Cushman and Wakefield, the reasonable capitalisation rates in respect of hotel properties in major tier-two cities in the PRC are suggested to be ranging from 5.8% to 6.3%, and accordingly the adopted terminal capitalisation rate under the Property Valuation of 6% approximates the mid-point of the aforesaid range, which in our view is fair and reasonable. On the other hand, we were given to understand that the Terminal Growth Rate represents a constant rate that the net operating income of the Property is expected to grow each year beyond the Forecast Period until the land-use right of the Property concludes in March 2059 with reference to the Real Estate Ownership Certificate thereof. In estimating the Terminal Growth Rate, the Valuer has made references to the historical 10-year average inflation rate of the PRC of 2% as compiled based on the annual consumer price index obtained from Bloomberg L.P. (<https://www.bloomberg.com/>), a company with an establishment of over 40 years which provides financial software tools such as an analytics and equity trading platform, data services and news to financial companies and organisations, for the period from 2013 to 2022, where the consumer price index for 2022 represented the most recent data announced by Bloomberg L.P. as at the Valuation Date. As confirmed by the Valuer, such historical inflation rate is a commonly used proxy used to derive the terminal growth rate under the discounted cash flow approach. We have, in this regard, conducted research on public domain and noticed from the article issued in June 2023 by Corporate Finance Institute (<https://corporatefinanceinstitute.com/>), a global provider of training and productivity tools for finance and banking professionals, that the aforesaid reference made to the inflation rate by the Valuer conforms to the common practice. We have further reviewed the screen capture of the consumer price indices of the PRC for the period from 2013 to 2022 extracted by the Valuer from Bloomberg L.P. as well as the relevant calculations for the 10-year average inflation rate performed by the Valuer, from which we noticed that the resulted 10-year average inflation rate of the PRC as at the Valuation Date is consistent with the adopted Terminal Growth Rate of 2%. Based on our discussions with the Valuer and the independence work performed above, we concur with the Valuer that the bases and assumptions adopted in determining the Discount Rate are fair and reasonable.

The Terminal Value

As a key component under the discounted cash flow approach, the Valuer has first derived the Terminal Value of the Property as of 2028, which represents the sum of the anticipated net operating income of the Property beyond the Forecast Period being capitalised at the terminal capitalisation rate towards the conclusion of the land-use rights of the Property in 2059, with reference to the growing annuity formula, under which the Property was assumed to have obtained its long-term sustainability after the Forecast Period and generate net operating income at a constant terminal growth rate up to the conclusion of the land-use rights of the Property in 2059; which was then discounted back at the Discount Rate to arrive at its present value as at the Valuation Date.

As confirmed by the Valuer, the growing annuity formula is commonly used to derive the terminal value under the discounted cash flow approach for property valuation when there is a fixed number of periods after the forecast period. We have, in this regard, conducted research from public domain and noticed from an article last updated in October 2023 by Carbon Collective Investing, LLC (<https://www.carboncollective.co/>), an investment adviser firm registered with the U.S. Securities and Exchange Commission, that the formula used to calculate the present value of a growing annuity for a fixed number of periods is in line with that adopted by the Valuer in computing the Terminal Value. Based on our review of the relevant estimations, in arriving at the Terminal Value as of 2028, the key parameters considered include (i) the Net Operating Income for 2028, being the final year of the Forecast Period; (ii) the Discount Rate; (iii) the Terminal Growth Rate; and (iv) the terminal capitalisation rate, the estimations of which are, in our view, fair and reasonable as respectively analysed above. Accordingly, we are of the view that the bases and assumptions adopted in determining the Terminal Value are fair and reasonable.

As confirmed by the Valuer, during the course of the Property Valuation, it has complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules, the RICS Valuation — Global Standards 2022 published by the RICS and the International Valuation Standards published from time to time by the International Valuation Standards Council. During our review of the Valuation Report and discussions with the Valuer, we have not identified any major factors that cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in arriving at the Property Valuation.

Taking into account of the above, we consider that the valuation bases and assumptions adopted by the Valuer in the Property Valuation are fair and reasonable.

According to the Valuation Report, the appraised value of the Property as at 31 December 2023 amounted to approximately RMB261,397,000. Despite the recent loss-making performance of the Target Company, considering (i) the net asset value of the Target Company as at 31 December 2022 and 31 December 2023 of approximately RMB28,637,000 and approximately RMB9,308,000, respectively, of which the net current liabilities of the Target Company as at 31 December 2022 and 31 December 2023 amounted to approximately RMB168,056,000 and approximately RMB45,227,000, respectively; (ii) the book value of the Property as at 31 December 2023 in the amount of approximately RMB180,139,000; (iii) the appraised value of the Property as at 31 December 2023 in the amount of RMB261,397,000; and (iv) the generally positive prospect of the Property as analysed above, we are of the view that the principal terms of the Equity Transfer Agreement and the transactions contemplated thereunder (including the consideration) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

5. Financial effects of the Equity Transfer Agreement and the transactions contemplated thereunder

When assessing the financial impacts of the Equity Transfer Agreement and the transactions contemplated thereunder, we have primarily taken into account the following aspects:

5.1 Assets and liabilities

According to the Interim Report 2023, total assets and total liabilities of the Group as at 30 June 2023 amounted to approximately RMB1,376.1 million and approximately RMB584.9 million, respectively, and the net assets of the Group as at 30 June 2023 amounted to approximately RMB791.1 million. With reference to note (6) to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to the Circular, taking into account of the net asset value of the Target Company of approximately RMB9.7 million as at 30 November 2023, and the adjustments based on the consideration payable by the Company, the allocation of the consideration to the Property and the deferred tax assets of the Target Company, assuming Equity Acquisition Completion had been taken place on 30 June 2023, it is expected that there will be no material impact on the net asset of the Group as at 30 June 2023. On the other hand, with reference to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to the Circular, assuming completion of the Acquisitions had been taken place on 30 June 2023, it is expected that as at 30 June 2023, total assets of the Group would have increased to approximately RMB1,550.6 million, total liabilities of the Group would have increased to approximately RMB759.5 million, and net assets of the Group would have remained the same as approximately RMB791.1 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.2 Earnings

According to the Annual Report 2022, the Group recorded profit for the year attributable to owners of the Company of approximately RMB122.0 million for the year ended 31 December 2022. Considering the generally positive prospect of the Property as analysed above, it is expected that the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder will potentially bring positive impacts on the earnings of the Group in the future.

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

RECOMMENDATIONS

Having considered the above principal factors and reasons including the potential financial impacts on the Group thereof, we are of the view that, notwithstanding that each of the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the respective transactions contemplated thereunder were not entered into in the ordinary and usual course of business of the Group, each of the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the respective transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed for approving each of the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in the accounting and investment banking industries.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 were set out in the relevant annual reports and interim report of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.dexinfuwu.com>). Please also see below quick links to the relevant prospectus, interim report and annual report:

- Historical financial information of the Company for the year ended 31 December 2020 (pages I-5 to I-11)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0629/2021062900043.pdf>)
- Annual report of the Company for the year ended 31 December 2021 (pages 82 to 164)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0607/2022060701567.pdf>)
- Annual report of the Company for the year ended 31 December 2022 (pages 91 to 172)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400381.pdf>)
- Interim report of the Company for the six months ended 30 June 2023 (pages 29 to 48)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0921/2023092101261.pdf>)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2023, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following liabilities:

| | <i>RMB'000</i> |
|------------------------------------|-----------------------|
| Secured and guaranteed: | |
| Other borrowing (<i>note i</i>) | 100,000 |
| Bank borrowings (<i>note ii</i>) | 53,000 |
| Unsecured and unguaranteed: | |
| Amount due to related companies | 35,455 |
| Lease liabilities | <u>1,108</u> |
| | <u><u>189,563</u></u> |

Note:

- The other borrowing is secured by the Property of the Target Company

- ii. The bank borrowings are secured by the pledge of properties owned by third party, ultimate holding company and fellow subsidiary of the Target Company and personal guarantee given by a director of the Company and his spouse and guarantee given by a subsidiary of the Company

As at 31 December 2023, the Enlarged Group did not have any contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 31 December 2023, the Enlarged Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the Acquisitions, the internal financial resources and credit facilities available to the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for a period of 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.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

For the year ended 31 December 2022, the Group's revenue amounted to RMB958.6 million, and the net profit for the year was approximately RMB125.1 million, representing an increase of 10.1% and 13.6% respectively as compared to the year ended 31 December 2021. For the year ended 31 December 2022, the revenue of the Target Company amounted to RMB1.8 million, and both the net loss before taxation and after taxation for the year was approximately RMB16.4 million.

The Group will further transform into a property + lifestyle service model in accordance with the relevant supporting policies. In the strategic vision of being a future urban lifestyle service provider, we will greatly improve our endogenous power of property services, continue to innovate and expand our industry boundaries, actively cultivate core business growth points, and focus on building the Group into a future urban lifestyle service provider with high quality development, steady and sustainable growth, and continue to strive for the medium and long-term goal of becoming one of the leading property services management providers in China.

1. ACCOUNTANT’S REPORT OF THE TARGET COMPANY

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.



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23/F., Tower 2, Enterprise Square Five,
38 Wang Chiu Road, Kowloon Bay, Hong Kong.
Tel: (852) 2155 8288 Fax: (852) 2564 2297

23 February 2024

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DEQING MOGANSHAN RUIJING REAL ESTATE CO., LTD. (德清莫干山瑞璟置業有限公司)**Introduction**

We report on the historical financial information of Deqing Moganshan Ruijing Real Estate Co., Ltd. (the “Target Company”) set out on pages II-5 to II-28, which comprises the statements of financial position of the Target Company as at 31 December 2020, 2021, 2022 and 30 November 2023, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2022 and eleven months ended 30 November 2023 (the “Relevant Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of the Company dated 23 February 2024 (the “Circular”) in connection with the proposed acquisition of the entire equity interest in the Target Company.

Directors’ responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of 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 (the “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 Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 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 directors, 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 Target Company’s financial position as at 31 December 2020, 2021, 2022 and 30 November 2023 and of the Target Company’s financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the eleven months ended 30 November 2022 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period 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 Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited

Adjustments

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

Material uncertainty relating to the going concern basis

Without qualifying our opinion, we draw attention to note 2 to the Historical Financial Information which mentions that the Target Company incurred a loss of approximately RMB18,954,000 for the eleven months ended 30 November 2023 and as at 30 November 2023 the Target Company had net current liabilities of approximately RMB144,598,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Target Company’s ability to continue as a going concern.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Chi Hoi

Practising Certificate Number P07268

Hong Kong, 23 February 2024

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

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

The Historical Financial Information in this report was prepared based on the financial statements of the Target Company for the Relevant Period in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | <i>Notes</i> | Year ended 31 December | | | Eleven months ended 30 November | |
|--|--------------|------------------------|------------------------|------------------------|------------------------------------|------------------------|
| | | 2020 | 2021 | 2022 | 2022 | 2023 |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | | (Unaudited) | |
| Revenue | 7 | <u>—</u> | <u>1,835</u> | <u>4,404</u> | <u>4,037</u> | <u>4,037</u> |
| Other income | 7 | 15 | 88 | 28 | 24 | 19 |
| Selling and distribution expenses | | — | (30) | (28) | (28) | — |
| Administrative expenses | | (892) | (10,829) | (18,486) | (16,198) | (15,062) |
| Finance costs | 8 | <u>—</u> | <u>(7,414)</u> | <u>(7,594)</u> | <u>(6,490)</u> | <u>(7,948)</u> |
| Loss before tax | | (877) | (16,350) | (21,676) | (18,655) | (18,954) |
| Income tax expense | 9 | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD | 10 | <u><u>(877)</u></u> | <u><u>(16,350)</u></u> | <u><u>(21,676)</u></u> | <u><u>(18,655)</u></u> | <u><u>(18,954)</u></u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENTS OF FINANCIAL POSITION

| | Notes | As at 31 December | | | As at |
|--|-------|-------------------|-----------------|------------------|------------------|
| | | 2020 | 2021 | 2022 | 30 November 2023 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| NON-CURRENT ASSETS | | | | | |
| Investment properties | 16 | — | 212,071 | 196,102 | 181,464 |
| Property, plant and equipment | 15 | 3 | 843 | 568 | 317 |
| Investment properties under development | 16 | 95,157 | — | — | — |
| Intangible assets | 17 | — | 62 | 23 | — |
| | | <u>95,160</u> | <u>212,976</u> | <u>196,693</u> | <u>181,781</u> |
| CURRENT ASSETS | | | | | |
| Trade and other receivables | 19 | 766 | 2,668 | 415 | 409 |
| Inventories | 18 | — | 2,379 | 1,300 | 1,300 |
| Other tax receivables | | 5,538 | 3,195 | — | 739 |
| Bank and cash balances | | 788 | 3,830 | 2,747 | 15 |
| | | <u>7,092</u> | <u>12,072</u> | <u>4,462</u> | <u>2,463</u> |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 20 | 15,372 | 62,064 | 21,576 | 11,798 |
| Amounts due to fellow subsidiaries | 21 | 56,060 | 12,671 | 50,068 | 35,263 |
| Other tax payables | | — | — | 874 | — |
| Borrowings | 22 | — | — | 100,000 | 100,000 |
| | | <u>71,432</u> | <u>74,735</u> | <u>172,518</u> | <u>147,061</u> |
| NET CURRENT LIABILITIES | | <u>(64,340)</u> | <u>(62,663)</u> | <u>(168,056)</u> | <u>(144,598)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>30,820</u> | <u>150,313</u> | <u>28,637</u> | <u>37,183</u> |
| NON-CURRENT LIABILITIES | | | | | |
| Borrowings | 22 | — | 100,000 | — | 27,500 |
| | | <u>—</u> | <u>100,000</u> | <u>—</u> | <u>27,500</u> |
| NET ASSETS | | <u>30,820</u> | <u>50,313</u> | <u>28,637</u> | <u>9,683</u> |
| EQUITY | | | | | |
| Capital | 24 | 32,744 | 68,587 | 68,587 | 68,587 |
| Reserves | | (1,924) | (18,274) | (39,950) | (58,904) |
| TOTAL EQUITY | | <u>30,820</u> | <u>50,313</u> | <u>28,637</u> | <u>9,683</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENTS OF CHANGES IN EQUITY

| | Share capital <i>RMB'000</i> | Accumulated losses <i>RMB'000</i> | Total equity <i>RMB'000</i> |
|---|--|---|---------------------------------------|
| As at 1 January 2020 | 6,005 | (1,047) | 4,958 |
| Injection of capital | 26,739 | — | 26,739 |
| Loss and total comprehensive loss for the period | <u>—</u> | <u>(877)</u> | <u>(877)</u> |
| As at 31 December 2020 | <u>32,744</u> | <u>(1,924)</u> | <u>30,820</u> |
| As at 1 January 2021 | 32,744 | (1,924) | 30,820 |
| Injection of capital | 35,843 | — | 35,843 |
| Loss and total comprehensive loss for the year | <u>—</u> | <u>(16,350)</u> | <u>(16,350)</u> |
| As at 31 December 2021 | <u>68,587</u> | <u>(18,274)</u> | <u>50,313</u> |
| As at 1 January 2022 | 68,587 | (18,274) | 50,313 |
| Loss and total comprehensive loss for the year | <u>—</u> | <u>(21,676)</u> | <u>(21,676)</u> |
| As at 31 December 2022 | <u>68,587</u> | <u>(39,950)</u> | <u>28,637</u> |
| As at 1 January 2022 (Audited) | 68,587 | (18,274) | 50,313 |
| Loss and total comprehensive loss for the period (unaudited) | <u>—</u> | <u>(18,655)</u> | <u>(18,655)</u> |
| As at 30 November 2022 (unaudited) | <u>68,587</u> | <u>(36,929)</u> | <u>31,658</u> |
| As at 1 January 2023 | 68,587 | (39,950) | 28,637 |
| Loss and total comprehensive loss for the period | <u>—</u> | <u>(18,954)</u> | <u>(18,954)</u> |
| As at 30 November 2023 | <u>68,587</u> | <u>(58,904)</u> | <u>9,683</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | | Eleven months ended 30 November | |
|--|------------------------|---------------------|---------------------|------------------------------------|------------------|
| | 2020 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | 2022 RMB'000 | 2023 RMB'000 |
| | | | | (Unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Loss before tax | (877) | (16,350) | (21,676) | (18,655) | (18,954) |
| Adjustments for: | | | | | |
| Depreciation | 1 | 5,970 | 16,244 | 14,889 | 14,889 |
| Amortisation | — | 17 | 39 | 36 | 23 |
| Impairment loss on trade and other receivables | 26 | 121 | 243 | 243 | — |
| Finance costs | — | 7,414 | 7,594 | 6,490 | 7,948 |
| Operating (loss)/profit before working capital changes | (850) | (2,828) | 2,444 | 3,003 | 3,906 |
| Change in inventories | — | (2,379) | 1,079 | (118) | — |
| Change in trade and other receivable | 548 | (2,023) | 2,010 | 1,768 | 6 |
| Change in trade and other payables | 6,901 | 20,025 | (6,003) | (5,993) | (9,604) |
| Change in other tax payables | — | — | 874 | — | (874) |
| Change in other tax receivables | (5,229) | 2,343 | 3,195 | 3,046 | (739) |
| Net cash generated from/(used in) operating activities | <u>1,370</u> | <u>15,138</u> | <u>3,599</u> | <u>1,706</u> | <u>(7,305)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchases of properties, plant and equipment | — | (956) | — | — | — |
| Purchases of intangible assets | — | (79) | — | — | — |
| Purchases of investment properties under development | (50,105) | — | — | — | — |
| Purchases of investment properties | — | (85,966) | (39,628) | (39,628) | (4,741) |
| Net cash used in investing activities | <u>(50,105)</u> | <u>(87,001)</u> | <u>(39,628)</u> | <u>(39,628)</u> | <u>(4,741)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from bank and other borrowings | — | 100,000 | — | — | 28,000 |
| Repayment of bank and other borrowings | — | — | — | — | (500) |
| Interest paid | — | (7,414) | (7,594) | (6,490) | (7,948) |
| Advance from fellow subsidiaries | 20,500 | 56,572 | 52,540 | 51,640 | 17,992 |
| Repayment to fellow subsidiaries | — | (110,096) | (10,000) | (10,000) | (28,230) |
| Capital injection | 26,739 | 35,843 | — | — | — |
| Net cash generated from financing activities | <u>47,239</u> | <u>74,905</u> | <u>34,946</u> | <u>35,150</u> | <u>9,314</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | | | | |
| Cash and cash equivalents at the beginning of the year/period | (1,496) | 3,042 | (1,083) | (2,772) | (2,732) |
| | <u>2,284</u> | <u>788</u> | <u>3,830</u> | <u>3,830</u> | <u>2,747</u> |
| Cash and cash equivalents at the end of the year/period | <u><u>788</u></u> | <u><u>3,830</u></u> | <u><u>2,747</u></u> | <u><u>1,058</u></u> | <u><u>15</u></u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | | | |
| Bank and cash balances | <u>788</u> | <u>3,830</u> | <u>2,747</u> | <u>1,058</u> | <u>15</u> |

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Target Company was incorporated as a limited liability company in the People's Republic of China (the "PRC") on 26 February 2019. The registered office of the Target Company is located at Gao Feng Cun, Moganshan Town, Deqing county, Huzhou, Zhejiang Province, the PRC.

During the Relevant Period, the Target Company was engaged in property investment for rental income.

In the opinion of the Directors of the Target Company, as at 30 November 2023, Dexin China Holding Company Limited ("德信中國控股有限公司"), a company incorporated in the Cayman Islands, is the ultimate holding company and Deqing Moganshan Dexin Movie City Development Co., Ltd. ("德清莫干山德信影視城開發有限公司"), a company incorporated in the PRC, is the immediate holding company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with HKFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Target Company incurred a loss of approximately RMB18,954,000 for the eleven months ended 30 November 2023 and as at 30 November 2023, the Target Company had net current liabilities of approximately RMB144,598,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Company's ability to continue as a going concern. Therefore, the Target Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

These Historical Financial Information have been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate holding company, at a level sufficient to finance the working capital requirements of the Target Company. The ultimate holding company have agreed to provide adequate funds for the Target Company to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Target Company be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Target Company's assets to their recoverable amounts and to provide for any further liabilities which might arise and reclassified non-current liabilities as current liabilities.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Relevant Period, the Target Company has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2020.

The Target Company has not early applied the new HKFRSs that have been issued but are not yet effective. The Target Company has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRS would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

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

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost of investment property less its estimated residual value using the straight line method over its estimated useful life until 2059. The principal annual rates are as follows:

| | |
|-----------------------|--------|
| Investment properties | 5%–10% |
|-----------------------|--------|

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs/revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

| | |
|-------------------------|------------|
| Equipment and machinery | 10%–33.33% |
|-------------------------|------------|

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Properties under development represents buildings under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(c) Intangible assets

Computer software

Intangible assets mainly include computer software. They are initially recognised and measured at costs incurred to acquire and bring them to use. Intangible assets are amortised over their estimated useful lives (generally 2 years based on management's expectation on the technological lives of the computer software), using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

(d) Foreign currency translation***i) Functional and presentation currency***

Items included in the financial statements of the Target Company is measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Historical Financial Information is presented in RMB, which is the Target Company’s functional and presentation currency.

ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(e) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company transfers substantially all the risks and rewards of ownership of the assets; or the Target Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(f) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Target Company are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(g) Loss allowance for expected credit losses

The Target Company recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Target Company measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Target Company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company’s cash management are also included as a component of cash and cash equivalents.

(i) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(j) Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(k) Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(m) Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably.

Rental income is recognised on a straight-line basis over the lease term.

(n) Other revenue

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employee benefits***(i) Employee leave entitlements***

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Target Company contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Company and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target Company to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Company can no longer withdraw the offer of those benefits and when the Target Company recognises restructuring costs and involves the payment of termination benefits.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Target Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

(r) Related parties

A related party is a person or entity that is related to the Target Company.

A) A person or a close member of that person's family is related to the Target Company if 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.

B) An entity is related to the Target Company if any of the following conditions applies:

- (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities 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. If the Target Company is itself such a plan, the sponsoring employers are also 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).
- (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 a parent of Target Company.

(s) Lease***Operating leases***

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(t) Impairment of assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Target Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. KEY ESTIMATES

Key sources of estimation uncertainty

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

Depreciation and useful lives of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Target Company assesses annually the residual value and the useful life of the property, plant and equipment and investment properties with reference to the estimated periods that the Target Company intends to derive future economic benefits from the use of these assets and if the expectation differs from the carrying amount, such differences from the carrying amount will impact the depreciation charges in the year in

which the estimates change. At 30 November 2023, the carrying amount of property, plant and equipment and investment properties were RMB317,000 and RMB181,464,000 respectively, net of accumulated depreciation and impairment loss of RMB643,000 and RMB36,461,000 respectively.

6. FINANCIAL RISK MANAGEMENT

The Target Company's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company's financial performance.

a) Foreign currency risk

The Target Company has minimal exposure to currency risk as most of its transactions, assets and liabilities are denominated the functional currency of the entity to which they are related. The Target Company currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

b) Credit risk

The carrying amount of the cash and bank balances, other receivables and deposit included in the statement of financial position represents the Target Company's maximum exposure to credit risk in relation to the Target Company's financial assets.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

c) Interest rate risk

The Target Company's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

d) Liquidity risk

The Target Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The maturity analysis of the Target Group's financial liabilities is as follows:

| | Carrying Amounts <i>RMB'000</i> | Within 1 year or on demand <i>RMB'000</i> | Within 2 to 5 years <i>RMB'000</i> | Total <i>RMB'000</i> |
|------------------------------------|---------------------------------------|---|--|-------------------------|
| As at 31 December 2020 | | | | |
| Trade and other payables | 15,372 | 15,372 | — | 15,372 |
| Amounts due to fellow subsidiaries | <u>56,060</u> | <u>56,060</u> | <u>—</u> | <u>56,060</u> |
| | <u>71,432</u> | <u>71,432</u> | <u>—</u> | <u>71,432</u> |
| As at 31 December 2021 | | | | |
| Trade and other payables | 62,064 | 62,064 | — | 62,064 |
| Amounts due to fellow subsidiaries | 12,671 | 12,671 | — | 12,671 |
| Borrowings | <u>100,000</u> | <u>—</u> | <u>114,375</u> | <u>114,375</u> |
| | <u>174,735</u> | <u>74,735</u> | <u>114,375</u> | <u>189,110</u> |
| As at 31 December 2022 | | | | |
| Trade and other payables | 21,576 | 21,576 | — | 21,576 |
| Amounts due to fellow subsidiaries | 50,068 | 50,068 | — | 50,068 |
| Borrowings | <u>100,000</u> | <u>106,875</u> | <u>—</u> | <u>106,875</u> |
| | <u>171,644</u> | <u>178,519</u> | <u>—</u> | <u>178,519</u> |
| As at 30 November 2023 | | | | |
| Trade and other payables | 11,798 | 11,798 | — | 11,798 |
| Amounts due to fellow subsidiaries | 35,263 | 35,263 | — | 35,263 |
| Borrowings | <u>127,500</u> | <u>105,500</u> | <u>34,215</u> | <u>139,715</u> |
| | <u>174,561</u> | <u>152,561</u> | <u>34,215</u> | <u>186,776</u> |

e) Categories of financial instruments

| | As at 31 December | | | As at 30 November |
|---|-------------------|----------------|----------------|----------------------|
| | 2020 | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Financial assets | | | | |
| Financial assets at amortised cost (including cash and cash equivalents) | | 1,554 | 6,498 | 3,162 |
| | | | 3,162 | 424 |
| Financial liabilities | | | | |
| Financial liabilities at amortised cost | | <u>71,432</u> | <u>174,735</u> | <u>171,644</u> |
| | | | <u>171,644</u> | <u>174,561</u> |

f) Fair value

The carrying amounts of the Target Company's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

7. REVENUE AND OTHER INCOME

Revenue represents income from rental of investment properties during the Relevant Period.

| | Year ended 31 December | | | Eleven months ended 30 November | |
|---------------|------------------------|----------------|----------------|------------------------------------|----------------|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | (Unaudited) | |
| Rental income | <u>—</u> | <u>1,835</u> | <u>4,404</u> | <u>4,037</u> | <u>4,037</u> |

An analysis of the Target Company's other income is as follows:

| | Year ended 31 December | | | Eleven months ended 30 November | |
|-----------------|------------------------|----------------|----------------|------------------------------------|----------------|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | (Unaudited) | |
| Sundry income | — | 50 | 7 | 7 | 17 |
| Interest income | <u>15</u> | <u>38</u> | <u>21</u> | <u>17</u> | <u>2</u> |
| | <u>15</u> | <u>88</u> | <u>28</u> | <u>24</u> | <u>19</u> |

8. FINANCE COSTS

| | Year ended 31 December | | | Eleven months ended 30 November | |
|--|------------------------|----------------|----------------|------------------------------------|----------------|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | (Unaudited) | |
| Interests of loans wholly repayable within five years | | | | | |
| Interest on borrowings | <u>—</u> | <u>7,414</u> | <u>7,594</u> | <u>6,490</u> | <u>7,948</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

9. INCOME TAX EXPENSE

No provision of PRC Corporate Income Tax is required for the Relevant Period since the Target Company has no assessable profits for the Relevant Period.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the PRC Corporate Income Tax rate is as follows:

| | Year ended 31 December | | | Eleven months ended | |
|---|------------------------|----------------|----------------|---------------------|----------------|
| | 2020 | 2021 | 2022 | 30 November 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | (Unaudited) | |
| Loss before tax | (877) | (16,350) | (21,676) | (18,655) | (18,954) |
| Tax at the income tax rate of 25% | (219) | (4,088) | (5,419) | (4,664) | (4,739) |
| Tax effect of tax losses not recognised | 219 | 4,088 | 5,419 | 4,664 | 4,739 |
| Income tax expenses | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |

As at 31 December 2020, 2021 and 2022 and 30 November 2023, the Target Company has unused tax losses of approximately RMB481,000, RMB4,569,000, RMB9,987,000 and RMB14,725,000 respectively, available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire in five years.

10. LOSS FOR THE YEAR/PERIOD

The Target Company's loss for the year/period during the Relevant Period is stated after charging the following:

| | Year ended 31 December | | | Eleven months ended | |
|--|------------------------|----------------|----------------|---------------------|----------------|
| | 2020 | 2021 | 2022 | 30 November 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | (Unaudited) | |
| Audit fee | 13 | 13 | 13 | 13 | 13 |
| Depreciation | 1 | 5,970 | 16,244 | 14,889 | 14,889 |
| Staff costs including directors' emoluments: | | | | | |
| Salaries, bonus and allowances | 617 | 2,112 | 944 | 914 | 90 |
| Retirement benefits scheme contributions | 149 | 378 | 171 | 168 | 14 |
| | <u>766</u> | <u>2,490</u> | <u>1,115</u> | <u>1,082</u> | <u>104</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

11. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUAL EMOLUMENTS

(a) Directors' emoluments

The director and supervisor of the Target Company did not receive any fee or other emoluments in respect of their services provided to the Target Company for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and eleven months ended 30 November 2022 and 2023.

(b) Five highest paid individual emoluments

The five highest paid individuals in the Target Company during years ended 31 December 2020, 31 December 2021 and 31 December 2022 and eleven months ended 30 November 2022 and 2023 included no director whose emolument is reflected in the analysis above. The emoluments of the five individuals are set out below:

| | Year ended 31 December | | | Eleven months ended 30 November | |
|--|------------------------|--------------|--------------|------------------------------------|------------|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Salaries, allowances and other benefits in kind | 559 | 1,539 | 944 | 914 | 90 |
| Contributions to pension scheme | <u>36</u> | <u>206</u> | <u>171</u> | <u>168</u> | <u>14</u> |
| | <u>595</u> | <u>1,745</u> | <u>1,115</u> | <u>1,082</u> | <u>104</u> |

Their emoluments fell within the following bands:

| | | | | | |
|----------------------|----------|----------|----------|----------|----------|
| Nil to HK\$1,000,000 | <u>5</u> | <u>5</u> | <u>4</u> | <u>4</u> | <u>1</u> |
|----------------------|----------|----------|----------|----------|----------|

During the Relevant Period, no emoluments paid or payable by the Target Company were waived and no emoluments were paid by the Target Company to the five highest paid individual as an inducement to join or upon joining the Target Company or as compensation for loss of office during the Relevant Period.

12. RETIREMENT BENEFIT SCHEMES

The employees of the Target Company's entities established in the PRC are members of a central pension scheme operated by the local municipal government. These entities are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these entities. The only obligation of these entities with respect to the central pension scheme is to meet the required contributions under the scheme.

13. LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. DIVIDENDS

The directors do not recommend any dividend for the Relevant Period.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

15. PROPERTY, PLANT AND EQUIPMENT

| | Equipment <i>RMB'000</i> |
|--|------------------------------------|
| COST | |
| At 1 January 2020 and 31 December 2020 | 4 |
| Additions | <u>956</u> |
| At 31 December 2021, 31 December 2022 and 30 November 2023 | <u>960</u> |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | |
| At 1 January 2020 | — |
| Provided for the year | <u>1</u> |
| At 31 December 2020 and 1 January 2021 | 1 |
| Provided for the year | <u>116</u> |
| At 31 December 2021 and 1 January 2022 | 117 |
| Provided for the year | <u>275</u> |
| At 31 December 2022 and 1 January 2023 | 392 |
| Provided for the year | <u>251</u> |
| At 30 November 2023 | <u>643</u> |
| CARRYING VALUES | |
| At 31 December 2020 | <u>3</u> |
| At 31 December 2021 | <u>843</u> |
| At 31 December 2022 | <u>568</u> |
| At 30 November 2023 | <u>317</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

16. INVESTMENT PROPERTIES UNDER DEVELOPMENT AND INVESTMENT PROPERTIES

| | Investment properties under development <i>RMB'000</i> | Investment properties <i>RMB'000</i> |
|--|---|---|
| COST | | |
| At 1 January 2020 | 38,246 | — |
| Additions | 56,911 | — |
| At 31 December 2020 and 1 January 2021 | 95,157 | — |
| Additions | 122,768 | — |
| Transfer | (217,925) | 217,925 |
| At 31 December 2021, 31 December 2022 and 30 November 2023 | — | 217,925 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | |
| At 1 January 2020, 31 December 2020 and 1 January 2021 | — | — |
| Provided for the year | — | 5,854 |
| At 31 December 2021 and 1 January 2022 | — | 5,854 |
| Provided for the year | — | 15,969 |
| At 31 December 2022 and 1 January 2023 | — | 21,823 |
| Provided for the year | — | 14,638 |
| At 30 November 2023 | — | 36,461 |
| CARRYING VALUES | | |
| At 31 December 2020 | 95,157 | — |
| At 31 December 2021 | — | 212,071 |
| At 31 December 2022 | — | 196,102 |
| At 30 November 2023 | — | 181,464 |

As at 31 December 2020, 2021, 2022 and 30 November 2023, the investment properties and investment properties under development located in Zhejiang Province, the PRC, were rented out to a fellow subsidiary. As at 31 December 2020, 2021, 2022 and 30 November 2023, the fair value of the investment properties stated in statement of financial position at cost less accumulated depreciation and impairment losses are estimated at approximately RMBnil, RMB236,568,000, RMB254,756,000 and RMB265,789,000 respectively by using net operating income method by Avista Group, and independent firm of surveyors. The Target Company has adopted the cost model under HKAS 40, Investment property, to account for its investment properties, and accordingly, the carrying amounts of the investment properties were not adjusted to the revalued amount at the end of each reporting period.

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The Target Company leases out its investment properties under an operating lease. The lease term is 20 years. The rental for the period from 1 August 2021 to 31 December 2021 was fixed at RMB2,000,000. The rental after this period will be determined between Target Company and tenant from time to time.

At 31 December 2021, 31 December 2022 and 30 November 2023, the carrying amount of investment properties pledged as security for Target Company's borrowings amounted to approximately RMB212,071,000, RMB196,102,000 and RMB181,464,000, respectively.

17. INTANGIBLE ASSETS

| | Computer software RMB'000 |
|--|--|
| COST | |
| At 1 January 2020 and 31 December 2020 | — |
| Additions | <u>79</u> |
| At 31 December 2021, 31 December 2022 and 30 November 2023 | <u>79</u> |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | |
| At 1 January 2020 and 31 December 2020 | — |
| Provided for the year | <u>17</u> |
| At 31 December 2021 and 1 January 2022 | 17 |
| Provided for the year | <u>39</u> |
| At 31 December 2022 and 1 January 2023 | 56 |
| Provided for the year | <u>23</u> |
| At 30 November 2023 | <u>79</u> |
| CARRYING VALUES | |
| At 31 December 2020 | <u><u>—</u></u> |
| At 31 December 2021 | <u><u>62</u></u> |
| At 31 December 2022 | <u><u>23</u></u> |
| At 30 November 2023 | <u><u>—</u></u> |

18. INVENTORIES

| | As at 31 December | | As at 30 November | |
|------------------|--------------------------|---------------------|------------------------------|---------------------|
| | 2020 | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Consumable stock | <u><u>—</u></u> | <u><u>2,379</u></u> | <u><u>1,300</u></u> | <u><u>1,300</u></u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

19. TRADE AND OTHER RECEIVABLES

| | As at 31 December | | | As at |
|---|-------------------|----------------|----------------|------------------------|
| | 2020 | 2021 | 2022 | 30 November |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2023 <i>RMB'000</i> |
| Trade receivables | — | 2,000 | — | — |
| Other receivables | 806 | 829 | 819 | 813 |
| Less: allowance for impairment of other receivables | (40) | (161) | (404) | (404) |
| | <u>766</u> | <u>668</u> | <u>415</u> | <u>409</u> |
| | <u>766</u> | <u>2,668</u> | <u>415</u> | <u>409</u> |

Trade receivables mainly arise from rental income. Property management services income are received in accordance with the terms of the relevant services agreements. Service income from property management service is due for payment by the residents upon the issuance of demand note.

The ageing analysis of the trade receivables based on recognition date of trade receivables before impairment were as follows:

| | As at 31 December | | | As at |
|---------------|-------------------|----------------|----------------|------------------------|
| | 2020 | 2021 | 2022 | 30 November |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2023 <i>RMB'000</i> |
| 0 to 180 days | — | 2,000 | — | — |

20. TRADE AND OTHER PAYABLES

| | As at 31 December | | | As at |
|----------------------------|-------------------|----------------|----------------|------------------------|
| | 2020 | 2021 | 2022 | 30 November |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2023 <i>RMB'000</i> |
| Account payables | 12,177 | 10,349 | 6,647 | 5,705 |
| Interest payables | — | — | 1,104 | 507 |
| Construction cost payables | — | 48,247 | 13,277 | 5,067 |
| Other payables | 3,195 | 3,468 | 548 | 519 |
| | <u>15,372</u> | <u>62,064</u> | <u>21,576</u> | <u>11,798</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The aging analysis of account payables, based on the date of receipt of goods, is as follows:

| | As at 31 December | | | As at |
|-----------------|-------------------|----------------|----------------|----------------|
| | 2020 | 2021 | 2022 | 30 November |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2023 |
| | | | | <i>RMB'000</i> |
| 0 to 90 days | 12,177 | 238 | 966 | 1,603 |
| 91 to 180 days | — | 8,395 | 30 | — |
| 181 to 365 days | — | 1,716 | 2,697 | 1,149 |
| Over 365 days | — | — | 2,954 | 2,953 |
| | <u>12,177</u> | <u>10,349</u> | <u>6,647</u> | <u>5,705</u> |

21. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, non-interest bearing and has no fixed repayment terms.

22. BORROWINGS

| | As at 31 December | | | As at |
|---|-------------------|----------------|----------------|----------------|
| | 2020 | 2021 | 2022 | 30 November |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2023 |
| | | | | <i>RMB'000</i> |
| Other borrowing | — | 100,000 | 100,000 | 100,000 |
| Bank borrowing | — | — | — | 27,500 |
| | — | 100,000 | 100,000 | 127,500 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | — | — | 100,000 | 100,000 |
| Amount due for settlement after 12 months | <u>—</u> | <u>100,000</u> | <u>—</u> | <u>27,500</u> |

The other loans are repayable as follows:

| | | | | |
|--------------------|----------|----------------|----------------|----------------|
| Within one year | — | — | 100,000 | 100,000 |
| In the second year | — | 100,000 | — | 27,500 |
| | <u>—</u> | <u>100,000</u> | <u>100,000</u> | <u>127,500</u> |

As at 30 November 2023, the other borrowing amount of RMB100,000,000 was obtained from a financial institute for the repayment of amounts due to fellow subsidiaries. This borrowing is secured by the pledge of the Company's investment properties, carried a fixed interest rate of 7.5% per annum and repayable within one year.

The bank borrowing of RMB27,500,000 is secured by the pledge of properties owned by third party, ultimate holding company and fellow subsidiary of the Company, carried at fixed interest rate of 5.98% per annum and repayable within five years.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Borrowing <i>RMB'000</i> | Amounts due to fellow subsidiaries <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|------------------------------------|---|--------------------------------|
| At 1 January 2020 | — | 35,560 | 35,560 |
| Financing cash flows | | | |
| —Addition | — | 20,500 | 20,500 |
| Non-cash changes | | | |
| At 31 December 2020 and 1 January 2021 | — | 56,060 | 56,060 |
| Financing cash flows | | | |
| —Addition | 100,000 | 56,572 | 156,572 |
| —Repayment | — | (110,096) | (110,096) |
| —Interest paid | (7,414) | — | (7,414) |
| Non-cash changes | | | |
| —Addition | — | 10,135 | 10,135 |
| —Finance costs | 7,414 | — | 7,414 |
| At 31 December 2021 and 1 January 2022 | 100,000 | 12,671 | 112,671 |
| Financing cash flows | | | |
| —Addition | — | 52,540 | 52,540 |
| —Repayment | — | (10,000) | (10,000) |
| —Interest paid | (7,594) | — | (7,594) |
| Non-cash changes | | | |
| —Repayment | — | (5,143) | (5,143) |
| —Finance costs | 7,594 | — | 7,594 |
| At 31 December 2022 and 1 January 2023 | 100,000 | 50,068 | 150,068 |
| Financing cash flows | | | |
| —Addition | 28,000 | 17,992 | 45,992 |
| —Repayment | (500) | (28,230) | (28,730) |
| —Interest paid | (7,948) | — | (7,948) |
| Non-cash changes | | | |
| —Repayment | — | (4,567) | (4,567) |
| —Finance costs | 7,948 | — | 7,948 |
| At 30 November 2023 | <u>127,500</u> | <u>35,263</u> | <u>162,763</u> |

24. CAPITAL

The Target Company currently does not have any specific policies and processes for managing capital.

25. CONTINGENT LIABILITIES

The Target Company did not have any significant contingent liabilities as at each of the end of reporting period.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

26. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

| | Year ended 31 December | | | Eleven months ended | |
|--|------------------------|----------------|----------------|---------------------|----------------|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | (Unaudited) | |
| Rental received from a fellow subsidiary | <u>—</u> | <u>1,835</u> | <u>4,404</u> | <u>4,037</u> | <u>4,037</u> |

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 November 2023.

Set out below is the management discussion and analysis on the Target Company for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the eleven months ended 30 November 2023, respectively which is prepared based on the financial information of the Target Company as set out in Appendix II to this circular.

OPERATING RESULTS

Revenue

For each of the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the eleven months ended 30 November 2023, the revenue of the Target Company was approximately RMBnil, RMB1,835,000, RMB4,404,000 and RMB4,037,000, respectively, which mainly consisted the rental income from the company's leasing of hotels to hotel operating companies. Deqing Moganshan Ruijing Real Estate Co., Ltd. was established in February 2019 and the hotel was in the preparatory period in 2020 and thus had zero income as the business has not yet been developed officially. The revenue in 2022 increased by approximately RMB2,569,000 from 2021, with an increment of 140%, which was mainly attributable to the gradual development of business by the Target Company.

Administrative expenses

For each of the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the eleven months ended 30 November 2023, the Target Company incurred administrative expenses of approximately RMB892,000, RMB10,829,000, RMB18,486,000 and RMB15,062,000 respectively. The administrative expenses of the Target Company were mainly due to the impact of hotel depreciation.

Other income

For each of the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the eleven months ended 30 November 2023, other income of the Target Company amounted to approximately RMB15,000, RMB88,000, RMB28,000 and RMB19,000 respectively. Other income mainly included government grants and interest income from bank deposits.

Loss from operations

In combining the above reasons, for each of the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the eleven months ended 30 November 2023, the Target Company recorded operating losses of approximately RMB877,000, RMB16,350,000, RMB21,676,000 and RMB18,954,000, respectively.

Finance Costs

Finance costs are mainly interest on borrowings. For each of the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the eleven months ended 30 November 2023, the finance costs of the Target Company were approximately RMBnil, RMB7,414,000, RMB7,594,000 and RMB7,948,000, respectively. The increase in finance costs was due to the accrual of interest on bank borrowings for hotel construction.

Loss for the year/period

As the result of the aforesaid reason, for each of the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the eleven months ended 30 November 2023, the Target Company recorded operating losses of approximately RMB877,000, RMB16,350,000, RMB21,676,000 and RMB18,954,000, respectively.

WORKING CAPITAL AND FINANCIAL RESOURCES

As at 31 December 2020, 2021, 2022 and 30 November 2023, the net assets value of the Target Company was approximately RMB30,820,000, RMB50,313,000, RMB28,637,000 and RMB9,683,000, respectively. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 November 2023, the cash and cash equivalents of the Target Company were approximately RMB788,000, RMB3,830,000, RMB2,747,000 and RMB15,000, respectively.

BORROWINGS

As at 31 December 2020, 2021, 2022 and 30 November 2023, the borrowings of the Target Company were approximately RMBnil, RMBnil, RMB100,000,000 and RMB127,500,000, respectively, all of which are denominated in RMB.

As at 31 December 2020, 2021, 2022 and 30 November 2023, the borrowings of the Target Company were interest-bearing and were set out below.

| | As at 31 December | | | As at |
|--|-------------------|---------|---------|-------------|
| | 2020 | 2021 | 2022 | 30 November |
| | RMB'000 | RMB'000 | RMB'000 | 2023 |
| | | | | RMB'000 |
| Other borrowing, secured | — | 100,000 | 100,000 | 100,000 |
| Bank borrowing, secured | — | — | — | 27,500 |
| | — | 100,000 | 100,000 | 127,500 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | — | — | 100,000 | 100,000 |
| Amount due for settlement after 12 months | — | 100,000 | — | 27,500 |
| The other loans are repayable as follows: | | | | |
| Within one year | — | — | 100,000 | 100,000 |
| In the second year | — | 100,000 | — | 27,500 |
| | — | 100,000 | 100,000 | 127,500 |

The effective interest rates are from 6.0% to 7.5%.

The other borrowing is secured by the pledge of the Target Company's investment properties.

The bank borrowing is secured by the pledge of properties owned by third party, ultimate holding company and fellow subsidiary of the Target Company.

GEARING RATIO

As at 31 December 2020, 2021, 2022 and 30 November 2023, the gearing ratios, being its net debt (total borrowings minus cash and cash equivalents) divided by total capital (total equity plus net debt) of the Target Company were approximately 0%, 63.98%, 75.60% and 92.93%.

FOREIGN EXCHANGE AND OTHER RISKS

During the Reporting Period, as substantially of the business transactions, assets and liabilities of the Target Company were denominated in RMB, it was not subject to any significant exposure to foreign currency risk. Accordingly, during the Reporting Period, the Target Company did not have any formal hedging policies and no financial instrument was used for hedging purposes.

CONTINGENT LIABILITIES

As at 31 December 2020, 2021, 2022 and 30 November 2023, the Target Company did not have any contingent liabilities.

CAPITAL COMMITMENTS

As of 30 November 2023, the Target Company had no material capital commitments.

CHARGES ON ASSETS

As at 30 November 2022 and 2023, the Target Company's loan of RMB100 million was charged by Moganshan Yungu Dexin New Century Mingting Hotel (莫干山雲谷德信開元名庭酒店) under the name of Deqing Moganshan Ruijing Real Estate Co., Ltd. (德清莫干山瑞璟置業有限公司), with a collateral value of RMB250.59 million. The bank loan of the Target Company was RMB27.50 million, among which Zhejiang Liangyu Enterprise Management Co., Ltd. (浙江良譽企業管理有限公司) provided its property with an appraisal value of RMB21.90 million as collateral; Dexin Real Estate Group Co., Ltd. provided its property with an appraisal value of RMB10.10 million as collateral; and Dexin Holding Group Limited (德信控股集團有限公司) provided its property with an appraisal value of RMB8.60 million as collateral.

EMPLOYEE AND REMUNERATION POLICY

The employee costs of the Target Company mainly comprise wages and salaries, pension scheme contributions, housing funds, and other employee benefits during the Reporting Period.

The Target Company has taken factors into account in its salary policy, such as its own human resources policy, market environment, and the overall quality of employees, determined by considering relevant position requirements and fully leveraging the individual abilities of each employee.

**MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES
AND JOINT VENTURES**

The Target Company did not make any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

SIGNIFICANT INVESTMENTS

The Target Company did not have any material investments during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 November 2023, the Target Company did not have any material capital commitments.

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 December 2023 of the property interests held by the Target Company.



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23 February 2024

The Board of Directors
Dexin Services Group Limited (德信服務集團有限公司)
40th Floor, Dah Sing Financial Centre,
No. 248 Queen's Road East,
Wan Chai, Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Dexin Services Group Limited (德信服務集團有限公司) (the "Company") for us to carry out the valuation of the property interests (the 'Properties') located in the People's Republic of China (the "PRC") held by Dexin China Holdings Company Limited (德信中國控股有限公司) (the "Target Company") and its subsidiaries (hereinafter together referred to as the "Target Group"), which are proposed to be acquired by the Company and its subsidiaries (hereinafter together referred to as the "Group"), we confirm that we have carried out the inspection, made relevant enquiries and searches, and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as of 31 December 2023 (the "Valuation Date").

BASIS OF VALUATION AND VALUATION STANDARDS

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

In valuing the Properties, we have complied with all 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 (the "Listing Rules"), the RICS Valuation —

Global Standards 2022 published by the Royal Institution of Chartered Surveyors (“RICS”) and the International Valuation Standards published from time to time by the International Valuation Standards Council.

VALUATION ASSUMPTIONS

Our valuation of the Properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In the course of our valuation of the Properties in the PRC, we have relied on the advice given by the Target Group and its legal advisers (the “PRC Legal Advisers”) regarding the title to the Properties.

In valuing the Properties, we have relied on two legal opinions regarding the Properties provided by the PRC Legal Advisers dated 21 February 2024 (the “PRC Legal Opinion”). Unless otherwise stated, the Target Group has legally obtained the land use rights of the Properties.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed.

VALUATION METHODOLOGY

The property interests in Group I have been valued by market approach which is generally by comparing recent market evidence of similar properties located in the neighborhood area of the subject properties. Adjustments are considered to reflect the differences in various aspects including market conditions, size, location, time, age, quality and any other relevant factors when comparing such sales against the Properties. This approach is commonly used to value properties where reliable market evidence is available.

The property interests in Group II have been valued by Discounted Cash Flow (“DCF”) Approach. DCF Approach involves discounting future net operating income of the subject property for a certain forecast period by using an appropriate discount rate that reflects the rate of return required by a third-party investor for an investment of this type. The net operating income forecast for 5 years has been prepared with reference to the current and anticipated market conditions. After the projection period, the net operating income afterwards is capitalized at an appropriate terminal capitalization rate until the end of the land use term.

We have assigned no commercial value to the property interests for which the Target Group has not possessed either the land titleship or the building ownership documents.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the Properties in the PRC. Where possible, we have examined the original documents to verify the existing title to the Properties in the PRC and any material encumbrance that might be attached to the Properties or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have relied considerably on the PRC Legal Opinion given by the PRC Legal Advisers, concerning the validity of title of the Properties in the PRC.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the subject properties. The site inspection was carried out between 5 July 2023 and 17 August 2023 by Bobby Chan (Assistant Manager) and Turman Cheung (Senior Analyst). They are either chartered surveyors or have more than 3 years of experience in valuation of properties in the PRC.

In the course of our inspection, we did not note any serious defects. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon, nor have we conducted structural surveys to ascertain whether the subject properties are free of rot, infestation, or any other structural defects. Additionally, no tests have been carried out on any of the utility services. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Target Group or the PRC Legal Advisers or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Target Group. We have also sought confirmation from the Target Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuations are summarized below, and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Vincent C B Pang
MRICS CFA FCPA FCPA Australia
RICS Registered Valuer
Managing Partner

Notes: Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., and East and Southeast Asia.

SUMMARY OF VALUES

Group I — Property interests held for sale by the Target Company in the PRC

| No. | Property | Market value in existing state as at 31 December 2023 RMB | Interest Attributable to the Target Company | Market value Attributable to the Target Company as at 31 December 2023 RMB |
|-----|---|--|--|--|
| 1. | 195 car parking spaces located at Montnorth, The intersection of Xingguo Road and Xingchen Road, Linping District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市臨平區興國路與星辰路交匯處嘉悅府的195個車位) | No Commercial Value | 100% | No Commercial Value |
| 2. | 429 car parking spaces located at Yinhu Technology Park, West of the intersection of Fuxian Road and Chuangyi Road, Fuyang District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市富陽區富閑路與創意路交匯處以西銀湖科技園的429個車位) | No Commercial Value | 90.10% | No Commercial Value |
| 3. | 250 car parking spaces located at Heping Dexin Center, The intersection of Shaoxing Road and Desheng Road, Gongshu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市拱墅區紹興路與德勝路交匯處和平德信中心的250個車位) | No Commercial Value | 90.10% | No Commercial Value |
| 4. | 1000 car parking spaces located at Dexin Konggang City, East of the intersection of Jichang Avenue and Kanhong Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市蕭山區機場大道與坎紅路交匯處以東德信空港城的1000個車位) | No Commercial Value | 63.07% | No Commercial Value |
| | Sub-total: | No Commercial Value | | No Commercial Value |

Group II — Property interests held for owner-occupation by the Target Company in the PRC

| No. | Property | Market value in existing state as at 31 December 2023 RMB | Interest Attributable to the Target Company | Market value Attributable to the Target Company as at 31 December 2023 RMB |
|-----|---|--|--|--|
| 5. | Mogan Maison New Century, No. 66 Sanmo Line, Deqing County, Huzhou City, Zhejiang Province, the PRC (中國浙江省湖州市德清縣三莫線66號莫干山 雲谷德信開元名庭酒店) | 261,397,000 | 100% | 261,397,000 |
| | Sub-total: | <u>261,397,000</u> | | <u>261,397,000</u> |
| | Grand-total: | <u><u>261,397,000</u></u> | | <u><u>261,397,000</u></u> |

VALUATION CERTIFICATE

Group I — Property interests held for sale by the Target Company in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2023 RMB |
|-----|---|--|---|--|
| 1. | 195 car parking spaces located at Montnorth, the intersection of Xingguo Road and Xingchen Road, Linping District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市臨平區興國路與星辰路交匯處嘉悅府的195個車位) | <p>The property comprises 152 non-civil air defense car parking spaces and 43 civil air defense car parking spaces within a residential development, namely Montnorth (the “Development”).</p> <p>The property was held for sale as at the Valuation Date.</p> <p>As advised by the Target Group, the Development was completed in 2020.</p> <p>The Development is located in Lingping District, with approximately 6.3 km to Linpingnan Railway Station and 42.5 km to Hangzhou Xiaoshan International Airport.</p> <p>The land use rights of the Development have been granted for a term expiring on 7 December 2087 for residential use.</p> | The property was vacant as at the Valuation Date. | No Commercial Value |

Notes:

- The details addresses are shown as follows:

Car parking spaces Nos. 2, 51, 55 to 56, 58, 76 to 79, 137, 140, 150, 188, 259, 411, 444, 463, 467, 561 to 562, 568, 582, 588, 591, 593 to 594, 597 to 600, 602 to 603, 606 to 608, 627, 633, 665, 702 to 703, 705, 708 to 709, 711 to 712, 714 to 715, 722, 738, 742 to 744, 748 to 750, 752, 754 to 755, 758, 832, 837, 866, 892, 907, 921 to 922, 927 to 928, 931, 933 to 936, 938 to 939, 960 to 961, 966, 977 to 978, 982, 987, 990 to 992, 995 to 996, 998, 1001, 1008 to 1017, 1020 to 1021, 1036, 1040 to 1041, 1044 to 1045, 1049, 1083, 1091, 1113 to 1115, 1120 to 1121, 1123 to 1125, 1127 to 1133, 1135, 1138 to 1139, 1145 to 1146, 1149 to 1154, 1172 to 1173, 1184 to 1186, 1190, 1193, 1208, 1224, 1226 to 1227, 1232 to 1235, 1237, 1240 to 1242, 1244 to 1248, 1251 to 1252, 1254, 1257, 1263 to 1264, 1271 to 1272, 1274, 1285, 1288, 1299, 1333, 1346, 1349, 1371, 1386, 1407 to 1408, 1413, 1416, 1419 to 1420, 1439, 1442, 1448, 1478, 1485, 1491 to 1492, 1499 to 1500, 1504, 1506, 1511 to 1512 located at Montnorth, the intersection of Xingguo Road and Xingchen Road, Linping District, Hangzhou City, Zhejiang Province, the PRC.

2. Pursuant to a Car Parking Space Use Rights Transfer Agreement dated 28 December 2020 between Hangzhou Yuerong Real Estate Development Co., Ltd. (杭州越榮房地產開發有限公司, “Hangzhou Yuerong”) and Hangzhou Kaishen Investment Management Co., Ltd. (杭州凱燊投資管理有限公司, “Hangzhou Kaishen Investment”), which is now renamed to Hangzhou Kaishen Enterprise Management Co., Ltd. (杭州凱燊企業管理有限公司, “Hangzhou Kaishen Enterprise”), in which the Target Company holds an indirect ownership stake of 100%, the rights-of-use of 611 car parking spaces have been contracted to be purchased by Hangzhou Kaishen Investment at a total consideration of RMB66,629,550 (the “Prior Transaction”).

As confirmed by the Target Group, the property comprises a portion of the abovementioned agreement.

3. Pursuant to a Real Estate Ownership Certificate (for land) — Zhe (2017) Yu Hang Qu Bu Dong Chan Quan Di No. 0196670 issued by the Hangzhou Bureau of Land Resources (杭州市國土資源局), the land use rights of the Development with a total site area of approximately 77,631.00 sq.m. have been granted to Hangzhou Yuerong, for a term expiring on 7 December 2087 for residential use.

As confirmed by the Target Group, the property comprises a portion of the abovementioned certificate.

4. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 201701537019, permission for the planning of a land parcel with a total site area of approximately 77,631.00 sq.m. has been granted to Hangzhou Yuerong.

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

5. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 201801537014 in favour of Hangzhou Yuerong, the construction work of the Development with a total gross floor area of approximately 231,562.38 sq.m. has been approved for construction.

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

6. Pursuant to a Construction Work Commencement Permit — No. 330110201803190301, in favour of Hangzhou Yuerong, permission has been given by the relevant local authority to commence the construction work of the Development with a total gross floor area of approximately 231,562.38 sq.m..

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

7. Pursuant to a Completion and Inspection Certified Report authorized by Hangzhou Yuhang District Housing and Urban-Rural Development Bureau (杭州市余杭區住房和城鄉建設局), Hangzhou Yuerong has completed the construction of the Development with a total gross floor area of approximately 231,562.38 sq.m..

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

8. In undertaking our valuation, we have assigned no commercial value to the property since Hangzhou Kaishen Enterprise has yet to obtain proper title certificates of building ownership. For reference purposes, we are of the opinion that the estimated value of the rights-of-use of the property as at the Valuation Date would be RMB17,490,000, assuming the rights-of-use of the property could be freely transferred in the market.

9. We have been provided with the PRC Legal Opinion, which contains, *inter alia*, the following:

- a. Hangzhou Kaishen Enterprise has yet to obtain the land use rights of the property;

- b. Hangzhou Kaishen Enterprise is the owner of the rights-of-use of the property. Hangzhou Kaishen Enterprise has the rights to occupy, use, transfer and lease the rights-of-use of the property;
 - c. The property has not been pledged, mortgaged, or subjected to any other encumbrances;
 - d. The registration of building ownership for car parking spaces in Hangzhou City is impracticable. In practice, developers or rights-of-use owners can transfer the rights-of-use of car parking spaces to transferees through entering one of the following three contracts: long-term Car Parking Space Tenancy Agreements, Car Parking Space Use Rights Transfer Agreements, and Car Parking Space Sale and Purchase Agreements. Meanwhile, the laws and regulations in the PRC do not prohibit the transfer, disposal, and income generation of rights-of-use of car parking spaces that have not completed registration of building ownership;
 - e. According to the Civil Code of the PRC, areas designated for car parking purposes should prioritize the needs of residential flat owners. In the Prior Transaction, Hangzhou Yuerong had an obligation to inform all residential flat owners about the transfer of car parking space rights-of-use to prevent the possibility of residential flat owners asserting the invalidity of the aforementioned Car Parking Space Use Rights Transfer Agreement. On 25 December 2020, Hangzhou Yuerong fulfilled this requirement by notifying all residential flat owners through a formal Notice of Transfer of Remaining Car Parking Space Use Rights. Consequently, it is highly unlikely that the aforementioned Car Parking Space Use Rights Transfer Agreement will be deemed invalid, and therefore the risk of extinguishment for the rights-of-use of car parking spaces acquired by the Group in this transaction is extremely remote; and
 - f. Upon completing the acquisition, the Group has the rights to occupy, use, transfer, and lease the rights-of-use of the property.
10. In the course of our valuation, we assume that the rights-of-use of the property are transferable without legal impediment.
11. As advised by the Company, the Company has planned to sell the rights-of-use of 80 car parking spaces, equivalent to approximately 40% of the property, to community owners on or before 31 December 2024. The Company intends to sell but reserves the option to either sell or lease out the rights-of-use of the remaining 115 car parking spaces, equivalent to approximately 60% of the property, based on the market demand from time to time. This allows the Company to earn rental income and capture potential capital appreciation opportunities.
12. Our valuation has been made on the following basis and analysis:

In the course of our valuation of the property, we have made references to comparables located in the area close to the subject property with similar nature, use, size and accessibility as the subject property. The adjusted unit prices of the comparables range from RMB75,800 to RMB101,700 for each of the rights-of-use of the standard car parking spaces on B1/F. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of type of car parking space, floor, location, time and size, etc..

VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2023 RMB |
|-----|---|--|---|--|
| 2. | 429 car parking spaces located at Yinhu Technology Park, West of the intersection of Fuxian Road and Chuangyi Road, Fuyang District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市富陽區富閑路與創意路交匯處以西銀湖科技園的429個車位) | The property comprises 292 non-civil air defense car parking spaces and 137 civil air defense car parking spaces within a commercial development, namely Yinhu Technology Park (the “Development”). The property was held for sale as at the Valuation Date. As advised by the Target Group, the Development was completed in 2020. The Development is located in Fuyang District, with approximately 19.1 km to Fuyangxi Railway Station and 52.0 km to Hangzhou Xiaoshan International Airport. The land use rights of the Development have been granted for a term expiring on 1 September 2053 for commercial use. | The property was vacant as at the Valuation Date. | No Commercial Value |

Notes:

- The details addresses are shown as follows:

Car parking spaces Nos. 63, 65 to 68, 93, 97 to 99, 119 to 120, 127, 155 to 161, 163, 170, 176, 187 to 193, 195, 239, 305, 318 to 319, 321 to 322, 333, 335 to 336, 351, 367 to 369, 387, 398 to 399, 500, 509 to 510, 521 to 523, 536 to 539, 550, 555 to 563, 569, 572 to 573, 575, 598 to 603, 605 to 607, 613, 615 to 622, 635 to 639, 650 to 653, 655 to 656, 659 to 661, 716 to 721, 723, 725, 727, 751, 761, 804, 838, 867, 891, 893, 898, 921 to 922, 924, 934, 936 to 970, 972, 977, 982, 987 to 988, 992 to 995, 1021, 1024 to 1025, 1028, 1030 to 1041, 1044 to 1045, 1047, 1050 to 1053, 1059 to 1080, 1083, 1087, 1109, 1114 to 1115, 1117 to 1128, 1136 to 1176, 1178, 1184, 1186 to 1187, 1189 to 1244, 1247, 1250, 1257, 1267, 1270, 1273, 1276 to 1277, 1279, 1281 to 1288, 1297 to 1337, 1341 to 1348, 1350 to 1359, 1396 to 1406, 1425 to 1436 located at Yinhu Technology Park, West of the intersection of Fuxian Road and Chuangyi Road, Fuyang District, Hangzhou City, Zhejiang Province, the PRC.

- Pursuant to a State-owned Land Use Right Certificate — Fu Guo Yong (2016) Di No. 009288 issued by the Hangzhou Bureau of Land Resources, Fuyang Branch (杭州市國土資源局富陽分局), the land use rights of the Development with a total site area of approximately 77,030.00 sq.m. have been granted to Hangzhou Wangxin Yinhu Real Estate Co., Ltd. (杭州網新銀湖置業有限公司, “Hangzhou Wangxin

Yinhu”), which is now renamed to Hangzhou Deyin Real Estate Co., Ltd. (杭州德銀置業有限公司, “Hangzhou Deyin”), in which the Target Company holds a direct ownership stake of 90.10%, for a term expiring on 1 September 2053 for commercial use.

As confirmed by the Target Group, the property comprises a portion of the abovementioned certificate.

3. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 330183201300080, permission for the planning of a land parcel with a total site area of approximately 77,030.00 sq.m. has been granted to Hangzhou Wangxin Yinhu.

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 330183201800174 in favour of Hangzhou Wangxin Yinhu, the construction work of the Development with a total gross floor area of approximately 136,674.80 sq.m. has been approved for construction.

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

5. Pursuant to a Construction Work Commencement Permit — No. 330183201811190101, in favour of Hangzhou Wangxin Yinhu, permission has been given by the relevant local authority to commence the construction work of the Development with a total gross floor area of approximately 136,674.80 sq.m..

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

6. Pursuant to a Completion and Inspection Certified Report authorized by Hangzhou Fuyang District Housing and Urban-Rural Development Bureau (杭州市富陽區住房和城鄉建設局), Hangzhou Wangxin Yinhu has completed the construction of the Development with a total gross floor area of approximately 136,674.80 sq.m..

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

7. In undertaking our valuation, we have assigned no commercial value to the property since Hangzhou Deyin has yet to obtain proper title certificates of building ownership. For reference purposes, we are of the opinion that the estimated value of the rights-of-use of the property as at the Valuation Date would be RMB27,710,000, assuming the rights-of-use of the property could be freely transferred in the market.

8. We have been provided with the PRC Legal Opinion, which contains, *inter alia*, the following:

- a. Hangzhou Deyin has obtained the land use rights of the property;
- b. Hangzhou Deyin is the legal owner of the property. Hangzhou Deyin has the rights to occupy, use, transfer and lease the property;
- c. The property has not been pledged, mortgaged, or subjected to any other encumbrances;
- d. The registration of building ownership for car parking spaces in Hangzhou City is impracticable. In practice, developers or rights-of-use owners can transfer the rights-of-use of car parking spaces to transferees through entering one of the following three contracts: long-term Car Parking Space Tenancy Agreements, Car Parking Space Use Rights Transfer Agreements, and Car Parking Space Sale and Purchase Agreements. Meanwhile, the laws and regulations in the PRC do not prohibit the transfer, disposal, and income generation of rights-of-use of car parking spaces that have not completed registration of building ownership; and

- e. Upon completing the acquisition, the Group has the rights to occupy, use, transfer, and lease the rights-of-use of the property.
- 9. In the course of our valuation, we assume that the rights-of-use of the property are transferable without legal impediment.
- 10. As advised by the Company, the Company intends to lease out but reserves the option to either sell or lease out the rights-of-use of the property based on the market demand from time to time. This allows the Company to earn rental income and capture potential capital appreciation opportunities.
- 11. Our valuation has been made on the following basis and analysis:

In the course of our valuation of the property, we have made references to comparables located in the area close to the subject property with similar nature, use, size and accessibility as the subject property. The adjusted unit prices of the comparables range from RMB54,800 to RMB68,000 for each of the rights-of-use of the standard car parking spaces on B1/F. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of type of car parking space, floor, location, time and size, etc.

VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2023 RMB |
|-----|--|---|---|--|
| 3. | 250 car parking spaces located at Heping Dexin Center, the intersection of Shaoxing Road and Desheng Road, Gongshu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市拱墅區紹興路與德勝路交匯處和平德信中心的250個車位) | The property comprises 234 non-civil air defense car parking spaces and 16 civil air defense car parking spaces within a commercial development, namely Heping Dexin Center (the “Development”). The property was held for sale as at the Valuation Date. As advised by the Target Group, the Development was completed in 2023. The Development is located in Gongshu District, with approximately 5.7 km to Hangzhoudong Railway Station and 32.2 km to Hangzhou Xiaoshan International Airport. The land use rights of the Development have been granted for a term expiring on 21 July 2060 for commercial use. | Portions of the property of 20 non-civil air defense car parking spaces were leased to a tenant as at the Valuation Date. The remaining portions of the property was vacant as at the Valuation Date. | No Commercial Value |

Notes:

- The details addresses are shown as follows:

Car parking spaces Nos. 78 to 82, 85 to 129, 204 to 226, 243 to 266, 268 to 342, 358 to 363, 466 to 471, 475 to 478, 512 to 523, 526 to 532, 535 to 541, 544 to 550, 553 to 567, 595 to 608 located at Heping Dexin Center, the intersection of Shaoxing Road and Desheng Road, Gongshu District, Hangzhou City, Zhejiang Province, the PRC.

- Pursuant to a Real Estate Ownership Certificate (for land) — Zhe (2020) Hang Zhou Shi Bu Dong Chan Quan Di No. 0164484 issued by the Hangzhou Bureau of Planning and Natural Resources (杭州市規劃和自然資源局), the land use rights of the Development with a total site area of approximately 16,895.00 sq.m. have been granted to Hangzhou Desheng Real Estate Co., Ltd. (杭州德昇置業有限公司, “Hangzhou Desheng”), in which the Target Company holds a direct ownership stake of 90.10%, for a term expiring on 21 July 2060 for commercial use.

As confirmed by the Target Group, the property comprises a portion of the abovementioned certificate.

3. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 330100202000047, permission for the planning of a land parcel with a total site area of approximately 16,895.00 sq.m. has been granted to Hangzhou Desheng.

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 330100202000310 in favour of Hangzhou Desheng, the construction work of the Development with a total gross floor area of approximately 75,045.00 sq.m. has been approved for construction.

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

5. Pursuant to a Construction Work Commencement Permit — No. 330103202009110101, in favour of Hangzhou Desheng, permission has been given by the relevant local authority to commence the construction work of the Development with a total gross floor area of approximately 75,045.00 sq.m..

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

6. Pursuant to a Completion and Inspection Certified Report authorized by Hangzhou Gongshu District Housing and Urban Development Bureau (杭州市拱墅區住房和城市建設局), Hangzhou Desheng has completed the construction of the Development with a total gross floor area of approximately 75,045.00 sq.m..

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

7. Pursuant to a Tenancy Agreement, 20 car parking spaces had been leased to an independent third party at a total monthly rent of RMB13,000, inclusive of value-added tax, management fees and utility fees, for a term with the expiry date of 30 June 2033.

8. In undertaking our valuation, we have assigned no commercial value to the property since Hangzhou Desheng has yet to obtain proper title certificates of building ownership. For reference purposes, we are of the opinion that the estimated value of the rights-of-use of the property as at the Valuation Date would be RMB63,340,000, assuming the rights-of-use of the property could be freely transferred in the market.

9. We have been provided with the PRC Legal Opinion, which contains, *inter alia*, the following:

- a. Hangzhou Desheng has obtained the land use rights of the property;
- b. Hangzhou Desheng is the legal owner of the property. Hangzhou Desheng has the rights to occupy, use, transfer and lease the property;
- c. The property has not been pledged, mortgaged, or subjected to any other encumbrances;
- d. The registration of building ownership for car parking spaces in Hangzhou City is impracticable. In practice, developers or rights-of-use owners can transfer the rights-of-use of car parking spaces to transferees through entering one of the following three contracts: long-term Car Parking Space Tenancy Agreements, Car Parking Space Use Rights Transfer Agreements, and Car Parking Space Sale and Purchase Agreements. Meanwhile, the laws and regulations in the PRC do not prohibit the transfer, disposal, and income generation of rights-of-use of car parking spaces that have not completed registration of building ownership; and
- e. Upon completing the acquisition, the Group has the rights to occupy, use, transfer, and lease the rights-of-use of the property.

10. In the course of our valuation, we assume that the rights-of-use of the property are transferable without legal impediment.
11. As advised by the Company, the Company intends to lease out but reserves the option to either sell or lease out the rights-of-use of the property based on the market demand from time to time. This allows the Company to earn rental income and capture potential capital appreciation opportunities.
12. Our valuation has been made on the following basis and analysis:

In the course of our valuation of the property, we have made references to comparables located in the area close to the subject property with similar nature, use, size and accessibility as the subject property. The adjusted unit prices of the comparables range from RMB264,400 to RMB298,500 for each of the rights-of-use of the standard car parking spaces on B1/F. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of type of car parking space, floor, location, time and size, etc.

VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2023 RMB |
|-----|--|--|--|--|
| 4. | 1000 car parking spaces located at Dexin Konggang City, East of the intersection of Jichang Avenue and Kanhong Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市蕭山區機場大道與坎紅路交匯處以東德信空港城的1000個車位) | The property comprises 1000 non-civil air defense car parking spaces within a commercial development, namely Dexin Konggang City (the “Development”). The property was held for sale as at the Valuation Date. As advised by the Target Group, the Development was completed in 2023. The Development is located in Xiaoshan District, with approximately 24.6 km to Hangzhou Railway Station and 5.7 km to Hangzhou Xiaoshan International Airport. The land use rights of the Development have been granted for a term expiring on 10 September 2053 for commercial use. | Portions of the property of 21 non-civil air defense car parking spaces were leased to a tenant as at the Valuation Date. The remaining portions of the property was vacant. | No Commercial Value |

Notes:

- The details addresses are shown as follows:

Car parking spaces Nos. B1-191 to B1-198, B1-272 to B1-333, B1-591 to B1-699, B1-810 to B1-907, B1-929 to B1-990, B1-1009 to B1-1045, B1-1070 to B1-1126, B1-1128 to B1-1194, B2-544 to B2-649, B2-683 to B2-791, B2-834 to B2-930, B2-960 to B2-965, B2-968 to B2-969, B2-971 to B2-1025, B2-1047 to B2-1069, B2-1071 to B2-1082, B2-1107 to B2-1119, B2-1124 to B2-1136, B2-1138 to B2-1145, B2-1147 to B2-1166, B2-1205, B2-1207, B2-1211 to B2-1234, B2-1237 to B2-1238, B2-1240 to B2-1247 located at Dexin Konggang City, East of the intersection of Jichang Avenue and Kanhong Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC.

- Pursuant to a State-owned Land Use Right Certificate — Hang Xiao Guo Yong (2013) Di No. 1200019 issued by the Hangzhou Bureau of Planning and Natural Resources (杭州市規劃和自然資源局), the land use rights of the Development with a total site area of approximately 99,078.04 sq.m. have been granted to Hangzhou Konggang Real Estate Co., Ltd. (杭州空港置業有限公司, “Hangzhou Konggang”), in which the Target Company holds a direct ownership stake of 63.07%, for a term expiring on 10 September 2053 for commercial use.

As confirmed by the Target Group, the property comprises a portion of the abovementioned certificate.

3. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 330109201800226, permission for the planning of a land parcel with a total site area of approximately 156,346.00 sq.m. has been granted to Hangzhou Konggang.

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 330109201900120 in favour of Hangzhou Konggang, the construction work of the Development with a total gross floor area of approximately 393,821.50 sq.m. has been approved for construction.

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

5. Pursuant to a Construction Work Commencement Permit — No. 330109201905200101, in favour of Hangzhou Konggang, permission has been given by the relevant local authority to commence the construction work of the Development with a total gross floor area of approximately 411,859.82 sq.m..

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

6. Pursuant to a Completion and Inspection Certified Report authorized by Hangzhou Xiaoshan District Housing and Urban-Rural Development Bureau (杭州市蕭山區住房和城鄉建設局), Hangzhou Konggang has completed the construction of the Development with a total gross floor area of approximately 393,821.50 sq.m..

As confirmed by the Target Group, the property comprises a portion of the abovementioned permit.

7. Pursuant to a Tenancy Agreement, 110 car parking spaces had been leased to an independent third party for a term with the expiry date on 31 October 2042.

As confirmed by the Target Group, the subject property includes 21 car parking spaces that are part of the aforementioned agreement, with a total monthly rent of RMB12,600, inclusive of value-added tax, management fees, and utility fees.

8. In undertaking our valuation, we have assigned no commercial value to the property since Hangzhou Konggang has yet to obtain proper title certificates of building ownership. For reference purposes, we are of the opinion that the estimated value of the rights-of-use of the property as at the Valuation Date would be RMB123,210,000, assuming the rights-of-use of the property could be freely transferred in the market.

9. We have been provided with the PRC Legal Opinion, which contains, *inter alia*, the following:

- a. Hangzhou Konggang has obtained the land use rights of the property;
- b. Hangzhou Konggang is the legal owner of the property. Hangzhou Konggang has the rights to occupy, use, transfer and lease the property;
- c. The property has not been pledged, mortgaged, or subjected to any other encumbrances;
- d. The registration of building ownership for car parking spaces in Hangzhou City is impracticable. In practice, developers or rights-of-use owners can transfer the rights-of-use of car parking spaces to transferees through entering one of the following three contracts: long-term Car Parking Space Tenancy Agreements, Car Parking Space Use Rights Transfer Agreements, and Car Parking Space Sale and Purchase Agreements. Meanwhile, the laws and regulations in the PRC do not prohibit the transfer, disposal, and income generation of rights-of-use of car parking spaces that have not completed registration of building ownership; and

- e. Upon completing the acquisition, the Group has the rights to occupy, use, transfer, and lease the rights-of-use of the property.
- 10. In the course of our valuation, we assume that the rights-of-use of the property are transferable without legal impediment.
- 11. As advised by the Company, the Company intends to lease out but reserves the option to either sell or lease out the rights-of-use of the property based on the market demand from time to time. This allows the Company to earn rental income and capture potential capital appreciation opportunities.
- 12. Our valuation has been made on the following basis and analysis:

In the course of our valuation of the property, we have made references to comparables located in the area close to the subject property with similar nature, use, size and accessibility as the subject property. The adjusted unit prices of the comparables range from RMB113,300 to RMB151,100 for each of the rights-of-use of the standard car parking spaces on B1/F. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of type of car parking space, floor, location, time and size, etc.

VALUATION CERTIFICATE

Group II — Property interests held for owner-occupation by the Target Company in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2023 RMB |
|-----|---|---|---|--|
| 5. | Mogan Maison New Century, No. 66 Sanmo Line, Deqing County, Huzhou City, Zhejiang Province, the PRC (中國浙江省湖州市德清縣三莫線66號莫干山雲谷德信開元名庭酒店) | The property comprises six 1- to 4-storey hotel buildings over a 1-storey basement, with a total gross floor area of approximately 31,955.09 sq.m.. It is collectively referred to as a luxury resort namely Mogan Maison New Century. The property accommodates a total of 162 standard guestrooms, 5 family rooms, 19 superior suites, 3 restaurants, 1 bar, 1 banquet hall, 10 conference rooms and various recreational amenities including but not limited to indoor swimming pool and fitness center. The property was held for operation as at the Valuation Date. As advised by the Target Group, the property was completed in 2021. The property is located in Deqing County, with approximately 9.6 km to Deqingxi Railway Station and 81.3 km to Hangzhou Xiaoshan International Airport. The land use rights of the property have been granted for a term expiring on 24 March 2059 for commercial use. | The property was occupied by the Target Group as at the Valuation Date for hotel operation purpose. | 261,397,000 (100% interest attributable to the Target Company: 261,397,000) |

Notes:

- Pursuant to a Real Estate Ownership Certificate — Zhe (2021) De Qing Xian Bu Dong Chan Quan Di No. 0024577 issued by the Deqing Municipal Bureau of Natural Resources and Planning (德清縣自然資源和規劃局), the land use rights of the property with a total site area of approximately 17,819.66 sq.m. for a term expiring on 24 March 2059 for commercial use and the building ownership of the property with a total

gross floor area of approximately 31,955.09 sq.m. for commercial use have been vested in Deqing Moganshan Ruijing Real Estate Co., Ltd. (德清莫干山瑞璟置業有限公司, “Deqing Moganshan Ruijing”), in which the Target Company holds an indirect ownership stake of 100%.

2. We have been provided with the PRC Legal Opinion, which contains, *inter alia*, the following:
 - a. Deqing Moganshan Ruijing has obtained the land use rights and building ownership of the property;
 - b. The property has been pledged to Huzhou Feiying Financial Leasing Co., Ltd. (湖州市飛英融資租賃有限公司) and Yuhang Jinkong Micro Finance Co., Ltd. (余杭金控小額貸款有限公司);
 - c. The property has not subjected to any other encumbrances; and
 - d. Deqing Moganshan Ruijing is the legal owner of the property. Deqing Moganshan Ruijing has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property. However, during the validity period of the mortgage, Deqing Moganshan Ruijing is subject to contractual provisions that impose restrictions or prohibitions on the transfer, mortgage, or disposal of the property. Deqing Moganshan Ruijing has the complete rights of the property the pledges are withdrawn.
3. In the course of our valuation, we assume that the property is transferable without legal impediment.
4. Our valuation has been made on the following basis and analysis:

In the course of our valuation of the property, we have adopted the DCF approach. Our assumptions and forecast are mainly derived from the actual operating data and the market data available to us. More details are shown as follows:

- a. Average Daily Room Rate (“ADR”) : RMB678 for the first projection year (“Year 1”)
- b. Annual growth in ADR : 6.0% for the Year 1; stabilized at 2.0%
- c. Average annual occupancy rate : 52.1% for the Year 1; stabilized at 63.0%
- d. Annual growth in total room revenue : 18.7% for the Year 1
- e. Food and Beverage (“F&B”) Revenue : stabilized at 41.1% of total room revenue
- f. Annual growth in F&B revenue : 39.3% for the Year 1; stabilized at 2.0%
- g. Discount Rate : 8.0%
- h. Terminal growth rate : 2.0%

**(1) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) has been prepared by the Directors of the Company to illustrate the effect of the proposed acquisition of Target Company and Target Parking Spaces (the “Acquisitions”), assuming the transaction had been completed as at 30 June 2023, might have affected the financial position of the Group.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 as extracted from the interim report of the Group for the period ended 30 June 2023, the audited statement of financial position of the Target Company as at 30 November 2023 as extracted from the accountants’ report as set out in Appendix II of this Circular after making certain pro forma adjustments resulting from the Acquisitions.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisitions actually occurred on 30 June 2023. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group’s future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular and other financial information included elsewhere in the Circular.

(2) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

| | The Group RMB'000 (Unaudited) Note 1 | The Target Company RMB'000 (Audited) Notes 2, 6 | Pro forma adjustment RMB'000 Note 3 | Pro forma adjustment RMB'000 Note 4 | Pro forma adjustment RMB'000 Note 5 | Pro forma adjustment RMB'000 Note 6 | Unaudited pro forma total for the Enlarged Group RMB'000 |
|---|---|---|--|--|--|--|---|
| Non-current assets | | | | | | | |
| Property, plant and equipment and right-of-use assets | 9,130 | 317 | | 74,275 | 181,464 | 76,636 | 341,822 |
| Investment properties | — | 181,464 | | 120,000 | (181,464) | | 120,000 |
| Intangible assets | 3,036 | — | | | | | 3,036 |
| Deferred income tax assets | 8,725 | — | | | | 3,681 | 12,406 |
| Investment in associates | 523 | — | | | | | 523 |
| Loan and other receivables | 315,000 | — | | | | | 315,000 |
| | <u>336,414</u> | <u>181,781</u> | <u>—</u> | <u>194,275</u> | <u>—</u> | <u>80,317</u> | <u>792,787</u> |
| Current assets | | | | | | | |
| Inventories | 6,777 | 1,300 | — | 17,160 | | | 25,237 |
| Trade and other receivables and prepayments | 836,040 | 1,148 | (250,000) | | | | 587,188 |
| Bank and cash balances | 196,820 | 15 | 250,000 | (211,435) | | (90,000) | 145,400 |
| | <u>1,039,637</u> | <u>2,463</u> | <u>—</u> | <u>(194,275)</u> | <u>—</u> | <u>(90,000)</u> | <u>757,825</u> |
| Current liabilities | | | | | | | |
| Trade and other payables | 356,109 | 11,798 | | | | | 367,907 |
| Contract liabilities | 154,123 | — | | | | | 154,123 |
| Amount due to the Remaining Group | — | 35,263 | | | | | 35,263 |
| Borrowings | 27,000 | 100,000 | | | | | 127,000 |
| Lease liabilities | 1,208 | — | | | | | 1,208 |
| Current income tax liabilities | 45,955 | — | | | | | 45,955 |
| | <u>584,395</u> | <u>147,061</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>731,456</u> |
| Net current assets/ (liabilities) | <u>455,242</u> | <u>(144,598)</u> | <u>—</u> | <u>(194,275)</u> | <u>—</u> | <u>(90,000)</u> | <u>26,369</u> |
| Total assets less current liabilities | <u>791,656</u> | <u>37,183</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(9,683)</u> | <u>819,156</u> |
| Non-current liabilities | | | | | | | |
| Borrowings | — | 27,500 | | | | | 27,500 |
| Lease liabilities | 540 | — | | | | | 540 |
| | <u>540</u> | <u>27,500</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>28,040</u> |
| Net assets | <u>791,116</u> | <u>9,683</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(9,683)</u> | <u>791,116</u> |

(3) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

- (1) The balances have been extracted from the interim report of the Group for the six months ended 30 June 2023.
- (2) The balances of the Target Company are extracted from the accountants' report as set out in Appendix II to the Circular.
- (3) In connection with the Acquisition of Target Parking Spaces, upon completion, the deposits paid by the Group of RMB250,000,000 will be refunded to the Group by Dexin China.
- (4) Being adjustment for the addition of investment properties, inventories and property, plant and equipment as a result of Acquisition of Target Parking Spaces, the costs of which represent the cash consideration of RMB211,435,000.

Target Assets A and B will be operated by the Group and will be classified as property, plant and equipment.

Target Assets C will be sold on a proprietary bases and will be classified as inventories.

Target Assets D will be leased out for rental income and will be classified as investment properties. They are initially measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost of investment property less its estimated residual value using the straight line method over its estimated useful life and will be recognised in profit or loss.

Accordingly, the consideration for the Acquisition of Target Parking Spaces will be allocated as follows:

| | <i>RMB'000</i> |
|---------------------------------|-----------------------|
| Properties, plant and equipment | 74,275 |
| Inventories | 17,160 |
| Investment properties | <u>120,000</u> |
| Consideration satisfied by cash | <u><u>211,435</u></u> |

- (5) Being reclassification of the Target Company's property (the "Property") from investment properties to property, plant and equipment.
- (6) The Group will treat the acquisition of Target Company as assets acquisition as there is no organised workforce acquired. In assets acquisition, the consideration is allocated to the individual assets and liabilities on the basis of their relative fair value.

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

The adjustment represents the followings:

- (i) The settlement of cash consideration of RMB90,000,000;
- (ii) Recognition of deferred tax assets of Target Company's unused tax losses of approximately RMB3,681,000; and
- (iii) Allocation of the consideration to individual assets and liabilities of the Target Company. It is assumed that, other than the Property, the individual assets and liabilities of the Target Company represent their respective fair value. Accordingly, the consideration is allocated as follow.

| | <i>RMB'000</i> |
|---------------------------------|----------------------|
| Net assets of Target Company | 9,683 |
| Deferred tax assets recognised | 3,681 |
| The Property | <u>76,636</u> |
| Consideration satisfied by cash | <u><u>90,000</u></u> |

**B ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

23 February 2024

The Board of Directors
Dexin Services Group Limited
40/F., Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Dexin Services Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 June 2023 (the "Statement") as set out on pages V-1 to V-4 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Statement are described on pages V-1 to V-4 in the Circular.

The Statement has been compiled by the directors to illustrate the impact of the proposed acquisition of 100% interest in Target Company and Target Parking Spaces on the Group's financial position as at 30 June 2023 as if the transactions had been taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's condensed financial statements as included in the interim report for the six months ended 30 June 2023, on which no audit or review report has been published. Information about the Target Company's financial position as at 30 November 2023 has been extracted by the directors from the accountant's report of the Target Company as set out in Appendix II to the circular.

Directors' Responsibility for the Statement

The directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 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 Management

We have complied with the independence and other ethical requirement 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.

The firm applies Hong Kong Standard on Quality Management 1, 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 Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement 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 Statement 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 accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” 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 Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or 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 event or transaction at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Statement 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 Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

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 Statement 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 purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

23 February 2024

The Board of Directors
Dexin Services Group Limited

Dear Sirs,

We have examined the principal accounting policies adopted in and the calculations of the discounted cash flow forecast (the “Forecast”) underlying the valuation (the “Valuation”) of Moganshan Yungu Dexin New Century Mingting Hotel (the “Asset”) performed by AVISTA Valuation Advisory Limited (the “Valuer”) in respect of the appraisal of the fair value of the Asset as at the reference date of 31 December 2023 in connection with the circular of Dexin Services Group Limited (the “Company”) dated 23 February 2024 (the “Circular”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Directors’ Responsibilities

The directors of the Company are solely responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the “Assumptions”).

Our Independence and Quality Management

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

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or 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 on the accounting policies and calculations of the Forecast based on our procedures and to report our opinion solely to you, as a body, solely for the purpose in connection with the Circular and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Forecast in accordance with the Assumptions adopted by the directors and as to whether the Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the directors as set out in Appendix II of the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

**REPORT FROM THE COMPANY ON PROFIT FORECAST OF THE TARGET
COMPANY**

23 February 2024

Dear Sirs,

Major and Connected Transaction in relation to the Equity Acquisition

We refer to the valuation report dated 23 February 2024 prepared by AVISTA Valuation Advisory Limited (the “Valuer”) in relation to the appraisal of the fair value of Moganshan Yungu Dexin New Century Mingting Hotel as at the reference date of 31 December 2023 (the “Valuation”).

The Valuation, which is prepared based on the future estimated cash flow method, is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have discussed with the Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report from our reporting accountants, Zhonghui Anda CPA Limited, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry.

For and on behalf of
Dexin Services Group Limited
Hu Yiping
Chairman

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 Group. 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. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

a) Interests and short positions of directors and chief executives in share, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests or short positions of each of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules were as follows:

| Name of Director | Nature of interest | Number of Shares interested | Percentage of the Company's issued share capital |
|------------------------------------|---|-----------------------------|--|
| Mr. Hu Yiping (<i>Note 1</i>) | Interest in controlled corporation (<i>Note 1</i>) Interest of spouse (<i>Note 1</i>) | 529,202,279 | 56.46% |

Note:

- (1) Shengfu International Limited (“**Shengfu International**”) is owned as to 91.60% by Mr. Hu and 8.40% by Ms. Wei Peifen (“**Ms. Wei**”), the spouse of Mr. Hu. By virtue of the SFO, Mr. Hu and Ms. Wei are deemed to be interested in the Shares held by Shengfu International.

b) Interests in Shares of the Company's associated corporation

| Director | Name of associated corporation | Nature of interest | Number of Shares interested | Approximate percentage of issued Shares as at the Latest Practicable Date |
|-------------------------------------|---------------------------------------|---------------------------|------------------------------------|--|
| Executive Director Mr. Hu Yiping | Shengfu International | Beneficial owner | 458 | 91.60% |

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) of the Company which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director was a director or employee of a company which has an interest or short position in the shares and underlying share of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

| Name of the company | Name of the Director | Position held by the Director in the company |
|----------------------------|-----------------------------|---|
| Shengfu International | Mr. Hu Yiping | executive director |
| Kaibang International | Ms. Zheng Peng | executive director |

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any of the Directors and based on the publicly available information as at the Latest Practicable Date, the following persons (other than a person who is a Director or chief executive of the Company) had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general

meetings of any other member of the Group, or which was recorded in the register required to be kept by the Company (the “**Register**”) under section 336 of the SFO:

| Name of substantial shareholder | Capacity/Nature of interest | Number of shares | Percentage of the Company’s issued share capital (Note 1) |
|---|------------------------------------|------------------|--|
| Shengfu International (Note 2) | Beneficial owner | 529,202,279 | 56.46% |
| Ms. Wei Peifen (Note 2) | Interest of spouse | 529,202,279 | 56.46% |
| Kaibang International (Note 3) | Beneficial owner | 129,629,630 | 13.83% |
| HuaAn Fund — Huamei Investment QDII* (華安基金 — 華媒投資QDII), HuaAn Fund — Nacity Property Service QDII* (華安基金 — 南都物業QDII), HuaAn Fund — Ruiyang QDII* (華安基金 — 瑞揚QDII) and other asset management plans represented by HuaAn Fund Management Co., Ltd.* (華安基金管理有限公司) (Note 4) | Other (Note 4) | 70,558,000 | 7.53% |
| HONG KONG MEI LUN INT’L CO., LIMITED (“ HK Mei Lun ”) (Note 5) | Beneficial owner | 53,418,803 | 5.70% |
| Ms. Shen Yuehua (“ Ms. Shen ”) | Interest in controlled corporation | 53,418,803 | 5.70% |
| Mr. Jin Liang (“ Mr. Jin ”) | Interest of spouse | 53,418,803 | 5.70% |

Notes:

- (1) As at the Latest Practicable Date, the total number of issued Shares of the Company was 937,308,000 Shares.
- (2) Shengfu International is owned as to 91.60% by Mr. Hu and 8.40% by Ms. Wei, the spouse of Mr. Hu. By virtue of the SFO, Mr. Hu and Ms. Wei are deemed to be interested in the Shares held by Shengfu International.
- (3) Kaibang International is owned by 16 individuals and is owned as to approximately 11.01% by Mr. Tang Junjie (唐俊傑) (an executive Director), 4.50% by Mr. Liu Yibing (劉義兵), 1.25% by Mr. Chen Xin (陳昕), 1.50% by Ms. Zhao Lixiang (趙麗湘) and 1.20% by Mr. Zheng Mingjun (鄭明軍) (each of them a member of the senior management of the Company), 30.12% by Ms. Zhu Hong (朱紅), 30.12% by Ms. Wei Yuefen (魏月芬), 7.94% by Mr. Fei Zhongmin (費忠敏), 1.92% by Mr. Shi Yonghua (石永華), 1.92% by Mr. Meng Jianping (孟建平), 1.92% by Mr. Shi Binbin (施斌斌), 1.92% by Mr. Ding Genming (丁根明), 1.37% by Mr. Feng Yu (馮宇), 0.60% by Mr. Chen Jiangqian (陳江錢), 1.00% by Ms. Zhao Yuanyuan (趙園園) (each of them an employee of the Group), and 1.70% by Ms. Zhu Xiaoli (朱曉莉).

- (4) HuaAn Fund — Huamei Investment QDII* (華安基金 — 華媒投資QDII), HuaAn Fund — Nacity Property Service QDII* (華安基金 — 南都物業QDII) and HuaAn Fund — Ruiyang QDII* (華安基金 — 瑞揚QDII) single asset management plans held 31,045,000, 6,523,000 and 32,990,000 shares of the Company, respectively. Their respective trustors are Zhejiang Huamei Investment Co., Ltd.* (浙江華媒投資有限公司), Nacity Property Service Group Co., Ltd.* (南都物業服務集團股份有限公司) and Hangzhou Ruiyang Supply Chain Management Co., Ltd.* (杭州瑞揚供應鏈管理有限公司).
- (5) HK Mei Lun is owned as to approximately 93.9% by Ms. Shen and 6.1% by Mr. Jin, the spouse of Ms. Shen. By virtue of the SFO, Ms. Shen and Mr. Jin are deemed to be interested in the Shares held by HK Mei Lun.

Save as disclosed above, as at the Latest Practicable Date, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, other than a Director or the chief executive of the Company, none of the Shareholders had any interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes 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 Group were made up).

5. MATERIAL CONTRACTS

The following contract (not being contracts entered into in the ordinary course of business) has been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date which is or may be material:

- a) Loan Agreement dated 16 December 2022 entered into between Shanghai Xuquan Trading Co., Ltd.* (上海栩全商貿有限公司), an indirect wholly-owned subsidiary of the Company as the lender (the “**Lender**”) and Hangzhou Ruiyang Supply Chain Management Co., Ltd.* (杭州瑞揚供應鏈管理有限公司), a business partner of the Company and an Independent Third Party, as the borrower (the “**Borrower**”) in relation to a loan in the principal amount of up to RMB315 million to be advanced by the Lender to the Borrower.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, saved as disclosed in this circular, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against the Enlarged Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Enlarged Group, excluding contracts expiring or determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

8. DIRECTORS INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

9. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, save for the interest of Mr. Hu Yiping and Mr. Tang Junjie in transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement as disclosed on pages 8 to 32 of this circular, none of the Directors had: (i) any direct or indirect interests in any asset which have been since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Enlarged Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or lease to any member of the Enlarged Group; or (ii) any subsisting material interest in any contract or arrangement at the date of this circular which is significant in relation to the business of the Enlarged Group.

10. EXPERTS AND CONSENT

- a) The following is the qualification of the experts who have provided advice referred to or contained in this circular:

| Name | Qualification |
|-----------------------------------|---|
| Lego Corporate Finance Limited | A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO |
| Zhonghui Anda CPA Limited | Certified Public Accountants |
| Avista Valuation Advisory Limited | Independent Valuer |

- b) As at the Latest Practicable Date, each of the experts named above had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.
- c) Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice or report and reference to its name in the form and context in which it appears. The letter or report from each of the above experts was given as of the date of this circular for incorporation in this circular.
- d) As at the Latest Practicable Date, each of the experts named above did not have any interest, direct or indirect, in any assets which has been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up).

11. GENERAL

- a) The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- b) The Company's head office is located at Room 488, Building 2, No. 2008–2010 Jinchang Road, Liangzhu Street, Hangzhou, Zhejiang Province, the PRC.
- c) The principal place of business of the Company in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

- d) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1110, Cayman Islands.
- e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- f) The company secretary of the Company is Ms. Lin Sio Ngo (“**Ms. Lin**”). Ms. Lin holds a bachelor's degree in business administration and a master's degree in corporate governance both from Hong Kong Metropolitan University, and is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.
- g) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

12. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.dexinfuwu.com) for a period of 14 days from the date of this circular (both days inclusive):

- a) Each of the Underground Parking Space Use Rights Transfer Agreements;
- b) the Equity Transfer Agreement;
- c) the Termination Agreement;
- d) the Parking Space Leasing and Sales Agency Services Framework Agreement;
- e) the letter from the Board, the text of which is set out on pages 7 to 38 of this circular;
- f) the letter from the Independent Board Committee, the text of which is set out on pages 39 to 40 in this circular;
- g) the letter from the Independent Financial Adviser, the text of which is set out on pages 41 to 70 in this circular;
- h) the accountants' report of the Target Company from Zhonghui Anda CPA Limited, the text of which is set out in Appendix II to this circular;
- i) the valuation report of the Target Parking Spaces and the Property issued by the Valuer as set out in Appendix IV to this circular;
- j) the report from Zhonghui Anda CPA Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;

- k) the report from Zhonghui Anda CPA Limited and the report from the Company on profit forecast of the Target Company, the text of which is set out in Appendix VI to this circular;
- l) the written consent from the experts referred to in the paragraph headed “10. Experts and Consent” in this Appendix;
- m) the material contracts referred to in the paragraph headed “5. Material Contracts” in this Appendix;
- n) the annual reports of the Company for the year ended 31 December 2022 and 2021 and the interim report of the Company for the six months ended 30 June 2023; and
- o) this circular.



Dexin Services Group Limited

德信服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2215)

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “EGM”) of Dexin Services Group Limited (the “Company”) will be held at 7/F, Dexin Group Building, No. 588, East Huanzhan Road, Shangcheng District, Hangzhou, Zhejiang, China on 9:30 a.m. on Wednesday, 13 March 2024 for considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company. In this notice, unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Company’s circular dated 23 February 2024 (the “Circular”).

ORDINARY RESOLUTIONS

1. To consider and approve the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreement A.
2. To consider and approve the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreement B.
3. To consider and approve the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreement C.
4. To consider and approve the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreement D.
5. To consider and approve the transactions contemplated under the Equity Transfer Agreement.

By order of the Board
Dexin Services Group Limited
Hu Yiping
Chairman

Hangzhou, PRC, 23 February 2024

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (i) A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. On a poll, votes may be given either personally or by proxy.
- (ii) In the case of joint holders, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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 appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (iv) The transfer books and register of members of the Company will be closed from Friday, 8 March 2024 to Wednesday, 13 March 2024, both days inclusive, during which period no share transfers can be registered. Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 8 March 2024 are entitled to attend and vote at the EGM. In order to qualify for attending the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 7 March 2024.

As at the date of this notice, the Board of Directors of the Company comprises Mr. Hu Yiping (Chairman), Mr. Tang Junjie and Ms. Zheng Peng as executive Directors; and Dr. Wong Wing Kuen Albert, Mr. Rui Meng and Mr. Yang Xi as independent non-executive Directors.