

DATED 20 MAY 2024

Report on Legal Due Diligence

in Relation to

EDA CLOUD UK LTD for the purpose of the Proposed Listing

Prepared by DKLM LLP



City House, 3 Cranwood Street, London, EC1V 9PE

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1. INTERPRETATION

1.1 The definitions in this section apply in this report.

Addressees:

- (1) EDA Group Holdings;
- (2) CMB International (as the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator and the Sole Global Coordinator); and
- (3) the addressee(s) in Schedule 1 of this report.

CA 2006: Companies Act 2006, the prevailing company law of England and Wales.

Companies House: the registrar of UK companies.

Companies House File: the documents filed and displayed at Companies House in respect of a company registered in England and Wales as at the date of this report.

Dentons Hong Kong: Dentons Hong Kong LLP, legal advisers to EDA Group Holdings.

DKLM: DKLM LLP, England and Wales legal advisors to EDA Group Holdings, or we or similar.

Documents: the legal documents relating to the Proposed Listing provided by EDA Group Holdings or Dentons Hong Kong to DKLM in response to the Information Request List, as set out in Annexure.

EDA Group Holdings: EDA Group Holdings Limited (formerly known as EDA Cloud Technology Holdings Limited (易達雲科技控股有限公司)), a company incorporated in the Cayman Islands, whose registered office is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands; the issuer of the Proposed Listing.

Engagement Letter: the client care letter and its enclosed Scope of Works between EDA Group Holdings and DKLM dated 21 February 2023.

Information: the Documents and other information provided by the Company and Dentons Hong Kong to DKLM in response to the Information Request List and further enquiries of DKLM relating to the Information Request List, further details of which are set out in paragraph 1.4 of Annexure.

Information Request List: the information request list dated 3rd May 2023 submitted by DKLM to Dentons Hong Kong in connection with the Proposed Listing.

Personal Data: has the meaning given to that term in Article 4 of the UK GDPR.

Prospectus: the prospectus dated 20 May 2024 issued by EDA Group Holdings for the purpose of the Proposed Listing.

Proposed Listing: the proposed listing by EDA Group Holdings on The Stock Exchange of Hong Kong Limited.

Review: the legal due diligence review of the Documents and Information conducted by DKLM in connection with the Proposed Listing, as per the Engagement Letter and Scope of Works.

Scope of Works: the document named Proposed Scope of Works for Local Legal Counsels DKLM received from Dentons Hong Kong by email on 6th February 2023 containing the scope of works that are to be carried out by DKLM.

Sole Sponsor or CMB International: CMB International Capital Limited, a company incorporated and registered in Hong Kong whose registered office is 45th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong.

The Company: EDA CLOUD UK LTD, a company incorporated and registered in England and Wales with company number 10243879 whose registered office is at Unit 9-10a Vaughan Street Industrial Estate, Manchester, England, M12 5BT.

Track Record Period: the past three years ended 31 December 2023.

UK: the United Kingdom.

UK GDPR: has the meaning given to it in section 3(10) (as supplemented by section 205(4)) of the Data Protection Act 2018.

Underwriters: the Hong Kong Underwriter(s) and the International Underwriter(s) as defined in the Prospectus.

Updated Information Request List: the information request list dated 19 February 2024 submitted by DKLM to Dentons Hong Kong in connection with the Proposed Listing.

You or you: EDA Group Holdings.

2. INTRODUCTION

This legal due diligence report contains the results of our Review and sets out the issues of principal concern which DKLM have identified as a result of the Review. It has been prepared for the Addressees in connection with the Proposed Listing and in accordance with the Engagement Letter and for no other purpose.

- 2.1 In accordance with your instructions and pursuant to the Engagement Letter, we have carried out our normal due diligence process focusing on identifying issues of material significance in relation to the Proposed Listing.
- 2.2 The contents of this report are for the exclusive use of the Addressees and are not to be relied on by or made available to any other party without our prior written consent, except that this report may be used, disclosed and if necessary, furnished, where it is reasonable to do so for the purpose of responding to requests to review the report by governmental, regulatory (including The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong) or judicial authorities having competent jurisdiction over the Sole Sponsor.
- 2.3 This report is not intended to be a comprehensive review of all potentially relevant legal issues relating to the Company. It is intended to draw attention to those legal issues which we, in our absolute discretion and in carrying out the Review, consider to be material in the context of the Proposed Listing and within the scope as provided by the Scope of Works.

2.4 This report does not address tax, accounting or financial issues, in relation to which you should instruct accountants who will provide you with their own separate report.

2.5 This report is subject to the assumptions and qualifications set out in the Annexure.

3. DUE INCORPORATION AND BASIC CORPORATE INFORMATION

3.1 Due incorporation

3.1.1 The Company is a limited liability company, duly incorporated in England and Wales and existing under the laws of England and Wales.

3.1.2 The Company adopts Model Articles as its Articles of Association; the Memorandum and Articles of Association of the Company have been duly adopted and comply with the requirements of applicable laws of England and Wales.

3.1.3 The Company has all corporate power and authority to own its assets and conduct its current business, and to sue and be sued in its own name.

3.1.4 On the basis of the Companies House File for the Company, there is no evidence that a liquidator, receiver, or administrator has been appointed in respect of the Company.

3.1.5 Company details:

Company Name:	EDA CLOUD UK LTD
Previous name:	UK EDA COLD LIMITED, from the date of incorporation until the date of name change on 15th July 2016
Registered number:	10243879
Registered office:	Unit 9-10a Vaughan Street Industrial Estate, Manchester, England, M12 5BT
Date of Incorporation:	21 June 2016
Place of Incorporation:	England
Directors:	Zhihuan HE
Secretary:	Not appointed
Issued share capital:	Amount: £100 Divided into: 100 ordinary shares of £1 each
Registered shareholders (and number of Sale Shares held):	EDA DEVELOPMENT (HK) LTD, holds 100 ordinary shares of £1 each.
Accounting Reference Date:	30 December
Registered charges:	Not registered

3.2 Officers of the Company

3.2.1 The officers of the Company are:

- (a) Zhihuan HE: Director, appointed on 26 February 2019.

3.2.2 During the Track Record Period, there are the following other persons have been appointed as company directors:

(a) Xueqin SU, appointed on 1 October 2020, resigned on 9 March 2022.

3.2.3 The current director of the Company does not have any relationships with any directors or senior management or controlling shareholders of EDA Group Holdings.

3.3 Share Capital

3.3.1 The issued share capital of the Company comprises 100 ordinary shares of £1 each which are solely held by EDA DEVELOPMENT (HK) LTD. According to the Company's register of allotment, the Company's share capital in the sum of £100 is fully paid up.

3.3.2 There is no requirement for the Company, neither under CA 2006 nor under the Articles of the Company, to have an authorized share capital.

3.3.3 From the date of the incorporation of the Company, there is no change of shareholders in the Company.

3.3.4 From the date of the incorporation of the Company, there are the following allotment and issuance of the shares:

100 ordinary shares of £1 each allotted and issued to EDA DEVELOPMENT (HK) LTD on 21 June 2016 (date of incorporation)

The allotment and issuance of the shares have been duly authorized, were validly issued, fully paid and non-assessable, were not issued in violation of any pre-emptive rights, resale right, right of first refusal or similar rights in the jurisdiction of England & Wales or the articles of association of the Company, and were lawful and valid. All consents, approvals and authorizations of, and all filings, registrations and qualifications with, any court, governmental or regulatory department or agency or other regulatory body in England & Wales required under local laws with respect to the allotment and issuance of the shares have been obtained.

3.3.5 Based solely on the Information provided by the Company, there is no indication to suggest the contrary of the following:

(a) there are no different classes of shares, the respective rights, privileges, restrictions and conditions attached to each class of shares;

(b) there is no legal restriction or requirement on the nationality of the shareholders or on the percentage of local or foreign shareholding;

(c) there are no shares held by a trustee;

- (d) there are no shares subject to third party interests (such as mortgages, charges, pledges, or any other encumbrances);
- (e) there is no outstanding option or security convertible or exchangeable into shares;
- (f) the shareholder of the Company has good and valid, legal and beneficial title to the issued shares;
- (g) there are no restrictions on any other person on voting, holding or transferring the shares;
- (h) there has not been any share redemption, buy back, reduction of capital, spin-off, split-off or carve-out carried out by the Company since its incorporation; and
- (i) there are no outstanding rights, warrants or options to acquire, or instruments convertible or exchangeable into, any shares or equity interest in the Company.

4. PROPERTY AND MATERIAL CONTRACTS

4.1 Summaries of properties and property documents

4.1.1 The Company has confirmed that it does not own any freehold properties but no enquiries have been made to verify this.

4.1.2 The Company provided copies of two lease agreements and confirmed there are no other agreements or contracts entered into by the Company.

4.2 The Lease relating to Unit 9, 10 and 10A, Vaughan Street Industrial Estate, Manchester M12 5BT (the Lease, for the purpose of this paragraph)

4.2.1 The Lease is dated 14 May 2020 and is made between (1) LSZ Investment Limited (company number: 11297726) (the **Landlord**) and (2) EDA Cloud UK Ltd (company number: 10243879) (the **Tenant**) for a term of 5 years commencing on 1 May 2020 and ending on 30 April 2025. According to the Energy Performance Certificate (see further below), the total floor area of the property is 5,005 square metres.

4.2.2 Under the laws of England and Wales, all new leases granted for a term of more than seven years must be registered at the Land Registry. There are generally no registration requirements for a lease of commercial property with a term of less than seven years to be registered unless the lease contains legal easements which will be subject to compulsory registration. Leases of three years or more, whilst not able to be registered with its own leasehold title, may be noted against the freehold / reversionary title to put others on notice that it exists. The lease of commercial property for a term of less than

seven years is typically governed by a contractual agreement between the landlord and the tenant.

- 4.2.3 The Lease has been noted against the freehold title under Schedule of Notices of Leases and was registered on 30 July 2020.
- 4.2.4 The extent of the demise is shown edged in red on the plan marked “Plan 1” annexed to the Lease. The description of the property in the Lease is Unit 9, 10 and 10A Vaughan Industrial Estate, as shown edged red on Plan 1 forming part of the Estate, where the Estate is defined as the Landlord’s interest in Vaughan Street Industrial Estate registered under title number MAN186788.
- 4.2.5 The Royal Mail address for the property is Unit 9-10A Vaughan Street Industrial Estate, Manchester M12 5BT.
- 4.2.6 The Lease grants the right to park 15 motor vehicles on the car parking spaces on the freehold estate as may be designated from time to time by the Landlord.
- 4.2.7 The freehold title comprises Units 9 and 10, Vaughan Street Industrial Estate, Manchester M12 5BT and is registered at the Land Registry with absolute title (the best class of title available) under title number MAN186788 (as shown edged in red on the plan marked “Plan 2” annexed to the Lease) and includes the demised premises at Unit 9, 10 and 10A Vaughan Street Industrial Estate. As at 15 November 2022 the registered proprietor is the Landlord, LSZ Investment Ltd (company number: 11297726).
- 4.2.8 The registered proprietor acquired the freehold estate on 1 March 2019 for £2,880,000.00. The freehold title is subject to known and unknown restrictive covenants which bind land irrespective of change of ownership. We assume that all restrictive covenants were duly complied with prior to the Lease being granted and/or that an appropriate restrictive covenant indemnity policy is in place so that any enforcement action taken by the persons entitled to the benefit of the restrictive covenants may be passed on to the insurer.
- 4.2.9 Prior to noting the Lease against the freehold title, the Tenant should have submitted the Stamp Duty Land Tax (SDLT) return to HMRC and paid the SDLT liability. Based on the rent payable under the Lease of £252,648.00 per annum, the SDLT payable would have been £9,907.00. If VAT is payable on top of the annual rent, then the SDLT payable would be higher than quoted as SDLT is a tax on a tax. We have been provided with payment arrangement confirmation from HMRC on all SDLT liability that was due.
- 4.2.10 Under the laws of England and Wales, by virtue of Part II of the Landlord and Tenant Act 1954, business tenants may gain the right to security of tenure automatically unless their lease/tenancy is ‘contracted out’ / not a protected lease. If their lease is a protected lease, this means that they have the right to renew the lease on the same terms as the previous one. There are statutory grounds upon which a landlord can object to a request

by the tenant for a renewal and if the terms of the new lease cannot be agreed, it will be determined by the court.

- 4.2.11 The Lease refers to exclusion of the Landlord and Tenant Act 1954 where the Tenant (a duly authorised person of the Tenant at the time) made a statutory declaration on 11 November 2019 acknowledging that the Lease will be a contracted out lease and therefore not automatically renewable upon its expiry. A certified copy of the statutory declaration was supposed to be annexed to the Lease, but this is not available from the copy Lease provided, however, this does not affect the validity of the Lease which has a term expiring on 30 April 2025.
- 4.2.12 The Lease reserves the right to charge VAT on top of all rents payable if the Landlord has elected to waive the exemption to charge VAT (opted to tax the building). We cannot confirm if VAT is payable on the rents (which may or may not cause cashflow issues) and whether, if so, it will be recoverable by the Tenant. We assume that the Tenant has budgeted accordingly.
- 4.2.13 The annual rent is subject to review based on RPI, however, the rent review date is not defined. Given the short term of the Lease, it is possible that the rent review provisions should have been removed prior to the final version being issued for signing, although we cannot be certain of the intentions of the parties at the time.
- 4.2.14 The Lease has been validly executed by the Landlord acting by its director at the time, Yijing ZHOU, via the appointment of its attorney, Tao QU, pursuant to a Power of Attorney dated 1 December 2019. We have seen a copy of the said Power of Attorney which we consider is sufficient given that under Section 44(5) of the Companies Act 2006 there is a presumption in favour of a purchaser that a document is deemed to have been duly executed by a company if it purports to be signed by two authorised signatories or by a director of the company in the presence of a witness who attests the signature. Reference to ‘purchaser’ means a purchaser in good faith for valuable consideration and includes a lessee, mortgagee or other person who for valuable consideration acquires an interest in property. In addition, if the Landlord was legally represented at the time, the validity of the Lease is further confirmed as Section 1(5) of the Law of Property (Miscellaneous Provisions) Act 1989 provides that where a relevant lawyer, or an agent or employee of a relevant lawyer, in the course of or in connection with a transaction purports to deliver an instrument as a deed on behalf of a party to the instrument, it shall be conclusively presumed in favour of a purchaser that he is authorised so to deliver the instrument. On the basis of such statutory presumptions of due execution in favour of third parties there is minimal risk of challenge on the enforceability of the Lease.
- 4.2.15 The Counterpart Lease (which will have been executed by the Tenant) is signed by an attorney, Xueqin Su, of the acting director at the time, Zhihuan He. The power of attorney is dated 14 November 2019 but a copy has not been provided. In any event, the attorney’s signature was duly witnessed by a solicitor, namely, Mohsin Malik of Greenhead Solicitors and we assume that such solicitor or its firm represented the Tenant in connection with the transaction and that proper checks were carried out on the signatory.

For the purposes of registration at the Land Registry, only a certified copy of the Lease executed by the Landlord is required and not the Counterpart Lease executed by the Tenant.

- 4.2.16 We have not been provided with a shareholder's / board resolution approving the entering into and authorised signatories for the Lease and ancillary documents (if any). While the Articles of the Company grant directors the power to exercise all the powers of the Company, certain significant decisions may still require shareholder approval, even if the Articles do not specifically mandate it. Provided that the Articles of the Company grant directors the power to exercise all the powers of the Company and any alternative is duly documented in accordance with the Company's constitution there is minimal risk on the validity and enforceability of the Lease.
- 4.2.17 The Energy Performance Certificate (EPC) is dated 29 April 2014 and is valid until 28 April 2024. The certificate shows the current energy efficiency rating for the property to be 75 (within Grade C) and includes a recommendation report. The higher the rating the lower the fuel bills are likely to be. It is unlawful to let any properties with EPC ratings lower than Grade E without the landlord first having carried out energy saving measures to comply with the regulations. Non compliance will result in the risk of a large fine depending on the rateable value of the property. According to the EPC, the total floor area of the property is 5,005 square metres.

4.3 The Lease relating to Unit 2A, Squires Gate Industrial Estate, Squires Gate Lane, Blackpool FY4 3RN (the Lease, for the purpose of this paragraph)

- 4.3.1 The Lease is dated 1 March 2021 and is made between (1) EP (Properties) Ltd (company number: 07690978) and E P Group Ltd (company number: 11583283) (the **Landlord**) and (2) EDA Cloud UK Ltd (company number: 10243879) (the **Tenant**) for a term stated to be for five years commencing on 1 March 2021 and ending on 28 February 2025. However, this period works out to be 4 years only and it may be that the entering into the Lease was delayed thereby affecting the term start date. It should be noted that the term of a new lease will affect the Stamp Duty Land Tax (SDLT) liability – see below. According to the Energy Performance Certificate (see further below), the total floor area for the property is 15,872 square metres.
- 4.3.2 The extent of the demise in the Lease is shown edged in red on the plan annexed to the Lease. This plan is not Land Registry Compliant (lacks a scale, orientation point, location / site plan) but note our registration comments below.
- 4.3.3 The freehold title comprises The Squires Gate Industrial Estate, Squires Gate Lane, Blackpool FY4 3RN and is registered at the Land Registry with absolute title (the best class of title available) under title number LA718332 and includes the demised premises at Unit 2A Squires Gate Industrial Estate. As at 1 August 2022 the registered proprietor is EP (Properties) Ltd (company number: 07690978).

- 4.3.4 The freehold title is subject to a registered charge dated 30 June 2020 in favour of Lloyds Bank Plc. There is no evidence that the bank's Consent to Lease was obtained prior to the grant of the Lease. Lenders / Banks consent to leases are normally required on a disposition which includes the grant of a lease as standard mortgage conditions would apply unless specifically waived by the lender which is rare. Where Consent to Lease is not obtained, the Lease will not be binding against the bank in the event of default by the Landlord where the bank needed to take back possession of the property. Assuming that the conveyancing process was duly followed at the time of grant, the bank's consent to lease will have been obtained by the legal advisors representing the Landlord and shared with the Tenant for keeping with the title deeds, a copy should be requested of the Tenant.
- 4.3.5 The registered proprietor, EP (Properties) Ltd, acquired the freehold land on 3 May 2019 for £5,000,000.00 exclusive of VAT. This pre-dates the grant of the Lease which was granted by two companies as Landlord at the time in 2021. The Lease should then have been granted by EP (Properties) Ltd, rather than EP (Properties) Ltd and E P Group Ltd, as we cannot determine E P Group Ltd's legal right as a landlord party to the Lease based on the information to hand. However, an internet search confirms a direct link between E P Properties and E P Group via the website <https://www.eppropertiesuk.com/about/> which states: "EP Properties is one of the UK's leading privately owned real estate investment companies" and shows the main building with "EP Group" signage and logo matching the one on the front page of the Lease, with "Blackpool is home to our largest site Squires Gate Industrial Estate at 1.2 million square feet that has a large industrial and warehousing complex". It is possible that E P Group may be the agents for the Landlord at the time.
- 4.3.6 As mentioned above in paragraph 4.2.2 the Lease is not registrable as it is only a 4 year term and there are no express legal easements granted. We assume that all rights of way necessary for the use and enjoyment of the property are publicly available such as adopted roads and adopted sewers and there is direct access to all mains utilities serving the property. There is no noting of the Lease against the latest freehold title.
- 4.3.7 Although not compulsorily registrable, the level of rent payable under the Lease attracts SDLT. The SDLT payable for the Lease would have been £18,137.00 based on the rent, plus VAT and deducting the rent free periods (or £15,563.00 based on rent without any VAT on top and without accounting for the rent free periods during the term). We assume that the requisite SDLT return was duly submitted to HMRC and the SDLT liability properly paid.
- 4.3.8 The Lease makes no reference to the title guarantee being given therefore no covenants of title are implied. We would normally expect a lease to be granted with full title guarantee confirming the landlord's ownership of the property and right to grant the lease out of it and that the property is free from all charges, incumbrances and third party rights. Where covenants of title are not implied, the onus is on the incoming tenant to deduce title prior to committing to lease. The Landlord's right to grant the Lease is confirmed at 4.3.5 above, but Lloyds Bank's consent to lease has not been provided and so the Lease

will not be binding against the bank in the event of default on the mortgage by the Landlord.

- 4.3.9 As mentioned above in paragraph 4.2.10 regarding security of tenure for a business tenant there is no evidence that the Lease has been contracted out and in the absence of such evidence, it is assumed that the Lease is a renewable / protected tenancy.
- 4.3.10 The rent is £464,550.00 per annum exclusive of VAT and is payable by equal quarterly payments on 1st January, 1st April, 1st July and 1st October. Rent payments (particularly rack rents) are usually payable in advance but the Lease does not so specify, although equally it does not expressly state that the rent is payable in arrears so the norm should apply.
- 4.3.11 As mentioned above in paragraph 4.2.12, the Lease reserves the right to charge VAT on top of all rents payable if the Landlord has elected to waive the exemption to charge VAT (opted to tax the building). We assume that the Tenant has budgeted accordingly.
- 4.3.12 There are no express service charge provisions within the Lease despite the annual service charge liability of £32,600.00 per annum exclusive of VAT. There are no covenants on the Landlord to provide any services in return for the service charge. The Tenant's repairing obligations exclude any liability for the repair and maintenance of the roof of the property. This should be the express and ongoing responsibility of the Landlord. It is noted that the Landlord covenanted to ensure that the roof will be wind and watertight within three months of the commencement of the Lease, but is silent on ongoing liability.
- 4.3.13 The Landlord is obliged to keep the property insured but there is no reference to insuring to the full reinstatement value and including loss of rent cover (usually for 2-3 years). There is no obligation on the Landlord to reinstate the property if it is destroyed or damaged by an insured risk (or uninsured risk). The Lease simply allows the Landlord to terminate in the event of damage and states that the Landlord is not obliged to repair the property to make it fit for occupation and use. It also states that all insurance monies shall belong to the Landlord absolutely. This means that if there is damage or destruction to the property the Tenant may end up with nothing and will need to relocate.
- 4.3.14 The repairing obligation is limited to the state of condition of the property when the Tenant took occupation, however, there is no schedule of photographs / condition to document the status at the time as evidence which can lead to dispute at or before the end of the term on yielding up.
- 4.3.15 There is reference to a security deposit but we have not been provided with any details. The general position is that security deposits are held for the duration of the term (or earlier by mutual agreement as may be set out in a rent deposit deed) and refunded to the tenant at the end (with accrued interest).

- 4.3.16 There is reference to interest being payable by the Tenant in the event of default, but the Interest Rate referred to is not defined.
- 4.3.17 There is a break clause in the Lease where the Tenant can terminate the Lease on the expiry of the third year of the term by giving the Landlord at least six months' prior written notice. If the term begins on 1 March 2021 then the fixed break date would be 29 February 2024 (leap year) and the latest date the Tenant can serve notice is a few days before the end of August 2023 to ensure sufficient notice is given. There is no provision in the break clause for the refund of any rent and insurance rent and VAT paid in advance. The break will be of no effect if there is a subsisting material breach of the tenant covenants in the Lease. There is a risk that there may be difficulties when exercising the break if there are material breaches e.g. of repairing obligations, as the Landlord can take advantage of this break condition to invalidate the break when exercised by the Tenant. This means that the Tenant may not be able to exit when required, unless the Tenant can be certain no breaches exist, and will remain liable for the rents until the end of the term.
- 4.3.18 The Lease has not been validly executed as a deed by the Landlord. Whilst we can assume a link between the 'second' Landlord party to the Lease, E P Group Ltd, with the registered Landlord, under the laws of England and Wales, execution of deeds by a limited company are to be by two directors or one director and one secretary or one director in the presence of an independent adult witness. The Lease has been signed by a director of EP (Properties) Ltd and a director of E P Group Ltd, both without any witnesses. Records at Companies House indicate that Zakir ISSA is the sole director of EP (Properties) Ltd appointed on 4 July 2011. Records at Companies House indicate that Bernard MONTANA and Gillian MONTANA are the directors of E P Group Ltd and were both appointed on September 2018. The Lease is signed by Zakir ISSA and Bernard MONTANA. As a result of opting to sign using one director only, the signatures should have been properly witnessed but this is not the case and so the Lease cannot take effect as a deed. Notwithstanding this, there will be an agreement for lease and, with continued payment of rent at fixed periods, the Tenant's right of occupation will be enforceable as a periodic tenancy with security of tenure under the Landlord and Tenant Act 1954, Part II, until the lease is created by deed.
- 4.3.19 The execution of the Lease by the Tenant is fine. The signatory was Xueqin SU who was appointed as a director on 1 October 2020 and resigned on 9 March 2022 so was acting director at the time the Lease was entered into.
- 4.3.20 While executing the Lease as a deed can offer certain advantages, such as an extended limitation period for legal action, it is not mandatory. However, as the execution by the company directors of the two companies were not witnessed, the deed is defective and will not carry the same legal weight and validity as a properly witnessed deed. It is, however, as mentioned in paragraph 4.3.18, noted that the Tenant's right of occupation will be enforceable as a periodic tenancy and the Lease is nonetheless valid as an agreement for lease despite not being a properly executed deed.

- 4.3.21 To rectify the situation, the best course of action is to execute a new lease with proper witnessing whilst at the same time addressing the defects / issues mentioned above to ensure that a valid lease is created which is also good and marketable. It is noted that the bargaining power may have been lost and alerting the Landlord of the issues may not lead to a favourable outcome, but it would be something to bear in mind at least when the Lease comes up for renewal.
- 4.3.22 As mentioned above in paragraph 4.2.16, provided that the Articles of the Company grant directors the power to exercise all the powers of the Company and any alternative is duly documented in accordance with the Company's constitution there is minimal risk on the validity and enforceability of the Lease.
- 4.3.23 The Energy Performance Certificate is dated 18 June 2020 and is valid until 17 June 2030. The certificate shows the current energy efficiency rating for the property to be 65 (within Grade C) and includes a recommendation report. The higher the rating the lower the fuel bills are likely to be. It is unlawful to let any properties with EPC ratings lower than Grade E without the landlord first having carried out energy saving measures to comply with the regulations. Non compliance will result in the risk of a large fine depending on the rateable value of the property. According to the EPC, the total floor area for the property is 15,872 square metres.

4.4 Summary

- 4.4.1 Based solely on the Information provided by the Company, which is limited, and taking into account our remit that full property due diligence is not required and subject to the comments and assumptions aforementioned in respect of the two leases (the **Leases**) and the properties referred to, there is no indication to suggest the contrary to the following:
- (a) there has been any material breach, revocation, or termination of any of the Leases under the laws of England and Wales, so far as we are aware but note that no enquiries have been made with any third parties to verify;
 - (b) the performance of the Leases will not result in the violation of the laws of England & Wales, so far as we are aware but note that no searches have been carried out of the local authority and other bodies and search providers to verify;
 - (c) no party to the Leases (including its properties, assets, or reserves located in the England and Wales) is entitled to any immunity on the grounds of sovereignty from legal action, suit, or proceedings, from set-off or counterclaim being claimed in proceedings in England & Wales under the laws of England & Wales, so far as we are aware but note that no company searches and enquiries have been carried out to verify;
 - (d) the Leases do not contravene public policy of the laws of England and Wales, so far as we are aware but note that no searches or enquiries have been made to verify;

- (e) the Leases are governed by the laws of England and Wales which is the only applicable law for land situated in England and Wales;
- (f) the execution, delivery and performance of the Leases by the Company does not violate the memorandum and articles the Company, any applicable law, regulation, order or decree or any indenture, mortgage, loan agreement, trust deed or other agreement to which the Company is a party or by which any of its assets is bound, so far as we are aware but note that no company searches and enquiries have been made to verify.

4.4.2 The Lease relating to Unit 2A, Squires Gate Industrial Estate, Squires Gate Lane, Blackpool FY4 3RN is not validly executed as a deed, however, it is enforceable either as an agreement for lease or alternatively a periodic tenancy has arisen with continued payment and receipt of rent at fixed periods. The Company's right to occupy the property as tenant will be protected with security of tenure as there are no contracting out provisions. All other aspects are legal, valid and enforceable under the laws of England and Wales and the continuation of payment and receipt of the rents due under the Leases, occupation by the Tenant and performance of the covenants in the Leases is indicative that the parties intend to be formally bound by the Leases.

4.4.3 No liability will be accepted for any matters which would have been revealed by the undertaking and/or obtaining of the usual searches, enquiries of all relevant parties, up to date management packs, asbestos and fire risk assessment reports and inspection and no comment is made in respect of the condition of the property, its occupancy and any breach of covenants.

5. EMPLOYMENT

5.1 The standard employment contract for the staff of the Company is customary and appears to adhere to applicable legislation. Based solely on the Information provided, there is no indication that the Company is non-compliant with the legislation regarding minimum wage, statutory leave, and maximum working hours of its employees.

5.2 There is no actual dispute or claim to be brought, investigations against the Company, whether by its employees and/or labour unions in respect of employment matters (including but not limited to minimum wage, statutory leave, maximum work hours, unpaid remuneration, furlough scheme and/or redundancies plan, forced labour), or by anyone arising from breach of applicable local laws, rules and regulations, decrees and orders relating to safety and health laws.

5.3 Our Review of the standard contract of employment for the staff of the Company, the Company's health and safety policy, and its health, safety and fire risk assessment and inspection records has revealed that the Company is in compliance with applicable local laws, rules and regulations, decrees and orders relating to occupational health, workplace safety and health to which the Company is subject ("**Safety and Health Laws**").

5.4 Based solely on the Information provided by the Company, there is no approval, license, or permit the Company has to obtain or comply with under the Safety and Health Laws.

6. DATA PRIVACY

6.1 During the course of preparing this report, there had been no data privacy issues identified to and only to the extent of the documents reviewed by us. Nonetheless, we have no contact with the Company's data protection officer (if any), nor have we reviewed or sighted the Company's data protection and privacy policy or procedure, its privacy notices, data breach response plan, data protection and privacy risk assessment and audit records or any other notices, requests, correspondence, communication or other documents pertaining to the Company's compliance with all laws (whether of England and Wales or any other jurisdiction) relating to the use, protection and privacy of Personal Data (including, without limitation, the privacy of electronic communications) which are from time to time applicable to the Company (or any part of its business).

Annexure: Qualifications and Assumptions

1. BASIS OF PREPARATION

- 1.1. The only version of this report for which any responsibility is accepted by DKLM is the final signed version. No reliance should, or can, be placed on any draft of this report.
- 1.2. This report is prepared from the perspective of the laws of England and Wales. Any matters that may fall to be considered from a non-English law perspective have not been considered by DKLM. Insofar as any such matters are referred to in this report, it is on the basis that we are reporting, as a factual matter on an issue which relates to the laws of another jurisdiction, and do not, therefore, opine as to their legal effect.
- 1.3. This report is prepared on the basis of the Information provided to us as at the date of this report, as set out in paragraph 1.4 below. No responsibility is undertaken by us to update this report by reference to information received by us after the date of this report, or otherwise.
- 1.4. This report has been prepared solely on the basis of the examination of the Information, comprising of:
 - 1.4.1. the replies and information in response to the Information Request List and the documents sent to Rosa Huang of DKLM LLP by Valerie Chan of Dentons Hong Kong in an email dated 15 May 2023;
 - 1.4.2. the replies of the Company's key personnel in response to our enquiries in the management interview with Rosa Huang and Yuan Xu of DKLM LLP on 26 May 2023;
 - 1.4.3. the documents uploaded by the Company on our data room on 5 June 2023;
 - 1.4.4. the replies and information in response to the revised Information Request List and the documents sent to Shuk Yee Yiu of DKLM LLP by Valerie Chan of Dentons Hong Kong in an email dated 12 June 2023;
 - 1.4.5. the documents sent to Shuk Yee Yiu of DKLM LLP by Valerie Chan of Dentons Hong Kong in five emails dated 13 June 2023, 14 June 2023, 16 June 2023 and 20 June 2023 respectively;
 - 1.4.6. Company searches conducted on the Company against the Companies House' public record on 12 June 2023, 21 June 2023, 8 September 2023 and 21 February 2024;
 - 1.4.7. freehold titles and filed plans (title numbers MAN186788 and LA718332) obtained from the Land Registry on 29 February 2024 in respect of the two leases and relevant filed documents as referred to in those titles;
 - 1.4.8. the replies and information in response to the Updated Information Request List sent to Shuk Yee Yiu of DKLM LLP by Kevin Lo of Dentons Hong Kong in an email dated 20 February 2024;
 - 1.4.9. the replies and information sent to Shuk Yee Yiu of DKLM LLP by Kevin Lo of Dentons Hong Kong in an email dated 26 April 2024;

- 1.4.10. the replies and information sent to Shuk Yee Yiu of DKLM LLP by Alex Kwong of Dentons Hong Kong in an email dated 4 May 2024; and
- 1.4.11. the replies an information sent to Shuk Yee Yiu of DKLM LLP by Alex Kwong of Dentons Hong Kong in an email dated 7 May 2024.
- 1.5. This report is strictly limited to the matters stated in it and does not extend, and is not to be read as extending by implication, to any other matter. Without limiting the generality of this statement and save as otherwise expressly indicated, we have not made any assessment of the possible commercial or financial consequences of any particular Document.
- 1.6. This report should not be regarded as, or be relied upon as being, a comprehensive or formal legal opinion concerning any matter referred to in it and should not be treated as a substitute for specific legal advice concerning individual situations or concerns.
- 1.7. The terms of any Documents we have reviewed may have been amended, subsequent to its execution or implementation, orally by the parties, by conduct, or by a course of dealing without our being aware of this.
- 1.8. This report may contain information from agreements with third parties subject to confidentiality undertakings. Breach of such undertaking may, among other things, entitle third parties to terminate the respective agreement, make claims for damages, and/or pursue other remedies. We have not verified whether such third parties have consented to any release of information included in such agreements in the framework of the proposed transaction.

2. MATERIAL ASSUMPTIONS

- 2.1 In conducting the Review and preparing this report we have assumed that:
 - 2.1.1 copies of the Documents are true and complete copies of the originals and that the originals are authentic and complete;
 - 2.1.2 all signatures appearing on the Documents are authentic;
 - 2.1.3 the parties to the Documents had the requisite power to enter into those agreements and perform their obligations under the Documents;
 - 2.1.4 except where we are required to give an opinion, or otherwise expressly brought to our attention,
 - (a) the Documents have been executed correctly and are legally enforceable in accordance with the laws of the relevant jurisdiction;
 - (b) each Document is in full force and effect and, has not been terminated or amended and no party to the Documents has breached or threatened to breach any of the terms of the Documents;

- 2.1.5 EDA Group Holdings and its advisers and officers have provided Information which was accurate, complete, and not misleading when supplied and continues to be so;
 - 2.1.6 the information contained in all searches made by us at Companies House is complete, accurate, and not misleading;
 - 2.1.7 no documents have been filed at Companies House in respect of the Company since the date of this report; and
 - 2.1.8 that no information which is material in the context of the matters under review has been withheld from us.
- 2.2 We have relied exclusively on the accuracy and completeness of the information provided to us and the results of our searches, and have not undertaken any separate verification of this information.

3. LIABILITY

- 3.1 We do not accept a duty of care to any person other than EDA Group Holdings in respect of this report.
- 3.2 We do not accept any liability to you for any loss arising out of or in connection with this report, in contract, tort, by statute or otherwise, except in the event of our gross negligence or wilful misconduct.
- 3.3 If, in connection with the Proposed Listing, you make arrangements with other advisers to limit their liability to you in circumstances where we would otherwise be jointly and severally liable with those other advisers for a claim, we will not be adversely affected and our liability to you will not be increased by the limitation of that other adviser's potential liability.
- 3.4 For the avoidance of doubt, our liability to you for any loss arising out of or in connection with this report is subject to all exclusions and limitations of liability in the Engagement Letter.

Very truly yours,



DKLM LLP

Contacts:

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Schedule 1: Other Addressees of This Report

ABCI Capital Limited (“ABCI Capital”)

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ABCI Securities Company Limited (“ABCI Securities”)

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited (“BOCI”)

26/F, Bank of China Tower
1 Garden Road
Central

Hong Kong

CEB International Capital Corporation Limited (“CEBI”)

35/F, Everbright Centre
108 Gloucester Road
Wan Chai

Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited (“China Galaxy”)

20/F Wing On Centre
111 Connaught Road
Central

Hong Kong

Quam Securities Limited (“Quam”)

5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre
111 Connaught Road Central

Hong Kong

Eddid Securities and Futures Limited (“Eddid”)

21/F, Citic Tower
1 Tim Mei Avenue
Central

Hong Kong

Futu Securities International (Hong Kong) Limited (“Futu”)

34/F, United Centre
No. 95 Queensway
Admiralty

Hong Kong

Tiger Brokers (HK) Global Limited (“Tiger”)

1/F, No. 308 Des Voeux Road Central
Sheung Wan

Hong Kong

Patrons Securities Limited (“Patrons”)

Unit 3214, 32/F
Cosco Tower
183 Queen’s Road Central
Sheung Wan
Hong Kong

Ruibang Securities Limited (“Ruibang”)

9/F, Sang Woo Building
227–228 Gloucester Road
Wan Chai
Hong Kong

(CMB International Capital Limited, ABCI Capital, ABCI Securities, BOCI, CEBI, China Galaxy and Quam are collectively known as “**Joint Bookrunners**”; CMB International Capital Limited, ABCI Capital, ABCI Securities, BOCI, CEBI, China Galaxy, Quam, Eddid, Futu, Tiger, Patrons and Ruibang are collectively known as the “**Joint Lead Managers**” and the “**Capital Market Intermediaries**”)