邁時資本
MAXA CAPITAL

Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

21 November 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTIONS AND ADVANCE TO ENTITY – REFUNDABLE DEPOSITS;
(2) CONNECTED TRANSACTION – DEPOSITS;
AND
(3) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF RIGHT-OF-USE OF OFFICE BUILDING

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Refundable Deposits; (ii) the Deposits 3; and (iii) the Transfer Agreement 2 and the Acquisition contemplated thereunder (collectively known as the "**Transactions**"), 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 21 November 2023 (the "**Circular**"), of which this letter forms parts. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcements of the Company dated 26 September 2023 (the "**Announcements**") in relation to the Transactions.

On 20 May 2020, Hongkun Ruibang Wuxi entered into the Sole Agency Agreement 1 with Wuxi Yongqing, a former fellow subsidiary of the Company, pursuant to which Hongkun Ruibang Wuxi should provide agency services for the lease/right-of-use transfer of 488 car parking spaces developed by Wuxi Yongqing and was required to pay the Refundable Deposits 1 to Wuxi Yongqing to ensure provision of agency services.

On 30 December 2020, Hongkun Ruibang Wuxi entered into the Sole Agency Agreement 2 with Wuxi Yongqing, pursuant to which Hongkun Ruibang Wuxi should provide agency services for the lease/right-of-use transfer of 643 car parking spaces and the sale of 2 shops all developed by Wuxi Yongqing and was required to pay the Refundable Deposits 2 to Wuxi Yongqing to ensure provision of agency services.

On 15 February 2021, Hongkun Ruibang Zhuozhou entered into the Underwriting Agreement with the Zhuozhou Developers, which were fellow subsidiaries of the Company, pursuant to which Hongkun Ruibang Zhuozhou should provide agency services for the lease/right-of-use transfer of 360 car parking spaces developed by the Zhuozhou Developers and was required to pay the Deposits 3 to ensure provision of agency services.

On 26 September 2023, Hongkun Ruibang (an indirect wholly-owned subsidiary of the Company) (as transferee) entered into the Transfer Agreement 2 with Beijing Ruihongda (as transferor), pursuant to which Beijing Ruihongda agreed to transfer and Hongkun Ruibang agreed to acquire the right-of-use of the Property for a term commencing from the date of approval of the Transfer Agreement 2 and the Acquisition contemplated thereunder by the Shareholders in accordance with the Listing Rules to 30 June 2041 at a consideration of RMB36,846,854, which will be settled in full by way of set-off against (i) the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Hongkun Ruibang Wuxi as at the date of the Transfer Agreement 2; and (ii) the total amount of outstanding trade receivables owed by Wuxi Yongqing to the Group as at the date of the Transfer Agreement 2.

As at the date of the Sole Agency Agreement 1 and the Sole Agency Agreement 2, respectively, Wuxi Yongqing was wholly-owned by Hongkun Weiye. At the material time, Hongkun Weiye was owned as to approximately 97.73% by Hongkun Jituan Company Limited* (鴻坤集團有限公司), which was in turn wholly-owned by Beijing Herun Asset Management Company Limited* (北京合潤資產管理有限公司) ("**Beijing Herun**"). Beijing Herun was owned as to 99% and 1% by Mr. Zhao Weihao ("**Mr. Zhao**") and his mother, Ms. Wu Hong, respectively. Mr. Zhao was an executive Director and a controlling shareholder of the Company, and therefore Wuxi Yongqing was a fellow subsidiary and a connected person of the Company (on 28 September 2021, Hongkun Weiye transferred its 100% equity interests in Wuxi Yongqing to Furun Taishun (as defined below); thereafter, Wuxi Yongqing became wholly-owned by Furun Taishun and ceased to be a fellow subsidiary of the Company and is no longer a connected person of the Group). Accordingly, each of the Refundable Deposits 1 and the Refundable Deposits 2 constituted a connected transaction of the Company and was therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules. As at the date of the Underwriting Agreement, Zhuozhou Hongtai and Zhuozhou Hongshun were owned as to 95% and 100%, respectively, by Hongkun Weiye. The Zhuozhou Developers were fellow subsidiaries of the Company and were therefore connected persons of the Company. Accordingly, the Deposits 3 constituted a connected transaction of the Company.

The Company did not recognize that (i) the Refundable Deposits should be treated as provision of financial assistance to Wuxi Yongqing and constituted "connected transactions" pursuant to Chapter 14A of the Listing Rules at the time when Hongkun Ruibang Wuxi entered into the Agency Services Agreements; and (ii) the Deposits 3 should be treated as provision of financial assistance to the Zhuozhou Developers and constituted a separate "connected transaction" pursuant to Chapter 14A of the Listing Rules at the time when Hongkun Ruibang Zhuozhou entered into the Underwriting Agreement. Accordingly, due to the Company's inadvertent oversight of the nature of the Refundable Deposits and the Deposits 3 arrangements and misunderstanding that such arrangements were purely a customary industrial practice that was ancillary to the Agency Services Agreement or the Underwriting Agreement (as the case may be) and did not constitute a "transaction" by itself, the Company has failed to comply with the reporting and announcement requirements (as well as the circular and shareholders' approval requirements, as the case may be) under Chapter 14A of the Listing Rules in relation to each of the Refundable Deposits 1, the Refundable Deposits 2 and the Deposits 3.

As one or more of the applicable percentage ratio(s) stipulated under the Listing Rules in respect of the Acquisition exceed 25% but all of the applicable percentage ratios are less than 100%, the Acquisition contemplated under the Transfer Agreement 2 constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, shareholders' approval and circular requirements under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, Beijing Ruihongda is ultimately wholly beneficially owned/controlled by Mr. Zhao and his associates. Mr. Zhao is an executive Director and a controlling shareholder of the Company, and therefore Beijing Ruihongda is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the requirements of reporting, announcement, circular and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, apart from Mr. Zhao and his associates, no other Shareholder is required to abstain from voting on the resolutions (i) approving, ratifying and confirming the Refundable Deposits and the Deposits 3 and (ii) approving the entering into of the Transfer Agreement 2 and the Acquisition contemplated thereunder at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Chan Cheong Tat, Mr. Cheung Wai Hung, Ms. Chen Weijie and Mr. Leung Ka Wo, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Transactions. We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions. Save for this appointment as the Independent Financial Adviser in respect of the Transactions, there was no other engagement between the Company and us in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the Sole Agency Agreement 1; (ii) the Sole Agency Agreement 2; (iii) the Underwriting Agreement; (iv) the Transfer Agreement 2; (v) the annual reports of the Company for the year ended 31 December 2021 (the "**2021 AR**") and 31 December 2022 (the "**2022 AR**"); (vi) the interim report of the Company for the six months ended 30 June 2023 (the "**2023 IR**"); and (vii) the prospectus of the Company dated 28 February 2020 (the "**Prospectus**"). We consider that we have reviewed sufficient and relevant information and documents, and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the "**Management**"). We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background

1.1. Information of the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 26 March 2019. The Company is principally engaged in the provision of property management services in respect of properties in the PRC.

Set out below is the summarised financial information of the Group (i) for the three years ended respectively on 31 December 2020 (**"FY2020"**), 31 December 2021 (**"FY2021"**) and 31 December 2022 (**"FY2022"**), as extracted from the 2021 AR and 2022 AR; and (ii) for the six months ended respectively on 30 June 2022 (**"1H2022"**) and 30 June 2023 (**"1H2023"**), as extracted from the 2023 IR.

	For the year ended 31 December			**For the six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	**261,405**	**336,828**	**343,498**	**172,147**	**170,728**
– Property management services	191,851	259,197	290,233	145,385	147,707
– Property developer related services	45,679	43,462	18,773	8,249	3,073
– Value-added services	23,875	34,169	34,492	18,513	19,948
Gross profit	**63,478**	**89,630**	**67,023**	**49,086**	**47,141**
Profit/(loss) for the year/period	**20,762**	**31,207**	**(51,872)**	**9,356**	**13,345**

FY2021 vs FY2020

As disclosed in the 2021 AR, the revenue of the Group was approximately RMB336.8 million for FY2021, representing an increase of approximately RMB75.4 million or 28.8% as compared to approximately RMB261.4 million for FY2020. Such increase was primarily attributable to (i) the increase of revenue generated from the property management services for FY2021 by approximately RMB67.3 million or 35.1% as compared to FY2020, mainly due to the increase of revenue generated from residential properties resulting from (a) the fully reflected contribution of property management fees from those residential property projects delivered in the second half of 2020; (b) 3 newly delivered residential properties in FY2021, which generated a total revenue of approximately RMB4.1 million; and (c) approximately RMB5.9 million of the property management services revenue was generated from the 15 residential property projects under management by Jiangsu Wanhao Property Management Co., Ltd.* (江蘇萬豪物業服務有限公司) (**"Jiangsu Wanhao"**), a subsidiary that the Company acquired in the fourth quarter of FY2021; and (ii) the significant increase of revenue generated from value-added services for FY2021 by approximately RMB10.3 million or 43.1% as compared to that for FY2020, mainly due to (a) the increase of residential properties under management by 18 in FY2021 and increase of approximately 27,000 units of households or by approximately 50.0%; and (b) the Group has allocated more resources to develop the business of value-added services.

The Group recorded a profit for the year of approximately RMB31.2 million in FY2021, representing a substantial increase of approximately RMB10.4 million or 50.0% from approximately RMB20.8 million in FY2020. Such increase was primarily attributable to (i) the increase in gross floor area (**"GFA"**) of properties under management by the Group; and (ii) the growth in revenue generated from community value-added services.

FY2022 vs FY2021

As disclosed in the 2022 AR, the revenue of the Group was approximately RMB343.5 million for FY2022, representing an increase of approximately RMB6.7 million or 2.0% as compared to approximately RMB336.8 million for FY2021. Such increase was primarily attributable to (i) the increase of revenue generated from the property management services for FY2022 by approximately RMB31.0 million or 12.0% as compared to that for FY2021, mainly due to the increase of revenue generated from residential properties resulting from (a) the fully reflected contribution of property management fees from those residential property projects delivered in the second half of FY2021 and 15 residential property projects under management by Jiangsu Wanhao; and (b) 3 newly delivered residential properties in FY2022, which generated a total revenue of approximately RMB3.9 million; and (ii) partially offset by the decrease of revenue generated from the property developer-related services for FY2022 by approximately RMB24.7 million or 56.8% as compared to that for FY2021, mainly due to downturn of China's real estate market.

The Group recorded a loss for the year of approximately RMB51.9 million in FY2022, as compared to a profit of approximately RMB31.2 million in FY2021. Such turnaround from profit to loss was primarily attributable to (i) the impairment loss of trade and other receivables of approximately RMB38.4 million; and (ii) impairment loss of amounts due from related parties of approximately RMB38.6 million recognised in the income statement during FY2022.

1H2023 vs 1H2022

As disclosed in the 2023 IR, the revenue of the Group was approximately RMB170.7 million for 1H2023, representing a slight decrease of approximately RMB1.4 million or 0.8% as compared to approximately RMB172.1 million in 1H2022. Such decrease was primarily attributable to (i) the substantial decrease of revenue generated from the property developer-related services for 1H2023 by approximately RMB5.1 million or 62.2% as compared to that for 1H2022, mainly due to the substantial decrease of revenue generated from sales assistance services for 1H2023 by approximately RMB4.5 million or 64.3% as compared to that for 1H2022; and (ii) partly offset by the increase of revenue generated from the property management services and value-added services, which increased by approximately RMB2.3 million or 1.6% and RMB1.4 million or 7.6%, respectively, as compared to that for 1H2022.

The Group recorded a profit for the period of approximately RMB13.3 million in 1H2023, representing a substantial increase of approximately RMB3.9 million or 41.5% from approximately RMB9.4 million in 1H2022. Such increase was primarily attributable to the significant decrease in the impairment loss of amounts due from related parties from approximately RMB12.8 million for 1H2022 to approximately RMB0.9 million for 1H2023.

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)
Non-current assets	24,227	87,378	101,121	98,696
Current assets	403,574	382,190	315,132	350,716
Total assets	**427,801**	**469,568**	**416,253**	**449,412**
Non-current liabilities	16	2,728	3,694	3,368
Current liabilities	194,423	202,271	199,785	219,925
Total liabilities	**194,439**	**204,999**	**203,479**	**223,293**
Net current assets	**209,151**	**179,919**	**115,347**	**130,791**
Net assets	**233,362**	**264,569**	**212,774**	**226,119**

31 December 2021 vs 31 December 2020

As disclosed in the 2021 AR, the Group had total assets of approximately RMB469.6 million as at 31 December 2021. Approximately 81.4% of the Group's total assets are current assets which primarily comprised of (i) trade and other receivables of approximately RMB108.8 million; (ii) amounts due from related parties of approximately RMB106.3 million; and (iii) bank balances and cash of approximately RMB167.1 million. The increase in the total assets by approximately RMB41.8 million or 9.8% from approximately RMB427.8 million as at 31 December 2020 was primarily attributable to the increase in (i) property, plant and equipment by approximately RMB20.2 million or 113.5%, mainly due to the new office acquired in FY2021 for approximately RMB22.8 million; (ii) intangible assets by approximately RMB15.4 million or 440.0%, mainly due to the acquisition of Jiangsu Wanhao; (iii) goodwill by approximately RMB27.8 million or 1,853.3%, mainly due to the goodwill generated from the acquisition of Jiangsu Wanhao and partially offset by the decrease of goodwill from disposal of Tianjin Hongsheng Property Services Company Limited* (天津鴻盛物業服務有限公司); and (iv) trade and other receivables by approximately RMB71.6 million or 192.5%, mainly due to the increase in the Company's trade receivables resulting from (a) the continuous growth in the Group's business; and (b) the trade receivables attributed to Jiangsu Wanhao.

The Group had total liabilities of approximately RMB205.0 million as at 31 December 2021. Approximately 98.7% of the Group's total liabilities are current liabilities which primarily comprised of (i) trade and other payables of approximately RMB116.7 million; and (ii) contract liabilities of approximately RMB81.2 million. The increase in the total liabilities by approximately RMB10.6 million or 5.4% from approximately RMB194.4 million as at 31 December 2020 was primarily attributable to the increase in contract liabilities by approximately

RMB13.3 million or 19.6% resulting from the increase of 18 residential properties under management in FY2021.

31 December 2022 vs 31 December 2021

As disclosed in the 2022 AR, the Group had total assets of approximately RMB416.3 million as at 31 December 2022. Approximately 75.7% of the Group's total assets are current assets which mainly comprised of (i) trade and other receivables of approximately RMB86.4 million; (ii) amounts due from related parties of approximately RMB82.5 million; and (iii) bank balances and cash of approximately RMB135.2 million. The decrease in the total assets by approximately RMB53.3 million or 11.4% from approximately RMB469.6 million as at 31 December 2021 was primarily attributable to the decrease in (i) trade and other receivables by approximately RMB22.4 million or 20.6%, mainly due the impairment loss of trade and other receivables of approximately RMB38.4 million recognised during FY2022; (ii) amounts due from related parties by approximately RMB23.3 million or 22.3%, mainly due to the impairment loss of approximately RMB38.6 million made during FY2022; and (iii) bank balances and cash by approximately RMB31.9 million.

The Group had total liabilities of approximately RMB203.5 million as at 31 December 2022. Approximately 98.2% of the Group's total liabilities are current liabilities which primarily comprised of (i) trade and other payables of approximately RMB126.4 million; and (ii) contract liabilities of approximately RMB69.1 million. The decrease in the total liabilities by approximately RMB1.5 million or 0.7% from approximately RMB205.0 million as at 31 December 2021 was primarily attributable to the decrease in the contract liabilities by approximately RMB12.1 million or 14.9%, mainly due to the decrease of non-residential properties under management in FY2022 as the payment in advance from the Company's non-residential property customers would be higher than that from the Company's residential property customers. The decrease in the contract liabilities was partially offset by the increase in trade and other payables by approximately RMB9.7 million or 8.3%, mainly due to (i) the continuous growth in Group business; and (ii) the settlement progress between the Group and suppliers was slower than before mainly due to the impact of the epidemic.

30 June 2023 vs 31 December 2022

As disclosed in the 2023 IR, the Group had total assets of approximately RMB449.4 million as at 30 June 2023. Approximately 78.0% of the Group's total assets are current assets which primarily comprised of (i) trade and other receivables of approximately RMB111.2 million; (ii) amounts due from related parties of approximately RMB79.3 million; and (iii) bank balances and cash of approximately RMB153.9 million. The increase in the total assets by approximately RMB33.2 million or 8.0% from approximately RMB416.3 million as at 31 December 2022 was primarily attributable to the increase in (i) trade and other receivables by approximately RMB24.8 million or 28.7%, mainly due to the nature of the Company's business that the peak of property fee collection is usually near the end of the year; and (ii) bank balances and cash by approximately RMB18.7 million.

The Group had total liabilities of approximately RMB223.3 million as at 30 June 2023. Approximately 98.5% of the Group's total liabilities are current liabilities which primarily comprised of (i) trade and other payables of approximately RMB117.4 million; and (ii) contract liabilities of approximately RMB99.1 million. The increase in the total liabilities by approximately RMB19.8 million or 9.7% from approximately RMB203.5 million as at 31 December 2022 was primarily attributable to the substantial increase in contract liabilities by approximately RMB30.0 million or 43.4% resulting from the increase in number of properties managed and revenue-bearing GFA.

1.2. *Information of Hongkun Ruibang, Hongkun Ruibang Wuxi and Hongkun Ruibang Zhouzhou*

Hongkun Ruibang is a limited liability company established under the laws of the PRC on 18 June 2003, and its principal businesses include property management, operation and management of public car parks for motor vehicles and real estate brokerage services. As at the Latest Practicable Date, Hongkun Ruibang is wholly owned by Ye Xing (HK) Holdings Limited, which is wholly owned by Ye Xing Holdings Limited. Ye Xing Holdings Limited is a wholly-owned subsidiary of the Company. Therefore, Hongkun Ruibang is an indirect wholly-owned subsidiary of the Company. Each of Hongkun Ruibang Wuxi and Hongkun Ruibang Zhuozhou is a branch of Hongkun Ruibang.

1.3. *Information of Wuxi Yongqing*

Wuxi Yongqing is a limited liability company established under the laws of the PRC on 27 January 2011, and its principal businesses include real estate development and management, real estate brokerage and real estate maintenance. As at the Latest Practicable Date, Wuxi Yongqing is owned as to 60% by Beijing Furun Taishun Technology Co., Ltd.* (北京富潤泰順科技有限公司) (**"Furun Taishun"**), which is in turn wholly-owned by Beijing Kunsheng Taishun Technology Co., Ltd.* (北京坤晟泰順科技有限公司). Beijing Kunsheng Taishun Technology Co., Ltd. is owned as to 60% by Ms. Chen Shan* (陳珊) and 40% by Mr. Cong Ziqin* (叢滋勤). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Furun Taishun, Beijing Kunsheng Taishun Technology Co., Ltd.* (北京坤晟泰順科技有限公司), Ms. Chen Shan and Mr. Cong Ziqin is a third party independent of the Company and its connected persons.

1.4. Information of Zhouzhou Hongtai

Zhuozhou Hongtai is a limited liability company established under the laws of the PRC on 1 February 2013, and its principal businesses include real estate development and management and real estate brokerage. As at the Latest Practicable Date, Zhuozhou Hongtai is wholly-owned by Hongkun Weiye, which is ultimately wholly beneficially owned/controlled by Mr. Zhao and his associates. Zhuozhou Hongtai is therefore a connected person of the Company.

1.5. Information of Zhouzhou Hongshun

Zhuozhou Hongshun is a limited liability company established under the laws of the PRC on 8 January 2014, and its principal businesses include real estate development and management, real estate information consultation and real estate brokerage. As at the Latest Practicable Date, Zhuozhou Hongshun is owned as to 90% by Hongkun Weiye and is therefore a connected person of the Company.

1.6. Information of Beijing Ruihongda

Beijing Ruihongda is a limited liability company established in the PRC on 29 April 2015, and its principal businesses include telecommunication consulting services, corporate management consulting services, corporate image consulting services, market research, real estate consulting services and technology promotion services. As at the Latest Practicable Date, it is ultimately wholly beneficially owned/controlled by Mr. Zhao and his associates.

2. Refundable Deposits and Deposits 3

2.1. Reasons for and benefits of the Refundable Deposits and Deposits 3

As set out in the Letter from the Board, each of the Agency Services Agreements was entered into under the CCT Agreement and the service fees derived from the Agency Services Agreements belonged to, and had been counted towards, the annual caps of "Parent Group Property Developer Related Services" under the CCT Agreement. The annual cap of "Parent Group Property Developer Related Services" for each of the three financial years ended 31 December 2022 under the CCT Agreement had not been exceeded. Under the Agency Services Agreements, Hongkun Ruibang Wuxi agreed to pay the Refundable Deposits since it is a customary arrangement in the industry that was ancillary to the Agency Services Agreements in order for Hongkun Ruibang Wuxi to obtain and secure the exclusive right to provide sales agency services for Wuxi Yongqing, and it is conducive for the Group to ensure a stable income stream and enhance profitability as a whole. Likewise, under the Underwriting Agreement, Hongkun Ruibang Zhuozhou agreed to pay the Deposits 3 as it is a customary industrial practice that was ancillary to the Underwriting Agreement in order for Hongkun Ruibang Zhuozhou to obtain and secure the exclusive right to provide sales agency services for Zhuozhou Hongtai and Zhuozhou Hongshun, and it is conducive for the Group to ensure a stable income stream and enhance profitability as a whole.

Pursuant to the Agency Services Agreements and Underwriting Agreement (collectively known as the "**Exclusive Agency Agreements**"), the service fees to be received by the Group are equivalent to the amount in excess of the base price of the car parking spaces and shops (the "**Target Properties**") received from the lessee(s)/transferee(s) of the relevant car parking spaces and the purchaser(s) of the relevant shops. We have discussed with the Management and understand that the Group had, prior into entering into of the Exclusive Agency Agreements, performed evaluation and feasibility study on the Target Properties and determined the estimated sales price of the Target Properties with reference to the prevailing market price of the surrounding properties. In this regard, we have reviewed the relevant evaluation reports and noted that, based on the base prices stipulated in the Exclusive Agency Agreements, the expected sales prices and sales rates, the estimated returns under the Agency Services Agreements and the Underwriting Agreement, shall not be less than approximately 20% per annum and 40% per annum, respectively, calculated based on the expected agency service fees generated divided by the total amounts of the Refundable Deposits and the Deposits 3 paid. The table below summarises the expected agency service fee of the car parking spaces to be generated from the Exclusive Agency Agreements:

	Sole Agency Agreement 1	**Sole Agency Agreement 2**	**Underwriting Agreement**
Expected sales prices of the car parking spaces *(Note 1)*	Approximately RMB45,000 to RMB65,000 per space	Approximately RMB45,000 to RMB65,000 per space	Approximately RMB50,000 to RMB88,000 per space
– standard car parking spaces	55,000	55,000	50,000
– extra-wide car parking spaces/ shared car parking spaces	65,000	65,000	88,000
– extra-long car parking spaces/ combined car parking spaces	60,000	60,000	70,000

	Sole Agency Agreement 1	Sole Agency Agreement 2	Underwriting Agreement
– mini car parking spaces	45,000	45,000	55,000
Base prices of the car parking spaces *(Note 2)*	RMB40,000 per space	RMB40,000 per space	Approximately RMB25,000 per space to RMB 53,500
Expected agency services fees *(Note 3)*	Approximately RMB5,000 to RMB25,000 per space	Approximately RMB5,000 to RMB25,000 per space	Approximately RMB20,000 to RMB58,000 per space

Notes:

1. Based on our review of the research study conducted by the Management on the Exclusive Agency Agreements, we note that the expected sales prices of the car parking spaces would vary depending on the categories of car parking spaces, including standard car parking spaces, extra-long car parking spaces, extra-wide car parking spaces, combined car parking spaces, shared car parking spaces and mini car parking spaces.

2. Please refer to the section headed "2.2 Principal terms of the Exclusive Agency Agreements" below for details.

3. The range of the expected agency service fees of each Exclusive Agency Agreements is calculated based on the difference between the expected sales prices and base prices of the car parking spaces.

Based on our review of the research reports conducted by the Management, the expected sales prices of the car parking spaces were determined with reference to the then prevailing sales prices of the car parking spaces of the surrounding residential area (the "**Reference Car Parking Spaces**") at the time of entering into of the relevant Exclusive Agency Agreements. As advised by the Management, the prevailing sales prices of the Reference Car Parking Spaces were obtained from other sales agents by way of enquiries because the sales prices of car parking spaces are generally not available on the public domain. We have discussed with the Management and understand that the Management first selected car parking spaces from surrounding residential areas with similar environment and type of household, and determined the expected sales prices of the Target Properties based on (i) the then prevailing sales prices of the Reference Car Parking Spaces; (ii) the size and category of the Target Properties; and (iii) the household size of potential purchasers. Afterwards, the Management then entered in arm's length negotiations with the counterparties of the Exclusive Agency Agreements on the determination of the base prices with a minimum of securing estimated returns of no less than approximately 20% per annum and 40% per annum for the Agency Services Agreements and the Underwriting Agreement, respectively, as stated above. Such estimated returns were primarily determined based on (i) the agency service fees to be generated based on the expected sales prices and number of each category of the Target Properties; (ii) the aggregate amount of the base prices of the Target Properties; and (iii) the annual sales rates of the Target properties during the term of the Exclusive Agency Agreements, which were estimated based on the occupancy rate and renovation rate of the housing complex where the Target Properties are located. As part of our due diligence, we have compared the expected sales prices of the Target Properties to the then prevailing sales prices of the Reference Car Parking Spaces and note that the expected sales prices of the Target Properties are generally within range of the sales prices of the Reference Car Parking Spaces. Due to lack of sales data of Reference Car Parking Spaces available from public domain or online real estate agency platforms, we are unable to independently verify the sales prices of the Reference Car Parking Spaces contained in the research report. Alternatively, we have obtained and reviewed a total of six sample car parking spaces sales contracts contemplated under the Exclusive Agency Agreements (the "**Sample Contracts**"), and note from the Sample Contracts that the actual sales prices of the Target Properties are not materially deviated (i.e. within 10% difference) from the expected sales prices of the Target Properties as stated in the table above.

Furthermore, we have discussed with the Management regarding the alternative use of the funding under the Refundable Deposits and Deposits 3, and understand that the Group generally manages its idle fund by way of short-term deposits with commercial banks, which generally generates interest income at rates of not more than approximately 2.5% per annum as at the respective date of the Exclusive Agency Agreements. In light of the above, we consider that the entering into of the Exclusive Agency Agreements would enable the Group to generate higher returns by way of agency service fees when comparing with the potential interest income generated from the alternative use of the Refundable Deposits and Deposits 3.

As advised by the Management, the Group strives to provide more than just property management services to property owners and resident, and the provision of sales agency services under the Exclusive Agency Agreements is in line with the corporate strategy of the Group to diversity and broaden its revenue stream. Furthermore, the Target Properties, which are part of the residential properties developed by the counterparties of the Exclusive Agency Agreements, are all managed by the Group prior to the entering into of the respective Exclusive Agency Agreements and located in Zhuozhou City, where the Group has been operating in since 2010, and Wuxi City, which is one of the target areas that the Group intends to gain access to according to the business strategies as disclosed in the Prospectus. As such, the Group has already accumulated relevant experiences and basic understanding of the local property market where the Target Properties are located and the common needs or demands of the property owners and occupants through the provision of management services in the aforementioned cities. In view of above, the Management considers that the Group can leverage on such experiences and understanding during the provision of sales agency services for the Target Properties and complement the existing principal businesses of the Group.

Based on our review of the Prospectus, we note that the Group has maintained a long-standing strategic business relationship with Beijing Herun (together with its subsidiaries, the "**Parent Group**"). As disclosed in the Prospectus, the Group has a long-standing and well-established ongoing business relationship with the Parent Group since 2004, and provided various services to the Parent Group, including property management services since 2004. Given the long history of business relationship, the Group and the Parent Group have developed a well-established mutual understanding in the business collaborations, whereby the Group is able to provide a wide-spectrum of services to the Parent Group, and the Management is familiar with the standards and requirements of the Parent Group.

Taking into account (i) the potential upside in terms of the profitability and the business scale of the Group from the Exclusive Agency Agreements; (ii) the provision of sales agency services for the Target Properties under the Exclusive Agency Agreements is in line with the corporate strategy of the Group; and (iii) the Group has maintained a long-standing strategic business relationship with the Parent Group, we are of the view that the entering into of the Exclusive Agency Agreements is in the interest of the Company and the Shareholders as a whole.

2.2. Principal terms of the Exclusive Agency Agreements

Below are details of the respective Exclusive Agency Agreements:

2.2.1. Sole Agency Agreement 1

Date:	20 May 2020
Parties:	(i) Hongkun Ruibang Wuxi (as service provider); and (ii) Wuxi Yongqing.
Services:	Provision of agency services for the lease/right-of-use transfer of 488 car parking spaces developed by Wuxi Yongqing
Term:	20 May 2020 to 19 May 2021

Service fees:	The amount in excess of the base price of the car parking spaces (i.e. RMB40,000/space) received from the lessee(s)/transferee(s) of the relevant car parking spaces. In the event that the actual amount received from the lessee(s)/transferee(s) is lower than the base price, Hongkun Ruibang Wuxi is required to pay such shortfall to Wuxi Yongqing (Wuxi Yongqing is entitled to deduct such shortfall from the Refundable Deposits 1 paid by Hongkun Ruibang Wuxi). The base price per car parking space under the Sole Agency Agreement 1 was determined by both parties after taking into consideration of factors including but not limited to the real estate project's occupancy rate, the number of available car parking spaces, the sales stage, and the car parking space quality, and that it is in line with the normal market practice, fair and reasonable and on normal commercial terms. The total expected selling price of the 488 car parking spaces in aggregate under the Sole Agency Agreement 1 amounted to approximately RMB28 million (which was determined based on factors including but not limited to: (i) the selling prices of the car parking spaces of the real estate projects in the proximity based on the market research conducted by the Group and the information made available to the Group by its industry network; (ii) the size of the car parking spaces; and (iii) the household size of the potential purchasers), rendering a rate of return of not less than 20% to Hongkun Ruibang Wuxi under the Sole Agency Agreement 1.
Settlement terms:	Hongkun Ruibang Wuxi should submit to Wuxi Yongqing by the 3rd day of each month the details of the lease/right-of-use transfer of car parking spaces (including the total amount received from the lessee(s)/transferee(s)) for the preceding calendar month. Wuxi Yongqing should approve the details and pay Hongkun Ruibang Wuxi the relevant service fees within 3 working days after receipt of such details.

Refundable deposits: Hongkun Ruibang Wuxi is required to pay the Refundable Deposits 1 to Wuxi Yongqing that are equivalent to the total base price of all the car parking spaces in the amount of approximately RMB19.52 million (i.e. RMB40,000/space x 488 car parking spaces) to ensure the provision of agency services.

Where agreements for the sale/right-of-use transfer of car parking spaces have been entered into between Wuxi Yongqing and the lessee(s)/transferee(s) for 50% of all the car parking spaces, Wuxi Yongqing should refund 50% of the Refundable Deposits 1 to Hongkun Ruibang Wuxi. Thereafter, where agreements have been entered into between Wuxi Yongqing and the lessee(s)/transferee(s) for every other 10% of all the car parking spaces, Wuxi Yongqing should refund 10% of the Refundable Deposits 1 to Hongkun Ruibang Wuxi.

Wuxi Yongqing should refund all the remaining balance of the Refundable Deposits 1 to Hongkun Ruibang Wuxi within 3 working days upon expiry of the agreement.

2.2.2. Sole Agency Agreement 2

Date: 30 December 2020

Parties:

(i) Hongkun Ruibang Wuxi (as service provider); and

(ii) Wuxi Yongqing.

Services: Provision of agency services for the lease/right-of-use transfer of 643 car parking spaces and the sale of 2 shops all developed by Wuxi Yongqing

Term: 1 January 2021 to 31 December 2021

Service fees: The amount in excess of the base price of the car parking spaces and shops (i.e. RMB40,000/space and RMB13,000/m^2, respectively) received from the lessee(s)/transferee(s) of the relevant car parking spaces and the purchaser(s) of the relevant shops.

The base price per car parking space and per m^2 of shops, respectively, under the Sole Agency Agreement 2 was determined by both parties after taking into consideration of factors including but not limited to the real estate project's occupancy rate, the number of available car parking spaces, the sales stage, and the car parking space quality, and that it is in line with the normal market practice, fair and reasonable and on normal commercial terms.

The total expected selling price of the 643 car parking spaces in aggregate amounted to approximately RMB36 million and the total expected selling price of the 2 shops in aggregate amounted to approximately RMB8 million under the Sole Agency Agreement 2 (which were determined based on: (i) the selling prices of the car parking spaces/shops of the real estate projects in the proximity based on the market research conducted by the Group and the information made available to the Group by its industry network; (ii) the size of the car parking spaces/shops; and (iii) the household size of the potential purchasers of the car parking spaces (as applicable)), rendering a rate of return of not less than 20% to Hongkun Ruibang Wuxi under the Sole Agency Agreement 2.

Settlement terms: Payments from the lessee(s)/transferee(s) of the car parking spaces and/or the purchaser(s) of the shops are collected by Hongkun Ruibang Wuxi on behalf of Wuxi Yongqing.

Hongkun Ruibang Wuxi should submit to Wuxi Yongqing by the 5th day of each month the details of the lease/right-of-use transfer of car parking spaces and/or the sale of shops (including the total amount received from the lessee(s)/transferee(s) and/or purchaser(s)) for the preceding calendar month. Wuxi Yongqing should approve the details within 3 working days after receipt of such details, and Hongkun Ruibang Wuxi should pay the total amount of base price of the leased/transferred car parking spaces and/or sold shops to Wuxi Yongqing within 10 working days after the approval.

Refundable deposits:	Hongkun Ruibang Wuxi is required to pay the Refundable Deposits 2 to Wuxi Yongqing that are equivalent to the total base price of all the car parking spaces and shops in the amount of approximately RMB31.56 million (i.e. the sum of RMB40,000/space x 643 car parking spaces and RMB13,000/m^2 x 449.6 m^2 (total GFA of 2 shops) that are subject to the Sole Agency Agreement 2) to ensure the provision of agency services. Within 30 days after receipt of the total amount of base price of the leased/transferred car parking spaces and/or sold shops by Wuxi Yongqing from Hongkun Ruibang Wuxi (as set out in the settlement terms above), Wuxi Yongqing should refund the Refundable Deposits 2 for the corresponding leased/transferred car parking spaces and/ or sold shops to Hongkun Ruibang Wuxi. In the event that there are car parking spaces not leased/ transferred and/or shops unsold when the agreement expires, and the term of the agreement is not extended, Wuxi Yongqing should refund all the remaining balance of the Refundable Deposits 2 to Hongkun Ruibang Wuxi within 10 working days upon expiry of the agreement.

2.2.3. Underwriting Agreement

Date:	15 February 2021
Parties:	(i) Hongkun Ruibang Zhuozhou (as service provider); (ii) Zhuozhou Hongtai; and (iii) Zhuozhou Hongshun.
Services:	Provision of agency services for the lease/right-of-use transfer of 360 car parking spaces developed by the Zhuozhou Developers As at the Latest Practicable Date, 299 out of the 360 car parking spaces have been sold.
Term:	15 February 2021 to the date on which all the car parking spaces are sold

Service fees: The amount in excess of the base price of the car parking spaces (i.e. in the range of RMB25,000 to RMB53,500/space depending on the type of the car parking spaces) received from the lessee(s)/transferee(s) of the relevant car parking spaces.

The range of base prices of the car parking spaces under the Underwriting Agreement comprises the base prices of various categories of car parking spaces, including standard car parking spaces, combined car parking spaces, shared car parking spaces and mini car parking spaces.

The base price per each type of car parking space under the Underwriting Agreement was determined by both parties after taking into consideration of factors including but not limited to the real estate project's occupancy rate, the number of available car parking spaces, the sales stage, and the car parking space quality, and that it is in line with the normal market practice, fair and reasonable and on normal commercial terms.

The total expected selling price of the standard car parking spaces, the combined car parking spaces (at location 1), the combined car parking spaces (at location 2), the shared car parking spaces and the mini car parking spaces in aggregate, respectively, under the Underwriting Agreement amounted to approximately RMB15 million, approximately RMB3 million, approximately RMB0.09 million, approximately RMB1 million and approximately RMB0.2 million, respectively (which were all determined based on: (i) the selling prices of the car parking spaces of the real estate projects in the proximity based on the market research conducted by the Group and the information made available to the Group by its industry network; (ii) the size of the car parking spaces; and (iii) the household size of the potential purchasers), rendering a rate of return of not less than 40% to Hongkun Ruibang Wuxi under the Underwriting Agreement.

Settlement terms:	Payments from the lessee(s)/transferee(s) of the car parking spaces are collected by Hongkun Ruibang Zhuozhou. The base prices of the car parking spaces that have been sold are set off against the Deposits 3.
Non-refundable deposits:	Hongkun Ruibang Zhuozhou is required to pay the non-refundable Deposits 3 to the Zhuozhou Developers in the total amount of approximately RMB10.8 million based on the sum of RMB30,000/space (as the abovementioned standard car parking spaces constitute approximately 85% of all the car parking spaces under the Underwriting Agreement, such sum was based on the base price of the standard car parking spaces) to ensure the provision of agency services for all the car parking spaces.

Our Analysis

As advised by the Management, the Sole Agency Agreement 1 is the first exclusive sales agency agreement entered by the Group, whereas the Sole Agency Agreement 2 and the Underwriting Agreement are agreements that were entered subsequently under similar nature and terms. As such, there is no historical transaction document entered into between the Group and any other independent third parties in respect of the provision of similar exclusive sales agency services. In order to assess the fairness and reasonableness of the principal terms of the Exclusive Agency Agreements, in particular on the deposit arrangements under the Exclusive Agency Agreements (the "**Deposit Arrangements**"), and understand the prevailing market practice for comparable transactions, we have reviewed the announcements released by companies, which are (i) principally engaged in provision of property management services and other value-added services; (ii) primarily operated in the PRC; and (iii) listed on the Main Board of the Stock Exchange, in the past 24 months immediately before the date of the Sole Agency Agreement 1 and up to the date of the Underwriting Agreement (the "**First Review Period**"), and note that there is only one transaction which requires the payment of deposits or earnest money in exchange for exclusive sales agency rights as announced by Xinyuan Property Management Service (Cayman) Ltd. on 17 September 2020. In view of the rarity of relevant precedent cases available on the Stock Exchange during the First Review Period, we have adjusted the review period to included comparable transactions that were announced during the period from the date of the Sole Agency Agreement 1 up to 31 December 2021 (the "**Adjusted Review Period**"), and identified six comparable transactions (the "**Comparable Transactions**"). Having taken into account the Adjusted Review Period would allow us to capture a sufficient number of samples for a meaningful analysis on the market practices in respect of such transactions and the Adjusted Review Period falls within the same calendar year of the Underwriting Agreement and not more than 24 months from the date of the Sole Agency Agreement 1, we consider that the Adjusted Review Period is justifiable and the Comparable Transactions are exhaustive, sufficient, fair and representative samples for our assessment of the Deposit Arrangements.

The following table sets forth the summary of the Comparable Transactions:

Company name (stock code)	**Date of announcement**	**Amount of deposit/ earnest money paid**	**Rate of deposit/earnest money to base price/ reserve price** *(Note 3)*	**Connected transactions or not**	**Interest arrangement for the deposit**	**Refund arrangement for the deposit**
Xinyuan Property Management Service (Cayman) Ltd. ("**Xinyuan PM**") (1895.HK)	17 September 2020 and 23 December 2021 *(Note 2)*	The amount of refundable earnest money is equal to the total sum of the agreed reserve price of the designated car parking space *(Note 4).*	100% of reserve price	Y	N	The deposit would be refunded in separate portion which correspond with the agreed sales rate of the car parking spaces.
	27 September 2021	The amount of refundable earnest money is equal to the total sum of the agreed reserve price of the designated property *(Note 4).*	100% of reserve price	Y	N	The deposit would be refunded in separate portion which correspond with the agreed sales rate of the car parking spaces.
Poly Property Services Co., Ltd. ("**Poly PS**") (6049.HK)	16 July 2021	The refundable deposit not exceeding 50% of the aggregate of the relevant value of the car parking spaces (being the sum of the base price for sales and leasing) *(Note 5).*	Not exceeding 50% of base price	Y	N	The deposit would be returned if (i) the cooperation cycle expires; or (ii) the agreement is dismissed or terminated for any reason; or (iii) the group attains an early completion of the leasing and sales of all target parking spaces.

Company name (stock code)	Date of announcement	Amount of deposit/ earnest money paid	Rate of deposit/earnest money to base price/ reserve price *(Note 3)*	Connected transactions or not	Interest arrangement for the deposit	Refund arrangement for the deposit
Landsea Green Life Service Company Limited (“**Landsea Service**”) (1965.HK)	15 September 2021	The refundable security deposit represents the aggregate pre-determined minimum prices of the properties and car parking spaces *(Note 6)*.	100% of base price	Y	N	The deposit would be refunded on a quarterly basis in correspond to the amount of the properties or car parking space sold during the respective terms.
	22 November 2021	The refundable security deposit equal to the aggregate pre-determined minimum prices of the properties and car parking spaces *(Note 6)*.	100% of base price	Y	N	The deposit would be refunded on a quarterly basis in correspond to the amount of the properties or car parking space sold during the respective terms.
Sino-Ocean Service Holding Limited (“**Sino-Ocean Service**”) (6677.HK)	30 December 2021	The amount of refundable deposits shall be determined with reference to the minimum price for the sale of the target car parking spaces *(Note 7)*.	Unspecified	Y	N	The deposit would be refunded upon completion of the sales of the relevant target parking spaces.

Source: the Stock Exchange website

Notes:

1. The above information is extracted from their respective announcements and circulars (if applicable).

2. According to Xinyuan PM’s announcement dated 23 December 2021, Xinyuan PM has entered into a supplemental agreement to the agreement dated 17 September 2020 with Xinyuan Real Estate Co., Ltd. to extend the end date of the cooperation period from 31 December 2021 to 31 December 2023.

3. While we note that different terminologies, such as agreed reserve price, pre-determined minimum price, etc., are being used in the Comparable Transactions, we consider that all of these terminologies share the same characteristics or can be used inter-changeably as they are typically referred to the base/reserve price for calculating the amount of agency service fee, being the difference between the base/reserve and the market/sales price of the target/designated properties.

4. The designated car parking spaces will be transferred to the buyers at the agreed reserve price whereas the amount of service fees charged by Xinyuan PM from the buyer is determined based on the prevailing market conditions.

5. The car parking spaces will be transferred or leased to the buyer/lessee at an agreed price not lower than the base price, and the excess of the agreed price over the base price for sales and leasing will be attributable to Poly PS as agency service fees.

6. Landsea Service shall charge the commission for the properties sold, which represents, after deducting relevant taxes, the difference between the actual sales price of the properties or car parking spaces sold by Landsea Service and the aggregate pre-determined minimum prices of such properties or car parking spaces sold.

7. Sino-Ocean Service shall charge the difference between the actual sales price paid by the buyer and the relevant base price as fees for providing exclusive sales agency services with respect to the target car parking spaces.

As illustrated from the table above, we note that, save for the transactions of (i) Sino-Ocean Service where the level or percentage of refundable deposits to the base/reserve price of target car parking spaces was unspecified; and (ii) Poly PS where the amount of refundable deposits shall not exceed 50% of the base price for sales and leasing of the target car parking spaces, the counterparty of the other comparable companies, namely Xinyuan PM and Landsea Service under the Comparable Transactions required full amount of the base or reserve price of the target properties as refundable deposits. We further note that the Comparable Transactions do not have interest arrangement for the deposit and all Comparable Transactions are connected transactions, which are in line with the Exclusive Agency Agreements.

To understand the mechanism for the Deposit Arrangements, we have discussed with the Management and understand that (i) both the refundable deposit arrangements under the Agency Services Agreements (the "**Refundable Deposit Arrangements**") and the non-refundable deposit arrangement under the Underwriting Agreement with no definite agreement term (the "**Non-Refundable Deposit Arrangement**") are mainly required in exchange of the exclusive sales right on the Target Properties; (ii) the refundable deposits under the Agency Services Agreements were partially refunded to the Group by stage basis or monthly basis in correspond to the amount of the Target Properties sold during the respective terms; and (iii) the non-refundable deposits under the Underwriting Agreement were set off against the base prices of the car parking spaces upon the receipt of payments from the lessee(s)/transferee(s) of the Target Properties, which such arrangement is similar to the Refundable Deposit Arrangements but in a more timely manner.

We have enquired with the Management regarding the reasons for adopting different deposit arrangements (i.e. Refundable Deposit Arrangements under the Agency Services Agreements and Non-Refundable Deposit Arrangement under the Underwriting Agreement) and understand that it is arrived at after commercial negotiations between the Group and counter-parties of the Exclusive Agency Agreements having taken into account various factors, including the project progress and commercial merits of the Target Properties, settlement terms of the service fees and timing of recovering the deposits. Based on our review of the Exclusive Agency Agreements, we have summarised and compared below the settlement terms of the service fees and the timing of recovering the deposits of the respective Exclusive Agency Agreements:

	Sole Agency Agreement 1	**Sole Agency Agreement 2**	**Underwriting Agreement**
Settlement terms of service fees	Hongkun Ruibang Wuxi should submit to Wuxi Yongqing by the 3rd day of each month the details of the lease/right-of-use transfer of car parking spaces for the preceding calendar month. The relevant services fees should be paid within 3 working days after the receipt of such details.	Payments from the lessee(s)/transferee(s) of the car parking spaces and/or the purchaser(s) of the shops are collected by Hongkun Ruibang Wuxi on behalf of Wuxi Hongkun Ruibang Wuxi should submit to Wuxi Yongqing by the 5th day of each month the details of the lease/right-of-use transfer of car parking spaces and/or the sale of shops for the preceding calendar month. The relevant services fees should be paid within 3 working days after the receipt of such details, and Hongkun Ruibang Wuxi should pay the total amount of base price of the leased/transferred car parking spaces and/or sold shops to Wuxi Yongqing within 10 working days after the approval.	Payment from the lessee(s)/transferee(s) of the car parking spaces are collected by Hongkun Ruibang Zhuozhou.

	Sole Agency Agreement 1	Sole Agency Agreement 2	Underwriting Agreement
Timing of recover the deposits	(i) 50% of the deposits should be refunded upon sales of 50% of all the car parking spaces; (ii) thereafter, 10% of the deposits should be refunded upon sales of every other 10% of all the car parking spaces; and (iii) remaining balance of the deposits should be refunded upon expiry of the term.	(i) Within 30 days after receipt of the total amount of base price of leased/transferred car parking spaces and/or sold shops by Wuxi Yongqing from Hongkun Ruibang Wuxi, Wuxi Yongqing should refund the deposit for the corresponding leased/transferred car parking spaces and/or sold shops to Hongkun Ruibang; and (ii) remaining balance of the deposits should be refunded upon expiry of the term.	The base prices of the car parking spaces that have been sold are set off against the deposit.

As illustrated from the table above, the settlement period of services fee under the Underwriting Agreement is the shortest as the payment from sales of the Target Properties is directly collected by Hongkun Ruibang Zhuozhou and service fees are simultaneously settled without any further approval by the counterparties, whereas the payment of services fees under the Agency Services Agreements requires submission of sales details by Hongkun Ruibang Wuxi to the counterparties, which would take relatively longer than the Underwriting Agreement. In terms of recovery rate of the deposits, under the Underwriting Agreement, the payment from sales of the Target Properties is directly collected by Hongkun Ruibang Zhuozhou and immediately set off against the deposit, whereas (i) under the Sole Agency Agreement 1, 50% of the deposit is refunded only after the sales progress reaches 50% of the total Target Properties and thereafter 10% of the deposit should be refunded upon sales of every other 10% of the Target Properties; and (ii) under the Sole Agency Agreement 2, the deposit for the corresponding Target Properties is refunded within 30 days after the receipt of the base price of the Target Properties by Wuxi Yongqing. Although the recovery rates of deposits under all of the Exclusive Agency Agreements are in correspondence with the sales progress of the Target Properties, we note that the timing of recovering the deposits under the Underwriting Agreement is the fastest as Hongkun Ruibang is able to collect the sales payment of the Target Properties directly and immediately set off against the deposit.

As further advised by the Management, the Non-Refundable Deposit Arrangement was adopted given (i) the Group has begun to manage the car parking spaces (the "**Zhuozhou Car Parking Spaces**"), which are to be sold under the Underwriting Agreement, along with their corresponding housing complex (the "**Zhuozhou Housing Complex**") since 2016; (ii) the demand of the Zhuozhou Car Parking Spaces was expected to be high as (a) the number of households lived in the Zhuozhou Housing Complex was significantly more than the number of Zhuozhou Car Parking Spaces; and (b) the occupancy rate of the overall car parking spaces within the Zhuozhou Housing Complex exceeded 80% as at 31 December 2020, and therefore the Management estimated that the sales rate of the Target Properties under the Underwriting Agreement will be higher, which in turn accelerates the recovery of the deposits; (iii) as illustrated in section headed "2.1 Reasons for and benefits of the Refundable Deposits and Deposits 3" above, the range of expected agency services of the Underwriting Agreement are generally higher than that of the Agency Services Agreements, which would enable Hongkun Ruibang to enjoy higher return under the Underwriting Agreement as compared to that of the Agency Services Agreements; and (iv) the settlement terms of the Underwriting Agreement enable the Group to collect the payment directly from the lessee(s)/transferee(s) of the Target Properties, which expedite both the service fees collection and deposit recovery processes and minimise the default risk from counterparty.

In view of the above, the Management was optimistic in achieving higher sales rate of the Target Properties under the Underwriting Agreement and recouping the amount of deposit paid (taking into account of the total amount of service fees and base prices to be received) within a relatively shorter period of time as compared to the Agency Services Agreements; therefore decided to adopt the Non-Refundable Deposit Arrangement to maximize the potential return. Based on the information provided by the Management, we note that up to August 2022, Hongkun Ruibang Zhuozhou has sold 299 car parking spaces, which accounted for approximately 83.0% of the total number of car parking spaces under the Underwriting Agreement, with total sales proceeds, net of transaction costs, of approximately RMB16.4 million collected by Hongkun Ruibang Zhuozhou, which is well above the Deposits 3 amount of approximately RMB10.8 million paid. As advised by the Management, the amount of Deposits 3 outstanding as at 31 December 2022 was approximately RMB1.1 million and such amount was subsequently settled by way of off-setting with the amounts due to Zhuozhou Developers in February 2023.

Based on our review of the Comparable Transactions, we note that (i) the reasons for adoption of the deposit mechanism under the Comparable Transactions are similar to the Group, which are primarily associated with the granting of the exclusive sales right; (ii) it is not uncommon for the counterparty of the Comparable Transaction to request a deposit amount equivalent to 100% of the base or reserve price of the target properties; (iii) all the Comparable Transactions have included the refund arrangements for the deposits; and (iv) the refund arrangements for the deposit under the Comparable Transactions vary but mostly associated with the selling progress of the properties. In respect of the Non-Refundable Deposit Arrangement, based on the research conducted by us, we are not aware of any comparable transactions which adopt the Non-Refundable Deposit Arrangement while providing exclusive sales agency services, during both the First Review Period and the Adjusted Review Period. Alternatively, we have enquired the Management and understand that the Company had not entered into any agreement with any independent third parties with similar features as the Non-Refundable Deposit Arrangement in the past.

In view of the above, in particular, the adoption of the Refundable Deposit Arrangements is not an uncommon practice in the industry and the deposits are refundable upon the sales of the corresponding target properties, we consider that the Refundable Deposit Arrangements are on normal commercial terms. However, owing to the fact that (i) there is the lack of comparable transaction with similar terms to the Non-Refundable Deposit Arrangement identified by us in the public domain; and (ii) the Management is unable to provide us with objective evidences to demonstrate that the Group has entered into terms similar to the Non-Refundable Deposit Arrangement with independent third parties, we are unable to reach the conclusion that the Non-Refundable Deposit Arrangement is on normal commercial terms.

Nonetheless, having taken into account (i) the total sales proceeds collected under the Underwriting Agreement, net of transaction costs, of approximately RMB16.4 million collected by Hongkun Ruibang Zhuozhou is well above the Deposits 3 amount of approximately RMB10.8 million paid; and (ii) the Group has fully recovered the Deposits 3 in February 2023, we consider the Deposits Arrangements in general are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As disclosed in the Letter from the Board, the Underwriting Agreement was entered into under the CCT Agreement and the relevant service fees derived belonged to, and had been counted towards, the annual caps of the "Parent Group Property Developer Related Services" under the CCT Agreement. We have discussed with the Management and understand that given (i) majority of the car parking spaces (i.e. approximately 83.0%) under the Underwriting Agreement has been sold up to August 2022; (ii) slowdown in sales progress of the remaining car parking spaces; and (iii) sales proceeds generated from the car parking spaces sold had substantially exceeded the amount of deposit paid under the Underwriting Agreement, the management team of Hongkun Ruibang Zhuozhou decided to cease the sales and marketing activities of the remaining car parking spaces for cost control purpose with effect from August 2022.

In light of the fact that:

(i) Hongkun Ruibang Zhuozhou no longer provide agency services under the Underwriting Agreement since August 2022 and no additional service fee was generated thereafter. The Management considers that the Group's performance under the Underwriting Agreement is effectively ceased during FY2022, which is aligned with the term of the CCT Agreement (i.e. 13 March 2020 to 31 December 2022); and

(ii) the payment of Deposits 3 is a one-off transaction under the Underwriting Agreement and the actual sales proceeds of the car park spaces received by the Group exceeds the amount of the deposit paid and the Deposits 3 had been fully recovered in February 2023,

we concur with the Directors' view that the terms of the Underwriting Agreement did not contravene with Rule 14A.52 of the Listing Rules.

3. The Acquisition

3.1. Reasons for and benefits of the Acquisition

As disclosed in the Letter from the Board, with regard to the Group's commitments to improving its administration and operation functions, and in view of the steady growth of its businesses, the Group is in need for new and additional office spaces. For instance, the Group intends to establish an information technology centre that is more professional and well equipped so as to improve its information technology systems. To ensure the security, efficiency and stability of the Group's information technology, the Board is of the view that such information technology centre is more suitably located at a property with exclusive right-of-use and should be sizable. The Property is intended to be held by Hongkun Ruibang for general office, administrative and operational uses, including but not limited to providing sufficient space for the establishment of the information technology centre of the Group. In addition, the Consideration will be settled in full by way of set-off against various outstanding receivables of the Group, and the Acquisition will therefore be conducive to the debt collection progress of the Group. For detailed reasons for the Acquisition, please refer to the section headed "REASONS FOR AND BENEFITS OF (I) THE REFUNDABLE DEPOSITS AND DEPOSITS 3 ARRANGEMENTS AND (II) THE ACQUISITION OF THE RIGHT-OF-USE OF THE PROPERTY" in the Letter from the Board.

3.1.1. Expansion of office spaces to cater for the Group's business needs

As discussed in the section headed "1.1 Information of the Group" above, we note that there is a steadily growth in the Group's property management business as the total contracted GFA and number of properties managed increased from approximately 11.0 million square meters (“**sq.m.**”) and 54 as at 31 December 2020 to approximately 15.4 million sq.m. and 69, respectively, as at 30 June 2023. We have discussed with the Management and understand that, upon the listing of the Company’s shares on the Stock Exchange in March 2020 (the “**Listing**” or “**IPO**”), the Management has been considering the option to secure additional office spaces in order to cater for the Group’s administration and operation functions and establish a new information technology centre. Furthermore, as disclosed in the Prospectus, it is one of the Group’s business strategies at the time of Listing to further develop and enhance its information systems and technological initiatives to maximise its cost and operational efficiency and optimize its customer services. In line of this strategy, the Group allocated approximately HK$16.9 million of the net proceeds raised from the IPO for development and enhancement of its information systems and technological initiatives.

However, due to the repeated outbreak of the COVID-19 pandemic, the Management has temporarily withheld the decision of expanding its office spaces and establishing the information technology centre. This is evidenced by the fact that as at 30 June 2023, the Group only utilised approximately HK$3.2 million of the net proceeds from the IPO for the development and enhancement of the Group’s information system and technological initiatives, which only accounted for approximately 18.9% of the total net proceeds intended for this use. With the removal of the COVID-19 pandemic restrictions and prevention measures at the beginning of 2023, the Management has been exploring available options and evaluating suitable locations for the purpose of expanding office spaces and establishing the information technology centre. As advised by the Management, establishment of an information technology centre is capital intensive and usually involves installation of computer hardware as well as other ancillary equipment such as server racks and cooling units which occupied a relatively large office spaces; it is their intention to secure sizable office spaces with relatively long lease term in order to ensure the security and stability of the information technology centre. We understand from the Management that the Property is located in Xihongmen, Daxing District, Beijing (北京市大興區西紅門) and in close proximity (i.e. within the distance of 1.0 kilometer) to the Group’s head office, which is also situated in Xihongmen, Daxing District. Furthermore, based on the setup plan of the general office and information technology centre provided by the Management, the planned GFA of the office spaces should be not less than 4,000 sq.m. in order to cater for the Group’s business need. Although the Management has considered other similar properties which are located within Xihongmen, Daxing District, the Management advises that there are practical difficulties to secure sizeable office spaces with long-term lease at relatively reasonable rental cost. In light of the above and having considered that (i) the Property has a GFA of approximately 4,982.85 sq.m. which should be sufficient for the establishment of the information technology centre and expansion of its general office; (ii) the Property is located adjacent to the Group’s head office in the PRC, which would provide easy access and convenience for daily management and operation purpose; and (iii) the right-of-use of the Property is for a term of over 17 years, we concur with the Management's view that the Acquisition would enable the Group to secure suitable office spaces to cater for its business needs as discussed above.

3.1.2. Facilitation of the outstanding debt collection process

As discussed in the sectioned headed "2.1 Reasons for and benefits of the Refundable Deposits and Deposits 3" above, Hongkun Ruibang Wuxi entered into the Agency Services Agreements with Wuxi Yongqing and paid the Refundable Deposits in order for Hongkun Ruibang Wuxi to obtain and secure the exclusive right to provide sales agency services for the car parking spaces and shops developed by Wuxi Yongqing. At the time of entering into of the Agency Services Agreements, Wuxi Yongqing was wholly-owned by Hongkun Weiye, which at the material time was indirectly controlled by Mr. Zhao. Therefore, Wuxi Yongqing was a fellow subsidiary and connected person of the Company. As advised by the Management, the equity interest of Wuxi Yongqing was subsequently transferred to an independent third party and ceased to be a fellow subsidiary and connected person of the Company since 28 September 2021.

We have discussed with the Management and understand that upon expiry or termination of the Agency Services Agreements in 2021, Wuxi Yongqing had not yet fully refunded all the Refundable Deposits and settled the outstanding service fees receivables in relation to the agency services rendered (the "**WY Trade Receivables**") under the Agency Services Agreements. In April 2022, Wuxi Yongqing entered into the Transfer Agreement 1 with Hongkun Ruibang Wuxi pursuant to which Wuxi Yongqing agreed to partially settle the outstanding Refundable Deposits by way of transfer of the right-of-use of 232 car parking spaces to Hongkun Ruibang Wuxi at a consideration approximately RMB7.9 million. As advised by the Management, the Group has been vigorously pursuing for refund of the Refundable Deposits and subsequently reached a settlement agreement with Wuxi Yongqing in June 2022. Wuxi Yongqing provided an undertaking to the Group, pursuant to which Wuxi Yongqing committed to refund the remaining balance of the Refundable Deposits of approximately RMB30.6 million to the Group by the end of September 2023. In addition, Wuxi Yongqing had guaranteed to obtain the Group's approval before selling certain properties and the proceeds from the sale of such properties will be distributed to the Group with first priority. In case Wuxi Yongqing were not able to refund the Refundable Deposits by 30 September 2023, the aforesaid properties will be transferred to the Group to offset with the Refundable Deposits.

However, in February 2023, the Group had become aware that according to a civil ruling issued by Xinwu District People's Court, Wuxi City, Jiangsu Province (the "**Court**"), an application for the bankruptcy and liquidation of Wuxi Yongqing by its own debtor has been accepted by the Court (the

"**Bankruptcy**"). In light of the Bankruptcy, the Management is of the view that the Refundable Deposits and the WY Trade Receivables may not be fully recovered. During FY2022, the Group recognised allowance for credit losses of approximately RMB30.6 million and approximately RMB6.3 million, which represented the outstanding Refundable Deposits and WY Trade Receivables, respectively, as at 31 December 2022. Having regard to the fact the outstanding Refundable Deposits and WY Trade Receivables were originated from the Agency Services Agreements with Wuxi Yongqing, which was then indirectly controlled by Mr. Zhao, Mr. Zhao had been actively exploring feasible alternatives to facilitate the Group in recovering the outstanding Refundable Deposits and WY Trade Receivables. Nonetheless, given that Mr. Zhao had already ceased control over Wuxi Yongqing since September 2021 and Wuxi Yongqing is currently in the liquidation process, both the Board and Mr. Zhao consider that it would be relatively time consuming for the Group to collect the outstanding Refundable Deposits and WY Trade Receivables through legal proceedings and there are uncertainties as to whether the Group is able to fully recover the outstanding balances from Wuxi Yongqing. Against this backdrop, Mr. Zhao discussed with the Management and proposed to proceed with the Acquisition which would (i) facilitate the Group to recover the outstanding Refundable Deposits and WY Trade Receivables by way of the set-off against the Consideration; and (ii) enable the Company to acquire the right-of-use of the Property with sizable office spaces and relatively long term lease to fulfill its business needs of office expansion as discussed in section headed "3.1.1 Expansion of office spaces to cater for the Group's business needs" above.

Having considered the factors above, we concur with the Directors' view that the Acquisition, although is not conducted in the ordinary and usual course of the business of the Group, is in the interest of the Company and the Shareholders as a whole.

3.2. The Transfer Agreement 2

3.2.1. Principal terms of the Transfer Agreement 2

The major terms of the Transfer Agreement 2 are as follows:

Date:	26 September 2023
Parties:	(i) Hongkun Ruibang (as transferee); and
	(ii) Beijing Ruihongda (as transferor).

Assets to be acquired:	The right-of-use of the Property for a term commencing from the date of approval of the Transfer Agreement 2 and the Acquisition contemplated thereunder by the Shareholders in accordance with the Listing Rules to 30 June 2041. Based on the information provided by Beijing Ruihongda, the original acquisition cost of the right-of-use of the Property for a term of 21 years was RMB23,000,000. On 1 July 2021, Beijing Ruihongda and Hongkun Weiye entered into a transfer agreement (the "**Operating Rights Transfer Agreement**"), pursuant to which Hongkun Weiye transferred the operating rights (including the right-of-use) of (among others) the Property to Beijing Ruihongda for a period of 21 years expiring on 30 June 2042 (legally effective only until 30 June 2041) at a consideration of RMB23,000,000. As such, Beijing Ruihongda has the operating rights (including the right-of-use) over the Property until 30 June 2041. There is no early termination clause in the Operating Rights Transfer Agreement.
Consideration:	RMB36,846,854 (i.e. approximately RMB7,395/square meter)
Settlement:	On 20 May 2020, Hongkun Ruibang Wuxi entered into the Sole Agency Agreement 1 with Wuxi Yongqing, a former fellow subsidiary of the Company which was ultimately wholly beneficially owned/controlled by Mr. Zhao Weihao and his associates at the material time, pursuant to which Hongkun Ruibang Wuxi should provide agency services for the lease/right-of-use transfer of 488 car parking spaces developed by Wuxi Yongqing and was required to pay the Refundable Deposits 1 to Wuxi Yongqing to ensure provision of agency services. Further, on 30 December 2020, Hongkun Ruibang Wuxi entered into the Sole Agency Agreement 2 with Wuxi Yongqing, pursuant to which Hongkun Ruibang Wuxi should provide agency services for the lease/right-of-use transfer of 643 car parking spaces and the sale of 2 shops all developed by Wuxi Yongqing and was required to pay the Refundable Deposits 2 to Wuxi Yongqing to ensure provision of agency services.

As at the date of the Transfer Agreement 2, (i) the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Hongkun Ruibang Wuxi was RMB30,566,475; and (ii) the total amount of outstanding trade receivables owed by Wuxi Yongqing to the Group was RMB6,280,379 (collectively, the "**Total Outstanding Receivables**").

The Consideration shall be settled in full by way of setoff against (i) the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Hongkun Ruibang Wuxi as at the date of the Transfer Agreement 2; and (ii) the total amount of outstanding trade receivables owed by Wuxi Yongqing to the Group as at the date of the Transfer Agreement 2. The outstanding trade receivables owed by Wuxi Yongqing to the Group arose from the ordinary and usual course of business of the Group and include the services fees for the provision of sales assistances services, post-delivery repair services, inspection services, pre-delivery cleaning and preparation services, planning and design consultancy services and property management services. On 7 November 2023, the Company and Beijing Ruihongda entered into the Debt Transfer Agreement to confirm the aforesaid set-off arrangement that, subject to the approval of the Transfer Agreement 2 and the Acquisition contemplated thereunder by the Shareholders in accordance with the Listing Rules, the Total Outstanding Receivables shall be transferred from the Group to Beijing Ruihongda.

Early termination:

(i) The agreement may be terminated upon mutual agreement between Hongkun Ruibang and Beijing Ruihongda.

(ii) If the agreement cannot continue to be performed due to force majeure, it will be terminated automatically.

(iii) If any of the following circumstances occurs, Hongkun Ruibang shall have the right to terminate the agreement unilaterally:

(a) the Property delivered by Beijing Ruihongda significantly fails to comply with the stipulations in the agreement or affects the health and safety of Hongkun Ruibang; or

(b) Beijing Ruihongda fails to undertake the maintenance obligations, resulting in Hongkun Ruibang not being able to use the Property normally.

(iv) If any of the following circumstances occurs, Beijing Ruihongda shall have the right to terminate the agreement unilaterally and take back the Property:

(a) Hongkun Ruibang changes the use of the Property without consent;

(b) Hongkun Ruibang demolishes, changes or damages the main structure of the Property without consent;

(c) Hongkun Ruibang causes damage to the accessories, equipment and facilities due to improper safekeeping or unreasonable use and refuses to compensate; or

(d) Hongkun Ruibang engages in illegal activities, harms public interests or hinders the ordinary work and life of others by using the Property.

(v) Other legal circumstance of contract termination.

Beijing Ruihongda agreed that, upon expiry of the term for the right-of-use of the Property, it shall unconditionally assist Hongkun Ruibang in the procedures of extending such right-of-use.

3.2.2. Valuation of the Property and basis to determine the Consideration

As disclosed in the Letter from the Board, the Consideration was determined by Hongkun Ruibang and Beijing after arm's length negotiations with reference to, among other things, (i) the market value of the right-of-use of the Property for a term of 17 years and 10 months of approximately RMB38,000,000 as at the Basis Date, according to the preliminary valuation results prepared by the Independent Valuer based on the income approach; (ii) application of a discount rate of 3.03% on the aforesaid market value factoring in the time required for renovation of the Property by Hongkun Ruibang; and (iii) the reasons for and benefits of the Acquisition as stated in the section headed "Reasons for and Benefits of the Acquisition" in the Letter from the Board. As the Property has been used by Beijing Ruihongda for its own use, no profit was attributable to the Property for the years ended 31 December 2021 and December 2022.

We note from the Letter from the Board that the original acquisition cost of the right-of-use of the Property for a term of 21 years by Beijing Ruihongda (the "**Original Acquisition**") was RMB23,000,000 (the "**Original Acquisition Cost**"). Based on the information provided by the Management, the counterparty of the Original Acquisition is Hongkun Weiye, which is ultimately beneficially owned/controlled by Mr. Zhao and his associates. As advised by the Management, based on the information provided by Hongkun Weiye, the Original Acquisition Cost was mainly determined with reference to the book value of the Property of approximately RMB23.0 million as at 31 May 2021. Given that both Hongkun Weiye and Beijing Ruihongda are ultimately beneficially owned/controlled by Mr. Zhao and his associates, the Management considers that both parties to the Original Acquisition might not necessary take into account the prevailing market conditions of the PRC office rental when determining the Original Acquisition Cost. Therefore, despite of the fact that the Consideration of approximately RMB36.8 million is substantially higher than the Original Acquisition Cost, we consider that it would not be meaningful for the Management to make reference to the Original Acquisition Cost in determining the Consideration having regard to the nature and background information of the parties to the Original Acquisition as discussed above. Furthermore, we note from the Management that the Consideration was determined primarily based on the valuation of the right-of-use of the Property prepared by the Independent Valuer, which we have reviewed the methodology, bases and assumptions adopted by the Independent Valuer in determining the market value of the right-of-use of the Property, details of which are set out in the sub-section headed "The Valuation Report" below. In view of the above, we concur with the Board that regardless of the premium to the Original Acquisition Cost, the Consideration is fair and reasonable in this circumstance, and the Acquisition is in the best interests of the Company and the Shareholders as a whole.

We have also enquired with the Management regarding the basis of determining the discount rate of 3.03%, which is translated into approximately RMB1.2 million in monetary amount, to the Valuation (as defined below). Upon the Acquisition become effective, it is the Management's estimate that Hongkun Ruibang should normally take approximately three to four months (taking into account the Chinese New Year holiday in February 2024) to renovate and refurbish the Property for the Group's intended use. Based on our review of the Valuation Report, we note that the adjusted average daily rent of the Selected Comparable Properties (as defined below), after application of an 80% whole lease discount of the property, is approximately RMB2.04 per sq.m. On the assumption of four months period (approximately 120 days) required for renovation of the Property and GFA of the Property of approximately 4,982.85 sq.m., the estimated rental cost incurred for renovation of the Property is approximately RMB1.2 million, which is not materially deviated from the 3.03% discount to the Valuation (as defined below).

The Valuation Report

According to the valuation report on the market value of the right-of-use of the Property prepared by the Independent Valuer as at the Basis Date, the market value of the right-of-use of the Property for a term of 17 years and 10 months is approximately RMB38,000,000 (the "**Valuation**"). Independent Shareholders' attention is drawn to the full text of the Valuation Report as set out in Appendix II to the Circular.

In order to assess the expertise and independence of Independent Valuer, we have obtained and reviewed (i) the engagement letter of the Independent Valuer; and (ii) the Independent Valuer's relevant qualification and experience. Based on our review of the Independent Valuer's engagement letter, we are satisfied that the terms and scope of the engagement between the Company and the Independent Valuer are appropriate to the opinion the Independent Valuer is required to give. We note that Mr. Eddie T. W. Yiu, the person in charge of the Valuation Report, is a Chartered Surveyor who has 29 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. For due diligence purpose, we conducted telephone discussion with the team members of the Independent Valuer to understand its previous experiences on valuation projects and its works performed on the Valuation as well as the steps and measures taken by the Independent Valuer in conducting the Valuation. The Independent Valuer also confirmed that it is independent from the Group, Beijing Ruihongda and their respective associates. In view of the above, we consider that the Independent Valuer is qualified and possesses relevant experience in conducting the Valuation.

We have reviewed the Valuation Report and discussed with the Independent Valuer regarding the methodologies of, and bases and assumptions adopted for the Valuation. We note that it has considered three generally accepted valuation approaches, namely the market approach, cost approach and income approach in arriving at the Valuation. As advised by the Independent Valuer, the Valuation was conducted using the income approach. We understand from the Independent Valuer that the selection of the income approach, instead of market and approach and cost approach, to be the most appropriate approach for the Valuation because (i) the Acquisition only involves the transfer of right-of-use of the Property instead of the ownership of the Property, the cost approach is not applicable under this circumstance; and (ii) the market approach refers to a method that gets the value of the valuation subject by comparing to comparable transactions. As the term of the right-of-use of the Property is 17 years and 10 months, the Independent Valuer advises that there are practical difficulties in identifying market transactions with identical or similar term comparing to the valuation subject. Therefore, the Independent Valuer advises that, the income approach, which refers to discount or capitalize future income in order to reach the present value of the valuation subject, is the most appropriate valuation methodology for appraising the capital value of the right-of-use of the Property.

We have discussed with the Independent Valuer and understand that, in undertaking the Valuation, the Independent Valuer has identified and analysed various relevant rental evidences of office within the locality which have the similar characteristics as the Property and selected three comparable properties (the "**Selected Comparable Properties**"), all of which are office units within the locality which have the similar location and infrastructure as the Property. The daily rents of the Selected Comparable Properties are then adjusted according to the differences in several aspects including location and accessibility, building age and maintenance condition, size and other characters between the Selected Comparable Properties and the Property to arrive at the daily rent for the Property. At last, the Independent Valuer applied a market yield of 6.0% for the Property in arriving at the Valuation. As part of our due diligence work, we have obtained and reviewed the calculation worksheet in arriving at the Valuation. We have reviewed and the location of the Selected Comparable Properties and note that they are in close proximity (within the distance of 3 kilometers) to the Property. In additions, we have independently obtained the daily rents as well as the asking prices of the Selected Comparable Properties from online real estate agency platforms and verified against the daily rents and market yields of the Selected Comparable Properties quoted by the Independent Valuer. Based on our view, we note that (i) the daily rents of the Selected Comparable Properties are within range of the daily rents independently obtained by us; and (ii) the market yields of the Selected Comparable Properties calculated by us are within the range of approximately 4.5% to 5.0%, which is less than the market yield of 6.0% adopted in the Valuation. We have enquired with the Independent Valuer and understand that, in order to cater for any unforeseeable fluctuations in the property market condition, such as increase in office rental or decrease in the property market price and taking into consideration the nature and characteristics of the Property, the Independent Valuer adopted a higher market yield (i.e. 6.0% in this case) than the actual market yields of the Selected Comparable Properties.

Save for the income approach adopted by the Independent Valuer to arrive at the Valuation, we have strived to adopt other valuation methodologies in order to cross-check the market value of the right-of-use of the Property. Nonetheless, having regard to the peculiarity of the Acquisition involving right-of-use of the Property, there are genuine difficulties for us to adopt cost approach in evaluating the value of the Property as it only forms part of a whole building, making it difficult for us to arrive at the valuation accurately due to the numerous assumptions required and unavailability of up-to-date data on construction costs, etc. Alternatively, we have resorted to the market approach by identifying the market rents of comparable properties to the Property. We have conducted a search of properties on an online real estate agency platform for Grade-A office properties located within Xihongmen, Daxing District, Beijing, being the area where the Property is located in, with GFA of more than 500 sq.m. and currently available in the office property rental market. Based on such selection criteria, we have identified an exhaustive list of 14 properties (the "**Reference Properties**").

Reference Properties	Address	GFA	Daily Rents
		(approximately sq.m.)	*(RMB/sq.m.)*
Property A	Intersection of Xinmei Street and Hongkang Road, Daxing District, Beijing, China	1,000	3.8
		2,000	4
		1,000	3.3
		1,000	3.5
		1,400	4.5
		1,500	3.5
		2,000	4
Property B	No. 2, Beixing Road East, Daxing District, Beijing, China	1,000	2
		1,000	2.3
		15,000	1.8
		15,000	1.6
Property C	Jinxi Road, Daxing District, Beijing, China	1,000	2
Property D	Intersection of Tuanhe Road and Xingshun South Road, Daxing District, Beijing, China	4,000	N/A *(Note 1)*
		1,500	2.5
Maximum			**4.5**
Minimum			**1.6**
Average			**3.0**

Source: the real estate agency platform of 58.com

Note:

1. The daily rent of such property is not available on the website given it requires further negotiation with the landlord.

As shown in the above table, we note that the daily rents of the Reference Properties ranged from approximately RMB1.6 per sq.m. to RMB4.5 per sq.m., with an average of approximately RMB3.0 per sq.m. To understand whether the selection of the Selected Comparable Properties is justifiable, we have compared the daily rents of the Reference Properties with the daily rents before adjustment of the Selected Comparable Properties, which ranged from approximately RMB2.60 per sq.m. to RMB2.80 per sq.m., and note that such daily rents fall within the range and below the average of the daily rents of the Reference Properties. However, Independent Shareholders shall be aware that adjustments were not made to the Reference Properties as we do not possess relevant expertise or perform onsite inspection of the Reference Properties, and hence the market rents of the Reference Properties are for reference only.

In view of (i) the methodology, bases and assumptions adopted by the Independent Valuer in determining the market value of the right-of-use of the Property are appropriate; (ii) the Consideration is made with reference to the Valuation which is fairly and reasonably determined by the Independent Valuer; (iii) the Consideration represents a discount of approximately 3.03% to the Valuation to account for the additional time required for renovation of the Property by Hongkun Ruibang; and (iv) the reasons for and benefits of the Acquisition as discussed in the section headed "3.1 Reasons for and benefits of the Acquisition" above, we consider the Consideration to be fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

3.3. Possible Financial Effects of the Acquisition

Upon completion of the Acquisition, the Group will initially recognise the Acquisition as right-of-use assets in its balance sheet and therefore (i) the total assets of the Group are estimated to increase by approximately RMB36.8 million, which is equivalent to the amount of the Consideration; (ii) approximately RMB36.8 million will be recognised as a deemed contribution from the controlling Shareholder, Mr. Zhao, directly to equity and the Group's net asset is expected to increase by the same amount accordingly; (iii) the Group will recognise depreciation of right-of-use assets in its income statement subsequent to the completion of the Acquisition; and (iv) the outstanding Refundable Deposits and WY Trade Receivables totaling approximately RMB36.8 million, and the corresponding accumulated allowance for credit losses totaling approximately RMB36.8 million will be derecognised.

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

RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the view that (i) the Refundable Deposit Arrangements, and the Transfer Agreement 2 and the Acquisition contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Non-Refundable Deposit Arrangement, although is not on normal commercial terms, is fair and reasonable so far as the Independent Shareholders are concerned; (iii) the Deposit Arrangements are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (iv) the Acquisition, although is not conducted in the ordinary and usual course of the business of the Group, is in the interest of the Company and the

Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM for approving the Transactions.

Yours faithfully,
For and on behalf of
Maxa Capital Limited

Sammy Leung
Managing Director

Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 11 years of experience in the corporate finance industry.

* *For identification purpose only*