邁時資本
MAXA CAPITAL

Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

16 January 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION
PROPOSED AMENDMENTS TO THE DEED OF NON-COMPETITION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Amendment Deed, 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 16 January 2025 ("**the Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 13 December 2024 in relation to, among other things, Mr. Huang and the Company entered into the Amendment Deed to amend the Original Deed of Non-competition.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Huang is a controlling shareholder of the Company indirectly holding approximately 74.03% of the Shares. Mr. Huang is therefore a connected person of the Company and, accordingly the entry into of the Amendment Deed by the Company and Mr. Huang constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Guo Zengli, Dr. Zhang Jinghua and Ms. Wan Hoi Lam, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Amendment Deed. We, Maxa Capital, 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 relation to the Amendment Deed. Save for this appointment, there was no other engagement between the Company and us in the past two years. Apart from normal advisory fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the Original Deed of Non-Competition; (ii) the Amendment Deed; (iii) the annual report of the Company for the year ended 31 December 2023 (the "**2023 AR**") and the interim report of the Company for the six months ended 30 June 2024 (the "**2024 IR**"). 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 relation to the Amendment Deed, we have taken into consideration the following principal factors and reasons:

1. Background of the proposed amendments to the Original Deed of Non-competition

Reference is made to the Original Deed of Non-competition entered into by Mr. Huang, a controlling shareholder of the Company, and the Company on 12 January 2021 in connection with the Listing, pursuant to which Mr. Huang has unconditionally and irrevocably undertaken to the Company that he will not, and will procure his close associates (save as members of the Group) not to directly or indirectly be involved in, interested in or undertake any Restricted Businesses, or hold shares or interest in any company or business that competes or may compete directly or indirectly with the business engaged by the Group from time to time, or conduct any Restricted Businesses, subject to certain exceptions provided under clause 4 of the Original Deed of Non-competition, namely where Mr. Huang and his respective close associates collectively hold (i) less than 30% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange); or (ii) less than 50% of interest of any private company, which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not possess the right to control the board of directors of such company. Please refer to the section headed "*Relationship with our Controlling Shareholders*" in the Prospectus for more details.

Other than the Group, Mr. Huang, through various entities, has invested in the Excluded Businesses. As part of the Excluded Businesses, Mr. Huang established Shenzhen Yinshuntong in 2014, which has been operating offline micro-financing business targeting individuals in Shenzhen since establishment.

Since the Listing, the Group has become a leading commercial property operational service provider in the Greater Bay Area with a national presence. In light of the rapid development in micro-financing sector in China, where the financing needs of individuals and small and medium enterprises are largely underserved by traditional financial institutions, the Company is actively exploring the opportunity to commence micro-financing as its New Business to make better use of the Group's idle funds, diversify the Group's revenue stream and enhance the Group's profitability. The Company plans to provide offline micro loan products to individuals and small and medium enterprises, with a term of up to three years. The Company plans to invest approximately RMB200 million to RMB300 million in the New Business at initial stage, which will be funded by internal resources of the Group. The Company will maintain commercial property operational services as its principal business and does not expect the New Business to be a significant part of the Company's operation at this stage.

2. Background information of the Group

The Group is a leading commercial property operational service provider in the Greater Bay Area with a national presence. As at 30 June 2024, the Group provided services for 54 commercial property projects located in 21 cities in China, with an aggregate contracted gross floor area of approximately 2.77 million square meters (excluding the gross floor area under 8 consultancy services projects).

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2022 ("**FY2022**") and 31 December 2023 ("**FY2023**") as extracted from the 2023 AR, and for the six months ended 30 June 2023 ("**1H2023**") and 30 June 2024 ("**1H2024**") as extracted from the 2024 IR:

	For the year ended 31 December		**For the six months ended 30 June**	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	561,854	635,006	288,487	313,780
Gross profit	313,039	333,555	164,608	161,880
Profit and total comprehensive income for the year/period	148,882	162,305	92,014	86,496

	As at 31 December		**As at 30 June**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*
Cash and cash equivalents	482,835	546,914	332,815
Short-term bank deposits	780,365	863,523	1,132,750
Total assets	2,141,857	2,324,646	2,353,196
Total liabilities	961,154	1,052,976	1,115,588
Net assets	1,180,703	1,271,670	1,237,608

As illustrated in the above table, the Group's revenue amounted to approximately RMB635.0 million for FY2023, representing an increase of approximately 13.0% as compared to approximately RMB561.9 million for FY2022. According to the 2023AR, the increase in revenue was mainly attributable to (i) the growth of revenue from sublease services, which was mainly due to the increase in operating income of new sublease projects opened in recent years; and (ii) the growth of revenue from entrusted management services, which was mainly due to the increase in the revenue from services during the preparation stage of newly opened projects, and the increase in the revenue from operational management services after the opening of newly opened projects. The Group's gross profit was approximately RMB333.6 million for FY2023, representing an increase of approximately 6.6% as compared to approximately RMB313.0 million for FY2022. The increase in gross profit was primarily due to the growth of gross profit from the entrustment management services and the brand and management output services. The profit and total comprehensive income for the year amounted to approximately RMB162.3 million for FY2023, representing an increase of approximately 9.0% as compared to approximately RMB148.9 million for FY2022.

The aggregate of the Group's cash and cash equivalents and short-term bank deposits as at 31 December 2023 amounted to approximately RMB1,410.4 million, representing an increase of approximately 11.7% as compared to that as at 31 December 2022. Such increase is mainly attributable to the increase in cash inflow generated from the operating activities as a result of the improvement of Group's profitability. The Group's total assets increased by approximately 8.5% from approximately RMB2.14 billion as at 31 December 2022 to approximately RMB2.32 billion as at 31 December 2023, which was primarily due to the increase in (i) short-term bank deposits; (ii) cash and cash equivalents; and (iii) investment properties. The total liabilities of the Group increased by approximately 9.6% from approximately RMB961.2 million as at 31 December 2022 to approximately RMB1.05 billion as at 31 December 2023. Such increase in total liabilities of the Group was mainly due to the increase in trade and other payables. The Group's net asset value amounted approximately RMB1.27 billion as at 31 December 2023, representing an increase of approximately 7.7% from approximately RMB1.18 billion as at 31 December 2022.

During 1H2024, the Group's revenue increased by approximately 8.8% to approximately RMB313.8 million as compared with that for 1H2023, which was primarily due to (i) the growth of revenue from sublease services, which was mainly due to the increase in operating income as a result of the increase in the number of newly-opened sublease projects since May 2023; and (ii) the growth of revenue from entrusted management services, which was mainly due to the increase in operating income as a result of the increase in the number of newly opened entrusted management projects since September 2023. The Group's gross profit was approximately RMB161.9 million for 1H2024, representing a decrease of approximately 1.7% as compared to approximately RMB164.6 million for 1H2023. The decrease in gross profit was primarily due to the decline in profit from the brand and management output services, and was partially offset by the increase in profit from the entrusted management services and the sublease services. Profit and total comprehensive income for the period of the Group recorded a decrease of approximately 6.0% to approximately RMB86.5 million for 1H2024 as compared with that for 1H2023.

The aggregate of the Group's cash and cash equivalents and short-term bank deposits as at 30 June 2024 amounted to approximately RMB1,465.6 million, representing an increase of approximately 3.9% as compared to that as at 31 December 2023. The total assets of the Group increased by approximately 1.2% to approximately RMB2.35 billion as at 30 June 2024 as compared to approximately RMB2.32 billion as at 31 December 2023. The increase in total assets was mainly due to the increase in short-term bank deposits. The total liabilities of the Group increased by approximately 6.0% to approximately RMB1.12 billion as at 30 June 2024, as compared to approximately RMB1.05 billion as at 31 December 2023. The increase in total liabilities was mainly due to the increase in dividend payable. The Group's net asset value amounted to approximately RMB1.24 billion as at 30 June 2024, representing a decrease of 2.7% from approximately RMB1.27 billion as at 31 December 2023.

3. The Amendment Deed

As Shenzhen Yinshuntong will continue the Controlling Shareholder Existing Business, which will fall under the definition of "Restricted Business" once the Company begins to engage in the New Business, Mr. Huang and the Company entered into the Amendment Deed on 13 December 2024 to amend the Original Deed of Non-competition so as to allow Shenzhen Yinshuntong to continue the Controlling Shareholder Existing Business.

The Amendment Deed shall take effect upon fulfillment of the following condition precedent: all necessary approvals required for the Company to enter into the Amendment Deed (including but not limited to authorizations, consents or approvals from the board of directors, shareholders (including approval of the Independent Shareholders) or any third parties (if applicable)) have been obtained and remain valid.

There is no other condition precedent save as disclosed above. The Condition Precedent cannot be waived by either party to the Amendment Deed. The Condition Precedent has not been fulfilled as at the Latest Practicable Date. If the Condition Precedent is not fulfilled on or before 31 December 2025 or such later date as may be agreed by the parties, the Amendment Deed shall become null and void in all respects and cease to have any effect whatsoever; and no party to the Amendment Deed shall have any claim against the other party. The Long Stop Date is to allow sufficient time for the fulfillment of the Condition Precedent, in particular the despatch of this circular and the convening of the EGM.

Pursuant to the Amendment Deed, sub-clause 4.3 is added to the Original Deed of Non-competition, which provides that "conducting of micro-financing business by Mr. Huang and his close associates in Shenzhen is not subject to the restrictions set out in clause 2.1 of the Original Deed of Non-competition". According to clause 2.1 of the Original Deed of Non-competition, Mr. Huang has unconditionally and irrevocably undertaken to the Company that he will not, and will procure his close associates (save as members of the Group) not to directly or indirectly be involved in, interested in or undertake any Restricted Businesses, or hold shares or interest in any company or business that competes or may compete directly or indirectly with the business engaged by the Group from time to time, or conduct any Restricted Businesses, subject to the Exceptions set out under clause 4 of the Original Deed of Non-competition. There is no change to the other provisions of the Original Deed of Non-competition.

While the Company is not prohibited from conducting the New Business in Shenzhen under the Amendment Deed, the Company plans to commence the New Business in Guangzhou for the following reasons:

(i) given the limited amount of initial capital the Company plans to invest in the New Business, Guangzhou city already presents sufficient business opportunities for the Company to commence the New Business; and

(ii) establishment and operation of a micro-financing company requires license issued by local authorities in PRC, with restriction imposed on the geographical location of the business operation. The Company is currently in the process of obtaining license for operating micro-financing business in Guangzhou, and the procedure requires considerable time and resources.

4. Reasons for and benefits of entering into the Amendment Deed

As disclosed in the Letter from the Board, in order to leverage the strong cash position of the Group and to diversify its revenue streams, the Company is currently exploring the possibility of commencing its own micro-financing business in cities other than Shenzhen in Guangdong Province of China and we are of the view that the Amendment Deed is entered for the purpose of clarifying the Excluded Businesses under the Original Deed of Non-competition should the Group commence the New Business.

Financial resources of the Group and alternative uses of funds

Based on our review of the 2024 IR, we note that (i) the cash and cash equivalents and the short-term bank deposits of the Group as at 30 June 2024 amounted to approximately RMB332.8 million and RMB1,132.8 million, respectively; (ii) the unused net proceeds as at 30 June 2024 amounted to approximately RMB482.1 million. Therefore, after deducting the unused net proceeds, the idle fund held by the Group as at 30 June 2024 amounted to approximately RMB983.5 million, part of which can be used toward the development of the New Business according to the Management. We further note from the 2023 AR and the 2024 IR that the Group has been consistently generating positive net cash flow from its operations of approximately RMB161.9 million, RMB299.3 million and RMB71.9 million for the year ended 31 December 2022 and 31 December 2023 and the six months ended 30 June 2024 and without any bank borrowing for the above fiscal year or period. As such, we consider the Company has a strong cash position to support its engagement in the New Business. As advised by the Management, the Company only plan to invest RMB200 million to RMB300 million in the New Business at initial stage, representing about 20% to 30% of the idle fund as at 30 June 2024. Therefore, it is expected that the engagement of the New Business by the Group would not place significant financial burden on its operations.

Regarding the alternative use of the funds for the New Business, as advised by the Management, the Group generally manages its domestic idle funds by way of short to mid-term deposits with commercial banks, which generate interest income at rate ranging from 1.5% to 3.5% per annum. We have independently reviewed the Renminbi time deposit interest rates of four state-owned banks in China from 13 December 2023, being one year prior to the date of the Amendment Deed, and up to the Latest Practicable Date (the "**Review Period**"), and noted that such interest rates have demonstrated a general declining trend during the Review Period, with interest rate as at the Latest Practicable Date ranged from 0.80% per annum for three months term deposit to 1.55% per annum for five years term deposit. As advised by the Management, the Group is expected to generate interest income at rate ranging from 8.00% to 10.00% per annum (the "**Expected Interest Rate**") for the provision of offline micro loan products under the New Business. As part of our due diligence work, we have conducted an independent research for companies (i) listed on the Stock Exchange with a market capitalisation of less than HKD500 million as at the Latest Practicable Date, which we consider is comparable to the size of funds expected to be invested in the New Business; (ii) engaged in money lending business in the PRC; and (iii) disclosed relevant information regarding the interest income generated from the provision of similar loan services. On a best effort basis, we have identified an exhaustive list of nine comparable companies (the "**Comparable Companies**"). Set out below are the annual interest rates as extracted from the Comparable Companies' latest financial reports for the provision of similar loan services:

Stock Code	Company Name	Annual Interest Rate
508.HK	Dingyi Group Investment Limited	6% – 15%
605.HK	China Financial Services Holdings Limited	8.16% – 36.00%[1]
668.HK	Doyen International Holdings Ltd.	9.4% – 11.0%
767.HK	Zhong Ji Longevity Science Group Limited	6% – 18%
1225.HK	Lerado Financial Group Company Limited	6% – 18%
1543.HK	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.	6.6% – 21.6%[1]
1577.HK	Quanzhou Huixin Micro-Credit Co., Ltd.	13.82%[2]
1915.HK	Yangzhou Guangling District Taihe Rural Micro-Finance Company Limited	4.35% – 16.20%
6866.HK	Zuoli Kechuang Micro-finance Company Limited	7.60%[2]
	Maximum	**36.00%**
	Minimum	**4.35%**

Source: the Stock Exchange

Notes:

1. Such annual interest rates are calculated based on the monthly interest rates as disclosed in the latest financial reports of the respective Comparable Companies and multiplied by 12 months.

2. Such annual interest rate refers to the average interest rate per annum.

As shown in the table above, we note that the annual interest rate generated from the provision of similar loan services by the Comparable Companies ranged from 4.35% to 36.00% per annum, which the Expected Interest Rate falls within such range. In light of the above, we consider that Expected Interest Rate is justifiable and the engagement of the New Business would enable the Group to generate higher interest income as compared to placing them as term deposits in commercial banks.

Delineations between the New Business and the Controlling Shareholder Existing Business

As disclosed in the Letter from the Board, potential competition between the New Business and the Controlling Shareholder Existing Business is immaterial as the New Business can be clearly delineated from the Controlling Shareholder Existing Business as detailed below:

(a) ***Different geographical locations*** – Shenzhen Yinshuntong has been focusing on the operation of micro-financing business exclusively in Shenzhen since 2014; in contrast, the New Business will be conducted in Guangzhou and may potentially expand into other cities of Guangdong Province (excluding Shenzhen) depending on the growth of the New Business.

(b) ***Different types of loan products and different target customers*** – Shenzhen Yinshuntong offers home-related bridging loans (serving as a temporary source of funding until the borrower's mortgage secured by borrower's real property located in Shenzhen becomes effective) and personal credit loans to individual customers in Shenzhen. In comparison, the Group currently plans to target primarily customers of the shopping centres and commercial properties operated by the Group in cities other than Shenzhen and offer mainly business loans. In addition, the Group may also consider other loan products based on market condition. The loan products might be unsecured, guaranteed or secured by collateral depending on the risk profile and circumstances of each individual loan application.

(c) ***Different management teams*** – the New Business will be managed and operated by a separate team different from and independent of the management team of the Controlling Shareholder Existing Business, with skill set and expertise suitable for the intended market and target customers.

In view of the above, we consider that there are sufficient delineations between the New Business and the Controlling Shareholder Existing Business and the potential competition is immaterial given that (i) Shenzhen Yinshuntong can only conduct its micro-financing business in Shenzhen and provide services to a specific group of customer in there, whereas the New Business is targeting to a broader group of potential customers outside of Shenzhen; and (ii) the New Business will be independently managed and operated by the Company with no interruption from the Controlling Shareholder.

Taking into account (i) the engagement of the New Business by the Group would not place significant financial burden on the its operations; (ii) the Expected Interest Rate expected to be generated under the New Business is higher than the interest rate generated from the term deposits; (iii) there are sufficient delineations between the New Business and the Controlling Shareholder Existing Business and the potential competition is immaterial; (iv) the reasons considered by the Company in commencing the New Business in Guangzhou city, details of which are set out under the section headed "3. The Amendment Deed" above; and (v) the Original Deed of Non-Competition remains the same save for the amendments to cater the development of the New Business by the Group, we are of the view that although the entering into the Amendment Deed is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole and the terms of the Amendment Deed are fair and reasonable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the terms of the Amendment Deed are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into the Amendment Deed, though not in the ordinary and usual course of business of the Group, is in the interests 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 resolutions to be proposed at the EGM for approving the Amendment Deed.

Yours faithfully,
For and on behalf of
Maxa Capital Limited

Michael Fok
Managing Director

Mr. Michael Fok 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 20 years of experience in the corporate finance industry.