Room 1108-1110, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

30 April 2025

To: Independent Board Committee and the Independent Shareholders of Redsun Properties Group Limited

Dear Sirs/Madams,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSALS OF (1) THE TARGET PARKING SPACES; AND (2) EQUITY INTERESTS IN TARGET COMPANIES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Parking Spaces Transfer Framework Agreement, the Equity Transfer Agreements, and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 30 April 2025 (the "**Circular**"), of which this letter forms a part. 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 Board Letter. On 17 February 2025 (after trading hours), the Company and the Purchaser entered into the Parking Spaces Transfer Framework Agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the property right or the right of use (as the case may be) of the Target Parking Spaces at a total consideration of RMB229.37 million (the "**Parking Spaces Consideration**"), subject to the terms and conditions of the Parking Spaces Transfer Framework Agreement.

On the same day (after trading hours), each of Chengdu Hong Yang Jin Xing, Xuzhou Hong Qi and Nanjing Hong Tai Pu Yang (all being indirect wholly-owned subsidiaries of the Company, as seller) and Nanjing Hong Life (as the Purchaser) entered into the Equity Transfer Agreements, pursuant to which each of Chengdu Hong Yang Jin Xing, Xuzhou Hong Qi and Nanjing Hong Tai Pu Yang conditionally agreed to sell, and Nanjing Hong Life conditionally agreed to purchase (a) 70% of the equity interests in Target Company A held by Chengdu Hong Yang Jin Xing; (b) 20% of the equity interests in Target Company B held by Xuzhou Hong Qi; and (c) 19% of the equity interests in Target Company C held by Nanjing Hong Tai Pu Yang, together with all other assets, liabilities and owners' equity attached to the equity interests abovementioned at a consideration of RMB109.49 million, RMB68.13 million and RMB41.02 million, respectively.

IMPLICATIONS UNDER THE LISTING RULES

Given that the transactions under the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements were entered into between the Group and the Purchaser Group within 12 months and are of a same nature, the Disposals constitute a series of transactions which are required to be aggregated pursuant to the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposals exceeds 75%, the Disposals constitute a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and are therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As of the Latest Practicable Date, the Purchaser is indirectly held as to 72.77% by Mr. Zeng Huansha, a Controlling Shareholder, an executive Director and the chairman of the Company. Accordingly, the Purchaser is an associate of Mr. Zeng Huansha and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Disposals also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all being independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Leung Yau Wan John and Mr. Au Yeung Po Fung, has been established to advise the Independent Shareholders on the terms under each of the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements. We, Merdeka Corporate Finance Limited ("**Merdeka**"), 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 are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group. During the last two years, we were appointed by the Company as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to continuing connected transactions, details of which were set out in the circular of the Company dated 29 April 2024 (the "**Previous Engagement**"). The professional fees in connection with the Previous Engagement have been fully settled and we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we do not consider the past appointment gives rise to any conflict of interest for Merdeka in respect of the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to the Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinion and representations contained or referred to in the Circular and the statements, information, opinion and representations provided to us by the Directors, the management of the Company (the "**Management**") and the representatives of the Company (the "**Representatives**"). We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management, the Representatives and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the EGM, and the Shareholders will be informed of any material change of information in the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Management, the Representatives and the Directors as set out in the Circular were reasonably made after due and careful inquiry 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 representations contained in the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular as a whole misleading.

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 in-depth investigation into the business and affairs of the Company, or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements and the transactions contemplated thereunder. 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. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing and arriving at our advice and recommendation with regard to the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements, we have taken into account the principal factors and reasons set out below.

I. Background information of the relevant parties

a. Information on the Company and the Group

The Company

The Company is a leading comprehensive property developer established in the Yangtze River Delta region and operating in the PRC, focusing on the development of residential properties and the development, operation and management of commercial and comprehensive properties. The Company is indirectly controlled by Mr. Zeng Huansha.

Chengdu Hong Yang Jin Xing

Chengdu Hong Yang Jin Xing is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Company. Chengdu Hong Yang Jin Xing is principally engaged in the business of real estate development, operation and brokerage. As of the Latest Practicable Date and immediately before the completion of the Equity Transfer, it is interested in 70% of equity interest in Target Company A.

Xuzhou Hong Qi

Xuzhou Hong Qi is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Company. Xuzhou Hong Qi is principally engaged in the business of real estate development and sales, housing rental and business information consulting services. As of the Latest Practicable Date and immediately before the completion of the Equity Transfer, it is interested in 20% of equity interest in Target Company B.

Nanjing Hong Tai Pu Yan

Nanjing Hong Tai Pu Yang is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Company. Nanjing Hong Tai Pu Yang is principally engaged in the business of real estate development, operation and sales and business management services. As of the Latest Practicable Date and immediately before the completion of the Equity Transfer, it is interested in 19% of equity interest in Target Company C.

b. *Financial performance of the Group*

We set out below a summary of the key financial information of the Group (i) for the years ended 31 December 2023 (the "**FY2023**") and 2022 (the "**FY2022**") as extracted from the annual report of the Company for FY2023 (the "**2023 Annual Report**") and (ii) for six months ended 30 June 2024 (the "**HY2024**") and 2023 (the "**HY2023**") as extracted from the interim report of the Company for HY2024 (the "**2024 Interim Report**"), respectively.

	For the six months ended 30 June		**For the year ended 31 December**	
	2024	**2023**	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	6,006,436	6,098,745	19,794,695	20,013,430
– Property sales	*5,723,157*	*5,733,676*	*19,198,937*	*19,337,943*
– Commercial operations	*270,104*	*347,542*	*560,068*	*647,780*
– Hotel operations	*13,175*	*17,527*	*35,690*	*27,707*
Gross profit/(loss)	532,026	86,299	(669,717)	1,665,564
(Loss)/Profit before tax for the period/year	(1,584,868)	(2,631,714)	(6,942,880)	(3,335,627)
(Loss)/Profit for the period/year	(1,710,314)	(2,843,630)	(7,739,675)	(3,937,807)

HY2024 and HY2023

The Group's revenue for HY2024 amounted to approximately RMB6,006.44 million, representing a slight decrease of approximately 1.51% from approximately RMB6,098.75 million for HY2023. The revenue mainly included income generated from property sales, commercial operations and hotel operations, of which income generated from: (i) property sales slightly decreased by approximately 0.18% to approximately RMB5,723.16 million as compared to HY2023, accounting for approximately 95.28% of the total recognised revenue; (ii) commercial operations decreased by 22.28% to approximately RMB270.10 million as compared to HY2023; and (iii) hotel operations decreased by approximately 24.83% to approximately RMB13.18 million as compared to HY2023.

The Group's gross profit for HY2024 was approximately RMB532.03 million, representing a significant increase of approximately 6.16 times from approximately RMB86.30 million for HY2023, and the gross profit margin for HY2024 was approximately 8.9% as compared to approximately 1.4% for HY2023. As advised by the Company, the increase in gross profit and gross profit margin was mainly due to the decrease in impairment recognised for properties under development and completed properties held for sale as compared with the corresponding period last year.

The Group's loss before tax was decreased by 39.78% to approximately RMB1,584.87 million for HY2024 compared with the profit before tax of approximately RMB2,631.71 million for HY2023.

FY2023 and FY2022

The Group's revenue amounted to approximately RMB19,794.70 million for FY2023, representing a decrease of 1.09% from approximately RMB20,013.43 million for FY2022. The revenue mainly included income generated from property sales, commercial operations and hotel operations, of which income generated from: (i) property sales slight decreased by approximately 0.72% to approximately RMB19,198.94 million as compared to FY2022, accounting for approximately 97% of the total recognised revenue; (ii) commercial operations decreased by approximately 13.54% to approximately RMB560.07 million as compared to FY2022; and (iii) hotel operations increased by approximately 28.81% to approximately RMB35.69 million as compared to FY2022.

The Group recorded a gross loss for FY2023 of approximately RMB669.72 million, as compared to a gross profit of approximately RMB1,665.56 million for FY2022. Such turnaround was primarily attributable to the decreased number of projects delivered during the year. The gross loss margin was approximately 3.4% for FY2023, as compared to a gross profit margin of 8.3% for FY2022. As disclosed in the 2023 Annual Report, the gross loss margin was mainly due to the decrease in the percentage of revenue recognised for products with a higher gross profit margin as compared with the corresponding period last year, and the increase in impairment recognised for properties under development and completed properties held for sale as compared with the corresponding period last year.

The Group's loss before tax was increased by 108.14% to approximately RMB6,942.88 million for FY2023 compared with a loss before tax of approximately RMB3,335.63 million for FY2022.

c. ***Financial position of the Group***

Set out below is a summary of the financial position of the Group as at 30 June 2024 and as at 31 December 2023 as extracted from the 2024 Interim Report:

	As at 30 June 2024 *RMB'000* (unaudited)	**As at 31 December 2023** *RMB'000* (audited)
Total assets	67,190,997	74,906,438
Total liabilities	54,864,859	60,082,607
Net asset	12,326,138	14,823,831

As illustrated above, the total assets of the Group amounted to approximately RMB67,191.0 million as at 30 June 2024, representing a decrease of approximately 10.30% as compared to approximately RMB74,906.44 million as at 31 December 2023. The Group's cash and bank balances as at 30 June 2024 were approximately RMB2,067.18 million (as at 31 December 2023: approximately RMB2,753.86 million).

Meanwhile, the Group's total liabilities reduced by approximately 8.68% to approximately RMB54,864.86 million as at 30 June 2024 from approximately RMB60,082.61 million as at 31 December 2023. As at 30 June 2024, the Group's total borrowings (including interest-bearing bank and other borrowings and senior notes) amounted to approximately RMB21.10 billion (as at 31 December 2023: approximately RMB21.44 billion), of which, interest-bearing bank and other borrowings were approximately RMB10.58 billion (as at 31 December 2023: approximately RMB10.99 billion) and senior notes were approximately RMB10.52 billion (as at 31 December 2023: approximately RMB10.45 billion).

The net asset value of the Group decreased by approximately 16.85% to approximately RMB12,326.14 million as at 30 June 2024 from approximately RMB14,823.83 million as at 31 December 2023. As at 30 June 2024, the Group's net gearing ratio (total borrowings less cash and bank balances divided by total equity) was approximately 154.4%, as compared with approximately 126.1% as at 31 December 2023.

II. Information on the Purchaser Group

The Purchaser

The Purchaser is a well-recognised comprehensive community service provider in Jiangsu province, China, with balanced property management abilities in the management of residential and commercial properties. The Purchaser provides a wide range of property management services to property owners, residents and tenants, value-added services to non-property owners, primarily property developers, and other property management companies, and community value-added services to residential property owners and residents. As of the Latest Practicable Date, the Purchaser is indirectly held as to 72.77% by Mr. Zeng Huansha, a Controlling Shareholder, an executive Director and the chairman of the Company.

Nanjing Hong Life

Nanjing Hong Life is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Purchaser. Nanjing Hong Life is principally engaged in the business of real estate consulting, sales and leasing agency services.

III. Information of the Target Companies and the Properties

Target Company A

Target Company A was established in the PRC in 2020 and an indirect non-wholly-owned subsidiary of the Company. Target Company A principally engages in property development. As at the Latest Practicable Date and immediately before the completion of the Equity Transfer, Target Company A is owned by Chengdu Hong Yang Jin Xing and Sichuan Esheng as to 70% and 30% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Chengdu Hong Yang Jin Xing is an indirect wholly-owned subsidiary of the Company; and (ii) Sichuan Esheng is ultimately controlled by Mr. Xiong Jianhua (熊建華), who is an independent third party of the Company.

Set out below are the financial information of Target Company A for the years ended 31 December 2024 and 2023 as extracted from the unaudited management accounts of Target Company A:

	For the year ended 31 December	
	2024	**2023**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	486,684	651,128
Net profit/(loss) before taxation and extraordinary items	(1,587)	16,199
Net profit/(loss) after taxation and extraordinary items	(17,371)	(9,586)

The net asset value and the total asset value of Target Company A as at 31 December 2024 were approximately RMB151.71 million and RMB472.35 million respectively.

As at the Latest Practicable Date, Target Company A held a property project in Pengzhou City, Sichuan Province with total gross floor areas of 213,560.43 sq.m. for both residential and commercial use, which is under the final phase of sale.

Target Company B

Target Company B was established in the PRC in 2020 and an associate of the Company. Target Company B principally engages in property development. As at the Latest Practicable Date and immediately before the completion of the Equity Transfer, Target Company B is owned by Yancheng Tongjia, Wuxi Hengyuan and Xuzhou Hong Qi as to 60%, 20% and 20% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Yancheng Tongjia is ultimately controlled by Mr. Shi Weiwei (施為偉), who is an independent third party of the Company; (ii) Wuxi Hengyuan is a subsidiary of Jinke Property Group Co., Ltd. (金科地產集團股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: SZ.000656), an independent third party of the Company; and (iii) Xuzhou Hong Qi is an indirect wholly-owned subsidiary of the Company.

Set out below are the financial information of Target Company B for the years ended 31 December 2024 and 2023 as extracted from the unaudited management accounts of Target Company B:

	For the year ended 31 December	
	2024	**2023**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	837,798	1,091,499
Net profit/(loss) before taxation and extraordinary items	(25,347)	210,199
Net profit/(loss) after taxation and extraordinary items	(70,295)	117,495

The net asset value and the total asset value of Target Company B as at 31 December 2024 were approximately RMB70.25 million and RMB1,208.76 million respectively.

As at the Latest Practicable Date, Target Company B held one property project with a total gross floor areas of 434,029.89 sq.m. Details of this property project held by Target Company B as at the Latest Practicable Date are set out as below:

Location	**Land use**	**Latest development stage**	**Total gross floor areas (sq.m.)**	**Expected completion time**
Suqian City, Jiangsu Province	Residential and commercial	Delivered	267,654.99	/
		Under construction	32,084.98	Year end of 2025
			134,289.92	Year end of 2026

Target Company C

Target Company C was established in the PRC in 2018 and a joint venture of the Company. Target Company C principally engages in property development. As at the Latest Practicable Date and immediately before the completion of the Equity Transfer, Target Company C is owned by Nanjing Qicheng, Nanjing Jinyao, Jurong Yifeng, Nanjing Yuyang and Nanjing Hong Tai Pu Yang as to 23%, 20%, 19%, 19% and 19% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Nanjing Qicheng is controlled by Shanghai Yinyi Construction Management Co., Ltd.* (上海垠壹建設管理有限公司), which is owned equally by Shanghai Yuantongkai Enterprise Management Service Co., Ltd.* (上海沅通凱企業管理服務有限公司) (ultimately wholly-owned by Shanghai Xiba Enterprise Management Service Co., Ltd.* (上海曦霸企管理服務有限公司)) and Shanghai Weihan Enterprise Development Co., Ltd.* (上海維晗企業發展有限公司) (ultimately wholly-owned by Nanjing Changshenghe Enterprise Management Co., Ltd.* (南京昌勝和企業管理有限公司)) as to 50% each, and all of these entities are independent third parties of the Company; (ii) Nanjing Jinyao is controlled by Gemdale Corporation (金地(集團)股份有限公司), whose shares are listing on the Shanghai Stock Exchange (stock code:SH.600383), an independent third party of the Company; (iii) Jurong Yifeng is a subsidiary of Jinke Property Group Co., Ltd., an independent third party of the Company; (iv) Nanjing Yuyang is a subsidiary of Yango Group Co., Ltd. (陽光城集團股份有限公司), whose shares were previously listed on the Shenzhen Stock Exchange (previous stock code: 000671) but subsequently delisted in August 2023, which is ultimately controlled by Ms. Wu Jie (吳潔), an independent third party of the Company; and (v) Nanjing Hong Tai Pu Yang is an indirect wholly-owned subsidiary of the Company.

Set out below are the financial information of Target Company C for the years ended 31 December 2024 and 2023 as extracted from the unaudited management accounts of Target Company C:

	For the year ended 31 December	
	2024	**2023**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	–	–
Net profit/(loss) before taxation and extraordinary items	(1)	(1)
Net profit/(loss) after taxation and extraordinary items	(1)	(1)

The net liabilities and the total asset value of Target Company C as at 31 December 2024 were approximately negative RMB105.53 million and RMB205.52 million respectively.

As at the Latest Practicable Date, Target Company C held a land with total areas of 38,731 sq.m. for both residential and commercial use, which was planned for future development in Jurong City, Jiangsu Province.

Details of the financial information of each of the Target Companies are set forth in Appendix II to the Circular.

IV. Information on the Target Parking Spaces

The Target Parking Spaces are a total of 6,007 parking spaces located in Jiangsu, Anhui, Sichuan, Jiangxi, Henan, Guangdong and Hubei Province in the PRC, subject to entering into of separate transfer agreements for each project upon completion. As at the Latest Practicable Date, the Target Parking Spaces are held by the Group. There is no original acquisition cost for the Target Parking Spaces as they form part of the property project developed by the Company.

As at 31 December 2024, the book value of Target Parking Spaces is RMB238.07 million. The net profits attributable to the Target Parking Spaces for the years ended 31 December 2023 and 2024 are nil, as the Target Parking Spaces have not yet been put up for sale or lease.

Please refer to the Board Letter for the details of the Target Parking Spaces.

V. Industry overview of the property market and parking spaces in the PRC

Property market

Based on the data published by the National Bureau of Statistics, over the past decade, China's gross domestic product ("**GDP**") growth has gradually slowed, reflecting a shift from an investment-driven economy to one focused on consumption and services. From a strong 7.0% in 2015, growth began to decelerate due to factors like rising debt, trade tensions, and structural economic transitions. The economy took a significant hit in 2020 with just 2.3% growth due to the COVID-19 pandemic, but rebounded sharply to 8.6% in 2021 as the country recovered. However, growth remained muted in subsequent years, with 2022 seeing just 3.1% due to ongoing COVID restrictions, property market struggles, and global uncertainties. In 2023 and 2024, growth rebounded to 5.4% and 5.0%, respectively, but challenges such as a weakening property sector and geopolitical tensions continue to weigh on long-term prospects. The International Monetary Fund projected China's GDP growth to be approximately 4.6% in 2025 and 4.5% in 2026, which remains at a relatively low level as compared to the previous years. Hence, the overall trend shows a gradual decline in growth rates as China navigates economic rebalancing and external headwinds and such a decreasing trend expects to continue in the near future.

As the GDP and the real estate market are closely interconnected, it is expected that the PRC real estate market will face continued challenges for instance persistent economic headwinds, weak demand, and rising financial pressures, in the near future. According to the data published by the National Bureau of Statistics of China, the property market continues to show signs of weakness, with property investment declining by 10.6% in 2024, reflecting a continued lack of confidence in the sector. Property sales also dropped by 12.9% in 2024 as compared to 2023, indicating that buyer sentiment remains fragile despite various government support measures. Additionally, new construction started fell by 23%, as developers remain cautious about launching new projects in an environment of declining demand. Home prices, which have been falling for several consecutive quarters, declined by 5% year-on-year as of January 2025, narrowing a 5.3% drop in the previous month. Official data from January 2025 also showed that unsold new home inventory amounted to 390.88 million sq.m. in 2024, representing an increase of 16.2% from the previous year, raising the market's concerns about oversupply and its potential impact on price stability.

The Chinese government has attempted to balance market support with structural adjustments, implementing several measures to encourage home purchases. Key initiatives include the "recognise housing but not loans* (認房不用認貸)" policy, which makes it easier for first-time buyers to enter the market, as well as reductions in down payment requirements and interest rates, which was launched by People's Bank of China in September 2024 to reduce borrowing cost and encourage home purchases. Despite these efforts, housing demand remains low, with many buyers hesitant due to concerns over price volatility, job security, and the broader economic outlook. Another key government intervention includes, a 300 billion yuan re-lending program* (3000億元保障性房屋再貸款), which was launched in May 2024 to boost liquidity in the sector, the program has had little success, with only 16 billion yuan utilised as of early 2025. This suggests that banks and developers remain wary of taking on additional risk in a market that has yet to show signs of a sustained recovery.

Looking ahead, the future of China's property market remains uncertain, as the competing forces of policy intervention, economic challenges, and shifting investor sentiment continue to shape the sector's trajectory.

Parking spaces market

	2021	**2022**	**2023**	**2024**
Number of private vehicles *(million units)*	260.0	256.0	272.0	353.0
Number of newly licensed drivers nationwide *(million people)*	27.50	29.23	24.29	22.26

Source: National Bureau of Statistics and Traffic Administration Bureau of the Ministry of Public Security of the People's Republic of China

In respect of the historical trends for car parking spaces, as stated in the above table, we observed that the number of private vehicles exhibited an upward trend from 2021 to 2024, with a compound annual growth rate ("**CAGR**") of approximately 7.95%.

Additionally, although the number of newly licensed drivers in the PRC rose from 27.5 million in 2021 to 29.2 million in 2022 (a growth of approximately 6.3%), it declined sharply to around 24.3 million in 2023 and further reduced to 22.3 million in 2024. This downward trend suggests weakening demand for new vehicles evidenced by the slowing down growth rate of private car ownership in China, possibly due to rising ownership costs, such as increasing fuel prices, insurance fees, and maintenance expenses, as well as parking challenges arising from urban congestion.

Given the aforementioned, it remains uncertain whether consumer interest will return to previous levels shortly. Additionally, increasingly restrictive government policies further discourage potential buyers. These factors indicate a stagnating automotive sector, facing significant challenges that could impede future growth.

VI. Reasons for and benefits of the Disposals

As mentioned in the Board Letter, during the past few years, a number of real estate enterprises had faced challenges in business operations owing to a combination of factors including downward pressure on the real estate industry, obstruction in financing channels, decline in sales performance and delay in payment collection due to late delivery resulting from delay in construction progress. Construction suspension and late delivery becomes increasingly common in the real estate industry. These challenges have adversely affected the Group's financial performance and increased the difficulties in sustaining the property construction and payment to suppliers.

As advised by the Management, due to the unforeseen property market downturn and credit and liquidity crunch of the industry, the Company has struggled to generate sufficient cash flow to meet its financial obligations, leading to default in repayment for its bonds. According to the announcement of the Company dated 23 January 2025, we understood that the Group is actively engaged in offshore debt restructuring efforts to manage its liquidity and obligations by entering a restructuring support agreement with its creditors.

Considering the Group's current financial situation and its obligation to ensure the timely delivery of presold properties, the Company and the Purchaser engaged in continuous negotiations, the Purchaser sought to expedite the recovery of these selected Outstanding Payables by entering into the Equity Transfer Agreements. Given their prolonged cooperation and the Group's current financial position, both parties agreed to enter into the Agreements to offset a portion of the Outstanding Payables and provide extra cash for the Company. Upon completion of the Disposals, the cashflow and liquidity of the Company can be strengthened. Based on the unaudited pro forma financial information of the Remaining Group as set out in the Appendix III in this Circular, the net asset of the Remaining Group would decrease by approximately RMB45.60 million to approximately RMB7,182.52 million after completion of the Disposals.

For our assessment, we obtained the list of Outstanding Payables from the Company and confirmed that the total amount is approximately RMB459 million. These payables primarily consist of pre-delivery management services, commercial property management services, and refundable deposits for parking space sales agency services. Considering that (a) offsetting the Target Companies' Consideration against the Outstanding Payables would reduce the Group's immediate financial burden without requiring cash outflow, fulfill its corresponding payment obligations for the relevant services, and mitigate the risk of default or delayed payments; and (b) the offset will be executed on a dollar-for-dollar basis, we consider this settlement method to be justifiable. As advised by the Company, the Outstanding Payables upon the settlement of the Target Companies' Consideration shall be reduced to approximately RMB240.36 million.

In view of the above, we concur with the Board's view that, despite the Agreements and the Disposals were not entered into in the ordinary and usual course of business of the Group, the terms of the Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VII. Principal terms of the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements

a. Parking Spaces Transfer Framework Agreement

Principal terms of the Parking Spaces Transfer Framework Agreement are summarised below:

Date:	17 February 2025
Parties:	The Company, as the seller; and
	The Purchaser, as the purchaser

Subject matter

Pursuant to the Parking Spaces Transfer Framework Agreement, the Company has conditionally agreed to sell, and Purchaser has conditionally agreed to purchase the property right or the right of use (as the case may be) of the Target Parking Spaces owned by the Group, subject to the terms and conditions of the Parking Spaces Transfer Framework Agreement.

In case where the Group has the real estate right certificate (the "**Certification**") of the relevant Target Parking Spaces (and in such case the Group has the title of property such as the right of ownership, possession, use, transfer and income), the property right of such Target Parking Spaces will be transferred as contemplated under the Parking Spaces Transfer Framework Agreement.

Where the Certification of the relevant Target Parking Spaces cannot be applied for or obtained, only the right of use (instead of the property right) of such Target Parking Spaces will be transferred as contemplated under the Parking Spaces Transfer Framework Agreement. Such right of use includes, without limitations, right of possession, transfer, lease, operation and management, income, advertising income, etc. The respective term of the right of use of such Target Parking Spaces is up to the expiration date of the term of the right of use of the land on which such Target Parking Spaces are located, so that the entire potential economic benefits of such Target Parking Spaces will be transferred to the Purchaser. As advised by the Company's PRC legal adviser, this constitutes a valid transfer of the right of use of these Target Parking Spaces to the Purchaser Group, which is permitted under the applicable PRC laws.

Parking Spaces Consideration

The total Parking Spaces Consideration is RMB229.37 million and will be settled by cash.

Such final consideration is adjusted as compared with the consideration disclosed in the Announcement based on the final valuation assessed by the Independent Valuer, as the Purchaser has elected to replace those Target Parking Spaces subject to ownership disputes with comparable parking spaces as agreed upon by the parties. Details of valuation and the considerations of parking spaces by project are set out in Appendix V to the circular and in the paragraphs headed "Information on the Target Parking Spaces" in the Board Letter.

The Parking Spaces Consideration was determined after arm's length negotiations between the parties with reference to (i) the book value of the Target Parking Spaces as at 31 December 2024 of RMB238.07 million; (ii) the appraised value of the Target Parking Spaces as at 28 February 2025, with a market value of approximately RMB113.76 million for those with title and an investment value of approximately RMB115.61 million for those without title, based on an independent valuation by the Independent Valuer on Target Parking Spaces as at 28 February 2025; (iii) the prevailing property market conditions; (iv) the expected administrative cost of the Purchaser to realise the disposed assets; and (v) the reasons and benefits as particularised in the paragraphs headed "Reasons for and Benefits of the Disposals" in the Board Letter.

Payment Schedule:

As referred to the Board Letter, the consideration for each project will be paid in three installments: (i) 50% as an initial payment within seven (7) business days after the execution of separate transfer agreements; (ii) 40% as a second payment within seven (7) business days following the completion of property right or the right of use (as the case may be) transfer registration and the handover of relevant documentation; and (iii) the remaining 10% of the consideration shall be paid to the Company within twelve (12) months after the execution of the separate transfer agreement.

Please refer to the Board Letter for more details in relation to the Parking Spaces Transfer Framework Agreement.

b. Equity Transfer Agreements

As mentioned in the Board Letter, as of 31 December 2024, the Group has outstanding payables due to the Purchaser in aggregate of approximately RMB459 million, mainly consisting of three components: (i) approximately RMB90 million for Purchaser's pre-delivery management services for the Company's unsold units and Purchaser's services provided to property sales venues, such as display units and sales offices; (ii) approximately RMB83 million for Purchaser's commercial property management services; and (iii) approximately RMB286 million for refundable deposits related to the Purchaser's parking space sales agency services.

Principal terms of the Equity Transfer Agreements are summarised below:

Date:	17 February 2025
Parties:	Chengdu Hong Yang Jin Xing, as the seller in respect of the Equity Transfer of Target Company A; Xuzhou Hong Qi, as the seller in respect of the Equity Transfer of Target Company B; Nanjing Hong Tai Pu Yang, as the seller in respect of the Equity Transfer of Target Company C; and Nanjing Hong Life, as the purchaser of each of the Equity Transfer Agreements

Subject matter

Each of Chengdu Hong Yang Jin Xing, Xuzhou Hong Qi and Nanjing Hong Tai Pu Yang has conditionally agreed to sell, and Nanjing Hong Life has conditionally agreed to purchase (i) 70% of the equity interests in Target Company A held by Chengdu Hong Yang Jin Xing; (ii) 20% of the equity interests in Target Company B held by Xuzhou Hong Qi; and (iii) 19% of the equity interests in Target Company C held by Nanjing Hong Tai Pu Yang, together with all other assets, liabilities and owners' equity attached to the equity interests abovementioned, subject to the terms and conditions of the respective Equity Transfer Agreements. Each of the Equity Transfer Agreements stipulates the terms and conditions of Equity Transfer of each Target Company.

Consideration and payment terms

The respective consideration under the Equity Transfer Agreements is RMB109.49 million for Target Company A (the "**Consideration A**"), RMB68.13 million for Target Company B (the "**Consideration B**") and RMB41.02 million for Target Company C (the "**Consideration C**", together with Consideration A and Consideration B, collectively as the "**Target Companies Considerations**"). Such considerations shall be offset against an equal amount of the Outstanding Payables from refundable deposits related to the Purchaser's parking space sales agency services on a dollar-for-dollar basis, with older balances being settled first. No separate cash payment will be made by the Purchaser Group to the Group.

Such final considerations are adjusted as compared with the considerations disclosed in the Announcement based on the relevant audit of the accounts of the Target Companies, as agreed upon by the parties in writing.

The considerations were determined through arm's length negotiations between the parties with reference to (i) the adjusted gross net asset values of each of Target Company A, Target Company B and Target Company C; (ii) the outstanding payables due to Target Company A from the Group, as recorded in the management accounts of Target Company A as at 31 December 2024; (iii) the outstanding receivables due from Target Company B and Target Company C to the Group, as recorded in their respective management accounts as at 31 December 2024; (iv) the expected administrative cost of the Purchaser Group to realise the disposed assets; and (v) the reasons and benefits as particularised in the paragraphs headed "Reasons for and Benefits of the Disposals" in the Board Letter.

As advised by the Management, the primary assets of the Target Companies consist of the property projects or land held by them (as the case may be), the total appraised value of which amounted to RMB253.23 million, RMB852.17 million, and RMB204.00 million as at 28 February 2025 as appraised by the Independent Valuer, respectively.

Please refer to the Board Letter for more details in relation to the Equity Transfer Agreements.

VIII. Assessment of the considerations

As stated in the Board Letter and our discussion with the Management, the Parking Spaces Consideration was agreed upon after arm's length negotiation based on appraised value of the Target Parking Spaces with a market value of approximately RMB113.76 million for those with title and an investment value of approximately RMB115.61 million for those without title as at 28 February 2025 (the "**Valuation Date**") by the Independent Valuer according to the valuation report dated 30 April 2025 (the "**Parking Spaces Valuation Report**").

Whereas, the Target Companies Considerations were primarily referred to the net asset value in their respective management account, i.e. the property projects and land (as the case may be), as adjusted the valuation of relevant property interests assessed by the Independent Valuer as at the Valuation Date as set out in the valuation report dated 30 April 2025 prepared by the Independent Valuer (the "**Target Companies Valuation Report**", together with the Parking Spaces Valuation Report, collectively being the "**Valuation Reports**").

We have primarily made reference to the appraised value (the "**Valuation(s)**") of the Target Parking Spaces and the properties of the Target Companies (the "**Properties**"), which formed the primary basis of the Car Parking Consideration and the Target Companies Considerations. We have performed the works as required under Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Reports, which included (i) assessment of the Independent Valuer's experiences in valuing properties and right of use assets in the PRC similar to the Target Parking Spaces and the Properties; (ii) obtaining information on the Independent Valuer's track records; (iii) inquiry on the Independent Valuer's current and prior relationship with the Group and the Purchaser Group; (iv) discussion with the Independent Valuer regarding the bases, methodology and assumptions adopted in the Valuation Reports.

Independent Valuer's experiences and qualifications and its independence

According to the Valuation Reports, the relevant valuation was prepared by Mr. Kin Ming Woo ("**Mr. James Woo**"), who is a fellow member of the Royal Institution of Chartered Surveyors and the co-head of China Valuation and Advisory Services team at Independent Valuer. Mr. James Woo has over 26 years' experience in the valuation of properties of this magnitude and nature in China, and therefore is suitably qualified to carry out the valuations.

The Independent Valuer confirmed that it is an independent third party to the Company and the Purchaser Group as at the Latest Practicable Date and it was not aware of any relationship or interest between itself and the Group, the Purchaser Group or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company.

Valuation basis and assumptions

As disclosed in the Valuation Reports, the valuations have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), and the requirements met out in Chapter 5 and Practice Note 12 of the Listing Rules.

During our review, we noted that the Valuations were conducted based on the major assumptions that no allowances have been made in the Valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property/property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values. We have discussed with the Independent Valuer regarding the assumptions adopted in the Valuation Reports and were given to understand that such assumptions are in line with the general market practice.

For our due diligence purpose, we have obtained and reviewed the legal opinions (the "**PRC legal opinion**") from the PRC Legal Adviser in relation to, among others, the titleship and status of the Target Parking Spaces and the Properties.

a. Parking Spaces Valuation Report

According to the Parking Spaces Valuation Report, we noted that the valuation was conducted based on the assumptions that (i) the information as set out in the section headed "Sources of Information" above about the titles of the Target Parking Spaces provided by the Company and the Company's legal advisor, Sichuan Puyi Law Firm (四川朴易律師事務所) (the "**PRC Legal Adviser**") is true and correct; (ii) the Target Parking Spaces are free from contamination and the ground conditions are satisfactory; (iii) the full and proper ownership title of the Target Parking Spaces have been obtained, and all payable land premium or land-use rights fees have been fully settled; (iv) for portion of CPS-A, the information, that area of each CPS is approximately 13.5 sqm, provided by the Company or Group is true and correct; (v) for CPS-B, the information, that area of each CPS is approximately 13.5 sqm, provided by the Company or Group is true and correct. Since the grant term for underground construction land use rights is generally 50 years, the Independent Valuer have assumed that CPS-B has been granted a land use term of 50 years from the commencement date of the land use right; (vi) for CPS-C, the Independent Valuer have assumed they have been granted for a land use term of 20 years since the valuation date, for portion of CPS-C, the information, that area of each CPS is approximately 13.5 sqm, provided by the Company or Group is true and correct; (vii) all required approvals and certificates necessary for the development and occupation and use of the Target Parking Spaces have been duly obtained and are in full force and effect; and (viii) the Target Parking Spaces can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

According to the Parking Spaces Valuation Report, we also understand that the Independent Valuer assigned no commercial value for several projects under Target Parking Spaces due to these properties' lack of valid property ownership documents. Alternatively, the Independent Valuer reported the investment value of these properties in the Parking Spaces Valuation Report.

Valuation methodology

We have also reviewed the Parking Spaces Valuation Report, discussed the methodology with the Independent Valuer, and noted it had considered the three generally accepted valuation approaches. After considering the asset type, current conditions, and ownership specifies outlined in the legal opinions, the Independent Valuer has adopted the market approach to appraise the Target Parking Spaces.

In valuing the Target Parking Spaces, the Independent Valuer have categorised the car parking spaces ("**CPS**") into three types according to their titleship described in the PRC Legal Opinion, being "CPS-A", "CPS-B" and "CPS-C" respectively.

CPS-A is defined as parking spaces with titleship that can be freely traded; CPS-B is defined as parking spaces lacking complete ownership; and CPS-C is defined as civil air defense parking spaces.

For CPS-A that the titleship can be freely tradeable, the preferred valuation method is the market comparison approach assuming sale of each of these property/property interests in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market, subject to appropriate adjustments including but not limited to conditions, location, time and other relevant factors. Given that the property/property interests are carpark spaces, comparable sales transactions are frequent and information about such sale is readily available. The Independent Valuer therefore used market comparison method which is in line with the market practice.

In cases where the parking space does not have titleship but has a history of usage rights transactions, and where the land transfer fees have been fully paid, the market comparison method is also applicable.

For parking spaces lacking complete ownership and where there has been no sale of usage rights, or if there are issues with the payment of land transfer fees or civil air defense project, the income capitalization approach is utilised. This method capitalises the existing rental income from all leasehold units over the remaining lease term, while vacant units are assumed to be rented at the market rate as of the valuation date. Upon the expiration of existing leases, each unit is assumed to be rented at the market rate on the valuation date and capitalized based on the remaining use term. The market value of the property/property interests thus equal to the sum of the capitalised value of the income from the leased units during their lease term, the appropriately deferred capitalised value of the income from the leased units (i.e., market rental income), and the capitalised value of the vacant units.

Having considered the above, we consider (i) the adoption of market comparison approach for CPS-A; and (ii) the adoption of income capitalization approach for CPS-B and CPS-C under the Parking Spaces Valuation Report is reasonable.

The Independent Valuer also confirmed that site inspections of the Target Parking Spaces were carried out by Mr. James Woo between 3 March 2025 to 7 March 2025.

The Target Parking Spaces

As set out in the Parking Spaces Valuation Report, the total appraised value of the Target Parking Spaces in the PRC as at 28 February 2025 comprised of market value of RMB113,760,000 and investment value of RMB115,610,000. As advised by the Independent Valuer, the market value is applied for the properties with valid property ownership documents, and they have not assigned any commercial value to CPS-B and CPS-C properties due to the absence of valid property ownership documents and thereby the investment value has been included for these properties for the Company’s internal reference.

As advised by the Independent Valuer, they obtained from the Group a summary list of car parking spaces in close proximity that have been sold or are planned to be sold to independent third parties. From the summary list, three comparable transactions were selected by the Independent Valuer for each Target Parking Space (the "**Parking Spaces Comparable(s)**") based on (i) the transaction date of the Parking Spaces Comparable falls within 2 years from the Valuation Date; and (ii) the Parking Spaces Comparables are in similar nature to each respective Target Parking Space (i.e. with similar conditions and size). If no comparable parking spaces are available from the list provided by the Group, the Independent Valuer will select comparable transactions from public sources based on the aforementioned selection criteria. The Independent Valuer is of the view that the comparable transactions from the sales list will ensure the unit rate adopted in the Parking Spaces Valuation Report aligns with the recent unit rate of properties sold or to be sold by the Group to independent third parties. Hence, we concur with the Independent Valuer's view that the Parking Spaces Comparables for the Valuation are representative.

For our due diligence purpose, we have additionally obtained calculations of each respective Target Parking Space which includes information on the relevant Parking Spaces Comparables, such as title information, location, year of completion, time, site area, building quality, size and bulk discount. Based on our review of the information on the Parking Spaces Comparables and our discussion with the Independent Valuer, we are of the view that the selection criteria of the Parking Spaces Comparables are fair and reasonable as the Parking Spaces Comparables are similar to the Target Parking Spaces in terms of transaction date, location, size, and condition.

We discussed the calculations with the Independent Valuer and understand that certain adjustments were made to the Parking Spaces Comparables in accordance to time, transaction condition, accessibility, location, building quality, and bulk discount, based on the Independent Valuer's experience and judgment, and taking into account, among other things, the location, accessibility, proximity and physical characteristics such as age, size and floor levels of each of the Parking Spaces Comparable. We have reviewed these adjustments and discussed with the Independent Valuer the rationale and methodology of the underlying adjustments. From our understanding, the adjustments were made in respect of, including but not limited to, (i) transaction time of the comparable properties to reflect the change in their respective market price; (ii) transaction condition or asking to reflect the difference between actual transaction terms and market standard; (iii) accessibility of the comparable properties to reflect the differences regarding proximity to entrances or exits; (iv) amenities of the comparable properties to reflect the different availability and quality of facilities or services; (v) size of the comparable properties to reflect the potential discount applied to the unit rate of larger properties as generally noted in the real estate market and perceived by the valuation practitioners; (vi) location of the comparable properties to reflect the potential discount applied to the unit rate of properties located in more remote area with relatively low accessibility, fewer facility nearby and less pedestrian flow; and (vii) bulk discount rate of 30% on the comparable properties to reflect the difficulties of selling the parking spaces in bundle as compared to selling alone based on the Independent Valuer's experience (if applicable).

As further advised by the Independent Valuer, all the above factors are considered in equal weighting in valuing each of the respective Target Parking Space. Taking into account of such factors, appropriate adjustments were made to each of the Parking Spaces Comparables, and an adjusted unit rate will be derived out for valuing of each of the Target Parking Spaces.

Based on our review of the calculation and our discussion with the Independent Valuer, we found that the adjustments are in line with the market practice and hence consider them reasonable in deriving the valuation of the Target Parking Spaces.

Our view

Having considered that (i) the qualifications, experience and independence of the Independent Valuer in relation to the preparation of the Parking Spaces Valuation Report; (ii) the steps and due diligence measures taken by the Independent Valuer for conducting the valuation of Target Parking Spaces; (iii) the methodology and assumption used by the Independent Valuer for the valuation of Target Parking Spaces; and (iv) the appropriate selection of Parking Spaces Comparables, we consider that the valuation of Target Parking Spaces is fair and reasonable.

b. Target Companies Valuation Report

According to the Target Companies Valuation Report, we noted that the valuation was conducted based on the assumptions that (i) the information as set out in the section headed "Sources of Information" above about the titles of the Properties provided by the Company and the PRC Legal Adviser is true and correct; (ii) the Properties are free from contamination and the ground conditions are satisfactory; (iii) the full and proper ownership title of the Properties have been obtained, and all payable land premium or land-use rights fees have been fully settled; (iv) all required approvals and certificates necessary for the development and occupation and use of the Properties have been duly obtained and are in full force and effect; and (v) the Properties can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

Valuation methodology

In determining the market value of the Properties, the Independent Valuer have valued the properties by using the market approach. The market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analyzing such sales, which qualify as 'arms-length' transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. As confirmed by the Independent Valuer, this approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available.

Given the fact that there is available pricing information reflecting the current market perception of assets similar to the Properties, we are of the same view as the Independent Valuer that, where there is sufficient relevant evidence to show the price levels that buyers are willing to pay for similar properties in the market, market approach is the most appropriate for assessing the value of the Properties.

The Properties

As set out in the Target Properties Valuation Report and as advised by the Management, the total appraised value of the properties of each of Target Company A, Target Company B and Target Company C as at 28 February 2025 was approximately RMB253.23 million, RMB852.17 million and RMB204.00 million, respectively.

Based on the Target Properties Valuation Report, we noted the property interests held by Target Company A are for sale, the property interests held by Target Company B are under development and the property interests held by Target Company C are held for further development.

As advised by the Independent Valuer, 3 comparable properties were selected for each of Target Company A and Target Company B based on the following criteria: (i) the most recent selling price, where the selling price of the comparable properties was listed within 1 year from the Valuation Date; (ii) similarity in nature, requiring that the comparable properties be similar in nature to those of Target Company A and Target Company B to ensure meaningful comparison; and (iii) proximity to subject Properties, where the selected comparable properties must be located in close proximity to Target Company A or Target Company B, as applicable.

Regarding the comparable properties for Target Company C, the Independent Valuer indicated that since the property interests held by Target Company C were designated for further development as of the Valuation Date, they selected the 3 most recent comparable transactions announced on the land bidding system based on that (i) the comparable properties are the similarity in nature, size and usage to the property of Target Company C, and (ii) their proximity to Target Company C.

We discussed with the Independent Valuer and were informed that the Properties Comparables for Target Company A and Target Company B were selected from a summary list of similar property projects located in the same proximity that have been sold or are planned to be sold by the Group to independent third parties. Considering that (i) the comparable properties selected by the Independent Valuer for Target Company A and Target Company B reflect the unit rate of properties sold or to be sold by the Group to independent third parties, representing the recent prevailing market price of similar properties sold by the Group; and (ii) the comparable properties for Target Company C reflect the most recent selling price of land with a similar nature, we concur with the Independent Valuer's view that the selected properties based on the aforementioned criteria (the "**Properties Comparables**") are representative and comparable to the subject Properties for the purpose of the Target Properties Valuation Report, and that the criteria of the Properties Comparables are fair and reasonable.

In addition, we understand from the Independent Valuer that certain adjustments have been made to the Properties Comparables in deriving the value of the Properties.

We further obtained and reviewed the calculation for the Valuation. Based on the calculation, we understand that certain adjustments have been made to the Properties Comparables in deriving the value of the Properties. As advised by the Independent Valuer, they initially compared similar properties under Properties Comparables with the subject property and subsequently made adjustments to time, transaction condition, accessibility, amenities, marketability, size, location, and building quality. We have reviewed these adjustments and discussed with the Independent Valuer the rationale and methodology behind them. From our understanding, the adjustments were made in respect of, including but not limited to, (i) time of quoting the selling price of the comparable properties to reflect the change in their respective market price; (ii) transaction condition or asking factor to reflect the difference between actual transaction terms and market standard; (iii) accessibility of the comparable properties to reflect the differences regarding proximity to entrances or exits; (iv) amenities of the comparable properties to reflect the different availability and quality of facilities or services; (v) size of the comparable properties to reflect the potential discount applied to the unit rate of larger properties as generally noted in the real estate market and perceived by the valuation practitioners; and (vi) location of the comparable properties to reflect the potential discount applied to the unit rate of properties located in more remote area with relatively low accessibility, fewer facility nearby and less pedestrian flow.

As further advised by the Independent Valuer, all the above factors are considered in equal weighting in valuing each of the respective Target Property. Taking into account of such factors, appropriate adjustments were made to each of the Properties Comparables, and an adjusted unit rate will be derived out for valuing of each Property.

Based on our review on the calculation and our discussion with the Independent Valuer, we found that the adjustments are in line with the market practice and hence consider them reasonable in deriving the valuation of the Target Companies.

Our view

Having considered that (i) the qualifications, experience and independence of the Independent Valuer in relation to the preparation of the Target Companies Valuation Report; (ii) the steps and due diligence measures taken by the Independent Valuer for conducting the valuation of Properties; (iii) the methodology and assumption used by the Independent Valuer for the valuation of Properties; and (iv) the appropriate selection of Properties Comparables, we consider that the valuation of Target Companies is fair and reasonable.

IX. Financial effect of the Disposals

Earnings

Upon completion, the Company will cease to have any interest in the Target Parking Spaces. The Company will record a net loss before tax of approximately RMB7.14 million with respect to the disposal of Target Parking Spaces.

Upon completion, the Company will cease to have any interest in Target Company A and the financial results of Target Company A will cease to be consolidated into the financial statements of the Group. The Company will cease to have any interest in either Target Company B or Target Company C and their performance will no longer be reflected in the share of results of joint ventures and associates of the Group.

Given the consideration of Equity Transfer and the amount of Outstanding Payables to offset will be on a dollar-for-dollar basis, assuming the consideration to be fully offset by Outstanding Payables, the Group will not record any gain or loss in the Group's financial statement as a result of the Equity Transfer Agreements and the transactions contemplated thereunder.

Assets and liabilities

The unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular illustrates the financial impact of the Disposals. Based on the unaudited pro forma financial information of the Remaining Group, the loss for FY2024 would represent an increase of RMB26.22 million, and the assets and the liabilities as at 31 December 2024 would represent a decrease of RMB455.45 million and RMB409.85 million, respectively. As a result, the net assets of the Group as at 31 December 2024 would decrease by RMB45.6 million to RMB7,128.11 million.

As understood from the Board Letter, the Directors consider that the Disposals, whether separately or in aggregate, will not result in any material adverse impact on the operation of the core business of the Group.

The Company intends to apply the net proceeds from the Disposals as a general working capital of the Group for property construction in order to ensure timely deliveries of presold properties.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that despite the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements and the Disposals were not entered into in the ordinary and usual course of business of the Group, the terms of the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements (including the respective considerations) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders to vote in favour of the relevant resolution(s) for approving the Disposals.

Yours Faithfully,
For and on behalf of
Merdeka Corporate Finance Limited

Wallace So
Managing Director

Mr. Wallace So is a licensed person registered with the Securities and Futures Commission of Hong Kong, a responsible officer of Merdeka Corporate Finance Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and a licensed representative of Merdeka Investment Management Limited to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Wallace So has over 13 years of experience in corporate finance industry.