



14 May 2025

To: The Independent Board Committee and the Independent Shareholders of Landsea Green Life Service Company Limited

Dear Sir or Madam,

**PROPOSED MANDATE IN RELATION TO
THE MAJOR AND CONNECTED TRANSACTION
IN RESPECT OF
THE POSSIBLE ACQUISITION OF PROPERTIES
BY JUDICIAL AUCTION**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Possible Acquisition, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 14 May 2025 issued by the Company to the Shareholders (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.

The Judicial Auction and the Proposed Mandate

As set out in the Letter from the Board, the Board intends to seek the Proposed Mandate to be granted in advance by the Independent Shareholders to the Directors to complete the Possible Acquisition through the Judicial Auction. Nanjing Landsea, an indirectly wholly-owned subsidiary of the Company, intends to bid at the Judicial Auction for the Properties, which are currently owned by Landsea Group. The Board would like to seek the Independent Shareholders’ mandate for the Group, through Nanjing Landsea, to bid at the Judicial Auction for the Properties currently owned by Landsea Group. The exact timetable of the Judicial Auction is unknown as at the Latest Practicable Date. It is expected that the Judicial Auction will take place in around late May to early June 2025.

In order to enforce the debts of Landsea Group, the Jianye District People’s Court has ordered the Judicial Auction to dispose of the Properties currently owned by Landsea Group. Accordingly, Nanjing Landsea could only acquire the Properties from Landsea Group through the Judicial Auction.

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If Nanjing Landsea's bidding is successful, it will thereupon become unconditionally obliged to purchase the Properties and it will be too late to seek the approval of the Independent Shareholders required under Chapter 14A of the Listing Rules after it wins the bid. Accordingly, the Directors are seeking the Independent Shareholders' advance approval for the grant of the Proposed Mandate.

An announcement containing, among other things, (i) the result of Nanjing Landsea's bid submitted at the Judicial Auction; and (ii) should its bid be successful, the final price to be paid by Nanjing Landsea for the acquisition of the Properties, will be made by the Company as soon as practicable.

Listing Rules implications

As the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the Possible Acquisition based on the Maximum Consideration exceeds 25% but is less than 100%, the Possible Acquisition, if materialized, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (i) Mr. Tian Ming, the chairman, an executive Director and a controlling shareholder of the Company, is a connected person of the Company; and (ii) Landsea Group is directly and indirectly held as to 50.00% by Mr. Tian Ming. Landsea Group, being an associate of Mr. Tian Ming, is therefore a connected person of the Company. Therefore, the Possible Acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As Mr. Tian Ming is deemed to have interest in the Possible Acquisition, he had abstained from voting on the Board resolutions in relation to the Possible Acquisition. Save as disclosed above, none of the Directors has material interest in the Possible Acquisition and no other Director was required under the Listing Rules to abstain from voting on the Board resolutions approving the Possible Acquisition.

Mr. Tian Ming, the chairman, an executive Director and a controlling shareholder of the Company, is beneficially interested in approximately 50.00% of Landsea Group. Therefore, Mr. Tian Ming is considered to have a material interest in the Possible Acquisition. As such, Mr. Tian Ming and his associates will abstain from voting in respect of the resolution relating to the Possible Acquisition at the EGM. As at the Latest Practicable Date, Mr. Tian Ming and his associates were interested in a total of 165,137,165 Shares (representing approximately 40.20% of the total issued Shares), which include (i) 23,998,345 Shares held through Green Sailing (PTC) Limited ("**Green Sailing**"); (ii) 4,316,000 Shares held through Greensheid Corporation ("**Greensheid**"); and (iii) 136,822,820 Shares held through Tian Family Investment Pte. Ltd. ("**Tian Family Investment**"). Green Sailing is indirectly wholly owned by Mr. Tian Ming. Greensheid is wholly owned by Landsea International Holdings Limited, which is in turn wholly owned by Landsea Group. Tian Family Investment is wholly owned by Tian Family Holding Pte. Ltd., which is in turn wholly and beneficially owned by Mr. Tian Ming.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, save for the foregoing, none of the other Shareholders will be required to abstain from voting on the resolution at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising of Ms. Lu Mei, Mr. Alfred Shu Shum Lai and Ms. Katherine Rong Xin, being all the independent non-executive Directors, has been formed to advise and make recommendations to the Independent Shareholders in respect of the Possible Acquisition. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in the same regard.

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the Possible Acquisition is conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Possible Acquisition and the transactions contemplated thereunder (including the Maximum Consideration) are on normal commercial terms and fair and reasonable; and (iii) how the Independent Shareholders should vote on the resolution in relation to the Possible Acquisition at the EGM.

OUR INDEPENDENCE

We do not have any relationship with, or interest in, the Group, Landsea Group, Mr. Tian Ming or other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fees paid or payable to us in connection with this appointment, no arrangements existed whereby we had received or will receive any fees or benefits from the Group, Landsea Group, Mr. Tian Ming or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's annual report for the year ended 31 December 2024 (the **"2024 Annual Report"**);
- (ii) the unaudited profit and loss statement of the Properties as set out in Appendix II to the Circular;
- (iii) the unaudited pro forma financial information of the Group as set out in Appendix III to the Circular;
- (iv) the Property Valuation Report, as set out in Appendix IV to the Circular; and
- (v) other information as set out in the Circular.

We have also discussed with the Valuer on the valuation methodology, bases and assumptions it adopted in the Property Valuation Report.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Possible Acquisition, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information on the parties

The Company is an investment holding company. The Group is principally engaged in the provision of property management services, community value-added services, value added services to non-property owners and apartment operation and management services in the PRC.

Nanjing Landsea is a company established in the PRC with limited liability and is principally engaged in the business of property management. Nanjing Landsea is an indirect wholly-owned subsidiary of the Company.

Landsea Group is a company established in the PRC with limited liability principally engaged in investment holding. As at the Latest Practicable Date, Landsea Group is owned as to (i) approximately 15.85% by Mr. Tian Ming; (ii) approximately 34.15% by Nanjing Ding Chong Investment Management Consultants Ltd.* (南京鼎重投資管理顧問有限公司), a company wholly and beneficially owned by Mr. Tian Ming; (iii) approximately 26.20% by Nanjing Business & Tourism Corp., Ltd.* (南京商貿旅遊股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600250); (iv) approximately 20.12% by Shenzhen Ginkgo Gofar Enterprise Co., Ltd.* (深圳市盈信國富實業有限公司), which is held as to approximately 68.61%, 30.39% and 1% by its ultimate beneficial owners Xu Yunxia* (許雲霞), Sun Zaihua* (孫再花) and Zhong Meiling* (鐘美玲) respectively; (v) approximately 2.22% by Suzhou Yuanda Investment Co., Ltd.* (蘇州遠大投資有限公司), which is ultimately held as to 99.75% by Ding Hong* (丁宏) and 0.25% by Tao Chunhong* (陶春紅); (vi) approximately 1.41% by Yan Xiaoyang* (顏曉陽); and (vii) approximately 0.05% by SunChao* (孫超).

Furthermore, as at the Latest Practicable Date, Landsea Group, through its direct and indirect wholly-owned subsidiaries, is interested in approximately 16.89% of the issued shares of Landsea Green Management Ltd. (“**Landsea Green Management**”). Landsea Green Management is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 106). As at the Latest Practicable Date, Mr. Tian Ming is interested in approximately 25.90% of the issued shares of Landsea Green Management.

2. Information of the Properties

The Properties are a collection of six office units made up of Unit Nos. 501, 601, 701, 801 and 901 located at No. 108 Jianye Road, Qinhuai District, Nanjing City, the PRC* (中國南京市秦淮區建鄴路108號) and Unit 402, Building 10–11, No. 18 Fengfu Road, Qinhuai District, Nanjing City, the PRC* (中國南京市秦淮區豐富路18號10–11幢) with a total gross floor area of 3,479.97 square metres. The office units occupy a parcel of land with a site area of approximately 26,789.44 square metres. The land use rights of a

parcel of land was granted to Landsea Group for a term expiring on 21 September 2047 (the “**Use Rights Expiry Date**”) for business and finance use. The Properties were originally developed by Landsea Group.

As at the Latest Practicable Date, the Properties were owned by Landsea Group and occupied by Landsea Group and its connected parties for office purpose, save that a portion of Unit 501 (approximately 170 square metres out of 426 square metres) located at No. 108 Jianye Road, Qinhuai District, Nanjing City, the PRC (the “**Leased Portion**”) have been leased to the Group since 1 August 2022 and will expire on 31 December 2034 at a daily rent of approximately RMB1.50 per square metre. The gross rentals payable by the Group for the Leased Portion for each of the three years ended 31 December 2022, 2023 and 2024 were RMB39,000, RMB93,000 and RMB93,000, respectively. Based on the information available to the Directors, the net losses attributable to the Properties (both before and after taxation and extraordinary items) for the three years ended 31 December 2023 and 2024 were approximately RMB2,053,000 and RMB991,000, respectively.

3. Reasons for and benefits of the Possible Acquisition

The Group is principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and apartment operation and management services in the PRC. The Possible Acquisition is in line with the overall development strategy of the Group, because the Group will be responsible for the operation of and continue to provide property management services to the Properties.

The Properties are located in the center of Qinhuai District, Nanjing City with convenient access to public transportations. In the event of successful acquisition of the Properties, the Group intends to retain Units 402 and 501 for its own use and lease out the remaining part of the Properties to Landsea Group and its connected parties or other independent third parties, subject to detailed terms to be negotiated after Completion, for rental income. Currently and as can be seen in the section headed “5. Evaluation of the Maximum Consideration — The Property Valuation”, the comparable unit rents for the Properties are between RMB2.0 to 2.3 per sq.m per day, given the Properties have a total gross floor area of 3,479.97 square metres, there are sufficient rental income potential of the Properties. The Company will comply with the applicable requirements under Chapter 14A of the Listing Rules (if any) if the Properties are to be leased out to any connected persons of the Company and/or the Company is to provide any services in respect of the Properties to its connected persons. The Directors believe that on one hand, the Possible Acquisition will broaden the asset and recurring income base of the Group and will be beneficial to the Company and the Shareholders as a whole, while on the other hand, the Group will be able to save the time and reduce the costs that may be required to find suitable premises for relocation.

The Group has been engaged in the leasing of investment properties and generated rental income from leasing of parking space for the three years ended 31 December 2022, details of which are set out in the annual reports of the Company for the years ended 31 December 2021 and 2022. In addition, the Group offers value-added services to non-property owners, including property agency services provided for the sales and leases of properties to property developers. As such, the Board is of view that the Group has the relevant experience in the operation and letting of properties.

As disclosed in the annual report of the Company for the year ended 31 December 2024, the Group recorded net current liabilities and net liabilities of approximately RMB328.3 million and RMB55.2 million respectively as at 31 December 2024, which was mainly due to the impairment losses under the expected credit loss model of approximately RMB172.3 million and the impairment losses for goodwill and intangible assets of approximately RMB140.2 million for the year ended 31 December 2024, which did not affect the Group's actual cash flow. Taking into account that (i) the Group had cash balance of approximately RMB293.7 million as at 31 December 2024; (ii) the Group's net decrease in cash and cash equivalents was only approximately RMB39.1 million for the year ended 31 December 2024; and (iii) the Group may on the one hand generate rental income and on the other hand save rental expenses after Completion, the Board is of the view that the Possible Acquisition with a maximum consideration of RMB27.0 million will not materially affect the Group's working capital. We note that this coincides with the disclosures set out in Appendix I to the Circular, where the Directors confirm that, after taking into consideration the financial resources available to the Group including internally generated funds and the cash flows impact of the Possible Acquisition, the Group will have sufficient working capital for its requirements for at least the 12 months from the date of publication of the Circular. The consideration for the Proposed Acquisition will be funded by the Company's internal resources.

We note that, as set out in the 2024 Annual Report, as at 31 December 2024, the Group's bank balances and cash were approximately RMB293.7 million, suggesting that there is significant liquidity headroom for the Possible Acquisition. According to the Management, the payment of the consideration of the Possible Acquisition will be solely financed by internal resources of the Group and will not affect the Company's original plan on the use of proceeds from its listing on the Main Board of the Stock Exchange.

Taking into account that: (i) the Possible Acquisition will broaden the asset and recurring income base of the Group; (ii) the Group will be able to save the time and reduce the costs that may be required to find suitable premises for relocation; (iii) the comparable unit rents for the Properties are between RMB2.0 to 2.3 per sq.m per day, given the Properties have a total gross floor area of 3,479.97 square metres, the Group may on the one hand generate rental income and on the other hand save rental expenses after Completion; and (iv) the Group has significant liquidity headroom for the Possible Acquisition, though the Possible Acquisition is not conducted in the ordinary and usual course of business of the Group given that it is not of a regular day-to-day business affair of the Group to acquire commercial real estates, we are of the view that the Possible Acquisition is in the interests of the Company and the Shareholders as a whole.

4. Maximum Consideration

The exact consideration of the Properties is unknown as at the Latest Practicable Date and the start bidding price and the reserve price of the Judicial Auction can only be ascertained upon the commencement of the Judicial Auction. However, based on the valuation of the Properties conducted by the Valuer, the Properties are valued at an aggregate amount of approximately RMB26,600,000 as at 31 March 2025 on a market value basis. The Maximum Consideration for the Possible Acquisition which Nanjing Landsea is willing to bid at the Judicial Auction is therefore RMB27,000,000, after taking into account the appraised value of the Properties based on the Property Valuation Report as well as the Group's estimates of the bidding price that could have been made by potential competitors at the Judicial Auction.

The final bidding price for the Properties to be submitted will depend on, among other things, the Group's view on the property market and its prospects on the date of the Judicial Auction as well as the Group's estimates of the bidding price that could have been made by potential competitors at the Judicial Auction (with reference to the background and financial credibility of the potential competitors), but will in any event not exceed the Maximum Consideration.

In the event that Nanjing Landsea successfully wins the bid for the Properties through the Judicial Auction, it will enter into a sale confirmation and obtain the auction closing ruling from the Jianye District People's Court and will make payment of the consideration in accordance with the terms and conditions therein.

The payment terms of the Possible Acquisition will only be available upon commencement of the Judicial Auction. Based on the experience of the Management on past judicial auctions, if Nanjing Landsea successfully wins the bid for the Properties, it will have to enter into the sale confirmation and make full payment of the consideration within 10 to 20 days. Subsequently, it will have to complete the registration of transfer of the Properties with the relevant local competent authority, which is expected to take approximately 20 to 30 days, in order to acquire the title to the Properties.

According to the procedure of the Judicial Auction, if Nanjing Landsea's bidding is successful, it is required to prepay the taxes of approximately RMB1.45 million that the seller should bear for the sale of the Properties, and the Jianye District People's Court will return such prepaid taxes by deducting them from the consideration after Nanjing Landsea obtains the receipt of taxes issued by the relevant tax authority.

Based on the above, we are given no further key terms and conditions of the Possible Acquisition under the Judicial Auction but the amount of the appraised value of the Properties as at 31 March 2025 (the "**Valuation Date**") of RMB26,600,000 (the "**Appraised Value**") based on the Property Valuation Report (the "**Property Valuation**") and the Maximum Consideration of RMB27,000,000. As advised by the PRC legal adviser of the Company, all winning bidders would enter into standard sale confirmations with standardized terms and conditions which are considered normal commercial terms for this type of judicial auction taken place at the Jianye District People's Court.

We shall evaluate the Maximum Consideration for the Proposed Acquisition in the following section.

5. Evaluation of the Maximum Consideration — The Property Valuation

The Maximum Consideration for the Possible Acquisition which Nanjing Landsea is willing to bid at the Judicial Auction is therefore RMB27,000,000, after taking into account, among others, the Appraised Value of RMB26,600,000. We in turn evaluate the Property Valuation in this section below:

For our due diligence purpose, we have obtained and reviewed the engagement letter between the Company and the Valuer, we are satisfied that the scope of work performed by the Valuer is appropriate to perform the Appraised Value. We were not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Valuer. The Valuer has also confirmed that they have conducted sufficient independent check and they are independent from the Group, the parties to the Possible Acquisition, their respective connected persons. We further understand that the Valuer is certified with the relevant professional qualifications required to perform the Property Valuation. The person-in-charge of the Property Valuation, Mr. Gilbert Chan, has 32 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. In light of the above, we are not aware of any matters that would cause us to question the Valuer's expertise and independence and we consider that the Valuer has sufficient expertise and is independent to perform the Property Valuation.

Additionally, we also confirmed with the Valuer that in valuing the Properties, they have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

To further assess the Property Valuation, we have reviewed the Property Valuation Report and have conducted an interview with the Valuer to discuss and review the methodology, basis and assumptions adopted in arriving at the Appraised Value.

In relation to the valuation methodology, the Valuer has adopted income approach for the Property Valuation. We have discussed and noted from the Valuer that there was no recent market transaction comparable, therefore, they were unable to use the market approach in the Property Valuation. As for cost approach, it is rarely used in the valuation of completed office buildings due to its challenges in aligning with income-generating attributes, location-specific characteristics, and dynamic market demands of the Properties. As such, the Valuer considered that the income approach is the most appropriate valuation methodology for the Property Valuation. The Valuer has taken into account the rental income of the Properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

In estimating the rental income of the Properties, the Valuer firstly considered and adopted the actual rental income in the existing tenancy agreement under the Leased Portion from the Valuation Date to the expiry date on 31 December 2034 (the “**Lease Expiry Date**”) at unit rent of RMB1.50 per square metre per day. For the Leased Portion from the Lease Expiry Date to the Use Rights Expiry Date (i.e. 21 September 2047) and the remainder of the Properties (excluding the Leased portion) with no existing leasing agreement(s) entered into with Landsea Group from the Valuation Date to the Use Rights Expiry Date, the Valuer identified and took reference of three recent comparable rental office units located in the surrounding areas of the Properties (i.e. Qinhuai District, Nanjing City, Jiangsu Province, the PRC) at unit rents ranging from RMB2.0 to RMB2.3 per square metre per day (the “**Comparable Rental Prices**”), and adopted a market rent of RMB1.97 per square metre per day for the Property Valuation. As advised by the Valuer, the main selection criteria (the “**Selection Criteria**”) of the Comparable Rental Prices adopted in the Property Valuation are: (i) that the rental properties should have the similar land use as the Properties (i.e. office building); (ii) that the rental properties should be located within reasonable distance from the Properties (i.e. they are located within three kilometres from the Properties); and (iii) that the rental properties share similar characteristics with the Properties (i.e. market positioning, surrounding environment and completion date). We also conducted independent research based on the Selection Criteria and identified four office properties which came close to or met the Selection Criteria with unit rents ranging from RMB2.0 to 2.9 per square metre per day. Based on the above and the fact that the unit rents range of the Comparable Rental Prices generally align with those of our independent sample, we are of the view that the Selection Criteria is appropriate in establishing a fair and representative sample for establishing the market rent adopted in the Property Valuation.

We also understood from the Valuer that the capitalisation rates adopted in the Property Valuation mainly based on their research on office markets in the surrounding area of the Properties with the stabilized market yield ranges from 5.5% to 6.5% for office units. As a result, the Valuer has adopted 6.0% for the Property Valuation (save for the Leased Portion). Additionally, we also noted from the Valuer that for the Leased Portion, the entering into the existing tenancy agreement under the Leased Portion means that the rental income would be certain and less risky, as such, the Valuer has adopted a reduction of 0.5% for capitalisation rate (the “**Adjustment**”) so that for the Leased Portion from the Valuation Date to the Lease Expiry Date, the capitalisation rate applied was 5.5%. Based on above, we are of the view that the Adjustment is fair and reasonable.

Under the Property Valuation, the Appraised Value of the Properties comes to RMB26,600,000 as at 31 March 2025. The Maximum Consideration of RMB27,000,000 for the Possible Acquisition represents a slight premium of approximately 1.50% over the Appraised Value.

Having considered that: (i) the income approach as adopted by the Valuer in the Property Valuation Report is a commonly adopted approach for the Properties; (ii) valuation basis and assumptions (including the Adjustment) as adopted by the Valuer are customary in the income approach; and (iii) the Maximum Consideration was determined with reference to, among other, the Appraised Value, we are of the view that Maximum Consideration represents normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

6. Financial Effects of the Possible Acquisition

Rental income

It is intended that, after Completion, part of the Properties (1,677.36 square metres out of 3,479.97 square metres) would be leased out to generate rental income in the future, and thus the Possible Acquisition is expected to have positive effect on the Group's future earnings in the long run. According to the Property Valuation Report, the unit rents of office units comparable to the Properties range from RMB2.0 to RMB2.3 per square metre per day.

Independent Shareholders should also beware that as set out in the unaudited profit and loss statement of the Properties as set out in Appendix II to the Circular, the gross rentals paid by the Group for the Leased Portion for each of the three years ended 31 December 2022, 2023 and 2024 were RMB39,000, RMB93,000 and RMB93,000, respectively while for the remaining portion of the Properties, since it was occupied by Landsea Group for internal use purpose, it didn't attract any rental income for the Properties at the time. It is expected that after Completion taking place, the Properties will start to generate external rental income from Landsea Group as well as other independent third party tenants of the Properties.

Also shown in the unaudited profit and loss statement of the Properties as set out in Appendix II to the Circular is that the property management fee paid by Landsea Group to the Group for each of the three years ended 31 December 2022, 2023 and 2024 was RMB1,974,000, RMB1,974,000 and RMB955,000, respectively. It is expected that after Completion taking place, the Group will continue to collect property management fee from Landsea Group as well as other independent third party tenants of the Properties.

Assets and liabilities

As the Group is expected to finance its contribution to the Maximum Consideration using its internal resources, according to the unaudited pro forma financial information of the Group as set out in Appendix III to the Circular and assuming the final bidding price is the Maximum Consideration, the investment properties and the property, plant and equipment and of the Group are expected to increase by approximately RMB13,504,000 and RMB14,513,000 respectively and the net cash position is expected to decrease by approximately RMB28,017,000 accordingly. As such, the total assets and the total liabilities of the Group will not have any material change as a result of the Possible Acquisition.

OPINION AND RECOMMENDATION

Based on the factors discussed above, we are of the opinion that although the Possible Acquisition 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 Possible Acquisition and the transactions contemplated thereunder (including the Maximum Consideration) are fair and reasonable and on normal commercial terms. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution approving the Possible Acquisition at the EGM.

Yours faithfully, For and on behalf of
Ignite Capital (Asia Pacific) Limited



Cheung On Kit Andrew
Managing Director

Mr. Cheung On Kit Andrew is a Managing Director of Ignite Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 17 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.