RAINBOW CAPITAL (HK) LIMITED
浤博資本有限公司

30 September 2025

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(I) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND (II) APPLICATION FOR WHITEWASH WAIVER

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 Acquisition (including the grant of the Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 30 September 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 14 July 2025 (before trading hours of the Stock Exchange), the Company (as the Purchaser) entered into the Sale and Purchase Agreement with the Vendor, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor have conditionally agreed to sell the Sale Shares (representing the entire issued share capital of the Target Company), at the Consideration in the amount of HK$976,500,000. The Consideration of the Acquisition shall be satisfied by the allotment and issuance of the Consideration Shares at the Issue Price (i.e. HK$3.15 per Share) under the Specific Mandate to be sought by the Company at the EGM.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 25% but less than 100%, the Acquisition pursuant to the Sale and Purchase Agreement constitutes a major transaction under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and shareholder's approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, China GBA Holdings directly holds in aggregate 414,665,566 Shares, representing approximately 50.94% of the total issued share capital of the Company. Upon Completion at which a total of 310,000,000 Consideration Shares will be issued to the Vendor and assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion, (i) the Vendor will hold 310,000,000 Shares, representing approximately 27.58% of the total number of the issued Shares as increased by the issuance of the Consideration Shares; and (ii) the shareholding percentage of China GBA Holdings in the Company will be diluted to approximately 36.89%. As a result, as each of the Vendor and China GBA Holdings will be owning more than 20% or more of the voting rights of the Company and is thus associated company (as defined in the Takeovers Code) of the Company and hence, under the definition of "acting in concert" under the Takeovers Code, the Vendor and China GBA Holdings would be presumed to be acting in concert with each other. In addition, since (i) Mr. Luo Jieping, an executive Director, is interested in 18% of the issued share capital of the Vendor and is a former director of the Vendor; and (ii) Ms. Zeng Yan, the spouse of Mr. Luo Jieping, is the ultimate beneficial owner of China GBA Holdings, the Vendor and China GBA Holdings are considered to be acting in concert with each other.

The allotment and issue of the Consideration Shares to the Vendor would result in a new acting in concert group being formed or the balance of the acting in concert group being changed significantly, where China GBA Holdings and the Vendor, being the acting in concert group, will in aggregate hold 64.47% of the voting rights in the Company (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion). Such new acting in concert group being formed or the balance of the acting in concert group being changed significantly would therefore, in the absence of the Whitewash Waiver, trigger an obligation of the Vendor and China GBA Holdings to make a mandatory general offer for all the issued Shares not already owned by them and parties acting in concert with them under Rule 26 of the Takeovers Code. The Vendor has made an application to the Executive for the Whitewash Waiver.

Independent Board Committee

Pursuant to the Listing Rules and the Takeovers Code, the Independent Board Committee, comprising of all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard and such appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We are not associated or connected financially or otherwise with the Company, the Vendor, their respective substantial shareholders and professional advisers, or any party acting, or presumed to be acting, in concert with any of them. In the last two years, there was no engagement or connection between the Group or the Vendor on one hand and us on the other hand. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees or benefits from the Company, the Vendor, their respective substantial shareholders and other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. As such, we are qualified to give independent advice to the Independent Board Committee in respect of the Acquisition (including the grant of the Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, among other things, (i) the information and facts contained or referred to in this Circular; (ii) the information and opinions provided by the Directors and the management of the Group; and (iii) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Circular were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Circular are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in this Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date.

Shareholders will be informed by the Group and us as soon as possible if there is any material change to the information disclosed in this Circular during the period from the Latest Practicable Date up to the date of the EGM, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Independent Shareholders accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Vendor or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Acquisition (including the grant of the Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

1. Background of the Group

The Group is principally engaged in the development, sales and operation of residential properties, commercial trade centres and logistics centres in the PRC. In 2024, the Group ceased engaging in the trading of non-ferrous metals and chemical products (the "**Trading Business**").

(i) Financial performance

Set out below is a summary of (a) the audited financial information of the Group for the years ended 31 December 2022, 2023 and 2024 ("**FY2021**", "**FY2022**" and "**FY2023**", respectively) as extracted from the annual reports of the Company for FY2023 and FY2024 (the "**2023 Annual Report**" and the "**2024 Annual Report**", respectively); and (b) the unaudited financial information of the Group for the six months ended 2024 and 2025 ("**6M2024**" and "**6M2025**", respectively) as extracted from the interim results announcement of the Company for 6M2025:

	FY2022	**FY2023**	**FY2024**	**6M2024**	**6M2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	**3,168,080**	**3,530,521**	**2,602,700**	**861,703**	**228,252**
– Property development and related services	1,121,492	1,670,669	2,602,700	861,703	228,252
– Trading Business	2,046,588	1,859,852	–	–	–
Cost of sales	(3,214,054)	(3,509,365)	(3,225,405)	(1,225,972)	(499,082)
Gross (loss)/profit	**(45,974)**	**21,156**	**(622,705)**	**(364,269)**	**(270,830)**
Other net (loss)/gain	(56,202)	208,923	(248,031)	1,759	1,412,451
Selling and distribution costs	(180,597)	(115,769)	(66,157)	(38,484)	(3,311)
Administrative expenses	(282,901)	(161,935)	(79,065)	(44,465)	(34,891)
Impairment loss on financial assets measured at amortised cost	(138,804)	(292,436)	(417,159)	(477,461)	(16,447)
Impairment loss on assets of disposal group classified as held for sale	(112,478)	–	–	–	–
Impairment loss on interests in joint ventures	(88,759)	–	–	–	–
Fair value loss on investment properties	(677,364)	(419,200)	(72,558)	(41,785)	(19,100)
Fair value (loss)/gain on other investment	(273)	8,247	(5,512)	–	–
Share of loss of an associate	(525)	(1,832)	(274)	(274)	–
Finance incomes	67,511	19,328	4,501	3,728	48
Finance costs	(400,252)	(293,190)	(68,035)	(65,985)	(23,050)
(Loss)/Profit before taxation	**(1,916,618)**	**(1,026,708)**	**(1,574,995)**	**(1,027,236)**	**1,044,870**
(Loss)/Profit for the year attributable to the Shareholders	**(1,571,832)**	**(1,214,747)**	**(1,834,586)**	**(1,028,298)**	**968,509**

6M2025 compared to 6M2024

The Group's revenue decreased by approximately 73.5% from approximately RMB861.7 million for 6M2024 to approximately RMB228.3 million for 6M2025, which was mainly due to the decrease in number of properties delivered by the Group during the period.

The Group's gross loss decreased by approximately 25.7% from approximately RMB364.3 million for 6M2024 to approximately RMB270.8 million for 6M2025, which was mainly due to the decrease in sales of properties at gross loss, offset by the increase in gross loss margin from approximately 42.3% for 6M2024 to approximately 118.7% for 6M2025. Such increase in gross loss margin was attributed to the unfavorable operating environment in the PRC's real estate industry and the decrease in the average selling price of the Group's properties.

The Group recorded profit for the year attributable to the Shareholders of approximately RMB968.5 million for 6M2025, compared to loss for the year attributable to the Shareholders of approximately RMB1,028.3 million for 6M2024. Such turnaround was mainly due to (a) the other gain arising from the redemption of the outstanding senior notes due 2029 issued by the Company on 10 June 2025; and (b) the decrease in impairment loss on financial assets measured at amortised cost (i.e. trade and other receivables) from approximately RMB477.5 million for 6M2024 to approximately RMB16.4 million for 6M2025.

FY2024 compared to FY2023

The Group's revenue decreased by approximately 26.3% from approximately RMB3,530.5 million for FY2023 to approximately RMB2,602.7 million for FY2024, which was mainly due to the change in the operating model of the Group's Trading Business in FY2024. In order to mitigate trading risks, the Group shifted from acting as the principal to operating as a trading agent. As a result, the revenue generated from the Trading Business is no longer recognised on a gross basis but is instead recognised on a net basis for FY2024. Under the net basis, the Group received commissions from customers, but did not recognise any revenue from the Trading Business for FY2024 due to the high costs.

The Group's gross profit decreased by approximately RMB643.9 million or 3,043.4% from approximately RMB21.2 million for FY2023 to a gross loss of approximately RMB622.7 million for FY2024, which was mainly due to an unfavorable operating environment in the PRC's real estate industry and the decrease in the average selling price of the Group's properties.

The Group's loss attributable to the Shareholders increased by approximately 51.0% from approximately RMB1,214.7 million for FY2023 to approximately RMB1,834.6 million for FY2024. Such increase was mainly due to (a) the turnaround from a gross profit for FY2023 to a gross loss for FY2024; and (b) the increase in other loss which was primarily attributable to the net loss on disposal of investment properties of approximately RMB63.7 million, the decrease in net gain on disposal of subsidiaries of approximately RMB173.3 million and the penalty for overdue land-transferring fees of approximately RMB177.8 million, which was imposed due to failure to pay the government land-transferring fees by the stipulated deadline for the purchase of land. As advised by the management of the Group, such land has been sold to an independent property developer who would settle the relevant land-transferring fees.

FY2023 compared to FY2022

The Group's revenue increased by approximately 11.4% from approximately RMB3,168.1 million for FY2022 to approximately RMB3,530.5 million for FY2023, which was mainly due to the increase in revenue generated from property development and related services.

The Group's gross profit increased by approximately RMB67.1 million or 146.0% to approximately RMB21.2 million for FY2023 from a gross loss of approximately RMB46.0 million for FY2022, which was mainly due to the delivery of properties in the Greater Bay Area in 2023 which had a higher gross profit than the Group's properties in other districts.

The Group's loss attributable to the Shareholders decreased by approximately 22.7% from approximately RMB1,571.8 million for FY2022 to approximately RMB1,214.7 million for FY2023. Such decrease was mainly due to (a) the increase in other net gain of approximately RMB265.1 million which was primarily attributable to the increase in net gain on disposal of subsidiaries of approximately RMB152.9 million; and (b) the decrease in fair value loss on investment properties of approximately RMB258.2 million.

(ii) ***Financial position***

Set out below is a summary of the consolidated statements of financial position of the Group as at 31 December 2022, 2023 and 2024 as extracted from the 2023 Annual Report and the 2024 Annual Report:

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)
Non-current assets				
Property, plant and equipment	189,203	5,927	2,267	2,395
Investment properties	1,901,500	1,660,100	1,307,232	944,700
Intangible assets	12,581	9,697	6,506	2,127
Goodwill	2,252	–	–	–
Interests in a joint venture	136,897	–	–	–
Interests in an associate	6,041	4,682	4,702	–
Deferred tax assets	460,193	354,667	315,375	161,507
Current assets				
Inventories and other contract costs	14,445,046	11,694,419	8,146,891	3,540,115
Other investment	–	150,888	146,721	144,189
Other financial assets	2,009	–	–	–
Trade and other receivables	3,006,108	3,468,927	2,028,481	689,127
Prepaid tax	322,752	278,237	336,732	248,185
Pledged and restricted cash	1,864,240	568,400	193,548	72,127
Cash and cash equivalents	76,113	25,956	13,057	54,924
Assets of disposal group classified as held for sale	282,466	–	156,356	–
Total assets	**22,707,401**	**18,221,900**	**12,657,868**	**5,859,696**

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)
Current liabilities				
Trade and other payables	4,437,238	3,894,300	2,928,501	1,000,078
Contract liabilities	4,684,621	4,360,714	3,042,758	927,029
Bank loans and other borrowings	592,345	1,760,095	890,076	158,423
Senior notes	2,609,780	111,914	113,584	113,113
Lease liabilities	3,736	529	477	306
Current tax liabilities	691,910	799,562	431,064	272,239
Deferred income	201,918	182,135	175,113	134,511
Financial guarantee contract	–	7,833	4,020	1,505
Other current liabilities	1,022,614	329,039	–	–
Other financial liabilities	–	158,859	–	–
Liabilities of disposal group classified as held for sale	67,466	–	217,582	–
Non-current liabilities				
Bank loans and other borrowings	4,317,352	1,235,423	1,470,508	153,230
Senior notes	–	3,109,999	3,253,866	–
Lease liabilities	626	204	–	–
Deferred tax liabilities	123,070	26,861	30,112	44,379
Other financial liabilities	440,120	–	–	–
Total liabilities	**19,192,796**	**15,977,467**	**12,557,661**	**2,804,813**
Net assets	**3,514,605**	**2,244,433**	**100,207**	**3,054,883**
Equity attributable to the Shareholders	**3,421,543**	**2,238,655**	**389,126**	**3,054,883**

As at 30 June 2025, the Group had total assets of approximately RMB5,859.7 million, which mainly consisted of (a) inventories and other contract costs of approximately RMB3,540.1 million; (b) trade and other receivables of approximately RMB689.1 million; and (c) investment properties of approximately RMB944.7 million. The Group's total assets as at 30 June 2025 decreased by approximately RMB6,798.2 million or 53.7% from approximately RMB12,657.9 million as at 31 December 2024. This decrease was mainly due to the Group's completion of the disposals of Zhuo Ying Limited and Faith Channel Limited with considerations of HK$130.0 million and HK$50.0 million, respectively, in

6M2025. As at 31 December 2024, Zhuo Ying Limited and Faith Channel Limited had total assets of approximately RMB4,262.7 million and RMB1,315.7 million, respectively.

As at 30 June 2025, the Group had total liabilities of approximately RMB2,804.8 million, which mainly consisted of (a) trade and other payables of approximately RMB1,000.1 million; (b) contract liabilities of approximately RMB927.0 million; (c) bank loans and other borrowings of approximately RMB311.7 million; and (d) senior notes of approximately RMB113.1 million, being the Group's outstanding senior notes due in October 2023. The Group's total liabilities as at 30 June 2025 decreased by approximately RMB9,752.8 million or 77.7% from approximately RMB12,557.7 million as at 31 December 2024. This decrease was mainly due to (a) the disposals of Zhuo Ying Limited and Faith Channel Limited, which had total liabilities of approximately RMB4,435.1 million and RMB1,270.2 million, respectively, as at 31 December 2024; and (b) the redemption of the Company's outstanding senior notes due 2029 with a principal amount of US$439,097,982 on 10 June 2025 (the "**Redemption**").

The Group's gearing ratio, calculated as the sum of bank loans and other borrowings, senior notes and other financial liabilities, which represented amounts due to non-controlling interests, divided by total assets, decreased from approximately 45.3% as at 31 December 2024 to approximately 7.2% as at 30 June 2025. Such decrease was mainly due to the Redemption.

(iii) Overall comment

Although the Group's revenue from its property development business increased in FY2024, it recorded a gross loss due to falling property prices resulting from the decline in the PRC's real estate market as discussed in the section headed "3. Industry overview" below. The Company has recorded net losses for the past four years. The Group ceased engaging in the Trading Business in 2024.

As disclosed in the Company's announcement dated 7 May 2025, the Company received the consents from the holders of 98.33% in aggregate principal amount of the outstanding senior notes due 2029 issued by the Company (the "**Notes**") to effect the proposed waiver and amendments to the Notes. On 6 June 2025, the Company issued a notice of redemption to the holders of the Notes, pursuant to which all outstanding Notes were redeemed in full on 10 June 2025 at a redemption price equal to 55% of the outstanding principal amount of the Notes, resulting a decrease in the Group's gearing ratio. The redemption price was paid by the Company to the holders of the Notes in kind with the mandatory convertible bonds (the "**MCB**") in an aggregate principal amount of US$241,503,890 on 10 June 2025. Paid-in-kind consent fee by means of additional issuance of the MCB (in the principal amount equivalent to 10% of the redemption price in respect of the Notes) has also been delivered to relevant eligible holders of the Notes.

While the Group's financial position significantly improved following the Redemption, the Group still has a weak financial performance. The Group's revenue decreased by approximately 73.5% from approximately RMB861.7 million for 6M2024 to approximately RMB228.3 million for 6M2025 with the Group still recording a gross loss in 6M2025. Eliminating the other gain of approximately RMB1,412.5 million for 6M2025, the Group recorded net loss of approximately RMB460.8 million for 6M2025. Redemption can only reduce the Group financial costs but does not generate sustainable profits for the Group. There is no indication that the Group's existing property development business will improve in the near future, especially under the unfavorable operating environment in the PRC's real estate industry.

Pursuant to Note 3 to Rule 2 of the Takeovers Code, we would like to draw the Independent Shareholder's attention to the material uncertainties relating to going concern as set out in Appendix I to the Circular. The Independent Shareholders are advised to take into account the material uncertainties relating to going concern and consider carefully the terms of the Acquisition. Given that (a) all outstanding Notes were redeemed in full on 10 June 2025; and (b) the Consideration shall be satisfied by allotment and issuance of the Consideration Shares which would not cause any cash outflow, we consider that the material uncertainties relating to going concern would not have any material implication on the Acquisition and the Company.

2. Background of the Vendor and the Target Group

The Vendor is an investment holding company established under the laws of British Virgin Islands with limited liability. The Vendor's ultimate beneficial owners are also the Registered Shareholders. As at the Latest Practicable Date, the Vendor is an Independent Third Party and save and except for Mr. Luo Jieping, who is an executive Director, the other remaining shareholders of the Vendor are third parties independent of and not connected with the Company and its connected persons.

The Target Group is a full-ecosystem service provider for "Green Energy Artificial Intelligence Computing", and is principally engaged in the AI Businesses in the PRC, comprising (i) the provision of AI computing power technical services and the relevant operation and maintenance services; (ii) the construction and development of the AIDC; (iii) the operation of the AIDC; (iv) research and development of AI technology and the provision of comprehensive AI computing power scheduling platform; and (v) the provision of comprehensive and one-stop integrated AI solutions for customers.

The Target Group recorded a net profit of approximately RMB23.4 million for the three months ended 31 March 2025 and had net assets attributable to the shareholders of approximately RMB176.0 million as at 31 March 2025. For details of the audited financial information of the Target Group for the three years ended 31 December 2024 and the three months ended 31 March 2025 (the "**Historical Period**"), please refer to Appendix II to the Circular.

3. Industry overview

(i) Real estate industry

For FY2024, approximately 87.4%, 11.6%, 0.7% and 0.3% of the Group's total revenue were derived from (i) sales of residential properties; (ii) sales of commercial properties; (iii) rental income; and (iv) provision of property management services, respectively, in the PRC. The table below sets out the PRC's (a) the growth in investment in real estate development; (b) the growth in sales of newly built buildings for residential and commercial use; and (c) the growth in floor area of newly built buildings for residential and commercial use sold for the years or period indicated:

Year on year/period to period growth/ (contraction) rate	2020	2021	2022	2023	2024	The first half of 2025
– Investment in real estate development	7.0%	4.4%	(10.0%)	(9.6%)	(10.6%)	(11.2%)
– Sales of newly built buildings	8.7%	4.8%	(26.7%)	(6.5%)	(17.1%)	(5.5%)
– Floor area of newly built buildings sold	2.6%	1.9%	(24.3%)	(8.5%)	(12.9%)	(3.5%)

Source: National Bureau of Statistics of China

In the first half of 2025, the investment in real estate development, sales of newly built buildings and floor area of newly built building sold decreased by approximately 11.2%, 5.5% and 3.5%, respectively, which continued the contracting trend since 2022. In August 2020, the PRC government imposed the three red lines guidance (the "**Three Red Lines Guidance**") on real estate developers by assessing their financial situation against three ratios, namely liability-to-asset ratio, net gearing ratio and cash-to-short-term debt ratio. Most property developers had to deleverage so as to comply with the requirements under the Three Red Lines Guidance, which has adversely affected their liquidity and therefore the investment in real estate development.

Affected by the slowdown in economic growth, the willingness of residents to purchase residential properties and enterprises to purchase commercial properties had declined as well, resulting in a decrease in the sales amount and selling price of buildings sold. Therefore, we consider that the outlook of the Group's existing property development business is uncertain.

(ii) AI industry

According to a report named "The cost of compute: A $7 trillion race to scale data centres" published on 28 April 2025 (https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/the-cost-of-compute-a-7-trillion-dollar-race-to-scale-data-centers) by McKinsey & Company ("**McKinsey**"), a global strategy and management consulting firm that is well recognised by the market in the field of technology, media and telecommunications and serves top global telecom operators, consumer technology and media companies, IT services providers and software and hardware players according to McKinsey's website, AI is fueling high demand for compute power, spurring companies to invest billions of dollars in infrastructure. Amid the AI boom, compute power is emerging as critical resources. In data centres across the globe, millions of servers run all day to process the foundation models and machine learning applications that underpin AI. The hardware, processors, memory, storage, and energy needed to operate these data centres are collectively known as compute power.

McKinsey's research shows that global data centre capacity demand is estimated to grow from 82 gigawatts in 2025 to 219 gigawatts in 2030, representing a compound annual growth rate of approximately 21.7%, which is mainly driven by the AI workloads. McKinsey estimated that by 2030, data centres require US$6.7 trillion in capital expenditures worldwide to keep pace with the demand for compute power.

As at the Latest Practicable Date, the Target Group has entered into long term AI computing power services contracts and AI data centre (AIDC) operation services contracts with certain customers including big model companies, cloud vendors, telecommunication operators and other customers. Given the rapid growth of the AI industry and the increasing market demand for computing power, we consider that the Target Group has a more positive business outlook compared to the Group's existing property development business.

4. Reasons for and benefits of the Acquisition and the Specific Mandate

As stated in the Letter from the Board, the Group is actively introducing new productive forces business and promoting the diversification of the business matrix through the empowerment of innovative technologies, in order to strengthen its market competitiveness and creating greater value for its Shareholders.

Through the Acquisition, the Group will have the opportunity to actively participate in the AI industry and related areas, thereby achieving diversification of the Group's business. The Acquisition is a further solid step for the Group to broaden its revenue source and improve its long-term development following the completion of the debt restructuring. On the other hand, following the Acquisition, bolstered by capital market support, the Target Group's development to lead in the AIDC field will progress on a more rapid pace.

Satisfying the Consideration by allotment and issuance of the Consideration Shares would not cause immediate cash outflow pressure on the Group's financial position. The Group only had cash and cash equivalents of approximately RMB13.1 million as at 31 December 2024, and given its loss-making position, the Group is also unable to afford the interest on borrowings to satisfy the Consideration.

Taking into account (i) the Group's poor financial performance and financial position as discussed in the section headed "1. Background of the Group"; and (ii) the uncertain prospects of the PRC real estate industry and the positive prospects of the AI industry as discussed in the section headed "3. Industry overview", we concur with the Directors that although the Acquisition is not in the ordinary and usual course of business of the Group, the Acquisition (including the grant of the Specific Mandate for the issuance of Consideration Shares) is in the interests of the Group and the Shareholders as a whole.

5. Assessment of the Consideration

The Consideration of HK$976,500,000 was determined after arm's length negotiations between the Company and the Vendor taking into account the valuation of the market value of the entire issued share capital of the Target Group of HK$978,000,000 as at the Valuation Reference Date as appraised by the Independent Valuer by way of discounted cash flow method under the income approach.

In assessing the fairness and reasonableness of the Valuation, we have taken into the following factors:

(i) Qualification and scope of work of the Independent Valuer

We have reviewed and discussed with the Independent Valuer and obtained supporting documents for the Independent Valuer's qualification and experience. We noted that (a) the Independent Valuer is the transaction services arm of Moore Hong Kong, which was established in 1975 and provides a full scope of services including audit, assurance, accounting, business outsourcing, tax and other advisory work; and (b) Mr. Kenneth Ma, the responsible person of the Valuation, is a registered valuer member of the Royal Institute of Chartered Surveyors and has over 10 years' experience in business valuations in Hong Kong and PRC, including AI related business valuation experience. We have also enquired with the Independent Valuer as to their independence and were given to understand that the Independent Valuer is independent of the Group and the Vendor.

We have also reviewed the terms of engagement of the Independent Valuer, in particular to their scope of work. We noted that their scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer in the Valuation Report.

Based on the above, we are satisfied with the terms of engagement of the Independent Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Independent Valuer is appropriate. We therefore consider it appropriate to rely on their work and opinion.

(ii) Valuation methodologies

We have reviewed and discussed the valuation methodologies, bases and assumptions with the Independent Valuer. We understood that the Independent Valuer has carried out physical inspections to the business locations of the Target Group and made relevant enquiries for the purpose of the Valuation.

As stated in the Valuation Report, the Independent Valuer has considered three generally accepted approaches, namely market approach, cost approach and income approach and adopted the income approach in the Valuation due to the following consideration:

(a) the market approach was not adopted as it may not adequately capture the specific characteristics and value drivers of the Target Group's business. Different companies have different stages of development and strategic planning in terms of technological innovation, market expansion and customer resources, resulting in significant differences in their future earnings expectations and risk levels. In the course of the Valuation, neither any publicly available transaction of enterprises that were comparable in terms of the uniqueness of the Target Group's business model and its stage of development of AI businesses observed, nor any closely comparable publicly traded entity with business development and operating characteristics similar to those of the Target Group suitable for the market approach could be identified as at the Valuation Reference Date;

(b) the cost approach was not adopted in valuing the Target Company as it does not consider the future economic benefits generated from the operation of the Target Group's business. The cost approach is inadequate in reflecting the value of its equity interests deriving from its ongoing business and any potential growing prospect; and

(c) the income approach was adopted in valuing the Target Company based on historical financial and operating data, forecasts of future financial projections with relatively clear cost components and matching relationship with its business revenues.

As disclosed in Appendix II to the Circular, the Target Group's revenue increased significantly during the Historical Period and the Target Group started to make a profit in 2025. Taking into account that (a) the income approach best reflects the Target Group's future growth prospects; and (b) the Target Group is still in the early stage of business development which makes it not comparable with the Guideline Companies (as defined below) in terms of revenue size, asset size and stage of development, we concur with the Independent Valuer that it is fair and reasonable to adopt the income approach for the Valuation.

(iii) Application of the income approach

Under the income approach, the discounted cash flow method was adopted by the Independent Valuer. The table below sets out the estimated cash flows for the nine months ending 31 December 2025 and the six years ending 31 December 2031 (the "**Forecast Period**"):

	9M2025 *(RMB'000)*	**FY2026** *(RMB'000)*	**FY2027** *(RMB'000)*	**FY2028** *(RMB'000)*	**FY2029** *(RMB'000)*	**FY2030** *(RMB'000)*	**FY2031** *(RMB'000)*
Revenue	**1,737,419**	**4,276,352**	**4,209,016**	**3,530,255**	**2,905,018**	**3,031,490**	**3,153,171**
% Change	–	*123.67% (Note 1)*	*(1.57%)*	*(16.13%)*	*(17.71%)*	*4.35%*	*4.01%*
Cost of sales	1,429,490	3,371,814	3,295,311	2,826,030	2,371,028	2,047,197	1,729,747
% of revenue	*82.28%*	*78.85%*	*78.29%*	*80.05%*	*81.62%*	*67.53%*	*54.86%*
VAT and other tax	(157,666)	(19,909)	(978)	15,572	15,488	(45,035)	(7,186)
Gross profit	**465,596**	**924,447**	**914,683**	**688,653**	**518,502**	**1,029,328**	**1,430,610**
Gross profit margin	*26.80%*	*21.62%*	*21.73%*	*19.51%*	*17.85%*	*33.95%*	*45.37%*
Selling, general & administrative expenses	221,849	340,521	368,175	374,919	375,601	404,734	569,260
% of revenue	*12.77%*	*7.96%*	*8.75%*	*10.62%*	*12.93%*	*13.35%*	*18.05%*
– Depreciation & amortization	161,817	254,746	277,170	283,963	284,152	248,674	343,872
% of revenue	*9.31%*	*5.96%*	*6.59%*	*8.04%*	*9.78%*	*8.20%*	*10.91%*
– Selling expense	17,374	42,764	42,090	35,303	29,050	90,945	157,659
% of revenue	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*3.00%*	*5.00%*
– General administrative expense	42,658	43,011	48,915	55,653	62,399	65,116	67,729
% of revenue	*2.46%*	*1.01%*	*1.16%*	*1.58%*	*2.15%*	*2.15%*	*2.15%*
Finance costs	43,195	64,524	53,347	43,221	18,375	9,013	8,440
Pre-tax profit	**200,552**	**519,402**	**493,161**	**270,513**	**124,526**	**615,581**	**852,910**
Corporate tax	30,083	77,910	73,974	40,577	18,679	92,337	127,937
Net profit	**170,469**	**441,492**	**419,187**	**229,936**	**105,847**	**523,244**	**724,974**
Add: Depreciation and amortisation	161,817	254,746	277,170	283,963	284,152	248,674	343,872
Less: Capital expenditure	1,300,388	264,738	112,922	932	1,061	825,720	777,613
Less: Change in net working capital	166,915	(108,118)	274,350	(60,764)	(53,511)	55,854	54,376
Free cash flow to firm (FCFF)	**(1,135,017)**	**539,618**	**309,084**	**573,731**	**442,450**	**(109,657)**	**236,857**
Add: Net borrowings	1,272,351	(526,211)	(341,829)	(339,702)	(236,031)	(89,397)	(41,064)
Free cash flow to equity (FCFE)	**137,334**	**13,407**	**(32,745)**	**234,028**	**206,418**	**(199,054)**	**195,793**

Note:

(1) Calculated based on the actual audited revenue for the three months ended 31 March 2025, the estimated revenue for the nine months ending 31 December 2025 and the estimated revenue for the year ending 31 December 2026.

(a) Revenue

The Target Group's revenue is mainly generated from (1) the provision of AI computing power technical services for training and inference; and (2) the construction, development and operation of the AIDC.

We have discussed the basis and assumptions for arriving at the estimated revenue during the Forecast Period with the management of the Company and the Independent Valuer. We were given to understand (1) revenue was mainly estimated based on the existing long-term AI computing power services contracts and AIDC operation services contracts entered into between the Target Group and certain customers; (2) a tower of the Target Group's Tonghu AIDC is still under construction which is expected to be completed before January 2026; and (3) a capacity utilisation rate of 65% was adopted to estimate revenue to be generated from new customers after the existing contracts mature.

In assessing the Target Group's estimated revenue, we have performed the following works:

(1) obtained and reviewed the financial projection for the Forecast Period prepared by the management of the Target Group (the "**Projection**"), and we noted that the significant increase in estimated revenue in 2026 is mainly due to the new computing power capacity to be put into use in the Tonghu AIDC;

(2) obtained and reviewed the Target Group's existing material service contracts related to the provision of AI computing power technical services, which are expected to generated approximately RMB13.1 billion in revenue during the Forecast Period. We noted that such service contracts contain breach of contract clauses stipulating that the service period cannot be suspended and that the breaching party must pay the counterparty 20% or 100% of the value of the unperformed services. We also checked the background of such customers and noted that they are leading cloud services companies in the PRC. Therefore, we consider the credit risk of the Target Group's existing service contracts to be low;

(3) obtained and reviewed the resumes and employee agreements of the Target Group's technical heads. Although the Target Group has a short operating history in the AI business, we consider that it has hired experienced professionals to manage the AI business; and

(4) reviewed a search report published in January 2025 (https://www.caict.ac.cn/kxyj/qwfb/bps/202501/P020250117503621662777.pdf) by China Academy of Information and Communication Technology, a scientific research institute under the Ministry of Industry and Information Technology of the PRC, and we noted that the average capacity utilisation rate of data centres in the PRC was approximately 63% as at 30 June 2024, which is generally in line with the capacity utilisation rate of 65% adopted for the Projection.

Based on the above review, we consider that the Target Group's estimated revenue during the Forecast Period is fair and reasonable.

(b) Gross profit

As stated in the Valuation Report, the Target Group provides the AI computing power technical services under three different modes: the direct investment mode, the operating lease mode, and the financing lease mode. Under the direct investment mode, the Target Group purchases and holds the computing servers and supporting facilities. Under the financing lease mode, the Target Group leases the computing servers and supporting facilities from the suppliers and purchases them at a residual value when the financing lease agreement expires.

The Target Group's gross profit margin is expected to decrease from approximately 26.8% for the nine months ending 31 December 2025 to approximately 21.6% for the year ending 31 December 2026. Based on our review of the Projection, such decrease is mainly due to the decrease in refundable VAT and other tax. The Target Group is expected to incur significant capital expenditure on purchasing computing servers and supporting facilities in 2025, resulting in input VAT far exceeding output VAT. In this regard, we have obtained and reviewed the purchase contracts entered into between the Target Group and the device suppliers.

The Target Group's gross profit margin is expected to increase from approximately 17.9% for the year ending 31 December 2029 to approximately 34.0% for the year ending 31 December 2030, and further to approximately 45.4% for the year ending 31 December 2031, which is mainly due to the expiration of the existing finance lease agreements. The Target Group will no longer incur relevant finance lease interest which is recognised as cost of sales. In this regard, we have obtained and reviewed the financing lease agreements entered into between the Target Group, the financial institutions and the device suppliers.

In assessing whether the Target Group's gross profit margin for the year ending 31 December 2031 is reasonable, we have reviewed the annual reports of the Guideline Companies (as defined in subsection headed "(f) Discount rate" below) for FY2024, and noted that only Range Intelligent Computing Technology Group Co., Ltd. (300442.CH) disclosed its AIDC business's gross profit margin of approximately

51.8% for FY2024, which we consider to be comparable with the Target Group's estimated gross profit margin for the year ending 31 December 2031. The other Guideline Companies only disclosed the gross profit margin of their IDC business, which ranged from 21.5% to 34.4% for FY2024, without separating out their AIDC business. Due to fierce market competition of IDC market, the gross profit margin of the traditional IDC business is lower than that of the AIDC business. Therefore, we consider the gross profit margins of the Guideline Companies, excluding Range Intelligent Computing Technology Group Co., Ltd, to be not comparable to the Target Group's gross profit margin.

Based on the above review, we consider that the Target Group's estimated gross profit during the Forecast Period is fair and reasonable.

(c) Selling expenses, general administrative expenses and finance cost

The Target Group's selling expenses are expected to remain stable at approximately 1.0% of the total revenue for the five years ending 31 December 2029, which is in line with the proportion of the Target Group's selling expenses to its total revenue for FY2024. As most of the Target Group's existing service contracts will expire between 2029 and 2031, this proportion is expected to rise to approximately 3.0% for the year ending 31 December 2030, and to approximately 5.0% for the year ending 31 December 2031.

The Target Group's general administrative expenses are expected to remain stable at between approximately 1.0% and 2.46% of the total revenue during the Forecast Period. The expected increase in general administrative expenses is mainly due to an increase in the average salary, which is necessary to retain professionals and maintain a stable operations team.

The Target Group's finance costs are estimated based on its existing borrowings and new borrowings to be obtained during the Forecast Period. As stated in the section headed "5.6 Financing Plan" in the Valuation Report, the Target Group planned to raise financing of RMB1,559 million at reasonable interest costs during the Forecast period, approximately 75% of which had been obtained by the Target Group as at the date of the Valuation Report with the remainder being actively negotiated with banks. In this regard, we have obtained and reviewed all borrowing agreements entered into between the Target Group and relevant banks and financial institutions as at the Latest Practicable Date.

Based on the above review, we consider that the Target Group's estimated selling expenses, general administrative expenses and finance cost during the Forecast Period are fair and reasonable.

(d) Corporate tax

The Target Group's revenue is subjected to the PRC statutory tax rates. Given the Target Group is classified as High and New Technology Enterprise (HNTE), it enjoys a preferential corporate income tax rate of 15%, which was adopted for the Projection during the Forecast Period. The statutory tax rate of 25% was adopted for the terminal value.

(e) Capital expenditure

The Target Group's capital expenditure is primarily spent on purchasing or upgrading computing servers and supporting facilities. Based on our review of the Projection, the Target Group's capital expenditure in 2026 will primarily be for purchasing supporting facilities for the newly commissioned AIDC in Tonghu. In 2027, the Target Group's capital expenditure will primarily be for repurchasing computing servers and supporting facilities upon the expiration of finance lease agreements. Since there will be no new capacity commissioning or finance lease expirations in 2028 and 2029, the Target Group's capital expenditure will be significantly reduced.

Considering rapid advances in technology and AI, from 2030 onwards, the Target Group is estimated to update its computing servers and supporting facilities at annual rates of 12.5% and 7.0%, respectively, which were determined based on the useful life of the respective fixed assets. Such update plan is expected to lead to a substantial increase in capital expenditure in 2030 and 2031 as compared to 2029.

Taking into account the need for the Target Group to explore new clients after the existing service contracts expire, as well as the emerging AI industry as discussed in the section headed "3. Industry Overview" above, we consider the estimated capital expenditure to be fair and reasonable.

(f) Discount rate

The Independent Valuer has considered the following in determining the discount rate:

(1) the risk-free rate of 1.86%, being the 10-year PRC government bond yield as at the Valuation Reference Date;

(2) the market risk premium of 6.84%, being the expected equity risk premium of the U.S. of 5.0% with reference to "Kroll Lowers its Recommended U.S. Equity Risk Premium to 5.0%" issued by Kroll in June 2024 and adjusted by additional PRC country risk premium of 1.84%. Based on our review of

the valuation reports published by companies listed on the Stock Exchange, we consider that the equity risk premium suggested by Kroll is widely adopted in the valuation industry;

(3) the relevered beta coefficient of 1.405 is determined with reference to (i) the median unlevered beta coefficient of 1.195 of six guideline companies (the "**Guideline Companies**"), including Range Intelligent Computing Technology Group Co., Ltd. (300442.CH), Beijing Sinnet Technology Co., Ltd. (300383.CH), Guangdong Aofei Data Technology Co., Ltd. (300738.CH), Shanghai AtHub Co., Ltd. (603881.CH), GDS Holdings Limited (9698.HK) and Kingsoft Cloud Holdings Limited (3896.HK); (ii) the median of the weight of debt of approximately 18.94% of the Guideline Companies; and (iii) corporate tax rate of 25%. As the Independent Valuer identified only a small number of guideline companies listed on the Stock Exchange, the scope was expanded to include companies listed on the Shanghai and Shenzhen stock exchanges. We have searched Bloomberg for companies listed in Hong Kong and the PRC that derive more than 50% of their revenue from the provision of computing power and data centre services in the PRC, and we consider the Guideline Companies represents an exhaustive list and are fair and reasonable;

(4) the size premium of 4.47% with reference to 2024 CRSP Deciles Size Study issued by Kroll, which reflects the additional required return attributed to the smaller size of the company;

(5) the company-specific risk premium of 2.00% based on the Independent Valuer's judgement on additional risk associated with the operation of the Target Group, including the limited operation history in AI business which started since the second half of 2024 and the uncertainty of renewal contracts after current service contracts expired in 3 to 5 years; and

(6) the cost of equity of 18.00% based on Capital Asset Pricing Model and the parameters discussed above, which was adopted as the discount rate. Since the above parameters are derived from widely used references in the valuation industry and the Guideline Companies are exhaustive and reasonable, we consider the discount rate of 18.00% to be fair reasonable.

(g) Forecast period and terminal value

Given that (1) the Target Group's existing service contracts will mature in 3 to 5 years with the latest one expiring by 2030; and (2) the Target Group expects to enter into new service contracts with customers by 2031 with an expected capacity utilisation rate of 65% as discussed above, we concur with the Independent Valuer that it is fair and reasonable to adopt a Forecast Period of 7 years, after which the Target Group is expected to generate stable revenue and enter into a stable development phase.

In determining the terminal value for the expected economic values of the Target Group beyond the Forecast Period, the Independent Valuer has adopted a terminal growth rate of 2% with reference to the long-term inflation rate of the PRC sourced from International Monetary Fund (IMF).

*(h) Discount for lack of marketability ("**DLOM**")*

The Stout Restricted Stock Study was published by Business Valuation Resources, LLC in early 2025. 779 relevant private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through the first quarter of 2024 have been examined in the Stout Restricted Stock Study. According to public information, we understand that Business Valuation Resources, LLC. (https://www.bvresources.com/) is a publisher of auditable market data, news, research and expert opinion as well as a provider of valuation-related training programs with over 25 years of establishment and the Stout Restricted Stock Study is a widely used reference for the DLOM.

The Independent Valuer adopted the median discount rate of 15.60% calculated from the 779 transactions from the Stout Restricted Stock Study as the DLOM for the Valuation, which we consider to be fair and reasonable.

(iv) Premium over the net assets value

The Consideration represents a premium of approximately 411.8% over the Target Group's audited net assets attributable to the shareholders of approximately RMB176.0 million (equivalent to approximately HK$190.8 million) as at 31 March 2025.

We have searched acquisitions of companies engaged in the AIDC industry in the PRC that were announced during the period from 2 July 2024 to the Latest Practicable Date, for which financial information of the target company is available. The table below sets out an exhaustive list of the acquisitions based on the aforesaid selection criteria:

Date of announcement	**Description**	**Premium represented by the consideration over the target company's net assets value**
11 September 2025	Guangdong HEC Technology Holding Co Ltd (600673.CH) announced to acquire the China business of Chindata Group Holdings Ltd, a leading carrier-neutral hyperscale data center solution provider, from Bain Capital LP.	194.6%
4 September 2025	LuoMan Co., Ltd. (605289.CH) announced to acquire 39.2308% of the equity in Shanghai WuTong High-Tech Co., Ltd., which mainly engages in AIDC computing server and cluster comprehensive solution services.	1,687.4%

We noted that a high premium, represented by the consideration over the target company's net assets value, is not uncommon in the acquisition of companies engaged in the AIDC industry in the PRC. Taking into account that (i) the Target Group has entered into long-term service contracts with leading cloud service providers, ensuring stable cash inflow for the next five years; (ii) the rapid development of the AI industry has driven increased demand for computing power; (iii) the Target Group is in the early stage of its business and possesses greater growth potential than established companies; and (iv) the Target Group's net assets value as at 31 March 2025 does not reflect the future economic benefits and growth potential of the Target Group's operations, we consider that the premium represented by the Consideration over the Target Group's audited net assets attributable to the shareholders as at 31 March 2025 is reasonable.

(v) Conclusion

Taking the above factors into account, we consider that the Projection is appropriate and that the Valuation was carried out fairly and reasonably by the Independent Valuer using the income approach.

Given that the Consideration represents a slight discount of approximately 0.15% to the valuation of the market value of the entire issued share capital of the Target Group, we consider the Consideration to be fair and reasonable.

6. Valuation on property interests of the Group and the Reassessed NAV

(i) Valuation on property interests of the Group

The property valuation report (the "**Property Valuation Report**") prepared by the Independent Valuer relating to the valuation of all property interests (the "**Property Interests**") held by the Group as at 30 June 2025 is set out in Appendix IX to the Circular. According to the Property Valuation Report, the total market value of the Property Interests in existing state attributable to the Group as at 30 June 2025 was approximately RMB5.1 billion (the "**Property Valuation**").

We have reviewed the Independent Valuer's qualification and experience in conducting property valuation. We noted that (a) the Independent Valuer has experience in provision of property valuation services to listed companies including Chinese Estates Holdings Limited (127.HK), Bar Pacific Group Holdings Limited (8432.HK), etc.; and (b) Mr. Kenneth Ma, the responsible person of the Property Valuation, is a registered valuer member of the Royal Institute of Chartered Surveyors and has over 5 years' experience in property valuation. We have also enquired with the Independent Valuer as to their independence and were given to understand that the Independent Valuer is independent of the Group and the Vendor. Based on the above, we are of the view that the Independent Valuer is qualified to perform the Property Valuation.

We have reviewed the terms, including the scope of work, of engagement between the Company and the Independent Valuer, which we consider to be appropriate. We noted that the Independent Valuer carried out site inspections of the Property Interests in August 2025.

We have reviewed the Property Valuation Report and discussed with the Independent Valuer methodologies of and bases and assumptions adopted for the Property Valuation and adjustments made to arrive at the Property Valuation.

The Property Valuation has been undertaken on the basis of market value, which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The Property Valuation has been made on the assumption that the Property Interests are sold in the market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the value of the Property Interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property Interests and no forced sale situation in any manner is assumed in the Property Valuation.

Based on our review of other property valuation reports published by the companies listed on the Stock Exchange, we considered that similar bases and assumptions were commonly adopted in property valuations on the market and that these bases and assumptions were fair and reasonable.

When valuing the investment properties under lease, the Independent Valuer has adopted income approach by taking into account the current passing rents of the constituent units of the properties being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenants. Given that those investment properties are held by the Group to earn rentals and the cash flow could be reasonably estimated based on the existing lease agreements, we consider that the use of income approach is fair and reasonable.

When valuing other land and properties which have completed construction, the Independent Valuer has adopted the market approach, which is universally considered as the most accepted valuation approach for valuing most forms of property. We have obtained and reviewed all comparable transactions identified by the Independent Valuer. Given that there are sufficient comparable transactions and information available for analysis, we consider that the use of market approach is fair and reasonable.

When valuing those construction-in-progress properties, the Independent Valuer has considered (a) comparable transactions of the properties as if they were completed; (b) the development costs incurred and the costs that will be incurred to complete the proposed development; and (c) the present value of the market value of the properties when completed based on the latest development proposal. Based on our review of other property valuation reports published by the companies listed on the Stock Exchange, we considered the approach adopted by the Independent Valuer to value the construction-in-progress properties is in line with the market practice and is fair and reasonable.

(ii) Reassessed NAV

In evaluating the Issue Price, we have taken into account the Group's reassessed net asset value attributable to the Shareholders (the "**Reassessed NAV**"), which is calculated based on the Group's unaudited net asset value attributable to the Shareholders as at 30 June 2025 and adjusted with reference to the Property Valuation. Details of the adjustments are set out in the table below:

	RMB'000
Unaudited net asset value of the Group attributable to the Shareholders as at 30 June 2025	3,054,883
Add: net revaluation surplus arising from the valuation of the property interests attributable to the Group as at 30 June 2025 *(Note 1)*	608,190
Subtract: net deferred tax on revaluation surplus attributable to the Group *(Note 2)*	(204,854)
Reassessed NAV	3,458,219
Reassessed NAV per Share (RMB) *(Note 3)*	2.91
Reassessed NAV per Share (HK$) *(Note 4)*	3.19

Notes:

1. Represents the net revaluation surplus arising from the difference between the market value of the property interests held by the Group in existing state attributable to the Group as at 30 June 2025, as appraised by the Independent Valuer, and their corresponding book values attributable to the Group as at 30 June 2025.

2. Based on the PRC and Thailand corporate income tax rates of 25% and 20%, respectively.

3. Based on 1,190,278,327 Shares in issue assuming the Group's MCB have been converted into 376,175,227 Shares given that the MCB is accounted as equities and will be mandatorily converted upon the maturity on 9 June 2026.

4. Based on the exchange rate of HK$1:RMB0.91195 quoted by the People's Bank of China as at 30 June 2025.

7. Assessment of the Issue Price

(i) Issue Price comparison

Comparison with market price

The Issue Price of HK$3.15 per Share represents:

(a) a discount of 41.77% to the closing price of HK$5.41 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 11.27% to the closing price of HK$3.55 per Share on the Last Trading Date;

(c) a discount of approximately 10.97% to the average of the closing price of HK$3.54 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;

(d) a discount of approximately 13.67% to the average of the closing price of HK$3.65 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date;

(e) a discount of approximately 12.94% to the average of the closing price of HK$3.62 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date;

(f) a premium of approximately 8.71% over the average of the closing price of HK$2.90 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Date;

(g) a premium of approximately 45.74% over the average of the closing price of HK$2.16 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Date;

(h) a premium of approximately 510.28% to the audited net asset value attributable to the Shareholders per Share as at 31 December 2024 of approximately HK$0.52 based on the exchange rate of RMB0.92604 to HK$1 quoted by the People's Bank of China as at 31 December 2024;

(i) a premium of approximately 11.93% to the unaudited net asset value attributable to the Shareholders per Share as at 30 June 2025 of approximately HK$2.81 based on (1) the Group's unaudited net asset value of RMB3,054,883,000 attributable to the Shareholders as at 30 June 2025; (2) 1,190,278,327 Shares in issue assuming the Group's MCB has been converted into 376,175,227 Shares; and (3) the exchange rate of RMB0.91195 to HK$1 quoted by the People's Bank of China as at 30 June 2025; and

(j) a discount of approximately 1.13% to the Reassessed NAV per Share of approximately HK$3.19.

The Issue Price represents discounts of approximately 41.17%, 41.19%, 39.77%, 30.67% and 19.32% over the average Share price for the last 5, 10, 30, 60 and 90 consecutive trading days up to and including the Latest Practicable Date, respectively.

The Issue Price was primarily determined after arm's length negotiations between the Company and the Vendor with reference to (a) the valuation of the market value of the entire issued share capital of the Target Group of HK$978,000,000 as at the Valuation Reference Date; (b) the future prospects with respect to the businesses operated by the Target Group; (c) the historical financial performance of the Target Group; and (d) the reasons and benefits of the Acquisition as stated in the Letter from the Board.

Comparison with MCB Conversion Price

As disclosed in the Company's circular dated 15 May 2025, the MCB has an initial conversion price (the "**MCB Conversion Price**") of HK$5.50 per Share, to which the Issue Price represents a discount of approximately 42.7%. The MCB Conversion Price was determined after arms' length negotiations between the Company and the majority consenting holders of the Notes after taking into account, among other things, the Share price performance and the assessment of acceptability of the holders of the Notes towards the restructuring of the Notes by issuance of the MCB, with a view of achieving a sustainable capital structure and ensuring continuity in decision-making and strategic direction with a relatively stable shareholder structure to facilitate effective business operations.

We have searched debt restructurings of property developers listed on the Stock Exchange that (a) involved the issuance of mandatory convertible bond; and (b) were approved by debtors during the period from 2 July 2024 to the Latest Practicable Date. The table below sets out an exhaustive list of the debt restructurings based on the aforesaid selection criteria:

Company name (stock code)	Date of issuance of mandatory convertible bond	Conversion price *(HK$)*	Share price as at the Latest Practicable Date *(HK$)*	Closing price on the date of announcement of the proposed issuance of mandatory convertible bond *(HK$)*	Premium represented by the conversion price over the closing price on the date of announcement of the proposed issuance of mandatory convertible bond
Sino-Ocean Group Holding Limited (3377. HK)	27 March 2025	Class A: 1.55 Class B: 5.74 Class C: 17.26 Class D: 11.36	0.159	0.325	Class A: 376.9% Class B: 1,666.2% Class C: 5,210.8% Class D: 3,395.4%
Shimao Group Holdings Limited (813.HK)	21 July 2025	6.0	0.385	1.19	404.2%
Kaisa Group Holdings Ltd. (1638.HK)	15 September 2025	Tranche A to C: 4.75 Tranche D to H: 4.05	0.181	0.184	Tranche A to C: 2,481.5% Tranche D to H: 2,101.1%
Times China Holdings Limited (1233.HK)	The creditors' scheme effective date has occurred on 30 July 2025 *(Note)*	I: 6.00 II: 10.00	0.145	0.192	I: 3,025.0% II: 5,108.3%
The Company	10 June 2025	5.50	5.41	2.89	90.3%

Note: The shareholders and the scheme creditors have approved the issuance of the mandatory convertible bonds. The mandatory convertible bonds have not been issued as at the Latest Practicable Date.

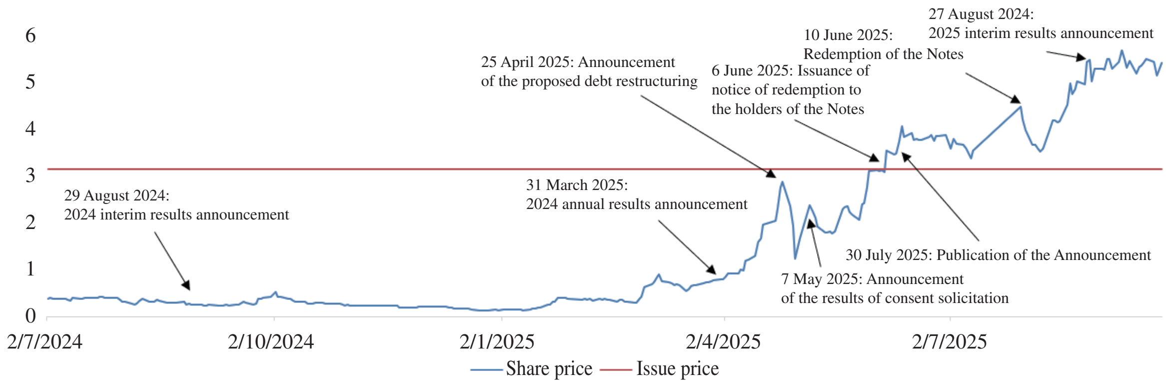
As shown in the table above, except for the Company, the share prices of property developers as at the Latest Practicable Date were significantly below the conversion price of the mandatory convertible bonds and had decreased compared to the closing prices on the date of announcement regarding the proposed issuance of mandatory convertible bonds. We consider this is mainly due to that (a) the conversion price was determined after arms' length negotiations between the company and the creditors after taking into account, among other things, the assessment of acceptability of each party towards the terms of the mandatory convertible bonds, with a view to achieving a sustainable capital structure and ensuring continuity in decision-making and strategic direction with a relatively stable shareholder structure to facilitate effective business operations. A low conversion price may significantly dilute the control of controlling shareholders; and (b) the sluggish real estate market in the PRC has resulted in a year-on-year decline in revenue for each of the aforementioned property developers in the first half of 2025, which adversely affected their share prices. Therefore, the conversion price of these property developers' mandatory convertible bonds does not reflect the fair value of their shares under the current market conditions.

As stated in the Company's circular dated 15 May 2025, the Company assessed the MCB Conversion Price against the closing price of the Shares of HK$2.89 on the date of announcement of the proposed issuance of MCB. The Company was of the view that the MCB Conversion Price is value accretive for the Shareholders and is fair and reasonable and in the interests of the Company and the Shareholders as a whole. We consider that the high MCB Conversion Price was the result of the Company's efforts to secure the best terms which are beneficial to the Company and the Shareholders. With the Notes due in 2029 and the MCB set to convert in 2026, the creditors would be able to recover cash flow in advance. Consequently, the creditors agreed to concessions on the MCB Conversion Price.

Given that (a) the MCB Conversion Price represents a premium of approximately 72.4% over the Reassessed NAV per Share; (b) there is no obvious connection between the conversion price of the above property developers' mandatory convertible bonds and their share prices; and (c) the Issue Price was derived from a more balanced negotiation between the Company and the Vendor which is different with the situation under which the MCB Conversion Price was determined, we consider the MCB Conversion Price does not provide a good reference for the fair value of the Shares.

(ii) Trading performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares as quoted on the Stock Exchange from 2 July 2024 to the Latest Practicable Date (the "**Review Period**"). We consider the Review Period, which covers approximately one year preceding the Last Trading Day (i.e. 11 July 2025) and the period following the publication of the Announcement up to the Latest Practicable Date, is adequate to reflect the general market sentiment and illustrates the general trend and level of movement of the daily closing price of the Shares.



Source: the website of the Stock Exchange

As shown above, the closing prices of the Shares were below the Issue Price between 2 July 2024 and 5 June 2025. During the period from 2 July 2024 and 27 February 2025, the closing price of the Shares fluctuated between HK$0.137 per Share and HK$0.52 per Share. After that, the closing price of the Shares surged to HK$2.89 per Share on 25 April 2025. We have reviewed the Company's announcements prior to 25 April 2025 and noted that the Company did not announce any material progress on its potential debt restructuring plan since the Company issued consent solicitation statement to the holders of the Notes on 11 September 2024. We have made enquiries with the management of the Company and concur that the Company and we are not aware of any information that caused the surge in the Share price between 28 February 2025 and 25 April 2025.

Following the announcement of the proposed debt restructuring on 25 April 2025, the Share price dropped to HK$1.24 per Share on 30 April 2025, which we consider to be mainly due to the uncertainty of the restructuring plan. After the announcement of the results of consent solicitation on 7 May 2025 and the redemption of the Notes on 10 June 2025, the Share price reached the highest of HK$4.06 per Share on 12 June 2025 prior to the Last Trading Day. Although the Redemption improved the Group's financial position and increased the Group's net asset value attributable to the Shareholders per share from HK$0.52 as at 31 December 2024 to HK$2.81 as at June 30, 2025, as discussed in the section headed "1(iii). Background of the Group – Overall comments", the Redemption can only reduce the Group's financial costs but does not generate sustainable profits for the Group. As such, we consider that the rise in the Share price subsequent to the announcement of the proposed debt restructuring in April 2025 and prior to the announcement of the Acquisition did not correlate to the actual financial impact of the Redemption, but was mainly due to the market speculation on the Group's business development and financial performance following the Redemption.

The Share price closed at HK$3.55 per Share on the Last Trading Day, to which the Issue Price represents a discount of approximately 11.27%. Following the publication of the Announcement on 30 July 2025, the Share price surged to HK$4.49 per Share on 30 July 2025, but dropped to HK$3.67 per Share on 5 August 2025. As at the Latest Practicable Date, the Share price closed at HK$5.41 per Share, to which the Issue Price represents a discount of approximately 41.77%. Given that (a) the Target Group had recorded net profit for the three months ended 31 March 2025 and is expected to record net profit during the Forecast Period, while the Group still recorded net loss for 6M2025 excluding other gains. The Target Group has entered into long-term service contracts with leading cloud service providers; (b) as discussed in the section headed "3. Industry overview", the Target Group's AIDC industry has better prospects than the Group's existing real estate industry; and (c) the operating performance and prospects of the Group's property development business did not change since the Announcement, we consider the potential for the Group to develop new businesses through the Acquisition is the primary factor influencing the Share price from the publication of the Announcement up to the Latest Practicable Date.

(iii) Comparable companies

We have, based on our search on Bloomberg and the website of the Stock Exchange, identified an exhaustive list of companies (the "**Comparable Companies**") which (a) are principally engaged in property development business in the PRC, which accounts for over 50% of their revenue; (b) have their shares listed on Main Board of the Stock Exchange; and (c) have a market capitalisation between HK$3.5 billion and HK$5.5 billion as at the Latest Practicable Date, which we consider to be comparable to that of the Company of approximately HK$4.4 billion as at the Latest Practicable Date. Based on the aforesaid criteria, we did not identify any Comparable Company. As such, we have expanded the market capitalisation range to between HK$2.5 billion to HK$6.5 billion and we identified an exhaustive list of five Comparable Companies, which we consider to be sufficient for our analysis.

Price-to-earnings, price-to-book ("**P/B**") and price-to-sale ratios are the three most commonly used benchmarks in valuing a company. Given (a) the Group was loss-making for FY2024; (b) the Group had significant property interests as a property development company; and (c) the Group's revenue fluctuated in the past three years, we consider that P/B is more appropriate for valuing the Group as compared to price-to-earnings and price-to-sale ratios.

The following table set out the details of the Comparable Companies:

Company name (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date *(HK$ billion)*	P/B as at the Latest Practicable Date
Poly Property Group Co., Limited (119.HK)	Property development, property investment and management and hotel operations in the PRC.	6.4	0.2
Logan Group Company Limited (3380.HK)	Property development and property operation in the PRC.	6.4	0.4
Tomson Group Limited (258.HK)	Property development and trading, property investment and leisure business in the PRC.	6.3	0.5
Gemdale Properties and Investment Corporation Limited (535.HK)	Property development, property investment and property management in the PRC.	3.1	0.2
Guangzhou R&F Properties Co., Ltd. (2777.HK)	Property development, property investment, and hotel operations in the PRC.	2.5	0.2
	The Company	**4.4**	**Based on the Reassessed NAV per Share: 1.0** **Based on the unaudited net asset value attributable to the Shareholders per Share as at 30 June 2025: 1.1** *(Note)*

Source: website of the Stock Exchange

Note: The implied P/B of the Company calculated based on the Issue Price and the Reassessed NAV per Share or the unaudited net asset value attributable to the Shareholders per Share as at 30 June 2025.

As shown above, the P/B of the Comparable Companies ranged from approximately 0.2 time to 0.5 time as at the Latest Practicable Date. The P/B of the Company, implied by the Issue Price and the Reassessed NAV per Share, is approximately 1.0 time and is higher than those of the Comparable Companies. As such, we consider the Issue Price to be fair and reasonable so far as the Independent Shareholders are concerned.

(iv) Discounts to the Share price during the period from 6 June 2025 to the Latest Practicable Date

Based on (a) the Share price of HK$5.41 per Share as at the Latest Practicable Date; and (b) the Reassessed NAV per Share of approximately HK$3.19, the Company had a P/B ratio of approximately 1.7 times as at the Latest Practicable Date, which is significantly higher than those of the Comparable Companies. Although the Company's Share price has remained above the Issue Price since 6 June 2025 and before the announcement of the Acquisition, we consider that the Share price as at the Latest Practicable Date may not be sustained above the Issue Price if the Acquisition is not completed and the Group's business mix remains unchanged taking into account the following:

(a) the Company's P/B during the period from 6 June 2025 to the Latest Practicable Date was higher than those of the Comparable Companies, which indicates its high valuation compared to the Comparable Companies. Assuming the Acquisition is not approved and the Company's P/B falls within the range of Comparable Companies (i.e. approximately 0.2 time to 0.5 time as at the Latest Practicable Date), the fair value range of the Share price, calculated as the Reassessed NAV per Share of HK$3.19 (which has taken into account the Redemption's effect on the Group's financial position as at 30 June 2025) multiplied by the Comparable Companies' P/B, is approximately HK$0.638 to HK$1.595, which is significantly below the Issue Price;

(b) although the Share price remained above the Issue Price since 6 June 2025 and before the announcement of the Acquisition, we consider it was mainly due to market speculation on the Group's business development and financial performance following the Redemption. While the Group's financial position significantly improved following the Redemption, the Group still has a weak financial performance. The Group's revenue decreased by approximately 73.5% from approximately RMB861.7 million for 6M2024 to approximately RMB228.3 million for 6M2025 with the Group still recording a gross loss in 6M2025. Eliminating the other gain of approximately RMB1,412.5 million for 6M2025, the Group recorded net loss of approximately RMB460.8 million for 6M2025. Redemption can only reduce the Group financial costs but does not generate sustainable profits for the Group. There is no indication that the Group's existing property development business will improve in the near future, especially under the unfavorable operating environment in the PRC's real estate industry. Therefore, we consider that once the investors become aware that the Group's business development and financial performance have not improved as anticipated following the Redemption, it will not be able to justify the higher valuation of the Shares compared to the Comparable Companies prior to the announcement of the Acquisition; and

(c) should the Acquisition fail to proceed, the Company's underlying fundamentals would remain unchanged and negative. We believe that the Share price will ultimately reflect the fundamentals of the Company, such as the prospect of its principal business. Given the uncertain prospect of the real estate industry in the PRC, should the Acquisition fail to proceed, there is no fundamentals to support the Company's high valuation.

Taking into account that the fair value range of the Share price is significantly below the Issue Price and that the Share price as at the Latest Practicable Date may not be sustained above the Issue Price if the Acquisition is not approved, we consider the Issue Price is fair and reasonable although it represents discounts to the Share price during the period from 6 June 2025 to the Latest Practicable Date.

(v) Comparable transactions

We have further reviewed recent market practices involving the issue of consideration shares under specific mandate for acquisition which (a) were announced by the companies listed on the Main Board of the Stock Exchange during the Review Period; (b) involved a whitewash waiver application; (c) were approved by the shareholders as at the Latest Practicable Date; and (d) did not involve the issuance of A shares as the issue price of A shares is subject to the regulations under the Measures for the Administration of the Major Asset Restructuring of Listed Companies (2023 Revision) (《上市公司重大資產重組管理辦法(2023年修訂)》). We consider to not include transaction for the purpose of (a) rights issue or open offer; and (b) loan capitalisation or restructuring since the basis in determining the issue price in such transactions may subject to other factors and/or conditions which are not applicable to the Acquisition. Given that the whitewash waiver requires at least 75% of the votes cast by the independent shareholders at the general meeting for approval while the issuance of consideration shares under specific mandate only requires more than 50% of the votes for approval, the higher voting approval threshold as imposed on the whitewash waiver transaction, which is the same as our case, serves as a useful reference for us to assess the general perception of independent shareholders on the transaction, including but not limited to the determination of the issue price and the fairness and reasonableness therein. Accordingly, we consider the involvement of a whitewash waiver application to be relevant to our comparable analysis.

Based on the aforesaid criteria, we did not identify any comparable transaction.

8. Potential dilution effect on the shareholding interests of the Independent Shareholders

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion with the allotment and issuance of the Consideration Shares are set out below:

	As at the Latest Practicable Date		**Immediately upon the Completion**	
	Number of Shares	*%*	*Number of Shares*	*%*
China GBA Holdings	414,665,566	50.94	414,665,566	36.89
Vendor	–	–	310,000,000	27.58
Other public Shareholders	399,437,534	49.06	399,437,534	35.53
Total	**814,103,100**	**100.00**	**1,124,103,100**	**100.00**

As shown in the above table, we noted that the shareholding in the Company held by the existing minority Shareholders would be diluted from approximately 49.06% as at the Latest Practicable Date to approximately 35.53% immediately upon the Completion.

Nonetheless, having considered that (i) the reasons for and benefit of the Acquisition and the Specific Mandate as discussed in the section headed "4. Reasons for and benefits of the Acquisition and the Specific Mandate"; and (ii) the Consideration and the Issue Price are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the potential dilution effect on the shareholding interests of the existing minority Shareholders to be acceptable.

9. Financial effect of the Acquisition

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company. The consolidated financial results, assets and liabilities of the Target Group will be consolidated into the Group's financial statements.

The Reassessed NAV per Share is calculated based on (i) the Group's unaudited net asset value attributable to the Shareholders as at 30 June 2025; (ii) 1,190,278,327 Shares in issue assuming the Group's MCB have been converted into 376,175,227 Shares; and (iii) adjustments with reference to the Property Valuation. The Reassessed NAV per Share has taken into account the Redemption's effect on the Group's financial position as at 30 June 2025, and thus the change in the unaudited pro forma Reassessed NAV per Share is an up-to-date reflection of the financial impact of the Acquisition. Assuming the Acquisition has been completed, the Group's Reassessed NAV per Share would remain stable at approximately RMB2.91. This is due to that the Issue Price represents a slight discount of approximately 1.13% to the Reassessed NAV per Share and would not cause significant dilution.

Before the Acquisition	Effect of the Acquisition	Upon completion of the Acquisition
Reassessed NAV as at 30 June 2025 (A)	Adjustments as if the Acquisition has been completed (B)	The Enlarged Group's net assets value attributable to the Shareholders (C=A+B)
(RMB)	*(RMB)*	*(RMB)*
3,458,219,000	901,143,000	4,359,362,000
Shares in issue the MCB has been fully converted (D)	Issuance of the Consideration Shares (E)	Shares in issue upon Completion (F=D+E)
1,190,278,327	310,000,000	1,500,278,327
Reassessed NAV per Share (G=A/D)		Net assets value per Share (H=C/F)
(RMB)		*(RMB)*
2.91		2.91

Since the financial results of the Target Group for 6M2025 are not disclosed, the Group's unaudited pro forma net profit per Share for 6M2025, or net loss per Share for 6M2025 after excluding the one-off gain arising from the Redemption, is not available. We have calculated the unaudited pro forma net loss per Share for FY2024 to illustrate the impact of the Acquisition on the Group's earnings. The Group recorded a net loss attributable to the Shareholders per Share for FY2024 of approximately RMB2.25, which would decrease to approximately RMB1.62 as if the Acquisition has been completed, as detailed in the calculation below. Given that the Group recorded a material one-off gain arising from the Redemption which turned the Group from loss-making to profitable for 6M2025, the decrease in the Group's pro forma net loss attributable to the Shareholders per Share for FY2024 is not an up-to-date reflection of the financial impact of the Acquisition.

Before the Acquisition	Effect of the Acquisition	Upon completion of the Acquisition
The Group's net loss attributable to the Shareholders for FY2024	The Target Group's net profit attributable to its shareholders for FY2024	The Enlarged Group's net loss attributable to the Shareholders
(A)	(B)	(C=A+B)
(RMB)	*(RMB)*	*(RMB)*
1,834,586,000	(10,104,000)	1,824,482,000
Shares in issue as at 31 December 2024	Issuance of the Consideration Shares	Shares in issue upon Completion
(D)	(E)	(F=D+E)
814,103,100	310,000,000	1,124,103,100
Net loss per Share for FY2024		Net loss per Share
(G=A/D)		(H=C/F)
(RMB)		*(RMB)*
2.25		1.62

After excluding the other gain of approximately RMB1,412.5 million for 6M2025, the Group recorded net loss of approximately RMB460.8 million for 6M2025. In contrast, the Target Group was profitable for FY2024 and three months ended 31 March 2025, and is expected to continue generating profit based on the Projection. Given that the Acquisition will mitigate the Group's net loss per Share, we consider that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole and the Issue Price is fair and reasonable.

10. The Whitewash Waiver

As at the Latest Practicable Date, China GBA Holdings directly holds in aggregate 414,665,566 Shares, representing approximately 50.94% of the total issued share capital of the Company. Upon Completion at which a total of 310,000,000 Consideration Shares will be issued to the Vendor and assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion, (i) the Vendor will hold 310,000,000 Shares, representing approximately 27.58% of the total number of the issued Shares as increased by the issuance of the Consideration Shares; and (ii) the shareholding percentage of China GBA Holdings in the Company will be diluted to approximately 36.89%. As a result, as each of the Vendor and China GBA Holdings will be owning more than 20% or more of the voting rights of the Company and is thus associated company (as defined in the Takeovers Code) of the Company and hence, under the definition of "acting in concert" under the Takeovers Code, the Vendor and China GBA Holdings would be presumed to be acting in concert with each other. In addition, since (i) Mr. Luo Jieping, an executive Director, is interested in 18% of the issued share capital of the Vendor and is a former director of the Vendor; and (ii) Ms. Zeng Yan, the spouse of Mr. Luo Jieping, is the ultimate beneficial owner of China GBA Holdings, the Vendor and China GBA Holdings are considered to be acting in concert with each other.

The allotment and issue of the Consideration Shares to the Vendor would result in a new acting in concert group being formed or the balance of the acting in concert group being changed significantly, where China GBA Holdings and the Vendor, being the acting in concert group, will in aggregate hold 64.47% of the voting rights in the Company (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion). Such new acting in concert group being formed or the balance of the acting in concert group being changed significantly would therefore, in the absence of the Whitewash Waiver, trigger an obligation of the Vendor and China GBA Holdings to make a mandatory general offer for all the issued Shares not already owned by them and parties acting in concert with them under Rule 26 of the Takeovers Code.

An application has been made by the Vendor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the condition that the respective resolution(s) relating to the Whitewash Waiver on one hand, and the Acquisition on the other hand, being separately approved by at least 75% and more than 50%, respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll. As at the Latest Practicable Date, the Executive has indicated that it is minded to grant the Whitewash Waiver. The Acquisition will not proceed if the Whitewash Waiver is not granted or approved.

Taking into account the principal factors and reasons summarised in section headed "Opinion and Recommendation" below, we consider that the Acquisition (including the grant of the Specific Mandate for the issuance of Consideration Shares) is in the interests of the Company and the Independent Shareholders as a whole. As such, we are of the view that the approval of the Whitewash Waiver, which is a prerequisite for the implementation of the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following:

- the Company has recorded net losses for the past four years. As such, we consider that the Group is not able to raise fund effectively through debt financing;

- the positive outlook for the AI industry in which the Target Group is engaged;

- the Valuation and the Consideration are fair and reasonable after considering the following:

    - we are satisfied that the Independent Valuer is suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation and that reliance could fairly be placed on the Independent Valuer's work;

    - the Projection is appropriate and that the Valuation was carried out fairly and reasonably by the Independent Valuer using income approach;

    - taking into account that (i) the Target Group has entered into long-term service contracts with leading cloud service providers, ensuring stable cash flow for the next five years; (ii) the rapid development of the AI industry has driven increased demand for computing power; (iii) the Target Group is in the early stage of its business and possesses greater growth potential than established companies; and (iv) the Target Group's net assets value as at 31 March 2025 does not reflect the future economic benefits and growth potential of the Target Group's operations, we consider that the premium represented by the Consideration over the Target Group's audited net assets attributable to the shareholders as at 31 March 2025 is reasonable;

    - the Consideration represents a slight discount of approximately 0.15% to the valuation of the market value of the entire issued share capital of the Target Group;

- the Issue Price is fair and reasonable after considering the following:

    - the Issue Price represents a slight discount of approximately 1.13% to the Reassessed NAV per Share. Nevertheless, the P/B of the Company, as implied by the Issue Price and the Reassessed NAV per Share, is higher than those of the Comparable Companies;

    - based on our unaudited pro forma calculation, (i) assuming the MCB has been fully converted and the Acquisition has been completed, the Group's Reassessed NAV per Share would remain stable at approximately RMB2.91; and (ii) the Group's net loss attributable to the Shareholders per Share for FY2024 of approximately RMB2.25 would decrease to approximately RMB1.62 as if the Acquisition has been completed. The Acquisition will mitigate the Group's net loss per Share. The Group recorded a material one-off gain arising from the Redemption which turned the Group from loss-making to profitable for 6M2025 hence the decrease in the Group's pro forma net loss attributable to the Shareholders per Share for FY2024 is not an up-to-date reflection of the financial impact of the Acquisition;

- the closing prices of the Shares were above the Issue Price from 6 June 2025 to the Latest Practicable Date. The Issue Price represents discounts of approximately 10.97%, 13.67% and 12.94% to the average Share price for the last 5, 10 and 30 consecutive trading days up to and including the Last Trading Date, respectively. The Issue Price represents discounts of approximately 41.17%, 41.19%, 30.67%, 30.67% and 19.32% to the average Share price for the last 5, 10, 30, 60 and 90 consecutive trading days up to and including the Latest Practicable Date, respectively. We consider that the Share price as at the Latest Practicable Date may not be sustained above the Issue Price if the Acquisition is not completed and the Group's business mix remains unchanged after considering the following:

  - the Company's P/B during the period from 6 June 2025 to the Latest Practicable Date was higher than those of the Comparable Companies, which indicates its high valuation compared to the Comparable Companies. Assuming the Acquisition is not approved and the Company's P/B falls within the range of Comparable Companies (i.e. approximately 0.2 time to 0.5 time as at the Latest Practicable Date), the fair value range of the Share price, calculated as the Reassessed NAV per Share of HK$3.19 (which has taken into account the Redemption's effect on the Group's financial position as at 30 June 2025) multiplied by the Comparable Companies' P/B, is approximately HK$0.638 to HK$1.595, which is below the Issue Price;

  - although the Share price remained above the Issue Price since 6 June 2025 and before the announcement of the Acquisition, we consider it was mainly due to market speculation on the Group's business development and financial performance following the Redemption. While the Group's financial position significantly improved following the Redemption, the Group still has a weak financial performance. The Group's revenue decreased by approximately 73.5% from approximately RMB861.7 million for 6M2024 to approximately RMB228.3 million for 6M2025 with the Group still recording a gross loss in 6M2025. Eliminating the other gain of approximately RMB1,412.5 million for 6M2025, the Group recorded net loss of approximately RMB460.8 million for 6M2025. Redemption can only reduce the Group financial costs but does not generate sustainable profits for the Group. There is no indication that the Group's existing property development business will improve in the near future, especially under the unfavorable operating environment in the PRC's real estate industry. Therefore, we consider that once the investors become aware that the Group's business development and financial performance have not improved as anticipated following the Redemption, it will not be able to justify the higher valuation of the Shares compared to the Comparable Companies prior to the announcement of the Acquisition;

- should the Acquisition fail to proceed, the Company's underlying fundamentals would remain unchanged and negative. We believe that the Share price will ultimately reflect the fundamentals of the Company, such as the prospect of its principal business. Given the uncertain prospect of the real estate industry in the PRC, should the Acquisition fail to proceed, there is no fundamentals to support the Company's high valuation.

The Independent Shareholders should note that the fairness and reasonableness of the Issue Price is only one of the factors which we will take into consideration when forming our opinion on the Acquisition. We come up our fairness and reasonableness opinion on the Acquisition from an overall perspective after taking into account of a variety of factors, including, among others, the reasons and benefits of the Acquisition, the prospect of the Target Group and the financial impact of the Acquisition.

Based on the above, we consider that the Acquisition is on normal commercial terms, and the Acquisition (including the grant of the Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Acquisition (including the grant of the Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver, while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition (including the grant of the Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited

Danny Leung

Danny Leung
Managing Director

Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.