



红日资本有限公司
RED SUN CAPITAL LIMITED

15 October 2025

To: The Independent Board Committee and the Independent Shareholders of Sino-Ocean Service Holding Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE TRANSACTION

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Framework Agreement and the transactions contemplated respectively thereunder, details of which are contained in the letter from the Board (the “**Letter from the Board**”) as set out in the circular to the Shareholders dated 15 October 2025 (the “**Circular**”). Unless otherwise specified, terms defined in the Circular have the same meanings in this letter.

As set out in the Letter from the Board, on 16 July 2025, the Company (on behalf of each relevant member of the Group) and Sino-Ocean Group Company (the holding company of the Company and a controlling Shareholder, on behalf of each relevant Sino-Ocean Connected Person) entered into the Framework Agreement (which was subsequently amended and supplemented by the supplemental agreement dated 10 October 2025), pursuant to which the Group and the Sino-Ocean Connected Persons have conditionally agreed to the return by the Group to the Sino-Ocean Connected Persons of the Target Assets. The Target Assets to be returned comprises 2,418 parking spaces

located in the PRC, which form part of the assets transferred by the Sino-Ocean Connected Persons to the Group pursuant to the Original Assets Transfer Framework Agreements. The Return will be effected by way of cancellation of the Original Assets Transfer, and the original purchase price of RMB312,400,500 of the Target Assets under the Original Assets Transfer Framework Agreements will be reverted and settled by the Guaranteed Loan owing by the Sino-Ocean Group Borrower (being a designated wholly-owned subsidiary of Sino-Ocean Group Company) to the Sino-Ocean Service Lender, with Sino-Ocean Group Company acting as the guarantor to the Guaranteed Loan.

As at the Latest Practicable Date, Sino-Ocean Group Company is the holding company of the Company and a controlling Shareholder, and thus a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Transaction in aggregate exceed(s) 5%, the Transaction is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, as one or more of the applicable percentage ratios in respect of the Transaction in aggregate exceed(s) 25% but are all less than 75%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Guo Jie, Mr. Ho Chi Kin Sammy and Mr. Leung Wai Hung, has been established to advise the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated respectively thereunder. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Our appointment has been approved by the Independent Board Committee. Our role as the independent financial adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether the transactions as contemplated under the Framework Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the transactions contemplated under the Framework Agreement at the EGM.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Sino-Ocean Group Company or any relevant parties in connection with the Framework Agreement. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the transactions contemplated under the Framework Agreement.

In the last two years, save for our appointment as the independent financial adviser for (i) the major and connected transaction in relation to the acquisition of assets, details of which are set out in the circular of the Company dated 25 September 2023; and (ii) the connected transaction in relation to the acquisition of parking spaces in the PRC, details of which are set out in the announcement of the Company dated 22 December 2023, we have not acted as an independent financial adviser to the independent board committee of the Company and/or the Independent Shareholders.

Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser and the engagement as stated above as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Circular.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group, Sino-Ocean Group, the Target Assets and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the transactions contemplated under the Framework Agreement, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

As set out in the Letter from the Board, the Group is primarily engaged in, among others, the provision of property management services, community value-added services and value-added services to non-property owners, cover a wide range of property types in the PRC. Further details of which are set out in the Letter from the Board.

Set out below is a summary of the audited consolidated statements of financial position as at 31 December 2023 and 2024 as extracted from the Company's annual report for the year ended 31 December 2024 (the "2024 Annual Report") and the Company's interim report for the six months ended 30 June 2025 (the "2025 Interim Report"):

Summary of the consolidated statement of comprehensive income

	For the six months ended 30 June		For the year ended 31 December	
	2025	2024	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	1,385,781	1,436,013	2,840,029	3,133,209
— Property management and commercial operational services	1,031,172	1,052,689	2,083,007	2,205,842
— Community value-added services	248,525	243,798	489,250	544,404
— Value-added services to non-property owners	106,084	139,526	267,772	382,963
(Loss)/profit and total comprehensive income for the period/year	(309,826)	60,216	28,590	40,001
(Loss)/profit and total comprehensive income for the period/year attributable to owners of the Company	(310,106)	59,340	28,915	42,148

For the six months ended 30 June 2025 compared to the six months ended 30 June 2024

Revenue of the Group was broadly stable at approximately RMB1,436.0 million for the six months ended 30 June 2024 as compared to approximately RMB1,385.8 million for the six months ended 30 June 2025. The largest revenue contributor was revenue from the Group's property management services, which represented approximately 74.4% of the Group's total revenue for the six months ended 30 June 2025, being approximately RMB1,031.2 million compared to approximately RMB1,052.7 million for the six months ended 30 June 2024. The slight decrease was the results of the reduction in the Group's total gross floor area ("GFA") under management as it actively withdrew from inefficient projects.

We also noted that the Group's revenue generated from community value-added services amounted to approximately RMB248.5 million, representing an increase of approximately RMB4.7 million or approximately 1.9% compared to the six months ended 30 June 2024 of approximately RMB243.8 million. Such increase was mainly attributable to the increase in revenue from property brokerage services.

Lastly, revenue from value-added services to non-property owners amounted to approximately RMB106.1 million, representing a decrease of approximately RMB33.4 million or approximately 23.9% compared to the six months ended 30 June 2024 of approximately RMB139.5 million. The aforesaid decrease was mainly attributable to (i) revenue from pre-delivery services which decreased by approximately 37.4% to approximately RMB31.7 million for the six months ended 30 June 2025 from approximately RMB50.6 million for the six months ended 30 June 2024, which was mainly attributable to the decrease in pre-sale activities in the PRC real estate market; and (ii) revenue from property engineering services, which decreased by approximately 22.2% to approximately RMB49.1 million for the six months ended 30 June 2025 from approximately RMB63.1 million for the six months ended 30 June 2024, which was mainly attributable to the proactive withdrawal from projects with unsatisfactory payment collections.

The Group recorded loss attributable to owners of the Company of approximately RMB310.1 million for the six months ended 30 June 2025 compared to the profit attributable to owners of the Company for the six months ended 30 June 2024 of approximately RMB59.3 million. The loss attributable to owners of the Company was mainly attributable to the continuous adverse impact of the real estate market, and the overall real estate market downturn, in the PRC, which led to (i) the lengthening of the settlement cycle of relevant businesses, which in turn led to an increase in the provision for impairment loss on trade and other receivables; and (ii) increases in the provision for impairment losses on inventories and goodwill.

For the year ended 31 December 2024 compared to the year ended 31 December 2023

The Group recorded a decrease in revenue by approximately RMB293.2 million or approximately 9.4%, from approximately RMB3,133.2 million for the year ended 31 December 2023 to approximately RMB2,840.0 million for the year ended 31 December 2024.

Revenue from the Group's property management and commercial operational services amounted to approximately RMB2,083.0 million, which accounted for approximately 73.3% of the Group's total revenue for the year ended 31 December 2024. The decrease in revenue from the property management and commercial operational services was primarily attributable to the decline in the total GFA under management of the Group, which amounted to approximately 92.5 million square metres ("sq.m.") for the year ended 31 December 2024, compared to approximately 101.0 million sq.m. for the year ended 31 December 2023.

We also noted that the Group's revenue generated from community value-added services amounted to approximately RMB489.3 million, representing a decrease of approximately RMB55.1 million or approximately 10.1% compared to the year ended 31 December 2023 of approximately RMB544.4 million. Such decrease was mainly attributable to the overall economic situation and the downturn in the PRC real estate market, leading to a decrease in revenue from property brokerage services and community asset value-added services, which was partially offset by the increase in revenue from community living services as the Group has further developed the online store and launched pilot businesses such as convenience store during the year ended 31 December 2024.

Lastly, revenue from value-added services to non-property owners amounted to approximately RMB267.8 million, representing a decrease of approximately RMB115.2 million or approximately 30.1% compared to the year ended 31 December 2023 of approximately RMB383.0 million. The aforesaid decrease was mainly attributable to (i) the decrease in revenue from pre-delivery services by approximately 44.1% to approximately RMB86.6 million for the year ended 31 December 2024 from approximately RMB154.8 million for the year ended 31 December 2023, which was mainly attributable to the decrease in pre-sale activities in the real estate market; and (ii) the decrease in revenue from consultancy services by approximately 37.0% to approximately RMB63.1 million for the year ended 31 December 2024 from approximately RMB100.2 million for the year ended 31 December 2023, which was mainly attributable to the Group's proactive withdrawal from consultancy services with a low rate of return.

It is also noted that profit attributable to owners of the Company decreased by approximately RMB13.2 million or approximately 31.4%, from approximately RMB42.1 million for the year ended 31 December 2023 to approximately RMB28.9 million for the year ended 31 December 2024. Such decrease was mainly due to (i) the challenging operating environment has led to a decline in both revenue and gross profit margin of the Group; and (ii) the Group recorded a one-off gain on disposal of investment in a joint venture during the year ended 31 December 2023.

Summary of the consolidated statement of financial position as extracted from the 2024 Annual Report and 2025 Interim Report

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)	2023 RMB'000 (audited)
Total assets	3,761,511	4,023,075	4,039,180
Trade and note receivables	1,084,080	1,038,241	1,123,025
Intangible assets	492,066	668,853	698,976
Prepayments and other receivables	475,283	522,631	525,020
Cash and cash equivalents	731,754	761,144	651,542
Total liabilities	1,935,174	1,886,460	1,893,470
Trade and other payables	1,285,182	1,301,162	1,275,063
Contract liabilities	567,722	494,117	518,064
Deferred income tax liabilities	42,656	46,074	52,912
Equity attributable to the owners of the Company	1,786,161	2,096,267	2,099,197

Note: For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.

Financial position as at 31 December 2024 and 30 June 2025

Based on the 2025 Interim Report, total assets of the Group as at 30 June 2025 amounted to approximately RMB3,761.5 million, which primarily comprised of (i) trade and note receivables, which amounted to approximately RMB1,084.1 million as at 30 June 2025, representing an increase of approximately RMB45.9 million as compared to approximately RMB1,038.2 million as at 31 December 2024; (ii) intangible assets which amounted to approximately RMB492.1 million as at 30 June 2025, representing a decrease of approximately RMB176.8 million as compared to approximately RMB668.9 million as at 31 December 2024; (iii) prepayments and other receivables, which amounted to approximately RMB475.3 million as at 30 June 2025, representing a decrease of approximately RMB47.3 million as compared to approximately RMB522.6 million as at 31 December 2024; and (iv) cash and cash equivalents of approximately RMB731.8 million as at 30 June 2025, representing a decrease of approximately RMB29.3 million as compared to approximately RMB761.1 million as at 31 December 2024.

With reference to the 2025 Interim Report, total liabilities of the Group as at 30 June 2025 amounted to approximately RMB1,935.2 million, which primarily comprised of (i) trade and other payables, which amounted to approximately RMB1,285.2 million as at 30 June 2025, representing a decrease of approximately RMB16.0 million as compared to approximately RMB1,301.2 million as at 31 December 2024; (ii) contract liabilities, which amounted to approximately RMB567.7 million as at 30 June 2025, representing an increase of approximately RMB73.6 million as compared to approximately RMB494.1 million as at 31 December 2024; and (iii) deferred income tax liabilities, which amounted to approximately RMB42.7 million as at 30 June 2025, representing a decrease of approximately RMB3.4 million as compared to approximately RMB46.1 million as at 31 December 2024.

The equity attributable to owners of the Company of approximately RMB1,786.2 million as at 30 June 2025, representing a decrease of approximately RMB310.1 million as compared to approximately RMB2,096.3 million as at 31 December 2024.

Financial position as at 31 December 2023 and 2024

Based on the 2024 Annual Report, total assets of the Group as at 31 December 2024 amounted to approximately RMB4,023.1 million, which primarily comprised of (i) trade and note receivables, which amounted to approximately RMB1,038.2 million as at 31 December 2024, representing a decrease of approximately RMB84.8 million as compared to approximately RMB1,123.0 million as at 31 December 2023; (ii) prepayments and other receivables, which amounted to approximately RMB522.6 million as at 31 December 2024, representing a decrease of approximately RMB2.4 million as compared to approximately RMB525.0 million as at 31 December 2023, which mainly include prepayment to suppliers, other receivables and prepaid tax; (iii) intangible assets which amounted to approximately RMB668.9 million as at 31 December 2024, representing a decrease of approximately RMB30.1 million as compared to approximately RMB699.0 million as at 31 December 2023, primarily attributable to amortisation and goodwill impairment losses during the year; and (iv) cash and cash equivalents of approximately RMB761.1 million as at 31 December 2024, representing an increase of approximately RMB109.6 million as compared to approximately RMB651.5 million as at 31 December 2023.

With reference to the 2024 Annual Report, total liabilities of the Group as at 31 December 2024 amounted to approximately RMB1,886.5 million, which primarily comprised of (i) trade and other payables, which amounted to approximately RMB1,301.2 million as at 31 December 2024, representing an increase of approximately RMB26.1 million as compared to approximately RMB1,275.1 million as at 31 December 2023, which primarily comprised of trade payables due to external third parties, and other payables in relation to deposits and amounts collected on behalf of property owners; (ii) contract liabilities, which amounted to approximately RMB494.1 million as at 31 December 2024, representing a decrease of approximately RMB24.0 million as compared to approximately RMB518.1 million as at 31 December 2023, which was in line with the decrease in revenue; and (iii) deferred income tax liabilities, which amounted to approximately RMB46.1 million as at 31 December 2024, representing a decrease of approximately RMB6.8 million as compared to approximately RMB52.9 million as at 31 December 2023.

The equity attributable to owners of the Company as at 31 December 2023 and 2024 remained largely stable at approximately RMB2,099.2 million as at 31 December 2023 and approximately RMB2,096.3 million as at 31 December 2024.

2. Information on the Target Assets

The Target Assets comprise 2,418 parking spaces located at the Eastern Region in the PRC which are ancillary to development projects owned by Sino-Ocean Connected Persons, with a total gross floor area of approximately 34,671 sq.m. in aggregate. The Target Assets were previously part of the assets being acquired by the Group from the Sino-Ocean Connected Persons pursuant to the Original Assets Transfer Framework Agreements in 2023.

As set out in the Letter from the Board, there were no net profits (both before and after taxation) attributable to the Target Assets during the two years ended 31 December 2023 and 2024.

As at 30 June 2025, the book value of the Target Assets, being recorded under “inventories” as part of the Group’s current assets on its consolidated statement of financial position, was approximately RMB239 million. The original acquisition cost for the Target Assets by the Group from the Sino-Ocean Connected Persons is RMB312,400,500, being the same as the Consideration.

3. Information of Sino-Ocean Group and Sino-Ocean Group Company

As set out in the Letter from the Board, Sino-Ocean Group Company, the holding company of the Company and a controlling Shareholder, is a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business of Sino-Ocean Group Company is investment holding. As set out in the announcement of Sino-Ocean Group Company dated 27 March 2025, the offshore debt restructuring of Sino-Ocean Group Company became effective on 27 March 2025 (the “**SOG Debt Restructuring**”). For further information, please refer to the sub-section headed “6.4 Our analysis on the background of Sino-Ocean Group Company, the SOG Debt Restructuring and its effects on the terms of the Transaction” in this letter below.

Sino-Ocean Group is a leading large-scale property developer with developments in key economic regions in the PRC, including the Beijing Region, the Bohai Rim Region, the Eastern Region, the Southern Region, the Central Region and the Western Region. The core businesses of the Sino-Ocean Group are development of residential property, investment property development and operation, property services and whole-industrial chain construction services, with its scope of businesses also covering senior living service, internet data center, logistics real estate, real estate fund, etc., forming a unique advantage in the field of asset-light agent construction.

4. Reasons for and benefits of the Transaction

The following reasons for and benefits of the Transaction have been extracted and summarised from the Letter from the Board above.

The Target Assets were transferred to the Group from the relevant Sino-Ocean Connected Persons under the Original Assets Transfer Framework Agreements in 2023. The transfer aimed to expand the Group's parking space trading business, thereby increasing revenue and enhancing overall profitability. However, as outlined in the Company's circular dated 25 September 2023, owing to the restrictions of transfer policies in the locations where the parking spaces are situated, the transfer of parking spaces of some projects was conducted by way of assignment of rights of use. This was in line with the usual market practice for the transfer of the parking spaces in the PRC at the relevant time.

The relevant details of the due diligence work conducted by the Company regarding the Original Assets Transfer Framework Agreements at the relevant time, including (i) an external law firm was engaged to conduct legal due diligence on the target assets under the Original Assets Transfer Framework Agreements. During the period from June 2023 to July 2023, the external law firm conducted legal due diligence on the land use rights, construction status, asset ownership, external leasing and occupation, freezing, mortgage and other encumbrances corresponding to the target assets under the Original Assets Transfer Framework Agreements, and litigation and arbitration involving such assets, through a combination of document review, on-site visits and files review, telephone interviews, and online verification; (ii) during the period from June 2023 to September 2023, an independent professional valuer was engaged to assess the value of the target assets under the Original Assets Transfer Framework Agreements at the stated valuation date, whose work included review of the background information and other relevant data concerning the target assets under the Original Assets Transfer Framework Agreements (including the Target Assets), the applicable legal documents, titles/registrations/permits/licenses relating to the right of use of the assets; (iii) during the period from June 2023 to September 2023, an independent financial adviser was engaged to assess the fairness and reasonableness of the transactions as contemplated under the Original Assets Transfer Framework Agreements (including the Original Assets Transfer); and (iv) the Company reviewed and discussed with the abovementioned external advisers with respect to the work done for and results of the due diligence regarding the Original Assets Transfer Framework Agreements during the respective periods as mentioned above. The Board is of the view that the Company had conducted sufficient due diligence work on the Target Assets at the material time and we considered the aforesaid due diligence work conducted by the Company in this connection was not atypical of common market practice for transactions of similar nature. Further details of which are set out in the Letter from the Board.

The latest developments and the risks attaching to the Target Assets

Subsequent to the Original Assets Transfer, given the circumstances as set out in the Letter from the Board, the Directors became aware that the Target Assets are subject to freezing and/or enforcement measures (i.e. the Existing Measures) or potential freezing and/or enforcement measures (i.e. the Potential Measures) due to litigations, disputes, or outstanding debts involving the relevant Sino-Ocean Connected Persons at the level of development project companies as the registered owners, including the Potential Measures resulting from the scrutinization of past transactions of the relevant Sino-Ocean Connected Persons (including the relevant transactions contemplated under the Original Assets Transfer) by relevant authority(ies) or enforcement agency(ies) (together the “Issues”). For details, please refer to the table as set out in the Letter from the Board for the number of Target Assets subject to Existing Measures and/or Potential Measures.

The Group has opposed these freezing and enforcement actions, making efforts to protect its legal rights, including filing objections with local authorities. Despite these efforts and the existence of the Group’s legal rights, court judgments have favoured priority debts at the level of project companies, being registered owners of the Target Assets.

The existence of these issues, which are not expected to be improved within a short period of time or might even be aggravated, has rendered it impractical for the Group to generate cash through the sale of the Target Assets, undermining the original intentions of the Original Assets Transfer. The Management has incurred costs, manpower resources and efforts to safeguard the Group’s interests, but retaining the Target Assets under the current situation may lead to impairment due to their frozen status and the ongoing litigation risks.

Practical solutions reached by the Company and Sino-Ocean Group Company

Against this backdrop, the Company initiated discussions with Sino-Ocean Group Company, its holding company and controlling shareholder, to return the Target Assets at the original purchase price to protect the interests of the Company and its Shareholders. After several rounds of negotiations and consideration of various alternatives, including (i) swapping the Target Assets for alternative assets owned by Sino-Ocean Group; (ii) retaining the Target Assets and continuing necessary legal actions; (iii) alternative repayment options for settlement of the Consideration; and (iv) settlement of outstanding payables by the Sino-Ocean Connected Persons to eliminate the risks of Existing Measures or Potential Measures, details of which are set out in Letter from the Board, the Company concluded that the most viable option was to enter into a Transaction, which involves the cancellation of the Original Assets Transfer and replacing the Consideration with a Guaranteed Loan. In deciding that the Consideration will be settled by way of the Guaranteed Loan, assessments of the credit profiles of the

Sino-Ocean Group Borrower and Sino-Ocean Group Company were made by the Group based on the latest available information and the latest progress of its debt restructuring, details of which are set out under the Letter from the Board.

The Board is of the view that the Transaction allows the Group to mitigate the risks associated with the Target Assets, avoiding impairment and aiming to protect the interests of the Company and its Shareholders.

The Company sees the Transaction as a necessary measure to address the risks associated with the Target Assets while preserving rights to recover the original consideration through the Guaranteed Loan. Financially, the Transaction is expected to decrease the inventory balance that cannot generate cash, substituting it with a receivable that has a defined repayment schedule and stable interest income, with no net cash outflow and no material adverse effect on the Group's working capital. Additional details on the reasons for the Transaction are set out under the section headed "REASONS FOR AND BENEFITS OF THE TRANSACTION" in the Letter from the Board.

Having considered the factors above, in particular, (i) the information and background of the Original Assets Transfer, the Issues and status of the Target Assets; (ii) the Company has attempted to but not been able to resolve the Issues and the existence of the Issues negatively impacted the Group's ability to generate cash from rental or resale of the affected Target Assets and makes it impracticable for the Group to hold onto the Target Assets for a prolonged period; (iii) entering into of the Framework Agreement and the Return, if consummated, would offload the risks of the Target Assets being seized by the PRC court and/or subject to foreclosure sale in the future as well as the resultant potential associated losses to the value of the Target Assets; (iv) the Consideration is equivalent to the consideration paid by the Group for the Target Assets pursuant to the Original Assets Transfer Framework Agreements in 2023, being RMB312,400,500, representing a premium to the carrying amount of the Target Assets as recorded on the consolidated statement of financial position of the Group as at 30 June 2025; (v) the internal control measures to safeguard the Company's interest of the Guaranteed Loan and to ensure its timely settlement as set out in the Letter from the Board; and (vi) the Management is of the view that, barring unforeseen circumstances, the Return would enhance the predictability of cash flow arising from the Target Assets comparing to holding on to the Target Assets given the status quo of the Target Assets, albeit over a longer duration, we concur with the view of the Directors that the Framework Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Framework Agreement

A summary of the principal terms of the Framework Agreement based on the Letter from the Board are set out below:

Date: 16 July 2025 (which was subsequently amended and supplemented by the supplemental agreement dated 10 October 2025)

Parties: (1) the Company (on behalf of each relevant member of the Group); and
(2) Sino-Ocean Group Company (on behalf of each relevant Sino-Ocean Connected Person)

Subject matter: The Group and the Sino-Ocean Connected Persons have conditionally agreed to cancel the Original Assets Transfer and to return to the Sino-Ocean Connected Persons the Target Assets. The Target Assets comprises 2,418 parking spaces located in the PRC which form part of the assets transferred by the Sino-Ocean Connected Persons to the Group pursuant to the Original Assets Transfer Framework Agreements. The original purchase price of RMB312,400,500 of the Target Assets under the Original Assets Transfer Framework Agreements will be reverted and settled by the Guaranteed Loan owing by the Sino-Ocean Group Borrower (being a designated wholly-owned subsidiary of Sino-Ocean Group Company) to the Sino-Ocean Service Lender, with Sino-Ocean Group Company acting as the guarantor to the Guaranteed Loan.

The Framework Agreement is a framework agreement which outlines the principles, mechanisms and terms under which the parties will execute the Transaction. After signing the Framework Agreement, each relevant member of the Group, and/or the respective Sino-Ocean Connected Person (including the Sino-Ocean Group Borrower), will separately enter into cancellation agreements or confirmation letter(s) with respect to the Target Assets, a loan agreement for the Guaranteed Loan, and any relevant ancillary documents (collectively referred to as the Underlying Transaction Agreements) subject to the terms of the Framework Agreement. The signing of, and completion of the transactions contemplated under, the Underlying Transaction Agreements will be subject to approval from the Independent Shareholders as well as satisfaction (or waiver, if applicable) of all other conditions to the Framework Agreement.

For further details, please refer to the section headed “THE FRAMEWORK AGREEMENT” as set out in the Letter from the Board.

**Consideration and
payment terms:**

For the purpose of the Return, the original purchase price of RMB312,400,500 of the Target Assets under the Original Assets Transfer Framework Agreements will be reverted and settled by the Guaranteed Loan in the equal amount of RMB312,400,500. The lender of the Guaranteed Loan is the Sino-Ocean Service Lender and the borrower of the Guaranteed Loan is the Sino-Ocean Group Borrower, with Sino-Ocean Group Company as the guarantor to the Guaranteed Loan.

The Consideration in an amount of RMB312,400,500 is equivalent to the original consideration paid by the Group in respect of the Original Assets Transfer pursuant to the Original Assets Transfer Framework Agreements, which was determined after arm’s length negotiations between the parties to the Framework Agreement having considered the reasons for and benefits of the Transaction in the section headed “REASONS FOR AND BENEFITS OF THE TRANSACTION” in the Letter from the Board.

The principal terms of the Guaranteed Loan in the amount of RMB312,400,500 include (i) a term of 120 months from the Utilization Date, to be settled according to the scheduled principal repayment as set out in the Letter from the Board; and (ii) a rate of interest of 2% per annum subject to detailed terms of repayment. The Guaranteed Loan is to be funded by internal resources of the Group and shall only be applied towards the settlement of the Consideration. The Group shall ensure that there will be no net cash outflow from the Group as set out in the Letter from the Board.

For further details, including the terms in relation to the repayment schedule and interest rate, please refer to the section headed “THE FRAMEWORK AGREEMENT” as set out in the Letter from the Board.

**Conditions
Precedent:**

Conditions Precedent of the Framework Agreement include:

- (i) all representations, warranties and undertakings made by the Sino-Ocean Connected Persons to the Group under the Framework Agreement being true, accurate and complete in all material aspects;
- (ii) the substance and form of the Underlying Transaction Agreements having been agreed by the parties to the Framework Agreement; and
- (iii) all necessary internal and external authorisations and approvals in relation to the transactions contemplated under the Framework Agreement and the Underlying Transaction Agreements having been obtained by the Group (including the approval by the Independent Shareholders as required under the Listing Rules) and the Sino-Ocean Connected Persons.

The Conditions Precedent as set out in sub-paragraphs (ii) and (iii) above are not waivable, and the Condition Precedent as set out in sub-paragraph (i) above is waivable by the Group.

The parties shall use all reasonable endeavours to procure the above Conditions Precedent be fulfilled on or before 31 December 2025 (or such later date to be agreed between the parties to the Framework Agreement in writing). In any event that any of the Conditions Precedent is not fulfilled (or waived, if applicable) by such date, either party shall have the right to unilaterally terminate the Framework Agreement by written notice to the other party.

For further details of the Framework Agreement including, among others, terms in relation to the Guaranteed Loan and the completion, please refer to the section headed “THE FRAMEWORK AGREEMENT” as set out in the Letter from the Board.

6. Our analysis and work performed on the Transaction

6.1 *Our analysis on the background information leading to the Transaction*

We noted the background information of the Target Assets and the Transaction from the Letter from the Board, which is further set out under sections headed “2. Information on the Target Assets” and “4. Reasons for and benefits of the Transaction” in this letter, respectively. Nonetheless, we have further conducted our research on the background information leading to the Transaction.

As set out in the announcement of the Company dated 21 July 2023 (the “**2023 Announcement**”), the Group recorded receivables due from Sino-Ocean Group at the material time (the “**Receivables**”). The subject assets comprised of (i) 4,961 parking spaces; and (ii) 168 commercial properties (with a total gross floor area in the region of 13,000 sq.m. in aggregate) ((i) and (ii) together the “**2023 Subject Assets**”), located in the PRC were transferred to the Group to offset against the Receivables under the Original Assets Transfer Framework Agreements.

Based on the 2023 Announcement, the valuation of the 2023 Subject Assets as at 31 May 2023 amounted to approximately RMB894.9 million (the “**2023 Appraised Value**”). The market value as appraised by an independent valuer of the subject parking spaces and the subject commercial properties as at 31 May 2023 was approximately RMB677.1 million and RMB217.8 million, respectively. Given the 2023 Subject Assets with its 2023 Appraised Value of approximately RMB894.9 million was applied to offset the outstanding Receivables of approximately RMB626.4 million, the Company in effect acquired the 2023 Subject Assets at a notable discount to its appraised value as a whole at the relevant time. The Management advised that the ownership rights (for commercial properties) and/or right of use (for certain parking spaces) of the 2023 Subject Assets, where applicable, were transferred to the Group after the then independent Shareholders’ approval.

We noted that the transfer under the Original Assets Transfer Framework Agreements in 2023 aimed to expand the Group’s parking space trading business, thereby increasing its revenue and enhancing overall profitability.

6.2 *Our analysis on the rationale of the Transaction*

However, after the Original Assets Transfer, it came to the attention of the Board that out of the 2023 Subject Assets, 2,418 parking spaces (i.e. the Target Assets) are, or could potentially be, subject to freezing and/or enforcement measures, i.e. the Issues, as a result of, among others, litigations, disputes and/or outstanding debt obligations involving the relevant Sino-Ocean Connected Persons at the level of development project companies as the registered owner of the Target Assets.

As set out in the Letter from the Board, the Group objected to the relevant freezing and/or enforcement measures and has taken actions to protect the legal rights of the Company and its shareholders as a whole, including filing objection applications with the local authorities.

Despite the Group's efforts and the existence of the Group's legal rights, it was noted from the Letter from the Board that the court judgement results have favoured priority debts at the level of project companies, being registered owners of the Target Assets.

The existence of the Issues negatively impacted the Group's ability to generate cash from rental or resale of the affected Target Assets and makes it impracticable for the Group to generate cash by leasing out or selling the Target Assets. Furthermore, the ongoing challenging operating environment of the PRC real estate market cast additional uncertainties on the marketability of the Target Assets.

In this connection, based on our review of the PRC legal opinion by the PRC legal adviser on the status of the Target Assets (the "**PRC Legal Opinion**") and as confirmed by the PRC legal adviser of the Company, the Target Assets are, where applicable, at risk of or are currently restricted from being sold, transferred or leased by the Group given the Issues. Despite the Management's efforts and having sought different means, legal and otherwise, the Company has not been able to resolve the Issues and, where relevant, lift the restrictions imposed on and/or mitigate the risks associated with the right of use of the Target Assets up to the Latest Practicable Date, and therefore could not identify interested purchasers to acquire the Target Assets in their existing states at acceptable terms.

We understand from the Management that there are practical risks of the Target Assets being seized by the PRC court and/or subject to foreclosure sale in the future, the timing of which are subject to uncertainties as at the Latest Practicable Date. In addition, the Company may or may not receive any consideration/monetary value under such circumstances. On this basis, the Group's inability to generate any economic benefits from the Target Assets may continue indefinitely if the situation remains unchanged. Furthermore, the Company considers that holding onto the Target Assets might potentially lead to impairment due to their frozen/enforced status and/or the ongoing litigation risks, thereby may lead to adverse impact to the financial performance of the Group (the "**Ongoing Risks**").

6.3 Alternatives considered by the Company

With a view to manage the Ongoing Risks, the Company (on behalf of each relevant member of the Group) decided to negotiate with Sino-Ocean Group Company (on behalf of each relevant Sino-Ocean Connected Person) to return the Target Assets at the consideration determined with reference to the relevant portion of the 2023 Appraised Value, being RMB312,400,500 by way of cancellation of the Original Assets Transfer. For the avoidance of doubt, the remaining assets transferred by the Sino-Ocean Connected Persons to the Group pursuant to the Original Assets Transfer Framework Agreements had been sold or remained as assets of the Group held for resale.

The Management also advised that prior to entering into the Framework Agreement, the Company has also considered alternative methods to mitigate the Ongoing Risks, such as, where applicable, (i) swapping the Target Assets for alternative assets owned by Sino-Ocean Group, such as other parking spaces or alternative assets owned by Sino-Ocean Group. However, given the current market conditions and Sino-Ocean Group's status, as further detailed under the section headed "3. Information of Sino-Ocean Group and Sino-Ocean Group Company", and the SOG Circumstances as set out under "6.4 Our analysis on the background of Sino-Ocean Group Company, the SOG Debt Restructuring and its effects on the terms of the Transaction" in this letter, the Management considers that this approach was deemed undesirable since it could lead to similar issues concerning the Target Assets; (ii) retaining the Target Assets and continue pursuing legal actions, including legal means to remove the relevant legal restrictions, regain control of the seized assets and/or complete the registration of the transfer of the subject assets in addition to filing objections with local authorities. Despite these efforts and the existence of the Group's legal rights, court judgments have favoured priority debts at the level of project companies, being registered owners of the relevant Target Assets; and (iii) alternative repayment options for settlement of the Consideration with immediate repayment or a shorter repayment schedule for settlement. However, the Management noted that given Sino-Ocean Group's prevailing situation, in particular, its available cash resources were earmarked for critical operations related to "guaranteed delivery of houses" and "guaranteed operations" policies in the PRC, thus a shorter repayment schedule would be impractical. Despite the Group's efforts, it had limited success in removing the Ongoing Risks and the Management is unable to identify interested purchasers to acquire the Target Assets in their existing state at acceptable terms.

In this connection, our work done included (i) our review of published information including the circular and announcement of Sino-Ocean Group Company dated 1 November 2024 and 27 March 2025 respectively regarding the status of its offshore debt restructuring, the announcement of the Company dated 16 July 2025; (ii) our analysis of the status of Sino-Ocean Group Company and background of the SOG Debt Restructuring under the section headed “6.4 Our analysis on the background of Sino-Ocean Group Company, the SOG Debt Restructuring and its effects on the terms of the Transaction” in this letter below; and (iii) our review of the PRC Legal Opinion as further set out under section headed “6.2 Our analysis on the rationale of the Transaction” in this letter above, and internal records of management meetings and/or discussions as provided by the Management to support that the Management has considered alternative methods with a view to mitigate the Ongoing Risks prior to entering into the Framework Agreement.

On this basis, after careful evaluations of the merits and limitations of the Transaction and various alternatives by the Management, it is considered that entering into the Framework Agreement is an appropriate course of action for the Group given the Ongoing Risks and the lack of other readily available alternatives as at the Latest Practicable Date.

6.4 Our analysis on the background of Sino-Ocean Group Company, the SOG Debt Restructuring and its effects on the terms of the Transaction

As set out in the announcement of Sino-Ocean Group Company dated 27 March 2025, the offshore debt restructuring of Sino-Ocean Group Company became effective on 27 March 2025 (i.e. the SOG Debt Restructuring). Based on the circular of Sino-Ocean Group Company dated 1 November 2024 and other publicly available information¹, the repayment terms of the new debt/convertible instruments of Sino-Ocean Group Company issued under the Hong Kong debt restructuring scheme sanctioned by the Hong Kong Court ranged from 24 months to 120 months from the restructuring effective date (the “**Repayment Timeframe**”) with a rate of interest from nil% to 3.0% (the “**Restructured Interest Rate**”).

Given (i) the prevailing financial position Sino-Ocean Group; (ii) Sino-Ocean Group is subject to the guaranteed delivery of housing units* (保交房) and guaranteed operations* (保運營) government policies; and (iii) in the event that the Company becomes one of the Sino-Ocean Group’s creditors, no preferential treatment will be given to the Company as all of the Sino-Ocean Group’s creditors should be treated evenhandedly, thus the Consideration payable to the Company under the Framework Agreement in connection with the Transaction as a result of the Return will not be settled immediately and that the settlement period shall be in line with the repayment terms under the SOG Debt Restructuring from Sino-Ocean Group’s perspective (together the “**SOG Circumstances**”).

¹ Website of the Stock Exchange, Sino-Ocean Group circular dated 1 November 2024 (source: www1.hkexnews.hk/listedco/listconews/sehk/2024/1031/2024103101618.pdf)

In addition, from our review of the information related to Sino-Ocean Group as well as the work and analysis performed, we noted the following,

- (i) the shares of Sino-Ocean Group are continued to be available for trading on the Stock Exchange as at the Latest Practicable Date;
- (ii) the Management advised that Sino-Ocean Group has continued to resolve matters related to its disclaimer of opinion on going concern and its overall debt situation. In this connection, we have reviewed and noted from the announcement of Sino-Ocean Group dated 30 June 2025 that (a) its offshore debt restructuring plan becoming effective reduced Sino-Ocean Group's leverage by approximately US\$4 billion, which improved its asset-liability structure and alleviated its offshore liquidity pressures; and (b) Sino-Ocean Group has actively managed its onshore corporate bonds, with bondholders' meetings for four onshore corporate bonds have been duly convened, at which resolutions on adjustment of arrangements for repayment of principal and interest and other matters have been considered and approved, and that trading of seven onshore corporate bonds has also been resumed with effect from the commencement of trading hours of the Shanghai Stock Exchange on 12 May 2025. In addition, we also noted development to the onshore debt restructuring plan of Sino-Ocean Group as set out in its announcement dated 30 September 2025. Such demonstrated that Sino-Ocean Group has been taking actions with a view to improve its overall debt situation;
- (iii) based on the circular of Sino-Ocean Group dated 1 November 2024 (the **"Sino-Ocean Group Restructuring Circular"**) in relation to, among others, the debt restructuring of the subject restructuring group companies, notes issuers and subsidiary guarantors (the **"Sino-Ocean Group Restructuring"**), we noted from the Sino-Ocean Group Restructuring Circular that based on the business plan of Sino-Ocean Group (the **"Business Plan"**) prepared on the assumption that the subject restructuring takes effect and the Sino-Ocean Group continues to operate on a going concern basis and presents the Sino-Ocean Group's projected annual cash inflows and outflows during the forecast period from January 2024 to December 2034 (the **"Forecast Period"**), Sino-Ocean Group Company expects to generate cash during the Forecast Period to repay the new loan and new notes as part of the restructuring consideration. The issue of mandatory convertible bonds would also increase the capital base through the issue of new shares of Sino-Ocean Group Company and further improve Sino-Ocean Group Company's capital structure.

In this connection, the Management advised that the Business Plan formed part of the Sino-Ocean Group Restructuring. Such Sino-Ocean Group Restructuring was sanctioned by the relevant Court and became effective in March 2025;

- (iv) as set out in the announcement of Sino-Ocean Group Company dated 1 August 2025, among others, with a view to advance its sustainable operations going forward, it is preliminarily planned to provide an overall restructuring plan to holders of the existing onshore corporate bonds and interbank directed debt financing instruments issued by one of its wholly-owned subsidiaries, which included, multiple settlement options, including, among others, long-term debt retention plan, subject to the relevant bondholders, to extend the repayment date (i.e. the maturity date) to the 30 September 2035 (i.e. 10th year after 30 September 2025, being the benchmark date) and the interest rate will be uniformly adjusted to 1% per annum from the benchmark date. It was further noted from the announcement of Sino-Ocean Group Company dated 14 August 2025 that to implement the subsequent repayment arrangements of the relevant bonds as disclosed thereunder, the trading of seven subsisting corporate bonds will be suspended with effect from the commencement of trading hours of the Shanghai Stock Exchange on 15 August 2025. For further details, please refer to the aforesaid announcements of Sino-Ocean Group;
- (v) based on the interim results announcement of Sino-Ocean Group Company dated 28 August 2025, although Sino-Ocean Group recorded a lower level of revenue of approximately RMB6.2 billion and an operating loss of approximately RMB19.2 billion for the first half of 2025, Sino-Ocean Group has recorded a profit attributable to shareholders of approximately RMB10.2 billion, which was primarily attributable to gains from the SOG Debt Restructuring becoming effective on 27 March 2025. As a result, Sino-Ocean Group had turned around from a net deficit position of approximately RMB2.5 billion as at 31 December 2024 to a net asset position of approximately RMB8.2 billion as at 30 June 2025; and
- (vi) as set out in its announcement dated 11 September 2025 in relation to unaudited operating statistics, the contracted sales of Sino-Ocean Group, together with its subsidiaries, joint ventures and associates for August 2025 amounted to approximately RMB1.70 billion and from 1 January 2025 to 31 August 2025, the accumulated contracted sales amounted to approximately RMB16.44 billion for the eight months ended 31 August 2025.

Further to the above, the Management confirmed that the Company shall adopt the following internal control measures to safeguard its interests under the Guaranteed Loan:

- (i) the capital market department of the Group will gather any published information and relevant news of Sino-Ocean Group on a weekly basis and update the situation of Sino-Ocean Group to the management team of the Group (the “**Management Team**”) on a monthly basis, and as and when necessary, in particular where there are major updates;
- (ii) the finance Department of the Group (i.e. the Finance Department) will obtain and review the management accounts and/or financial statements of the Sino-Ocean Group Borrower on a semi-annual basis as well as the then latest financial position and performance of Sino-Ocean Group as soon as practicable after the publication of the interim results and annual results of Sino-Ocean Group, and report back to the Management Team;
- (iii) the then status of the Guaranteed Loan, Sino-Ocean Group and Sino-Ocean Group Borrower will be reported to the Board, including the independent non-executive directors at least on a semi-annual basis;
- (iv) the Company shall establish channels of communication with the relevant personnel of Sino-Ocean Group and Sino-Ocean Group Borrower to gain an understanding on identified matters which may adversely affect the repayment under the Guaranteed Loan and follow up with them on the solution(s) thereof;
- (v) the Finance Department shall monitor the timing of the scheduled repayment under the Guaranteed Loan, and to follow up promptly on overdue repayment, if any, to ensure that the repayments to be made by Sino-Ocean Group Borrower are in accordance with the repayment schedule under the Guaranteed Loan; and
- (vi) after evaluation of the commercial merits and limitations to the Group as a whole, the Company will take appropriate actions, legal or otherwise, in a timely manner to resolve any long overdue repayment of Sino-Ocean Group Borrower with a view to protect the interests of the Company and its Shareholders as a whole.

The effective implementation of the aforesaid internal control measures can provide timely information for the monitoring of the status and risks of the Guaranteed Loan, Sino-Ocean Group and Sino-Ocean Group Borrower. Furthermore, Sino-Ocean Group Company, being a listed company on the Stock Exchange, agrees to provide a corporate guarantee for the repayment obligations of the Sino-Ocean Group Borrower under the Guaranteed Loan in favour of the Sino-Ocean Service Lender. It is noted from the Letter from the Board that the Group will exercise its rights under the loan agreement of the Guaranteed Loan if the Guaranteed Loan is not repaid as agreed or scheduled. We concur with the Directors that there are internal control measures to monitor and safeguard the Company's interests under the Guaranteed Loan as a whole.

6.5 Our analysis and work performed on the Consideration

Further to our qualitative analysis on the Transaction under the preceding sub-sections under the heading "6. Our analysis and work performed on the Transaction" above. We have also analysed the Transaction from a quantitative perspective below.

(i) Value comparison analysis on the Consideration

The Consideration as a result of the Return is equivalent to the consideration paid by the Group for the Target Assets pursuant to the Original Assets Transfer Framework Agreements in 2023, being RMB312,400,500. However, attributable to accounting treatment of the loan receivables under the Guaranteed Loan, a loss is expected as a result of the Transaction, further analysis of which are set out in the section headed "7. Possible financial effects of the Transaction".

Nonetheless, it is noted that the Consideration, in its absolute amount, represent a premium to each of (a) the appraised values in existing state and reference values under the Asset Valuation (defined hereafter) as at 31 August 2025; and (b) the carrying value of the Target Assets as recorded on the consolidated statement of financial position of the Group as at 30 June 2025.

In addition, the expected total cash inflow, in its absolute amount, as a result of the Transaction, being the Consideration plus the corresponding interests, is greater than the Consideration and is therefore also at a premium to (a) and (b) above.

(ii) Our analysis on the Asset Valuation

It is noted that a valuation on the Target Assets (the “**Asset Valuation**”) was carried out by the Independent Valuer, Cushman & Wakefield Limited. Based on the information as set out in the Letter from the Board and the Asset Valuation, the Consideration as a result of the Return represents a premium to the appraised values in existing state and reference values of the Target Assets as at 31 August 2025. In assessing the Consideration, we have reviewed and discussed with Independent Valuer in respect of the Asset Valuation, the methodology of, and basis and assumptions adopted thereof, as set out in the valuation report in Appendix II to the Circular (the “**Valuation Report**”). Our detailed analysis in relation to the Asset Valuation is set out below.

Background of the Independent Valuer

We have discussed with the engagement team of the Independent Valuer as to their expertise, valuation experience, their scope of work and valuation procedures conducted in relation to the valuation of Target Assets. We also noted that the Independent Valuer reviewed the background information and other relevant data concerning the Target Assets, reviewed the applicable legal documents, titles/registrations/permits/licenses relating to the Target Assets and has taken into consideration the status and the restrictions of the Target Assets.

In addition, we have also reviewed the terms of engagement of the Independent Valuer, and the Independent Valuer has confirmed that its scope of work in connection with the Valuation Report is appropriate to the opinion required to be given under the relevant Listing Rules. Furthermore, the Independent Valuer confirmed that there were no limitations on its scope of work which may adversely impact on the degree of assurance given by the Valuation Report. We also noted that the Independent Valuer carried out site visits to inspect the Target Assets, investigated the title of the Target Assets.

Based on the above, we are satisfied that the Independent Valuer is qualified to give its opinion as set out in the Valuation Report taken into account its relevant experiences and expertise, its independence, and its scope of work and valuation procedures conducted.

Basis and methodology of the Asset Valuation

As set out in the Valuation Report, it was compiled with the applicable valuation guidance and/or standards, namely, the HKIS Valuation Standards 2024.

Based on our discussion with the Independent Valuer on the methodologies, basis and assumptions adopted, we understood that the Independent Valuer has adopted the market comparison method in the Asset Valuation. While the Asset Valuation was conducted based on the market comparison method, the Independent Valuer mainly made reference to price information of comparable properties of similar character and location. As discussed with the Independent Valuer, we noted that the Independent Valuer mainly made reference to relevant comparable price evidence of property of similar use type with relevant adjustments when adopting the market comparison method, such as, among others, transaction type, date of transaction, age and upkeep condition of the property, differences in size, location and accessibility between the comparable properties and the Target Assets, to arrive at the Asset Valuation. In order to assess the fairness and representative of the adjustments applied to the comparable properties, we have discussed with the Independent Valuer on the adjustments made to reflect different attributes between the comparable properties and the Target Assets. We understand from the Independent Valuer that the general basis of adjustments of such attributes is that if the comparable properties are superior to the Target Assets in respect of the subject adjustment factors, a downward adjustment would be applied, and vice versa, a upward adjustment would be applied if it is inferior to the Target Assets, where applicable. We also noted from the Independent Valuer that the approach adopted, including the underlying principle assumptions, is commonly used for deriving market value of parking spaces in the PRC and considered the valuation method adopted by the Independent Valuer to be appropriate.

Our work performed on the Asset Valuation

In assessing the fairness and reasonableness of the Asset Valuation, we have performed the following work and analysis as set out below. We have reviewed the Valuation Report and discussed with the Independent Valuer regarding the methodology adopted. We understand that the market comparison method has been adopted by the Independent Valuer and such method is commonly used for determining market value of assets with similar nature to that of the Target Assets. We have obtained and reviewed supporting documents and/or information on the comparable transactions used by the Independent Valuer under the market comparison method as well as the Independent Valuer's calculations of the appraised values.

We also noted from the Valuation Report that the Independent Valuer ascribed no commercial value to the Target Assets in existing state as at 31 August 2025, as the Target Assets were subject to the Issues and matters as detailed in the Valuation Report (the “**Appraised Value**”). The Target Assets comprised (a) 21 parking spaces of the Yangzhou Guangling Chenzhang project* (揚州廣陵宸章項目) in Yangzhou (the “**Yangzhou Parking Spaces**”), all of which have been seized by the PRC court; (b) 1,370 parking spaces of the Xixi Mansion project* (西溪公館項目) in Hangzhou (the “**Xixi Parking Spaces**”); and (c) 1,027 parking spaces of the Nanjing WanHe Four Seasons project* (南京萬和四季項目) in Nanjing (the “**Nanjing Parking Spaces**”), as at 31 August 2025.

Nonetheless, we also noted from the Valuation Report that for the Group’s management reference, the Independent Valuer was instructed to separately assess the market value of the Target Assets, and based on the assumptions that (a) the real estate title of the property is legally vested in the subject company(ies) and the subject property can be freely transferred; and (b) all the land premium or purchase consideration has been fully settled, the respective reference values of the Yangzhou Parking Spaces, the Xixi Parking Spaces and the Nanjing Parking Spaces would be RMB950,000, RMB228,110,000 and RMB48,780,000 respectively, and RMB277,840,000 in aggregate, as at 31 August 2025 (the “**Reference Value(s)**”).

Having considered that (a) our work and analysis as set out above; and (b) the Asset Valuation has been prepared in accordance with the applicable valuation standard(s), we are of the view that the Asset Valuation is an appropriate valuation reference point to assess the fairness and reasonableness of the Consideration.

6.6 Other terms of the Transaction

In connection with the payment terms of the Transaction, the Management believed that given the SOG Circumstances, the Transaction may be challenged by its creditors, through legal or other means, in the event that the settlement terms of the Consideration are considered to be more favourable compared to that of the Repayment Timeframe under the SOG Debt Restructuring.

Against this backdrop, the SOG Circumstances led to the settlement of the Consideration being spread over a period of time with interest. As further analysis, we have conducted market research on debt restructuring to assess the common market practice of the duration and rate of interest on the debt instruments/securities thereunder, based on the following criteria, (i) debt restructuring conducted by companies listed on the Main Board of the Stock Exchange; (ii) the date of the subject circular of which falls within 24 months immediately prior to the date of the announcement in relation to the Framework Agreement, i.e. 16 July 2025; and (iii) debt instruments/securities without convertible feature(s) are issued as part of the debt structuring plan (together the “**Debt Restructuring Criteria**”). Based on the Debt Restructuring Criteria, we have identified five debt restructuring market comparables (the “**Market Debt Restructuring Comparable(s)**”).

Name of listed company (stock code)	Date of circular	Repayment period of debt securities/ instruments without convertible feature(s)	Interest rate/coupon on the subject debt securities/ instruments without convertible feature(s)
Times China Holdings Limited (“ Times China ”) (1233)	10 July 2025	3.5 to 8 years	in the range of 4.0% to 4.5%, depending on loan tenure and payment in cash or in kind, subject to specified repayment schedule
Golden Wheel Tiandi Holdings Company Limited (“ Golden Wheel ”) (1232)	31 March 2025	5 years	1.0% per annum, either in cash or in kind at the election of the Issuer
IDT International Limited (“ IDT ”) (167)	24 January 2025	10 years	0% per annum for the initial three years, 3% per annum for the following three years and 5% per annum for the remaining four years

Name of listed company (stock code)	Date of circular	Repayment period of debt securities/instruments without convertible feature(s)	Interest rate/coupon on the subject debt securities/instruments without convertible feature(s)
Shimao Group Holdings Limited ("Shimao") (813)	30 December 2024	up to 9.5 years	in the range of 2.0% to 6.0%, depending on loan tenure and payment in cash or in kind, subject to specified repayment schedule
Sino-Ocean Group Holding Limited (i.e. Sino-Ocean Group Company) (3377)	1 November 2024	up to 10 years (i.e. 120 months) after restructuring effective date	3.0%, subject to certain conditions being met
	<i>Maximum:</i>	10 years	6.0% per annum
	<i>Minimum:</i>	3.5 years	1.0% per annum
	<i>under the Transaction:</i>	10 years (i.e. 120 months) from the Utilization Date	2.0% per annum

We noticed from the above table that (i) the repayment period of debt securities/instruments without convertible features ranged from three and a half years (Times China) to 10 years (IDT and Sino-Ocean Group Company); and (ii) the interest rate/coupon on the subject debt securities/instruments without convertible features under the subject debt restructuring ranged from approximately 1.0% per annum (Golden Wheel) to 6.0% per annum (Shimao). On this basis, the repayment period of 120 months, i.e. 10 years, and the interest rate of 2% per annum under the Transaction falls within the respective range. Although the listed companies which conducted debt restructuring exercise that have been identified as the Market Debt Restructuring Comparables may differ in industry, business scale and characteristics, and that the size of the debt restructured also varied. However, given the Market Debt Restructuring Comparables are selected based on the Debt Restructuring Criteria, we are of the view that the Market Debt Restructuring Comparables are appropriate and representative for the purpose of our analysis.

In addition to the results of the comparable analysis and we have also assessed the Consideration being payable over time under the repayment schedule instead of immediately after completion of the Return against factors, such as (i) the absence of alternative buyers of the Target Assets as analysed under the sub-section headed “6.3 Alternatives considered by the Company”; (ii) in the event that the Company holds onto the Target Assets, given the Ongoing Risks, the Management is of the view that the Target Assets may not generate any economic benefits for the Group indefinitely should the situation remains unchanged, and that the Company is at risk of losing control of the ownership and/or rights to the Target Assets, if materialised, such would lead to the balance of the Target Assets recorded on the consolidated financial statements of the Group being further impaired or written off, in part or in full, under the worst-case scenario; and (iii) based on our market research, the prevailing interest rate for RMB long-term fixed deposit, i.e. for periods of more than one year, with onshore PRC banking institutions as at the end of June 2025 ranged from 1.05% to 1.30% per annum, which is lower than the interest rate under the Guaranteed Loan.

On this basis, we concur with the Management that it is appropriate for the Group to return the Target Assets to the Sino-Ocean Connected Persons at the original purchase price of RMB312,400,500 by way of cancellation of the Original Assets Transfer. Given the Issues as discussed above, the Management considered that such would enhance the predictability of cash flow arising from the Target Assets, albeit over a duration comparable to the Repayment Timeframe. It is also noted that Sino-Ocean Group Company agrees to provide a corporate guarantee for the repayment obligations of the Sino-Ocean Group Borrower under the Guaranteed Loan in favour of the Sino-Ocean Service Lender.

6.7 *Summary of our analysis*

Having considered, among others,

- (i) the background and the rationale of the Transaction as set out under the sub-sections headed “6.1 Our analysis on the background information leading to the Transaction” and “6.2 Our analysis on the rationale of the Transaction”, in particular, the Ongoing Risks faced by the Group of not being able to generate any economic benefits from the Target Assets, which may continue indefinitely if the situation remains unchanged, and such would adversely affect the carrying value of the Target Assets;
- (ii) the Company is unable to identify alternative buyers given the status of the Target Assets as set out under the sub-section headed “6.3 Alternatives considered by the Company”;
- (iii) our value comparison analysis on the Consideration in this letter above sets out that the Consideration is equivalent to the consideration paid by the Group for the Target Assets pursuant to the Original Assets Transfer Framework Agreements in 2023, being RMB312,400,500, and the Consideration, in its absolute amount, represents a premium to each of (a) the Appraised Value and the Reference Value as set out in the Valuation Report; and (b) the carrying amount of the Target Assets as recorded on the consolidated statement of financial position of the Group as at 30 June 2025;
- (iv) given the SOG Circumstances, all of the Sino-Ocean Group’s creditors should be treated evenhandedly, thus any amount payable by Sino-Ocean Group to the Company under the Transaction will not be settled immediately and that the settlement period shall be in line with the repayment terms under the SOG Debt Restructuring; and
- (v) our analysis on the principal terms of the Transaction, including the Consideration and settlement terms under the sub-sections headed “6.5 Our analysis and work performed on the Consideration” and “6.6 Other terms of the Transaction”,

we concur with the view of the Directors that the terms of the Transaction are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

7. Possible financial effects of the Transaction

As discussed with the Management, we understand that upon completion of the Return, the Group will cease to have any interests in the Target Assets and the entire carrying amount of the Target Assets, being recorded under “inventories” as part of the Group’s current assets on its consolidated statement of financial position, will be deducted from the inventories balance. On the other hand, a balance equivalent to the present value of the Loan Receivables (defined hereafter) will be recorded under other receivables, as part of the Group’s non-current assets on its consolidated statement of financial position. The Management expects that (i) the balance of the present value of the loan receivables under the Guaranteed Loan (the “**Loan Receivables**”) to be less than (ii) the balance of the Target Assets recorded on the consolidated statement of financial position of the Group as at 30 June 2025, the relevant differences will be recorded as a loss in the consolidated statement of comprehensive income.

However, it should be noted that the carrying value of the Loan Receivables balance initially recognised will not be equivalent to the actual cash flow of the Transaction, rather it is an accounting representation of the carrying value of the Loan Receivables at the material time, calculated based on the present value of the expected cash inflow arising from the Loan Receivables. Furthermore, it is also noted that the relevant accounting standards require the Group to recognise interest income over time, which would correspondingly increase the carrying value of the Loan Receivables on the consolidated financial statements of the Group as time passes. Therefore, the closer the reporting date of the consolidated financial statements to the scheduled loan repayment dates, assuming all things being equal, the carrying value of the Loan Receivables would increase, and such increase is not driven by any actual cash settlement in nature. On this basis, Shareholders should note that these accounting representations and theoretical accounting balances, which are determined with reference to estimates together with the scheduled time of the repayment under the Transaction, may or may not represent the actual monetary amount of the receivables under the Transaction at the relevant time.

It should be noted that the aforementioned analysis is for illustrative purposes only and subject to audit, and do not purport to represent how the financial position and/or performance of the Group will be upon completion of the Transaction.

From a cashflow perspective, as set out in the Letter from the Board, the Group expects there to be no net cash outflow from the Group. On this basis, barring unforeseen circumstances, the Management does not expect the Transaction to have any material adverse effect on the working capital of the Group.

VI. RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the principal factors and reasons as set out in this letter and we consider that although the Framework Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the terms thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
Red Sun Capital Limited



Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in the corporate finance industry.

* *for identification purposes only*