

10 December 2024

*The Independent Board Committee*  
*Jiayuan Services Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
VALUABLE CAPITAL LIMITED  
FOR AND ON BEHALF OF THE JOINT OFFERORS  
TO ACQUIRE ALL THE ISSUED SHARES OF  
JIAYUAN SERVICES HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY THE JOINT OFFERORS  
AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee with respect to the Offer, details of which are set out in the Composite Document, of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 5 September 2024, the Receivers and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Receivers agreed to sell, and the Purchaser agreed to acquire, the Sale Shares (representing approximately 73.56% of the issued share capital of the Company as at the Latest Practicable Date), at a total consideration of HK\$99,000,000, being HK\$0.22 per Sale Share, free from all encumbrances and together with all rights attaching thereto, including the right to receive all and any dividends, distributions and other rights declared, made, distributed or paid in respect of the Sale Shares the record date for which falls on a date which is on or after the Completion Date.

Completion took place on 5 September 2024. Immediately before Completion, the Joint Offerors and parties acting in concert with any of them were interested in 450,000,000 Shares in the capacity of holder of a security interest. Immediately after Completion and as at the Latest Practicable Date, the Joint Offerors and parties acting in concert with any of them were

interested in 450,000,000 Shares, representing approximately 73.56% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Joint Offerors are required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Joint Offerors and the parties acting in concert with any of them).

#### **THE INDEPENDENT BOARD COMMITTEE**

The Company has established the Independent Board Committee comprising all independent non-executive Directors, namely Ms. Liang Yunxu, Mr. Wang Huimin and Mr. Wong Kwok Yin, all of whom have no direct or indirect interest in the Offer, to advise the Independent Shareholders in relation to the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer.

We, TC Capital International Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

#### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we are not in the same group as the financial or other professional advisers (including a stockbroker) to the Joint Offerors or the Company.

Save as our appointment as the Independent Financial Adviser by the Company to issue a comfort letter in relation to the disclosure of material change of the financial and trading position of the Group in the Composite Document as required under Rule 10.11 of the Takeovers Code, and apart from the normal professional fees paid or payable to us in connection with the current engagement as the Independent Financial Adviser in respect to the Offer, we do not and did not have any relationship that amounted to a significant connection with the Company or the Joint Offerors within the past two years which could create, or be perceived as creating, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

As at the Latest Practicable Date, none of the circumstances set out in Rule 13.84 of the Listing Rules existed that could reasonably be regarded as a hindrance to our independence to act as the Independent Financial Adviser in respect of the Offer.

Accordingly, we consider that we are independent pursuant to Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules.

## BASIS OF OUR OPINION

In formulating our opinion and recommendation in respect of the Offer, we have considered and reviewed, among other things, (i) the Composite Document; (ii) the annual results announcement of the Company for the year ended 31 December 2023 (the “**2023 Annual Results**”); (iii) the interim results announcement of the Company for the six months ended 30 June 2024 (the “**2024 Interim Results**”); (iv) the relevant market data and information available from public sources; and (v) the other information as set out in the Composite Document.

We have relied on the statements, information and representations contained or referred to in the Composite Document and the information provided and representations made to us by the Directors and the management of the Company. We have assumed that all the statements, information and representations contained or referred to in the Composite Document and all the information provided and representations made by the Directors and the management of the Company for which they are solely responsible, are true and accurate in all material respects as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the Directors and the management of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context. Our opinions are necessarily based on the financial, economic, market, regulatory and other conditions in effect, and the facts, information, representations and opinions made available to us as at the Latest Practicable Date. The Shareholders will be notified of material changes, if any, to the information contained or referred to herein and our opinions as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld; nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement (other than the information relating to the Joint Offerors and the parties acting in concert with any of them) in the Composite Document, including this letter, incorrect or misleading. We have not, however, carried out any independent verification of the information provided; nor have we conducted any independent investigation into the business and affairs of the Group and the Joint Offerors.

We have not considered the tax implications on the Independent Shareholders of the acceptance or non-acceptance of the Offer since these are dependent on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, consult their own professional advisers.

## PRINCIPAL FACTORS CONSIDERED

In arriving at our recommendation in respect to the Offer, we have taken into consideration the following principal factors:

### 1. Business, financial performance and prospects of the Group

#### (i) Business of the Group

As stated in the Composite Document, the Company is an investment company incorporated in the Cayman Islands with limited liability. The Group principally engages in the provision of property management services in the PRC.

#### (ii) Historical financial results and positions of the Group

Set out below is the financial results of the Group for (i) the years ended 31 December 2022 and 2023 (“FY2022” and “FY2023”, respectively) as extracted from the 2023 Annual Results; and (ii) the six months ended 30 June 2023 and 2024 (“1H2023” and “1H2024”, respectively) as extracted from the 2024 Interim Results:

	For six months ended 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	For six months ended 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	For the year ended 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>	For the year ended 31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
<b>Revenue</b>	434,364	442,007	868,211	944,793
Cost of services and sales	(288,349)	(280,792)	(626,136)	(664,853)
<b>Gross profit</b>	146,015	161,215	242,075	279,940
Other income and expenses, net	(399)	3,588	4,650	13,398
Other gains and losses, net	(1,584)	658	5,183	37,327
Impairment losses on financial assets	(13,183)	(46,708)	(100,035)	(186,423)
Impairment losses on goodwill	–	–	–	(14,557)
Loss on the Abnormal Transactions ( <i>Note 1</i> )	–	–	–	(643,819)
Loss on unauthorised Pledged Shares ( <i>Note 2</i> )	(5,881)	(5,952)	(11,833)	(37,482)
Loss on unauthorised guarantee	(753)	–	(123,000)	–
Selling and marketing expenses	(3,209)	(3,097)	(7,582)	(11,263)
Administrative expenses	(30,420)	(19,685)	(64,746)	(81,902)

	For six months ended 30 June 2024 RMB'000 (Unaudited)	For six months ended 30 June 2023 RMB'000 (Unaudited)	For the year ended 31 December 2023 RMB'000 (Audited)	For the year ended 31 December 2022 RMB'000 (Audited)
Finance costs	(655)	(866)	(1,682)	(2,299)
Share of results of associate(s)	(100)	(200)	20	541
<b>Profit/(loss) before taxation</b>	<b>89,831</b>	<b>88,953</b>	<b>(56,950)</b>	<b>(646,539)</b>
Income tax expense	(23,843)	(22,588)	(20,444)	(14,012)
<b>Profit/(loss) and total comprehensive income/(expense) for the period/year</b>	<b>65,988</b>	<b>66,365</b>	<b>(77,394)</b>	<b>(660,551)</b>
<b>Other information</b>				
Gross profit margin	33.6%	36.5%	27.9%	29.6%

*Notes:*

- During the continuation of the audit process for the year ended 31 December 2022, the Company discovered that there has been a number of abnormal payments and receipts recorded for the years ended 31 December 2021 and 2022 between the Group and certain entities, who were former and current employees, related parties and independent third parties of the Company at the material time (the “**Abnormal Transactions**”) that required further investigation. The details of the Abnormal Transactions and related investigation are set out in the announcement the Company dated 25 September 2024.
- As detailed in the announcement of the Company dated 30 September 2024, without the permission or authorisation of the Board and the senior management of the Company, the former management of certain subsidiaries of the Group, acted upon instructions from China Jiayuan, entered into an unauthorised and undisclosed share pledge agreement, pursuant to which Zhejiang Heyuan Property Services Co., Ltd. (浙江禾源物業服務有限公司), an indirect wholly-owned subsidiary of the Company, agreed to pledge its equity interest in Zhejiang Jiayuan Property Services Group Co., Ltd. (浙江佳源物業服務集團有限公司), currently known as Zhejiang Zhixiang Dacheng Property Services Group Co., Ltd (浙江智想大成物業服務集團有限公司), an indirect wholly-owned subsidiary of the Company, and all underlying interest thereof (the “**Pledged Shares**”).

As demonstrated in the above table, the revenue of the Group showed a decreasing trend since FY2022. The Group recorded a decrease in revenue of approximately 8.1% from FY2022 to FY2023. According to the 2023 Annual Results, such decrease was due to (i) the significant decrease in revenue generated from value-added services to property developers primarily attributable to the decrease in the number of venue services items and new projects delivered; and (ii) the decrease in revenue generated from property management services primarily attributable to the decrease in average property service fee. The Group recorded a slight decrease in revenue of approximately 1.7% from 1H2023 to 1H2024. According to the 2024 Interim Results, such movement was due to (i) the significant decrease in revenue generated from value-added services to property developers primarily attributable to the decrease in the number of newly-added venue services items; and (ii) the decrease in revenue generated from

community value-added services primarily attributable to (a) the decrease in gross floor area and (b) the decrease in revenue from common area value-added services compared with last year due to the decrease revenue from assisting property owners with rental of common area and advertising in common area.

The gross profit margin of the Group for each of FY2023 and 1H2024 also decreased as compared with that of the corresponding prior year/period. The Group recorded a deterioration in gross profit margin from approximately 29.6% for FY2022 to approximately 27.9% for FY2023. According to the 2023 Annual Results, such decrease was primarily attributable to the reduction of income from property management services. The Group recorded a decrease in gross profit margin from approximately 36.5% for 1H2023 to approximately 33.6% for 1H2024. According to the 2024 Interim Results, such decrease was primarily due to (i) the increase in employee benefits expenses; and (ii) the continuous implementation of cost measures as a result of improvement in the operation process.

The Group recorded a decrease of approximately RMB583 million in net loss from approximately RMB661 million for FY2022 to approximately RMB77 million for FY2023, which was mainly attributable to (i) the absence of the impairment losses on goodwill and the loss on the Abnormal Transactions for FY2023 of which were recorded for FY2022, (ii) the decrease in the impairment losses on financial assets and the loss on unauthorised Pledged Shares from FY2022 to FY2023. The decrease in net loss resulted from point (i) and (ii) above was partially offset by the loss on unauthorised guarantee recorded in FY2023 of which were not recorded for FY2022. The net profit of Group recorded a slight decrease of approximately RMB377 thousand from approximately RMB66.4 million for 1H2023 to approximately RMB66.0 million for 1H2024 mainly due to the decrease in revenue and gross profit which was partially offset by the decrease in the impairment losses on financial assets in the same period.

In light of the above in particular the decreasing trend in revenue, gross profit and gross profit margin of the Group from FY2022 to 1H2024, we consider that the Company's historical financial results were unsatisfactory.

Set out below is a summary of the financial positions of the Group as at 31 December 2022, 31 December 2023 and 30 June 2024:

	<b>As at 30 June 2024</b>	<b>As at 31 December 2023</b>	<b>As at 31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>194,027</b>	<b>197,041</b>	<b>211,881</b>
<b>Current assets</b>	<b>454,314</b>	<b>429,773</b>	<b>390,035</b>
– Trade and other receivables	390,458	377,920	365,401
– Restricted bank deposits	249	3,241	1,374
– Cash and cash equivalents	63,078	48,041	22,722
<b>Total assets</b>	<b>648,341</b>	<b>626,814</b>	<b>601,916</b>
<b>Non-current liabilities</b>	<b>14,181</b>	<b>19,792</b>	<b>31,703</b>
<b>Current liabilities</b>	<b>680,996</b>	<b>718,823</b>	<b>604,332</b>
<b>Total liabilities</b>	<b>695,177</b>	<b>738,615</b>	<b>636,035</b>

	<b>As at 30 June 2024</b> <i>RMB'000</i> <i>(Unaudited)</i>	<b>As at 31 December 2023</b> <i>RMB'000</i> <i>(Audited)</i>	<b>As at 31 December 2022</b> <i>RMB'000</i> <i>(Audited)</i>
<b>Net current liabilities</b>	<b>226,682</b>	<b>289,050</b>	<b>214,297</b>
<b>Total (deficit in equity)/equity</b>	<b>(46,836)</b>	<b>(111,801)</b>	<b>(34,119)</b>

The Group consistently recorded net current liabilities and deficit in equity as at 31 December 2022, 31 December 2023 and 30 June 2024. In particular, we noted that as at 30 June 2024, the Group's cash and cash equivalents was only approximately RMB63 million, which was far below its current liabilities balance of approximately RMB681 million. The cash ratio (calculated as the cash and cash equivalents over the current liabilities) as at 30 June 2024 was only approximately 0.09. In any event that the Group is unable to recover its trade and other receivables in a timely manner for any reason, the Group might face risk of defaulting on its payments to suppliers, creditors, or employees and might lead to bankruptcy or insolvency issue at the worst case and if this happened, the price of the Shares might face significant downward pressure.

According to note 2.1.3 in the 2023 Annual Results, the Group incurred a net loss during the year ended 31 December 2023, and as of that date, the Group had net current liabilities, capital deficiency and accumulated losses. Further, should the Pledged Shares be auctioned or sold, resulting in the Group losing control over Zhejiang Jiayuan Services and its subsidiaries, these entities will therefore be de-consolidated from the consolidated financial statements of Group in accordance with the requirements of HKFRS 10 Consolidated Financial Statements. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of its business.

Notwithstanding the measures taken by the directors of the Company to address the above events and conditions (for details, please refer to note 2.1.3 in the 2023 Annual Results), as stated in note 2.1.3 in the 2023 Annual Results, significant uncertainties exist as to whether the management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate operating cash flows in the near future and obtain the continuous financial support from its beneficial owner, at a level sufficient to finance the working capital requirements of the Group. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively.

Based on the foregoing, we are therefore of the view that the Offer provides a good exit opportunity to the Independent Shareholders who do not wish to assume the potential risks of bankruptcy or insolvency or inability to continue as a going concern of the Company.

*(iii) Business prospects of the Group*

As confirmed by the Group, the provision of property management services for residential properties in the PRC was and is expected to contribute the majority of the Group's revenue going forward, we are therefore of the view that the business prospects of the Group will be significantly influenced by the residential property market and the residential property management industry in the PRC.

According to the National Bureau of Statistics of the PRC, the floor area of residential properties newly started, which indicated the future potential supply of floor area of new residential projects available for the property management, decreased by approximately 40% from approximately 1,464 million square meters in 2021 to approximately 876 million square meters in 2022 and further decreased by approximately 21% to approximately 693 million square meters in 2023. The floor area of residential properties newly started for the 10 months ended 31 October 2024 continued to decrease by approximately 23% as compared to that for the corresponding period in 2023.

Moreover, according to the National Bureau of Statistics of the PRC, the floor area of residential properties sold, which is another indicator of the future potential supply of floor area of new residential projects available for the property management, also decreased by approximately 27% from approximately 1,496 million square meters in 2021 to approximately 1,096 million square meters in 2022 and further decreased by approximately 14% to approximately 948 million square meters in 2023. The floor area of residential properties sold for the 10 months ended 31 October 2024 continued to decrease by approximately 18% as compared to that for the corresponding period in 2023.

Though the decrease in the floor area of residential properties newly started and sold in 2022 might be resulted from the then lockdowns and other restrictive measures implemented throughout China in relation to the then COVID-19 pandemic, such decrease continued after the Chinese government lifted such measures since December 2022 as shown in the data for 2023 and the 10 months ended 31 October 2024. We are therefore of the view that the recent continued decrease in the floor area of residential properties newly started and sold shall reduce the potential floor area available for the Group to provide property management services and might therefore affect the revenue of the Group going forward.

Our view above is further supported by an article titled “2024上半年中國物業管理行業總結與下半年趨勢展望” (the “Summary of China's property management industry in the first half of 2024 and its outlook for the second half of 2024\*”) (the “**Article**”) published on 4 July 2024 by China Index Academy. China Index Academy is an independent real estate research institution founded by experts with over 500 professional analysts. China Index Academy has extensive experience in researching and tracking the property management industry in the PRC



and has conducted research on the Top 100 Property Management Companies since 2008. China Index Academy also cooperated with National Bureau of Statistics of the PRC in publishing “中國房地產統計年鑒” (the “China real estate statistics yearbook”), and was commissioned by listing applicants engaged in the property management industry for their application of listing on the Main Board and GEM of the Stock Exchange. According to the Article, the growth of the property management industry, being the service and operation segment in the real estate industry chain, will likely be affected by the development of upstream industries such as construction and sales of properties. Due to the recent slowdown of the upstream construction and sales activities of properties in the PRC, the properties available for property management are expected to be lesser and therefore the growth rate of the property management industry is expected to continue to slow down in the future. China Index Academy expected the growth rate of the total management area of China’s property management industry will decrease to approximately 3% and 3% for 2024 and 2025 respectively from approximately 7% and 5% for 2021 and 2022 respectively. Notwithstanding that the view of China Index Academy in the Article above was referring to the overall property management industry in China, given that the residential properties segment accounted for majority of the overall upstream property activities in China (according to the National Bureau of Statistics of the PRC, the floor area of residential properties newly started accounted for over 70% of the relevant total market for the three years ended 31 December 2023 and the 10 months ended 31 October 2024 while the floor area of residential properties sold also accounted for over 80% of the relevant total market in the same periods), we are of the view that the above view of China Index Academy in the Article is also applicable to the Group in a large extent.

Considering the expected slowdown in the growth of the property management industry in the PRC, we are of the view that the business prospect of the Group will remain uncertain going forward.

## **2. Potential uncertainty in restoring public float of the Company after the close of the Offer**

The Stock Exchange has stated that if, at the close of the offer, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued shares (excluding treasury shares), are held by the public, or if the Stock Exchange believes that:–

- a false market exists or may exist in the trading of the shares; or
- that there are insufficient shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the shares.

Considering that as at the Latest Practicable Date, the Joint Offerors and parties acting in concert with any of them were interested in 450,000,000 Shares, representing approximately 73.56% of the total issued share capital of the Company, there is a high possibility that after the close of the Offer, there will be less than 25% of the Company’s total number of issued

Shares held by the public. Pursuant to the Rule 13.32(3) of the Listing Rules, if the percentage falls below the minimum, the Stock Exchange reserves the right to require suspension of trading in an issuer's securities until appropriate steps have been taken to restore the minimum percentage of securities in public hands. In this connection, the Stock Exchange will normally require suspension of trading in an issuer's securities where the percentage of its public float falls below 15%.

It is possible that a listed issuer may fail to restore its public float for a prolonged period. Reference has been made to the scheme document jointly published on 22 December 2023 by Diamond Ridge Holdings Limited and Pine Care Group Limited (delisted from the Main Board of the Stock Exchange on 29 February 2024). Following the closing of the mandatory unconditional cash offers made by Rainbow Capital (HK) Limited for and on behalf of Diamond Ridge Holdings Limited to acquire all the issued shares in and to cancel all outstanding share options of Pine Care Group Limited on 28 October 2022, trading of the shares of Pine Care Group Limited had been suspended since 31 October 2022 pending the restoration of the minimum public float requirement of 25% pursuant to the Listing Rules. As disclosed, Pine Care Group Limited and Diamond Ridge Holdings Limited had been facing difficulties and challenges, which are out of their control, in order to procure potential investors for the purpose of meeting the public float requirement pursuant to the Listing Rules. It was further disclosed that if the public float of Pine Care Group Limited cannot be restored on or before 30 April 2024, the Stock Exchange may exercise its discretion to cancel the listing of the shares of Pine Care Group Limited. At the end, Pine Care Group Limited was privatized by Diamond Ridge Holdings Limited and the shares of Pine Care Group Limited was delisted from the Main Board of the Stock Exchange on 29 February 2024.

Based on the potential uncertainty in restoring public float of the Company after the close of the Offer, we are therefore of the view that the Offer provides a good exit opportunity to the Independent Shareholders who do not wish to assume the potential risk of the trading suspension of the Shares and delisting of the Shares due to potential failure for the Company and the Joint Offerors to restore the public float of the Company pursuant to the Listing Rules after the close of the Offer.

### **3. Information of the Joint Offerors and its intentions regarding the Group**

#### *(i) Information on the Joint Offerors*

##### *VCL*

As stated in the Composite Document, VCL is a limited company incorporated in Hong Kong and a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO. The directors of VCL are Cheung Ting, Lee Ching, Wong Kwong Tung and Zhou Teng.

VCL is an indirect wholly-owned subsidiary of VCGL. VCGL is a limited liability company incorporated in the Cayman Islands. VCGL is a leading technology-driven financial solution provider. It offers efficient, tailored, comprehensive and quality services to millions of retail individuals, as well as institutional and corporate clients across the globe. Its service has a global presence with operations in Mainland China, Hong Kong SAR, Singapore, the United States and Saudi Arabia. The directors of VCGL are Liu Yunli, Cheung Ting, Xu Ge, Deng Qingxu, Wu Weifa, Li Jinji and Lee Ching.

VCGL is owned by (i) Liu Yunli as to 8.83%; (ii) Xu Ge as to 19.34%; (iii) Wu Weifa as to 7.25%; (iv) Sina Corporation as to 17.46%; (v) Weibo Corporation as to 21.37%; and (vi) other 14 shareholders, which includes Top Prima Group Limited, Ever Torch Limited, Cloud Phoenix Limited, Wisdom River Holding Limited, Absolute Proficient Limited, Yan Wang, Li Kwok Fu, Glory Hunter Limited, Gu Gang, Fenghe Harvest Ltd, JAS Investment Group Limited, Rainbow Asia International Limited, AMG Music Holdings Corporation and SEENER Technology Limited, as to 25.75% in total.

##### *Linkto*

As stated in the Composite Document, Linkto is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding.

Madam Gao is the sole director and the sole beneficial shareholder of Linkto. Madam Gao started her career in 1974 as a technician at a paper manufacturing factory in Langxi County, Anhui Province, the PRC. During the period from 2015 to 2021, she served as a director and supply chain manager of Wuhu Guote E-Commerce Company Limited (蕪湖果特電子商務有限責任公司), which is principally engaged in e-commerce business. During such period, she was in charge of the company's supply chain planning, supplier management and procurement, as well as supply chain risk management. She has served as the sole director of Linkto since 2021, responsible for the overall objectives and strategic development of Linkto.

VCL and Linkto are third parties independent from the Company and its connected persons, and are independent from each other but for their acting in concert in connection with the Offer. They have been a business acquaintance to each other for a few years. As VCL intended to purchase the Sale Shares and would be required to make a mandatory offer under the Takeovers Code, it approached and discussed with a few potential investors including Linkto in respect of the sale and purchase of the Sale Shares and financing or investing in the subsequent Offer, whereupon Linkto agreed to act in concert with VCL and accept all the Shares tendered for acceptance in the Offer as Madam Gao is interested in the future business development of the Company. Linkto did not own any Shares in the Company prior to the Completion of the Sale and Purchase Agreement.

*(ii) Intentions of the Joint Offerors regarding the Group*

As stated in the Composite Document, upon Completion, the Joint Offerors became the controlling shareholders of the Company and were interested in approximately 73.56% of the issued share capital of the Company. Upon completion of the Offer, while continuing the principal business of the Group, the Joint Offerors will assist the Group in reviewing its existing capabilities and resources for the purpose of developing detailed business plans and strategies or to tap into new business opportunities. The Joint Offerors will continue to review the business operations and financial position of the Group from time to time for development of a sustainable business plan and strategy to the Group. The Joint Offerors have no intention to introduce major changes to the existing business of the Group. The intention of the Joint Offerors is to maintain the Company's existing principal activities, and as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Joint Offerors entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any asset or business into the Group.

As stated in the Composite Document, it is intended that all of the five Directors will resign with effect from (1) the earliest time permitted under the Listing Rules and Rule 7 of the Takeovers Code; or (2) the publication of all outstanding financial results (i.e. the annual results of the Group for the financial years ended 31 December 2022 and 2023 and the interim results of the Group for the six months ended 30 June 2023 and 2024), whichever is later. The Joint Offerors intend to nominate new Directors to the Board immediately after the publication of the Composite Document and before the resumption of trading in the Shares in compliance with Rule 26.4 of the Takeovers Code and/or the Listing Rules. Further announcement(s) will be made as and when appropriate. Details of the biographies of the new Directors to be nominated by the Joint Offerors were set out in the Letter from VCL in the Composite Document.

Taking into consideration that (i) all of the five Directors will resign according to the schedule disclosed above; and (ii) the Joint Offerors and the new Directors to be nominated by the Joint Offerors were either do not have experience in property management industry or do not engage in property management industry in the last nineteen years according to the

biographies or the information disclosed in the Composite Document, we are of the view that there is uncertainty on the future performance of the Group under the leadership of the Joint Offerors and new Director(s) to be nominated.

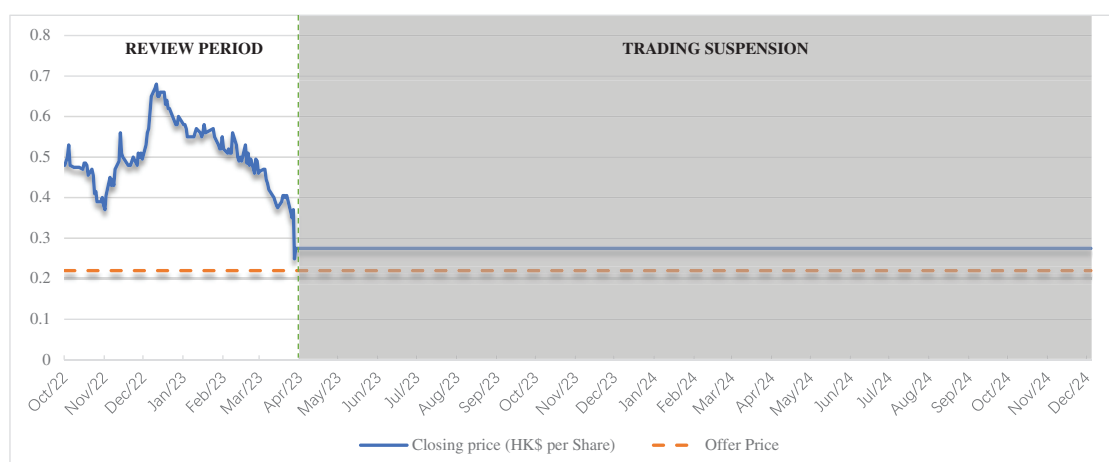
#### **4. Principal terms of the Offer**

As stated in the Composite Document, the Offer Price of HK\$0.22 per Offer Share represents:

- (i) a discount of approximately 20.0% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 20.0% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 11.6% to the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on 30 March 2023, being the last Business Day immediately preceding the Last Trading Day;
- (iv) a discount of approximately 31.6% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.322 per Share;
- (v) a discount of approximately 39.1% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.361 per Share;
- (vi) a discount of approximately 47.9% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.422 per Share;
- (vii) a premium of approximately 361.5% to the unaudited consolidated net liabilities per Share as at 30 June 2024 of approximately HK\$0.08 with reference to the unaudited consolidated net liabilities of the Group of approximately RMB46,836,000 (equivalent to approximately HK\$51,468,000) as at 30 June 2024 and 611,709,000 Shares in issue as at the Latest Practicable Date; and
- (viii) a premium of approximately 209.5% to the audited consolidated net liabilities per Share as at 31 December 2023 of approximately HK\$0.20 with reference to the audited consolidated net liabilities of the Group of approximately RMB111,801,000 (equivalent to approximately HK\$122,858,000) as at 31 December 2023 and 611,709,000 Shares in issue as at the Latest Practicable Date.

(i) *Historical Share price movement analysis*

The chart below illustrates the movement of the daily closing prices of the Shares as quoted on the Stock Exchange during the last six months preceding 31 March 2023 (being the Last Trading Day) (i.e. from 1 October 2022 to 31 March 2023 with both days inclusive, the “**Review Period**”). Given that (i) as at the Latest Practicable Date, the trading in securities of the Company had been suspended for over 20 months which means the price movement of the Shares earlier than 1 October 2022 was aged over 2 years as at the Latest Practicable Date, and (ii) the overall economy of China and the property management industry in China as well as the financial performances and conditions of the Group have changed materially since then, details of which were set out in the subsection headed “Business, financial performance and prospects of the Group – Business prospects of the Group” and “Business, financial performance and prospects of the Group – Historical financial results and positions of the Group”, we considered that the price movement of the Shares for the period earlier than 1 October 2022 would be outdated and irrelevant to our analysis on whether the Offer Price is fair and reasonable. As such, we considered the Review Period is an appropriate and adequate period to reflect the then latest market sentiment on the Shares before the Last Trading Day.



As shown in the chart above, during the Review Period, the lowest closing price of the Shares was HK\$0.249 per Share on 30 March 2023 (the “**Lowest Closing Price**”), while the highest closing price of the Shares was HK\$0.680 per Share on 13 December 2022. The Offer Price of HK\$0.22 per Share is lower than the Lowest Closing Price of the Shares during the Review Period, and represents a discount of approximately 11.6% to the Lowest Closing Price. The Offer Price of HK\$0.22 per Share also represents a discount of approximately 20.0% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange as at the Last Trading Day.

In assessing the fairness and reasonableness of the Offer Price, we have researched the share price performance of the Comparable Companies (defined as below) from 31 March 2023 (i.e. the Last Trading Day) to the Latest Practicable Date (the “**Assessment Period**”). We have compared the closing price of each of the Comparable Companies as at the 31 March 2023 with the closing price of each of the Comparable Companies as at the Latest Practicable Date, and noted that the share prices of the Comparable Companies during the Assessment Period decreased by approximately 67.1% on average, which is higher than the discount of the Offer Price of approximately 20.0% to the closing price of the Company as at the Last Trading Day.

As (i) the discount of the Offer Price to the closing price of the Company as at the Last Trading Day of approximately 20.0% is less than the average decline of the share price of the Comparable Companies during the Assessment Period of approximately 67.1% and (ii) to a large extent that the share price performances of the companies in the same industry tend to be similar because they are affected by similar market and regulatory conditions with similar business model and therefore investors' expectation and valuation to them are similar, we are therefore of the view that there is no assurance on the price of the Share which, when trading of the Shares is resumed, will sustain at a level comparable to or even higher than the Offer Price.

**(ii) Historical trading volume and liquidity analysis**

The following table sets out (i) the average daily trading volume of the Shares; (ii) the respective percentages of the average daily trading volume of the Shares as compared to the total number of Shares in issue; and (iii) the respective percentages of the average daily trading volume of the Shares as compared to the total number of Shares in issue held by the public for each month or period during the Review Period, which we considered it an appropriate and adequate period to reflect the then latest trading activities of the Shares in the market.

	Number of trading days <i>(Note 1)</i>	Approximate average daily trading volume <i>(Number of Shares)</i>	Approximate% of the average daily trading volume to the total number of Shares in issue <i>(Note 2)</i>	Approximate% of the average daily trading volume to the total number of Shares held by the public <i>(Note 3)</i>
<b>2022</b>				
October (from 3 October)	20	124,110	0.020%	0.077%
November	22	621,227	0.102%	0.384%
December	20	787,250	0.129%	0.487%
<b>2023</b>				
January	18	238,333	0.039%	0.147%
February	20	264,450	0.043%	0.164%
March (up to the Last Trading Day)	23	1,772,435	0.290%	1.096%
	<b>Maximum</b>	1,772,435	0.290%	1.096%
	<b>Minimum</b>	124,110	0.020%	0.077%
	<b>Average</b>	634,634	0.104%	0.392%

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

1. Number of trading days of the Shares represents the number of trading days during the month or period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on the total number of Shares in issue at the end of each month or period as disclosed in the monthly returns of the Company.
3. Based on the number of Shares held by public shareholders as calculated by deducting the Shares held by the Joint Offerors from the total number of Shares in issue at the end of each month or period.

As illustrated in the table above, the trading liquidity of the Shares remains thin with the percentage of the average daily trading volume to the total number of Shares in issue ranged from approximately 0.020% to 0.290%, and approximately 0.077% to 1.096% of the total number of Shares held by the public shareholders during the Review Period. The average daily trading volume of the Shares during the Review Period was approximately 634,634 Shares, representing approximately 0.104% of the total number of Shares in issue and approximately 0.392% of the total number of Shares held by the public shareholders.

*(iii) Comparable companies analysis*

To further assess the fairness and reasonableness of the Offer Price, we have considered comparison on price-to-sales ratio (“**P/S Ratio**”), which is the benchmark commonly adopted in the evaluation of a company. Price-to-earnings ratio and price-to-book ratio were not applicable as the Company recorded loss in FY2023 and net liabilities as at 30 June 2024.

Given that (a) the majority of the revenue of the Group is derived from property management business in the PRC; (b) the majority of the revenue of property management services derived from the residential properties; and (c) the majority of the revenue of property management services derived in Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Hunan Province, Jiangxi Province and Shandong Province, which were located in the east China and the central China (the east China and the central China include Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Shandong Province, Taiwan Province, Hubei Province, Hunan Province and Henan Province according to the Encyclopedia of China, the largest publication project in China with more than 20,000 authors from universities and research institutes contributing to articles in more than 100 disciplines), we have researched for comparable companies with business and financial characteristics similar to the Group so that we can form a view that the selected comparable companies are able to serve as fair and representative samples for comparison purposes, and such selection criteria are as follows: (i) companies that are assigned to the subsector named “Properties & Construction – Properties – Property Service & Management”, according to the Hang Seng Industry Classification System; (ii) companies with at least 90% of revenue derived from the PRC, according to their latest published annual reports or prospectus; (iii) companies with at least 75% of revenue derived from the provision of property management services, according to their latest published annual reports or prospectus; (iv) companies with at least 60% of revenue of the provision of property management services derived from the residential



properties or with at least 60% of gross floor area under management derived from the residential properties, according to their latest published annual reports or prospectus; (v) companies with at least 60% of revenue of the provision of property management services or with at least 60% of gross floor area under management derived from the east China and the central China, or with description of the provision of property management services mainly in the east China and the central China, according to their latest published annual reports or prospectus; (vi) companies of comparable size to the Company with market capitalisation between HK\$50 million and HK\$300 million considering the Company's implied market capitalisation of approximately HK\$135 million and the number of comparable companies available for us; and (vii) the shares of which are listed on the Main Board of the Stock Exchange.

Based on the above selection criteria, we have identified an exhaustive list of three comparable companies (the “**Comparable Companies**”). The details of the Comparable Companies are set forth below:

Stock code	Company name	Principal businesses	Major geographic presence of the properties under management <i>(Note 1)</i>	Market capitalisation as at the Latest Practicable Date <i>(HK\$)</i> <i>(Note 2)</i>	P/S Ratio <i>(Note 3)</i>
01538.HK	Zhong Ao Home Group Limited	Provision of property management services, provision of cleaning and greening services, and other services	East and central China	247,819,500	0.13
01965.HK	Landsea Green Life Service Company Limited	Provision of property management services, community value-added services, value-added services to non-property owners and apartment operation and management services	Yangtze river delta <i>(Note 4)</i>	78,045,350	0.08

Stock code	Company name	Principal businesses	Major geographic presence of the properties under management (Note 1)	Market capitalisation as at the Latest Practicable Date (HK\$) (Note 2)	P/S Ratio (Note 3)
01971.HK	Redsun Services Group Limited	Provision of property management services, value-added services to non-property owners and community value-added services	Jiangsu Province, Shanghai, Anhui Province, Zhejiang Province, Shandong Province, Hunan Province, Jiangxi Province	203,350,000	0.18
				<b>Maximum</b>	<b>0.18</b>
				<b>Minimum</b>	<b>0.08</b>
				<b>Average</b>	<b>0.13</b>
				<b>Median</b>	<b>0.13</b>
	<b>The Company Based on Offer Price (Note 5)</b>			134,575,980	0.14

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. The major geographic presence of the properties under management of each of the Comparable Companies and the Company was located in the east China and the central China.
2. The market capitalisation of the Comparable Companies is calculated based on the respective closing prices of their shares and the total number of issued shares as at the Latest Practicable Date.
3. The P/S Ratios of the Comparable Companies are calculated based on their respective market capitalisation and operating revenue as disclosed in the latest published financial statements on or before the Latest Practicable Date.
4. According to the Encyclopedia of China, Yangtze river delta includes Shanghai and certain cities in Jiangsu Province and Zhejiang Province, and is part of the east China.
5. The implied market capitalisation of the Company is calculated based on the Offer Price of HK\$0.22 per Offer Share and the total number of issued Shares of 611,709,000 as at the Latest Practicable Date. The implied P/S Ratio of the Company is calculated based on the implied market capitalisation implied by the Offer Price, divided by the operating revenue of the Company disclosed in the 2023 Annual Results.
6. For the purpose of calculation, the translation into HK\$ is based on the exchange rate of HK\$1.00 to RMB0.9232 as of the Latest Practicable Date according to the People's Bank of China, and is provided solely for illustrative purposes.

As illustrated in the table above, the P/S Ratios of the Comparable Companies range from approximately 0.08 times to 0.18 times, with an average of approximately 0.13 times and a median of approximately 0.13 times. The implied P/S Ratio of the Company based on Offer Price is approximately 0.14 times, which is higher than the average the P/S Ratios of the Comparable Companies and therefore we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned from this perspective.

*(iv) Conclusion on the Offer Price*

Despite the Offer Price represented discounts to all closing prices as at the relevant dates and that derived from different metrics as detailed in the subsection headed “Principal terms of the Offer” above, considering (i) the Offer Price represents premium over the consolidated net liabilities per Share as at 31 December 2023 and 30 June 2024 as detailed in the subsection headed “Principal terms of the Offer” above; (ii) the discount of the Offer price to the closing price of the Company as at the Last Trading Day is less than the average decline of the share price of the Comparable Companies during the Assessment Period, (iii) the implied P/S Ratio of the Company based on Offer Price is higher than the average the P/S Ratio of the Comparable Companies, and the market comparable analysis in relation to the Comparable Companies selected based on the abovementioned yardsticks are fair and reasonable, and (iv) the closing price of the Shares on the Last Trading Day did not reflect the potential market concern towards certain important updates of the Group including the fact that the Group recorded deficit in equity and net current liabilities as at 31 December 2022, 31 December 2023 and 30 June 2024, and if it did, we are of the view that the price of the Shares, other things being constant, might face downward pressure to make the Offer Price less discount to the closing price of the Shares on the Last Trading Day, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

In addition, given the thin trading liquidity of the Shares in the Review Period, a sufficiently active market may not exist to enable the Independent Shareholders to sell the Shares in bulk quantity after the resumption of trading of the Shares without exerting a downward pressure on the price of the Shares in the short term. In such circumstance, the Offer may represent an alternative exit for the Independent Shareholders with significant shareholding in the Company to realise their investments in the Company at the Offer Price.

**RECOMMENDATION**

Having considered that (i) the unsatisfactory of the historical financial results of the Group and the potential risks of bankruptcy or insolvency or inability to continue as a going concern of the Group as detailed in the subsection headed “Business, financial performance and prospects of the Group – Historical financial results and positions of the Group”, (ii) the expected slowdown of the property management industry in the PRC as detailed in the subsection headed “Business, financial performance and prospects of the Group – Business prospects of the Group”, (iii) the potential uncertainty in restoring public float of the Company after the close of the Offer as detailed in the section headed “Potential uncertainty in restoring public float of the Company after the close of the Offer”, (iv) the uncertainty on the future

performance of the Group under the leadership of the Joint Offerors and new Director(s) to be nominated by the Joint Offerors as detailed in the section headed “Information of the Joint Offerors and its intentions regarding the Group – Intentions of the Joint Offerors regarding the Group”, and (v) our view on the Offer Price as detailed in the section headed “Principal terms of the Offer”, we are of the opinion that the Offer is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders as a whole and we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

Those Independent Shareholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospects of the Group or otherwise are reminded to closely monitor the development of the Group and the publication of the Company (including the Composite Document) in this regard.

The Independent Shareholders are strongly advised that the decision to accept the Offer or to hold their investments in the Shares is subject to individual circumstances and investment objectives. As different Independent Shareholders would have different investment criteria, objectives, risk preferences and tolerance levels and/or circumstances, we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Offer. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant Form(s) of Acceptance, if they wish to accept the Offer.

Yours faithfully

For and on behalf of

**TC Capital International Limited**



**Edward Wu**  
*Chairman*



**Keiven Chan**  
*Managing Director*

*Note:*

*Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.*

*Mr. Keiven Chan has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the SFO since 2018. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.*

\* *For identification purpose only*