

23 January 2025

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs or Madams,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
RONSHINE SERVICE HOLDING CO., LTD  
BY THE OFFEROR  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposal and the Scheme, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) and the explanatory memorandum (the “**Explanatory Memorandum**”) contained in the scheme document jointly issued by the Offeror and the Company dated 23 January 2025 (the “**Scheme Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context otherwise requires.

Reference is made to the Announcement. On 22 November 2024, the Offeror requested the Board put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme, which, if approved and implemented, will result in the Company being taken private by the Offeror under section 86 of the Companies Act and the withdrawal of the listing of the Shares on the Stock Exchange, involving the cancellation and extinguishment of 133,104,000 Scheme Shares in issue. The total amount of cash required to implement the Proposal in full would be HK\$79,862,400.

The Independent Board Committee, which comprises Mr. Chen Zhangwang, Mr. Kwok Kin Kwong Gary and Mr. Lin Zhongxiaolu, all being independent non-executive Directors, has been established by the Board in accordance with Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting at the Court Meeting and the EGM. The Independent Board Committee has approved our appointment as the Independent Financial Adviser. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company and the Offeror that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. We are not associated or connected with the Company, the Offeror or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. In the last two years, we have not acted as an independent financial adviser or a financial adviser to the Company or the Offeror. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, which is not conditional upon passing of the resolutions to be proposed at the Court Meeting and the EGM, no arrangement exist whereby we have received or will receive any fees or benefits from the Company, the Offeror or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are qualified to give independent advice in respect of the Proposal and the Scheme.

## **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have reviewed, among other things, (i) the Announcement; (ii) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”); and (iv) other information contained in the Scheme Document.

We have relied on (i) the information and facts contained or referred to in the Scheme Document; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the Management, for which they are solely and wholly responsible for, or contained or referred to in the Scheme Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Scheme Document are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Scheme Document were reasonably made after due and careful enquiry.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the Management and/or the advisers of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Scheme Document and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date. Shareholders will be informed of any material changes to such representations and/or our opinion as soon as possible until the Scheme becomes effective or the Proposal lapses in compliance with Rule 9.1 of the Takeovers Code.

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

We have not considered the tax and regulatory implications on the Scheme Shareholders as a result of the Proposal, if implemented, since these are particular to their individual circumstances. In particular, the Scheme Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

## **PRINCIPAL TERMS OF THE PROPOSAL AND THE SCHEME**

Set out below are the terms of the Proposal and the Scheme, details of which are set out in the Letter from the Board and the Explanatory Memorandum. The Independent Shareholders are encouraged to read the Scheme Document and its appendices in full.

### **1. Terms of the Proposal**

If the Proposal is approved and implemented, under the Scheme:

- (a) all of the 133,104,000 Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in consideration for the Cancellation Price, being HK\$0.60, in cash for each Scheme Share cancelled and extinguished;
- (b) contemporaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be maintained by the issuance at par value to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par value the new Shares so issued to the Offeror; and
- (c) subject to the Scheme becoming effective, the Company will make an application to the Stock Exchange in accordance with Rule 6.15 of the Listing Rules for the withdrawal of the listing of the Shares on the Stock Exchange with effect from the Effective Date.

In compliance with Rule 20.1(a) of the Takeovers Code, after the Scheme has become effective, the Cancellation Price for the cancellation of the Scheme Shares will be paid to the relevant Scheme Shareholders whose names appear in the Register on the Scheme Record Date as soon as practicable, but in any event no later than seven (7) Business Days after the Effective Date.

### **2. Cancellation Price**

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the historic traded prices of the Shares in the past year.

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.**

### 3. Conditions of the Proposal and the Scheme

The Proposal and the Scheme will only become effective and binding on the Company and all of the Scheme Shareholders if the following Conditions are fulfilled or waived (as applicable). Details of the Conditions are set out in the section headed "Conditions of the Proposal and the Scheme" in the Explanatory Memorandum. The conditions include:

- (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) at the Court Meeting by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting and the number of votes cast by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by the Independent Shareholders;
- (c) the passing of (i) a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to any reduction of the issued share capital of the Company as a result of cancelling and extinguishing the Scheme Shares and (ii) an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme and the application of the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par value the new Shares issued to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modification) under section 86(2A) of the Companies Act and if necessary its confirmation of any reduction of the issued share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of (and if necessary, minutes approved by) the Grand Court for registration;
- (e) all Approvals which are (i) required in connection with the Proposal by (1) the Applicable Laws or (2) any licenses, permits or contractual obligations of the Company; and (ii) material in the context of the Group (taken as a whole), having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification up to and as at the Effective Date;
- (f) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal);

- (g) all the Applicable Laws having been complied with and no legal or regulatory requirement having been imposed by any Authority which is not expressly provided for, or is in addition to the requirements expressly provided for, in the Applicable Laws in connection with the Proposal which are material in the context of the Group (taken as a whole), in each case up to and as at the Effective Date; and
- (h) since the date of the Announcement, there having been no adverse change to the business, financial or trading position of the Group taken as a whole, to an extent that is material in the context of the Proposal or the Scheme.

The Conditions set out in paragraphs (a) to (d) and (e)(i)(1) above cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (e) to (h) (other than (e)(i)(1)) in whole or in part. The Company does not have the right to waive any of the Conditions. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which the Scheme will not become effective and the Proposal will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal or the Scheme if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal or the Scheme.

As at the Latest Practicable Date and based on the information available to the Offeror and the Company, other than the Approvals listed in the Conditions in paragraphs (a) to (d) (inclusive), the Offeror and the Company are not aware of any other Approvals which are required as set out in the Condition in paragraph (c) above, and the Offeror and the Company are also not aware of any other circumstances which may result in any of the Conditions in paragraphs (e) to (h) (inclusive) not being satisfied. In particular, as at the Latest Practicable Date, the Company is not aware of any Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry as set out in the Condition in paragraph (f).

As at the Latest Practicable Date, save for the Conditions set out in paragraphs (f), (g) and (h) which have been fulfilled (but subject to their ongoing fulfillment), none of the Conditions had been fulfilled or waived (where applicable).

If approved, the Scheme will be binding on the Company and all the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

Shareholders and/or potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and/or potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional advisers.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Proposal and the Scheme, we have taken into account the following principal factors and reasons:

### 1. Background information of the Group

#### 1.1 Principal businesses and information of the Group

The Group is a property management services provider in the PRC, offering diversified property management services for both residential and non-residential properties. The Group is primarily engaged in the provision of (i) property management services; (ii) value-added services to non-property owners, which include (a) sales assistance services; (b) preliminary planning, design consultancy and pre-delivery services; and (c) driving and vehicle dispatching and managing services; and (iii) community value-added services, which include (a) community shopping services; (b) decoration and furnishing services and home maintenance services; (c) property agency services; and (d) ancillary services for common areas, which primarily include advertising in and rental of common areas of residential properties under the Group's management.

#### 1.2 Historical financial information

The following is a summary of certain financial information of the Group for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024 as extracted from the 2023 Annual Report and the 2024 Interim Report, respectively.

	Year ended 31 December		Six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Revenue</b>				
– Property management services	607,615	712,668	347,699	357,845
– Value-added services to non-property owners	221,658	125,896	65,530	40,914
– Community value-added services	47,567	62,623	24,815	26,318
<b>Total revenue</b>	<b>876,840</b>	<b>901,187</b>	<b>438,044</b>	<b>425,077</b>
<b>Cost of sales</b>	<b>(703,937)</b>	<b>(728,786)</b>	<b>(353,793)</b>	<b>(344,656)</b>
<b>Administrative expenses</b>	<b>(90,919)</b>	<b>(74,218)</b>	<b>(34,701)</b>	<b>(34,429)</b>
<b>Net impairment losses on financial assets</b>	<b>(56,611)</b>	<b>(82,765)</b>	<b>(32,964)</b>	<b>(195,960)</b>
<b>Profit/(loss) for the year/period attributable to the Shareholders</b>	<b>15,528</b>	<b>10,658</b>	<b>12,585</b>	<b>(113,626)</b>

	As at 31 December		As at
	2022	2023	30 June
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
Non-current assets	34,184	54,654	98,825
Current assets	1,163,839	1,243,386	1,055,591
– Trade and other receivables and prepayments	437,518	489,844	370,387
– Cash and cash equivalents	724,110	751,803	674,307
<b>Total assets</b>	<b>1,198,023</b>	<b>1,298,040</b>	<b>1,154,416</b>
Current liabilities	493,231	583,326	555,007
– Contract liabilities	95,690	127,802	106,666
– Trade and other payables	346,977	388,773	375,172
Non-current liabilities	3,053	2,317	638
<b>Total liabilities</b>	<b>496,284</b>	<b>585,643</b>	<b>555,645</b>
<b>Net assets</b>	<b>701,739</b>	<b>712,397</b>	<b>598,771</b>

*For the years ended 31 December 2022 and 2023*

Total revenue of the Group increased from approximately RMB876.8 million for the year ended 31 December 2022 to approximately RMB901.2 million for the year ended 31 December 2023. As disclosed in the 2023 Annual Report, although value-added services to non-property owners decreased from approximately RMB221.7 million for the year ended 31 December 2022 to approximately RMB125.9 million for the year ended 31 December 2023 since the continued downturn in the real estate market in the PRC and resulted in the decrease in demand for services by property developers, the Group's overall revenue still increased, which was mainly attributable to (i) the increase in newly delivered projects, which resulted in the increase in revenue from property management services; and (ii) the expansion of home services, which resulted in the increase in revenue from community value-added services.

The Group's profit attributable to the Shareholders decreased from approximately RMB15.5 million for the year 31 December 2022 to approximately RMB10.7 million for the year ended 31 December 2023. As disclosed in the 2023 Annual Report, such decrease was primarily due to the combined effects of (i) the increase in net impairment losses on financial assets of approximately RMB26.2 million, mainly attributable to the loss allowance provision for trade and other receivables due from related parties and third parties; (ii) the decrease in

administrative expenses of approximately RMB16.7 million, primarily due to the implementation of costs control measures by the Company; and (iii) the decrease in sales and marketing expenses of approximately RMB3.3 million, primarily due to the decrease in marketing activities.

As at 31 December 2023, the Group recorded net assets of approximately RMB712.4 million. As at 31 December 2023, the Group's total assets amounted to approximately RMB1,298.0 million, which mainly include, among others, (i) cash and cash equivalents of approximately RMB751.8 million, which remained relatively stable at a high level as further discussed in the below section headed "5. Other factors considered"; (ii) trade and other receivables and prepayments of approximately RMB489.8 million, which has generally increased in line with the increase in revenue during the year; and (iii) deferred income tax assets of approximately RMB36.4 million. The Group's total liabilities amounted to approximately RMB585.6 million, which mainly include, among others, (i) trade and other payables of approximately RMB388.8 million, which has increased in line with the increase in cost of sales during the year; (ii) contract liabilities of approximately RMB127.8 million, which has increased in line with the increase in advance payments made by customers while the underlying property management services are yet to be provided; and (iii) current income tax liabilities of approximately RMB64.4 million.

*For the six months ended 30 June 2023 and 2024*

Total revenue of the Group decreased from approximately RMB438.0 million for the six months ended 30 June 2023 to approximately RMB425.1 million for the six months ended 30 June 2024. As disclosed in the 2024 Interim Report, such decrease was mainly attributable to the combined effects of (i) the slight increase in newly delivered projects, which resulted in the increase in revenue from property management services; and (ii) the decrease in revenue generated from value-added services to non-property owners, primarily due to the continued downturn in the real estate market in the PRC, which resulted in the decreased demand for services by property developers.

The Group recorded net loss attributable to the Shareholders of approximately RMB113.6 million for the six months ended 30 June 2024 as compared to a profit attributable to the Shareholders of approximately RMB12.6 million for the six months ended 30 June 2023. As disclosed in the 2024 Interim Report, such decrease was primarily due to the increase in net impairment losses on financial assets of approximately RMB163.0 million, mainly attributable to the impairment of the expected credit loss of the trade and other receivables due from related parties of approximately RMB147.0 million, according to the impairment tests on the carrying amount of trade receivables and other receivables and reasonable impairment provisions made based on the principle of prudence. Please refer to the below sub-section headed "Recoverability of the Group's trade and other receivables due from related parties and third parties" for further details of the net impairment losses on financial assets.



As at 30 June 2024, the Group recorded net assets of approximately RMB598.8 million. As at 30 June 2024, the Group's total assets amounted to approximately RMB1,154.4 million, which mainly include, among others, (i) cash and cash equivalents of approximately RMB674.3 million, which remained relatively stable at a high level as further discussed in the below section headed "5. Other factors considered"; (ii) trade and other receivables and prepayments of approximately RMB370.4 million, which has decreased due to the aforesaid impairment losses during the period; and (iii) deferred income tax assets of approximately RMB85.0 million. The Group's total liabilities amounted to approximately RMB555.6 million, which mainly include, among others, (i) trade and other payables of approximately RMB375.2 million; (ii) contract liabilities of approximately RMB106.7 million; and (iii) current income tax liabilities of approximately RMB72.0 million.

*Deteriorating financial performance as a result of the industry downturn*

Based on the abovementioned, despite the increase in the Group's revenue generated from the property management services business for the year ended 31 December 2023 and the six months ended 30 June 2024, we noted that the Group's financial performance has been inevitably affected by the macroeconomic downturn and the deteriorating industry outlook in the property development related sectors in the PRC. As disclosed in the 2023 Annual Report and 2024 Interim Report, (i) the number of contracted projects and the total contracted gross floor area ("GFA") of the Group as at 31 December 2023 decreased by approximately 5.7% and 11.8%, respectively, as compared to those as at 31 December 2022; and (ii) the number of contracted projects and the total contracted GFA of the Group as at 30 June 2024 decreased by approximately 2.7% and 10.9%, as compared to those as at 31 December 2023.

Furthermore, based on (i) the 2023 Annual Report and the 2024 Interim Report; and (ii) the prospectus of the Company dated 30 June 2021, the net profit margin of the Group amounted to approximately 8.8%, 13.5%, 11.0%, 11.3%, 1.8% and 1.2% for the six years ended 31 December 2023, respectively. Based on our discussion with the Management, we were given to understand that the declining net profit margin of the Group since 2022 was primarily attributable to the continuous downturn of the real estate market in the PRC, which is also a common industry trend for companies principally engaged in the provision of property management services in the PRC. Based on our independent research as set out in the section headed "4. Comparable Companies", we noted that ten out of the 25 Comparable Companies recorded net losses for their latest audited financial year. The remaining Comparable Companies recorded net profit margins for their respective latest audited financial year, ranged from approximately 1.0% to 20.6%, with an average of approximately 7.2% and a median of approximately 5.4%. As such, the Group's relatively thin net profit margins for the two years ended 31 December 2023 were generally in line with the industry trend.

Having said that, the future performance of the Group's property management services business is expected to remain uncertain with the continuous decline in its number of contracted projects and contracted GFA.

*Recoverability of the Group's trade and other receivables due from related parties and third parties*

Based on the 2024 Interim Report, the Group's trade and other receivables due from related parties and third parties amounted to approximately RMB358.6 million as at 30 June 2024. The Group's impairment losses on financial assets amounted to approximately RMB196.0 million for the six months ended 30 June 2024, representing a significant period-on-period increase of approximately 494.5%, as a result of the impairment assessments on the carrying amount of trade and other receivables performed by an independent valuer appointed by the Group (the "Valuer") and the Management. Among which, approximately RMB147.0 million of the impairment losses were arisen from the trade and other receivables due from related parties. Such receivables were arisen in the ordinary and usual course of business of the Group and were within the scope of the continuing connected transactions conducted between the Group and Ronshine China Holdings Limited ("Ronshine China") (stock code: 3301) and its subsidiaries. Ronshine China is primarily engaged in the development of mid-to-high-end residential properties, and the development of commercial properties integrated with or in the vicinity of its residential properties, including office buildings, retail shops and other commercial properties in the PRC.

As disclosed in the published financial reports of Ronshine China, we noted that Ronshine China has recorded substantial net losses of approximately RMB12.4 billion and RMB6.8 billion for the years ended 31 December 2022 and 2023, respectively. Since the second half of 2021, the business environment of the real estate industry in the PRC has undergone major changes, with increased difficulties in financing confronted by real estate companies. A number of real estate companies have consecutively encountered debt repayment issues, indicating an accelerated deterioration of the industry's business environment. As a result, Ronshine China required longer time than expected to realise cash from its properties and/or to obtain cash from external financing to meet its loan repayment obligations.

Considering (i) the material uncertainty regarding Ronshine China's ability to continue as a going concern as disclosed in its financial reports; and (ii) the liquidity distress commonly faced by market participants in the value chain of the real estate industry in the PRC, the Management are of the view that the Group shall remain prudently cautious and closely monitor the outstanding balance of its trade and other receivables due from related parties and third parties, which mainly comprised property developers and property management services providers in the PRC, which may in turn have an impact on the net asset value of the Group.

*1.3 Prospect of the Group and the real estate market in the PRC*

We noted from the 2023 Annual Report and the 2024 Interim Report that the Group is principally engaged in the provision of property management services and related value-added services, including pre-delivery services, household assistance service, sales services and other services, in the PRC. Based on our discussion with the Management, we were given to understand that the business performance of the Group has been affected by

the challenges faced by the PRC economy, including the weak market sentiment, declining customer demand and the prolonged downturn of the real estate industry, which continued to arouse uncertainty in the prospect of the Group.

For due diligence purpose, we have conducted desktop research on the real estate market in the PRC. Based on the latest statistical data published by the National Bureau of Statistics of the PRC (國家統計局) (*source: website of the National Bureau of Statistics of the PRC (<https://www.stats.gov.cn/>)*) in January 2025 regarding the PRC's real estate market, the overall investment amount in property development was approximately RMB10.0 trillion for the year ended 31 December 2024, representing a decrease of approximately 10.6% on a year-on-year basis. The newly-constructed properties available for sale amounted to approximately 737.4 million sq.m for the year ended 31 December 2024, representing a year-on-year decline of approximately 27.7%. The sales price of newly-built commercial properties in first-tier cities fell by approximately 3.8% year-on-year, and the sales price of second-hand properties in first-tier cities fell by approximately 6.7% year-on-year, for the year ended 31 December 2024. For second-tier cities in the PRC, the sales price of newly-built commercial properties fell by approximately 5.4% year-on-year, and the sales price of second-hand properties fell by approximately 7.9% year-on-year, for the year ended 31 December 2024.

In addition, according to the research report published by the China Real Estate Association\* (中國房地產業協會) (*source: the website of the China Real Estate Association (<http://www.fangchan.com>)*), an industry association organised by enterprises which principally engaged in property development, property management and construction, for the eleven months ended 30 November 2024, the sales area of newly built commercial properties has declined by approximately 14.3%, with residential sales area decreased by approximately 16.0%, as compared to the corresponding period in 2023. The total sales of newly built commercial properties amounted to approximately RMB8,512.5 billion, representing a decrease of approximately 19.2% as compared to the corresponding period in 2023, while residential sales have dropped by approximately 20.0% during the period. Overall, the real estate industry in the PRC still faces great downward pressure from the upstream to downstream participants of the industry value chain. The declining number of completed construction projects which are available for sales is expected to affect the demand for the Group's property management services in the foreseeable future. The continued market downturn will also result in a decrease in demand for other relevant services from property developers, including the Group's value-added services to non-property owners and community value-added services.

Based on the abovementioned and our discussion with the Management, we were given to understand that the real estate market in the PRC, and thus the business performance of the Group, have continued to face a downward pressure in the recent years, where the investments in property development continued to decline with newly-constructed and completed property areas remained at historically low levels. With the aim to stimulate market activity and to promote the steady and healthy development of the real estate market, relevant government authorities in the PRC have continued to actively explore and implement real estate support policies, including but not limited to, (i) the lowering of the minimum down payment ratio for individual's commercial housing mortgages for purchases of first and second homes in May 2024; (ii) the establishment of a nationwide program

regarding the RMB300 billion affordable housing refinancing loan set up by the People's Bank of China in May 2024; and (iii) the lowering of residential mortgage interest rates in September 2024. The effects of the policies and market incentives may require additional time to gradually take shape, and it remains uncertain as to whether such measures are effective in reversing the general downward trend of the industry.

Notwithstanding the slight increase in the Group's revenue generated from the property management services business for the year ended 31 December 2023 and the six months ended 30 June 2024, considering the abovementioned factors, the continuously declining number of contracted projects and contracted GFA of the Group as discussed in the sub-section headed "1.2 Historical financial information" above, and our discussion with the Management, we concur with the Management that the development of the Group's property management service business may continue to be hindered, which may arouse uncertainty in the prospect of the Group in the foreseeable future under the challenging real estate market condition in the PRC.

**2. Information on the Offeror and Offeror Concert Parties, and the Offeror's intention with regard to the Group**

*Information on the Offeror and Offeror Concert Parties*

Each of the Offeror and Fumei International is a company incorporated in the British Virgin Islands with limited liability and has been one of the controlling shareholders of the Company since the Listing.

As at the Latest Practicable Date, each of the Offeror and Fumei International is wholly-owned by Rongan Juxiang, which is a special purpose holding vehicle held by HSBC International Trustee Limited as trustee of the Family Trust. Mr. Ou Zonghong is the settlor and protector of the Family Trust.

The Offeror does not have any subsidiaries. Immediately upon the Scheme becoming effective, the Company and its subsidiaries will become subsidiaries of the Offeror.

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Ou Zonghong.

Mr. Ou Zonghong is the former chairman of the Board and a former executive Director of the Company, and is the father of Mr. Ou Guofei, the current chairman of the Board and an executive Director of the Company. Mr. Ou Zonghong resigned from all positions in the Company with effect from 12 September 2023.

*Intention of the Offeror with regard to the Group*

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its current business. The Offeror has no intention to make any major changes to the business of the Group, including any major redeployment of fixed assets or making any material change to the continued employment of employees of the Group, other than those in the ordinary course of business of the Group. The Offeror will continue to monitor the Group's performance and implement appropriate strategies for the Group and its business.

### 3. Analysis of price performance of the Shares

#### 3.1 Historical price performance of the Shares

The chart below illustrates the daily closing price per Share as quoted on the Stock Exchange during the period from 23 November 2023 (being approximately one year prior to the date of the Announcement) up to and including the Latest Practicable Date (the “Review Period”), against the illustrative Cancellation Price of HK\$0.60 per Scheme Share. We consider that the Review Period of approximately one year prior to the date of the Announcement up to and including the Latest Practicable Date to be reasonable, sufficient and representative to illustrate a holistic view of the general performance of the recent Share prices, where the prevailing market sentiment can be reflected by such Share price movements and provide a meaningful comparison with the Cancellation Price.



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

During the Review Period, the daily closing price per Share ranged from HK\$0.355 to HK\$1.05, with an average closing price of HK\$0.618. Specifically, the highest closing price of HK\$1.05 was observed on 25 March 2024, while the lowest closing price of HK\$0.355 occurred on 24 November 2023. The Cancellation Price represents (i) a discount of approximately 2.9% as compared to the average closing price; (ii) a discount of approximately 42.9% to the highest closing price; and (iii) a premium of approximately 69.0% over the lowest closing price, during the Review Period. Out of the 284 trading days during the Review Period, 154 trading days exhibited a closing price per Share below the Cancellation Price of HK\$0.60 per Scheme Share, which represented approximately 54.2% of the duration of the Review Period.

Since the beginning of the Review Period, closing price of the Shares remained relatively stable at an average level of approximately HK\$0.44 per Share until 6 March 2024. Thereafter, closing price of the Shares had rose to HK\$0.75 per Share on 11 March 2024 and gradually returned to the previous level of around HK\$0.46 per Share until 22 March 2024. The closing price of the Shares surged to HK\$1.05 per Share on 25 March 2024, then decreased to HK\$0.72 on 27 March 2024 (being the date of the Company's announcement of the annual results for the year ended 31 December 2023), and rose to HK\$1.01 per Share on 3 May 2024, then had been fluctuating downward until 20 August 2024 (being the date of the Company's announcement regarding profit warning). Thereafter, closing price of the Shares had decreased rapidly until 28 August 2024 (being the date of the Company's announcement of the interim results for the six months ended 30 June 2024). After 30 August 2024 (being the date of the Company's announcement regarding the resignation of auditor), the closing price of the Shares decreased again until 3 September 2024 to the similar price as the previous low level of HK\$0.43 per Share. After the publication of the 2024 Interim Report on 25 September 2024, closing price of the Shares gradually rose to HK\$0.79 per Share on 7 October 2024, and then had been generally oscillating downward to HK\$0.52 per Share towards 15 November 2024, being the Last Trading Day. Immediately following the publication of the Announcement on 22 November 2024 and the resumption of trading in the Shares on 25 November 2024, closing price of the Shares surged to HK\$0.56 per Share, representing an increase of approximately 7.7% as compared to the closing price of Shares of HK\$0.52 on the Last Trading Day.

Since then and up to the Latest Practicable Date, the Shares closed between HK\$0.55 and HK\$0.58 per Share, suggesting that the closing price of Shares is being principally determined by the Cancellation Price. The closing price of the Shares was HK\$0.56 as at the Latest Practicable Date. The Cancellation Price of HK\$0.60 per Scheme Share represents a premium of approximately 7.1% over the closing price of Shares on the Latest Practicable Date. However, the Shareholders should be aware that the Share price may not be maintained at the current level if the Proposal is not approved or otherwise lapses.

We did not notice any notable event which might have caused the spike and plummet in the closing price of the Shares. We have discussed with the Management and were given to understand that they are not aware of any specific reasons or events which have led to the aforementioned movements of the closing price of the Shares.

### 3.2 Trading liquidity

The table below sets out (i) the average daily trading volume of the Shares; (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares; and (iii) the percentage of the average daily trading volume of the Shares to the public float of the Company at the end of the month/period during the Review Period:

Month/Period	Total trading volume of the Shares	Total number of trading days	Average daily trading volume of the Shares <i>Approx.</i> <i>(Note 1)</i>	Percentage of	Percentage of
				the average daily trading volume of the Shares to the total number of issued Shares <i>Approx.</i> <i>(Note 2)</i>	the average daily trading volume of the Shares to the total number of the issued Shares held by the public <i>Approx.</i> <i>(Note 3)</i>
<b>2023</b>					
November (since 23 November)	32,000	6	5,333	0.001%	0.004%
December	182,000	19	9,579	0.002%	0.007%
<b>2024</b>					
January	2,493,000	22	113,318	0.022%	0.085%
February	284,000	19	14,947	0.003%	0.011%
March	3,903,000	20	195,150	0.038%	0.147%
April	548,000	20	27,400	0.005%	0.021%
May	9,744,000	21	464,000	0.091%	0.349%
June	1,625,000	19	85,526	0.017%	0.064%
July	10,813,238	22	491,511	0.097%	0.369%
August	12,915,000	22	587,045	0.116%	0.441%
September	2,242,000	19	118,000	0.023%	0.089%
October	7,051,000	21	335,762	0.066%	0.252%
November	5,896,000	21	280,762	0.055%	0.211%
December	1,838,000	20	91,900	0.018%	0.069%
<b>2025</b>					
January (up to and including the Latest Practicable Date)	1,226,000	13	94,308	0.019%	0.071%
Maximum			587,045	0.116%	0.441%
Minimum			5,333	0.001%	0.004%
Average			194,303	0.038%	0.146%

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

*Notes:*

1. Calculated by dividing the total trading volume of the Shares for the respective corresponding months/periods by the total number of trading days of the Shares in the respective corresponding months/periods.
2. Based on total number of Shares in issue at the end of each of the respective corresponding months/periods.
3. Based on the total number of Shares in issue of 508,104,000 Shares held by the Scheme Shareholders as at the Latest Practicable Date.

As illustrated in the above table, the trading liquidity of the Shares was generally thin during the Review Period, with the average daily trading volumes of the Shares having accounted for a range from approximately 0.001% to approximately 0.116% over the total number of Shares in issue as at the end of the relevant month/period and a range from approximately 0.004% to approximately 0.441% of the total number of the issued Shares held by the public as at the Latest Practicable Date.

Given the thin historical average daily trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Scheme Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. Accordingly, we are of the view that the Proposal provides the Scheme Shareholders with an assured exit if they wish to realise their investments in the Shares without exerting downward pressure on the trading price of the Shares.

### **3.3 Cancellation Price comparisons**

As disclosed in the Letter from the Board, the Cancellation Price of HK\$0.60 per Scheme Share represents:

- (a) a premium of approximately 7.1% over the closing price of HK\$0.56 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 15.38% over the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 9.09% over the average closing price of approximately HK\$0.55 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (d) a premium of approximately 1.69% over the average closing price of approximately HK\$0.59 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 6.25% to the average closing price of approximately HK\$0.64 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;



- (f) a discount of approximately 61.04% to the audited consolidated net asset value per Share of approximately RMB1.40 (equivalent to approximately HK\$1.54) as at 31 December 2023, based on (i) the audited consolidated net asset value of the Company of approximately RMB712,397,000 (equivalent to approximately HK\$782,853,846) as at 31 December 2023 and (ii) 508,104,000 Shares in issue as at the Latest Practicable Date; and
- (g) a discount of approximately 53.49% to the unaudited consolidated net asset value per Share of approximately RMB1.18 (equivalent to approximately HK\$1.29) as at 30 June 2024, based on (i) the unaudited consolidated net asset value of the Company of approximately RMB598,771,000 (equivalent to approximately HK\$657,990,110) as at 30 June 2024 and (ii) 508,104,000 Shares in issue as at the Latest Practicable Date.

#### 4. Comparable Companies

In assessing the fairness and reasonableness of the Cancellation Price, we have primarily adopted the price-to-earnings ratio (“P/E Ratio”) approach and price-to-book ratio (“P/B Ratio”) approach, which are the most commonly used and widely accepted benchmarks in analysing companies with a track record of generating profits and valuing a company or business.

For the purpose of our analysis, we have, on a best effort basis, identified from the website of the Stock Exchange an exhaustive list of 25 companies which are (i) companies listed on the Main Board of the Stock Exchange; (ii) with market capitalisation below HK\$600 million, which represents approximately double of the implied market capitalisation of the Company as at the Latest Practicable Date of approximately HK\$304.9 million, as listed companies with market capitalisation far different from the Company may affect comparability; and (iii) with over 60% of revenue principally derived from the provision of property management services business in the PRC for their latest audited financial year, as similar to the composition of the Group’s revenue segments with over 60% of revenue principally derived from the provision of property management services business (the “Comparable Companies”).

Taking into consideration that (i) the Comparable Companies are listed on the Main Board of the Stock Exchange, which share similar market sentiment; (ii) the business nature, the composition of revenue segments of the Comparable Companies are similar to the Group, which the majority of revenue of the Comparable Companies are derived from the provision of property management services business for their latest audited financial year; and (iii) the market capitalisation parameter is reasonable as discussed above, we consider such Comparable Companies are the only companies that could fulfill all the criteria and thus are appropriate to form a representative and benchmark reference for the Independent Shareholders to assess the fairness and reasonableness of the Cancellation Price. The Comparable Companies set out in the table below represented an exhaustive list of comparable companies to the Company based on the abovementioned selection criteria and would serve as a fair and representative sample for drawing a meaningful comparison to the Cancellation Price.

Comparable Companies	Stock code	Principal business	Percentage of revenue generated from the provision of property management services business	Market	P/B Ratio <sup>(2) (8)</sup> <i>times</i>	P/E Ratio <sup>(3) (8)</sup> <i>times</i>	Net profit margin <sup>(5)</sup>
				capitalisation <sup>(1)</sup> <i>HKS' million</i>			
SCE Intelligent Commercial Management Holdings Ltd	606	Principally engaged in the provision of property management services, value-added services and commercial operational services.	70.8%	483.8	0.16	1.71	20.6%
Kangqiao Service Group Ltd	2205	Principally engaged in provision of property management services, related value-added services and city services in the PRC.	63.6%	511.0	0.65	12.08	4.1%
New Silkroad Culturaltainment Ltd	472	Principally engaged in the (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate in Australia; (iii) production and distribution of wine in the PRC; (iv) operation of entertainment business (discontinued in June 2024) in South Korea; and (v) provision of property management service in the PRC.	72.0%	417.0	0.30	NA <sup>(4)</sup>	NA <sup>(4)</sup>
Times Neighborhood Holdings Ltd	9928	Principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services and professional services.	76.3%	433.7	0.29	NA <sup>(4)</sup>	NA <sup>(4)</sup>
Ling Yue Services Group Ltd	2165	Principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services.	85.3%	354.2	0.54	3.16	16.7%

Comparable Companies	Stock code	Principal business	Percentage of revenue generated from the provision of property management services business	Market	P/B Ratio <sup>(2) (8)</sup>	P/E Ratio <sup>(3) (8)</sup>	Net profit margin <sup>(9)</sup>
				capitalisation <sup>(1)</sup>			
				<i>HK\$' million</i>	<i>times</i>	<i>times</i>	
Xinyuan Property Management Service (Cayman) Ltd.	1895	Principally engaged in the provision of property management services, value-added services, pre-delivery and consulting services and property engineering services to customers in the PRC.	71.3%	367.7	0.59	11.90	3.8%
First Service Holding Ltd	2107	Principally engaged in the provision of property management services in the PRC.	71.8%	360.2	0.50	5.74	4.7%
Ruisen Life Service Co Ltd	1922	Principally engaged in the provision of diversified property management services and value-added services.	77.9%	363.3	0.75	2.83	5.9%
Starjoy Wellness and Travel Co Ltd	3662	Principally engaged in the provision of property management services and commercial operational services.	74.1%	457.5	0.35	2.65	10.1%
Richly Field China Development Ltd	313	Principally engaged in outlets commercial operation and development and operation of featured commercial properties, development of high-end residential properties as well as property management.	64.1%	116.7	0.59	NA <sup>(4)</sup>	NA <sup>(4)</sup>
Kaisa Prosperity Holdings Ltd	2168	Principally engaged in the provision of property management services, which includes management of properties, maintenance and repair of buildings and ancillary facilities, community security management, car-park management, equipment installation, and property consulting services.	74.6%	269.7	0.27	NA <sup>(4)</sup>	NA <sup>(4)</sup>

Comparable Companies	Stock code	Principal business	Percentage of revenue generated from the provision of property management services business	Market	P/B Ratio <sup>(2) (8)</sup>	P/E Ratio <sup>(3) (8)</sup>	Net profit margin <sup>(9)</sup>
				capitalisation <sup>(1)</sup>			
				<i>HK\$ million</i>	<i>times</i>	<i>times</i>	
Zhong Ao Home Group Ltd	1538	Principally engaged in the provision of property management services, provision of cleaning and greening services and other services in the PRC.	75.2%	252.1	0.23	2.87	4.7%
Colour Life Services Group Co Ltd	1778	Principally engaged in the provision of property management services and related services in the PRC.	93.7%	251.4	0.05	9.94	1.5%
Ronhua Living Service Group Holdings Ltd	2455	Principally engaged in the provision of property management services, property engineering services and landscape construction services, leasing services from investment properties and other services in the PRC.	91.3%	180.0	0.45	3.95	5.4%
Redsun Services Group Ltd	1971	Principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services.	79.0%	184.7	0.18	15.47	1.0%
Zhenro Services Group Ltd	6958	Principally engaged in the property management business.	69.7%	166.0	0.14	NA <sup>(4)</sup>	NA <sup>(4)</sup>
Xingye Wulian Service Group Co Ltd	9916	Principally engaged in property management and value-added services, property engineering services and property development.	76.4%	142.0	0.27	3.22	11.2%
AUX International Holdings Ltd	2080	Principally engaged in operation of clubbing business and restaurant and bar outlets, and provision of property management services and related value-added services.	82.0%	122.3	0.48	7.31	4.6%

Comparable Companies	Stock code	Principal business	Percentage of revenue generated from the provision of property management services business	Market	P/B Ratio <sup>(2) (8)</sup> <i>times</i>	P/E Ratio <sup>(3) (8)</sup> <i>times</i>	Net profit margin <sup>(9)</sup>
				capitalisation <sup>(1)</sup> <i>HK\$ million</i>			
Ye Xing Group Holdings Ltd	1941	Principally engaged in property management services.	84.9%	65.3	0.25	NA <sup>(4)</sup>	NA <sup>(4)</sup>
Redco Healthy Living Co Ltd	2370	Principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services, development and maintenance services to the information technology systems, healthcare management services and property agency services in the PRC.	65.4%	58.0	0.18	NA <sup>(4)</sup>	NA <sup>(4)</sup>
Riverine China Holdings Ltd	1417	Principally engaged in the provision of property management service for high-end non-residential properties, leases services of commercial buildings, catering services and integrated urban sanitary services in the PRC.	74.6%	76.1	0.34	NA <sup>(4)</sup>	NA <sup>(4)</sup>
Landsea Green Life Service Company Limited	1965	Principally engaged in the provision of property management services, community value-added services, value added services to non-property owners and apartment operation and management services in the PRC.	75.5%	76.8	0.26	NA <sup>(4)</sup>	NA <sup>(4)</sup>
Fineland Living Services Group Limited	9978	Principally engaged in real estate agency services.	75.9%	31.6	0.29	NA <sup>(4)</sup>	NA <sup>(4)</sup>
Beijing Capital Jiaye Property Services Co Ltd	2210	Principally engaged in the provision of fundamental property services, value-added services to non-property owners and community value-added services.	61.8%	508.9	0.56	4.08	6.3%

Comparable Companies	Stock code	Principal business	Percentage of revenue generated from the provision of property management services business	Market	P/B Ratio <sup>(3) (8)</sup>	P/E Ratio <sup>(3) (8)</sup>	Net profit margin <sup>(9)</sup>
				capitalisation <sup>(1)</sup>			
				HK\$ million	times	times	
Roiserv Lifestyle Services Co Ltd	2146	Principally engaged in the provision of property management and related value-added services.	72.9%	564.0	0.24	4.06	6.9%
				Maximum	1.18	15.47	20.6%
				Minimum	0.05	1.71	1.0%
				Average	0.38	6.06	7.2%
				Median	0.29	4.06	5.4%
The Company	2207			304.9 <sup>(5)</sup>	0.46 <sup>(6)</sup>	26.03 <sup>(7)</sup>	1.2%

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

Notes:

1. The market capitalisation was based on the closing price and the total shares in issue as at the Latest Practicable Date.
2. The P/B Ratio was based on the then market capitalisation of the respective companies as at the Latest Practicable Date, divided by the net asset value attributable to owners of the respective companies as stated in their respective then latest published annual report/interim report.
3. The P/E Ratio was based on the then market capitalisation of the respective companies as at the Latest Practicable Date, divided by the net profit attributable to owners of the respective companies as stated in their respective then latest published annual report. Considering (i) the relevant financial information in their respective then latest published annual report contains the most recent audited figures, which are considered to be more credible and precise, as compared to the figures of the trailing twelve months; and (ii) figures of the trailing twelve months are generally estimated based on the unaudited management accounts of the Comparable Companies and are not available to the public, such calculation basis is considered to be more justifiable and commonly adopted in the market.
4. The respective company recorded a net loss for the latest audited financial year. Thus, P/E Ratio and net profit margin are not applicable. Considering (i) the relevant financial information in their respective then latest published annual report contains the most recent audited figures, which are considered to be more credible and precise, as compared to the figures of the trailing twelve months; and (ii) figures of the trailing twelve months are generally estimated based on the unaudited management accounts of the Comparable Companies and are not available to the public, such calculation basis is considered to be more justifiable and commonly adopted in the market.
5. It is calculated based on the Cancellation Price multiplied by the total number of issued Shares as at the Latest Practicable Date.
6. It is calculated based on the implied market capitalisation of the Company as at the Latest Practicable Date divided by the net asset value attributable to the Shareholders as at 30 June 2024 as extracted from the 2024 Interim Report.
7. It is calculated based on the implied market capitalisation of the Company as at the Latest Practicable Date divided by the net profit attributable to the Shareholders for the year ended 31 December 2023 as extracted from the 2023 Annual Report.

8. For the purpose of this table, conversion of RMB into HK\$ in relation to the respective financial figures of the Comparable Companies denominated in RMB (if applicable and if any) are calculated at the approximate exchange rates of HK\$1 to RMB0.91. These exchange rates are for illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.
9. It is calculated based on the revenue divided by the net profit attributable to owners of the respective companies as stated in their respective then latest published annual report.

As shown in the table above, the P/B Ratios of the Comparable Companies ranged from approximately 0.05 times to 1.18 times, with an average of approximately 0.38 times and a median of approximately 0.29 times. We noted that the implied P/B Ratio of the Cancellation Price of approximately 0.46 times (i) falls within the range of the P/B Ratios of the Comparable Companies; (ii) is higher than the average of the P/B Ratios of the Comparable Companies; and (iii) is higher than the median of the P/B Ratios of the Comparable Companies.

The P/E Ratios of the Comparable Companies ranged from approximately 1.71 times to 15.47 times, with an average of approximately 6.06 times and a median of approximately 4.06 times. We noted that the implied P/E Ratio of the Cancellation Price of approximately 26.03 times (i) is higher than the range of the P/E Ratios of the Comparable Companies; (ii) is higher than the average of the P/E Ratios of the Comparable Companies; and (iii) is higher than the median of the P/E Ratios of the Comparable Companies.

In light of the above, we consider that the analysis provides an additional indicator to demonstrate that the Cancellation Price is fair and reasonable so far as the Independent Shareholders are concerned from a market valuation perspective.

## 5. Other factors considered

### *High cash level of the Group*

As presented in the section headed "1.2 Historical financial information", the Group recorded net assets of approximately RMB598.8 million, mainly comprised cash and cash equivalents of approximately RMB674.3 million (equivalent to approximately HK\$741.0 million), trade and other receivables and prepayments of approximately RMB370.4 million and trade and other payables of approximately RMB375.2 million, as at 30 June 2024. For illustrative purpose, the Group's cash and cash equivalents per Share as at 30 June 2024 would be amounted to approximately RMB1.33 (equivalent to approximately HK\$1.46). As such, the Cancellation Price would represent a discount of approximately 58.9% to the cash and cash equivalents per Share as at 30 June 2024. To further understand the financial position of the Group, we estimated the Group's remaining net cash level by assuming that all the receivables and payables being settled by debtors and creditors, to evaluate the liquidity position of the Group. Based on the aforesaid approach, the Group would still have maintained a high cash level of approximately RMB669.5 million (equivalent to approximately HK\$735.7 million) as at 30 June 2024. For illustrative purpose, the estimated net cash per Share would be amounted to approximately RMB1.32 (equivalent to approximately HK\$1.45). As such, the Cancellation Price would represent a discount of approximately 58.6% to the estimated net cash per Share. As set out in the section headed

“6. Privatisation Precedents”, such discount of the Cancellation Price to the estimated net cash per Share (i) falls within the range; and (ii) is well below the average and median of the premium/discount of cancellation price over/to the estimated net cash per share of the Privatisation Precedents.

We noted that the high cash level of the Group was mainly attributable to the relatively high level of unutilised net proceeds (“Net Proceeds”) from the listing of the Company on 16 July 2021, which amounted to approximately HK\$482.6 million as at the Latest Practicable Date, representing approximately 76.8% of the total net proceeds. According to the Company’s announcement dated 30 August 2023, the Board resolved to change the use of Net Proceeds as a result of the overall market sentiment in the real estate sector in the PRC and the outbreak of the COVID-19 pandemic during the material time and to postpone the full utilisation of the Net Proceeds from 31 December 2023 to 31 December 2026. Further details of the unutilised Net Proceeds are set out in the section headed “Information on the Group” in the Explanatory Memorandum.

Considering (i) the aforementioned illustrative discount represented by the Cancellation Price to the cash and cash equivalents per Share and estimated net cash per Share; and (ii) the relatively high proportion of the Group’s unutilised net proceeds from its listing, with the fact that it would be entirely natural and reasonable for the Independent Shareholders to expect the Company to continue to utilise such proceeds in accordance with the Group’s future plans and use of proceeds as previously committed, and to subsequently share the investment return, instead of undergoing privatisation, we are of the view that the Cancellation Price is unfavourable to the Independent Shareholders.

#### *Alternatives for investors to realise their investment*

Since the listing of the Shares in July 2021, we noted that the Company has not distributed any dividend. Based on the 2023 Annual Report and 2024 Interim Report, the Group recorded a net profit of approximately RMB10.7 million for the year ended 31 December 2023 and net loss of approximately RMB113.6 million for the six months ended 30 June 2024. Notwithstanding the net loss for the six months ended 30 June 2024, the share premium and retained earnings of the Group amounted to approximately RMB663.0 million and RMB111.3 million, respectively, as at 30 June 2024. In conjunction with the high level of available cash, we are of the view that a declaration of special dividend by the Company shall serve as an alternative, as compared to the Proposal, to provide an opportunity for the Independent Shareholders to realise their investments in the Company. On the other hand, the Company may also consider Share repurchase exercises to stimulate the performance of prices of Shares and market activities.

## **6. Privatisation precedents**

To further assess the fairness and reasonableness of the Cancellation Price, we have identified from the website of the Stock Exchange an exhaustive list of 13 companies listed on the Main Board of the Stock Exchange, the privatisation proposals of which were (i) initially announced by companies listed on the Stock Exchange at the relevant time during the Review Period; (ii) conducted by way of scheme of arrangement (as privatisation proposals by way of scheme of arrangement may have different regulatory and administrative procedures, terms and



conditions and other commercial considerations as compared to privatisation proposals of other ways, for instance, by way of a general offer, we are of the view that it is more relevant and appropriate to compare privatisation precedents conducted by way of scheme of arrangement to the Proposal, which was also conducted by way of a scheme of arrangement); (iii) involved cash consideration only (excluding combined consideration of cash and shares); and (iv) approved by disinterested shareholders or the required acceptance level was achieved, as the case may be, during the Review Period (the “Privatisation Precedents”).

The terms of the Privatisation Precedents set out below, in our view, demonstrate the levels of premium over market prices required in Hong Kong for the purpose to secure a successful privatisation, i.e. how much the shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges. Analysis of privatisation precedents is widely used in assessing the pricing of privatisation proposals in Hong Kong. Despite the business nature and scale of each company may vary and some aspects of pricing may be industry-specific, we consider that the Privatisation Precedents represent an exhaustive list of privatisation proposals satisfying the above selection criteria and reflect the pricing of recent successful privatisations and recent market sentiments towards privatisations as a whole. Accordingly, we regard the Privatisation Precedents as a relevant benchmark for acceptable privatisation premium range in the market and one of the factors we consider meaningful in assessing the fairness and reasonableness of the Cancellation Price.

The table below illustrates the premiums or discounts of the cancellation prices of each of the Privatisation Precedents over or to the corresponding prevailing share prices prior to the issue of the relevant privatisation announcements:

Date of the first announcement	Date of approval	Company	Stock code	Premium/Discount of cancellation price over/closing share price over/								Premium/Discount of cancellation price over/ the net asset value per share <sup>(2)</sup>	Premium/Discount of cancellation price over/ the estimated net cash per share <sup>(4)</sup>	Proportion of unutilised net proceeds from listing <sup>(6)</sup>
				Last trading day	Last 5 trading days	Last 10 trading days	Last 30 trading days	Last 60 trading days	Last 120 trading days	Last 180 trading days	over/ <sup>(1)</sup>			
15/03/2023	27/11/2023	Lansen Pharmaceutical Holdings Limited	503	26.76%	24.14%	22.45%	20.00%	15.37%	21.82%	23.29%	(22.06)%	104.64%	-	
06/10/2023	15/1/2024	Pine Case Group Limited	1989	(1.11)%	0.68%	0.91%	1.48%	8.94%	27.29%	43.78%	(7.90)%	2,789.27% <sup>(3)</sup>	-	
06/10/2023	08/01/2024	Hainag International Securities Group Limited	665	114.08%	111.11%	108.22%	126.53%	122.22%	125.19%	110.53%	(39.32)%	(85.77)%	-	
04/12/2023	08/03/2024	Weiqiao Textile Company Limited	2698	104.68%	104.92%	102.66%	111.10%	142.89%	143.61%	144.93%	(78.34)%	(62.24)%	-	
14/12/2023	19/02/2024	Sinosoft Technology Group Limited	1297	29.41%	30.43%	31.21%	31.13%	22.49%	11.39%	14.23%	(78.85)%	(73.39)%	-	
28/03/2024	19/06/2024	SciChase Pharmaceuticals (Holdings) Limited	6600	17.21%	30.81%	34.06%	45.72%	47.61%	57.34%	66.60%	227.50%	422.76% <sup>(3)</sup>	55.30%	

Date of the first announcement	Date of approval	Company	Stock code	Premium/(Discount) of cancellation price over/to closing share price over/to <sup>(1)</sup>							Premium/ (Discount) of cancellation price over/to the net asset value per share <sup>(2)</sup>	Premium/ (Discount) of cancellation price over/to the estimated net cash per share <sup>(4)</sup>	Proportion of unutilised net proceeds from listing <sup>(6)</sup>
				Last trading day	Last 5 trading days	Last 10 trading days	Last 30 trading days	Last 60 trading days	Last 120 trading days	Last 180 trading days			
18/04/2024	26/07/2024	Kin Yat Holdings Limited	638	33.30%	43.40%	51.58%	51.50%	53.60%	62.53%	72.10%	(57.40)%	50.70%	-
27/05/2024	28/08/2024	Huafa Property Services Group Company Limited	982	30.63%	36.79%	40.10%	70.59%	82.24%	90.01%	104.89%	970.11% <sup>(3)</sup>	700.02% <sup>(3)</sup>	-
12/06/2024	23/08/2024	A8 New Media Group Limited	800	162.77%	158.99%	168.66%	185.71%	186.13%	155.59%	125.93%	(48.13)%	91.58%	-
16/07/2024	21/10/2024	Samson Holding Ltd.	531	50.00%	75.31%	94.57%	143.24%	181.44%	171.24%	149.95%	(47.06)%	152.15%	-
14/10/2024	12/12/2024	CM Hi-Tech Cleanroom Limited	2115	25.00%	23.80%	26.90%	30.20%	39.70%	41.20%	38.10%	(3.20)%	181.21%	38.74%
28/10/2024	10/01/2025	Beijing Capital Grand Ltd.	1329	46.55%	54.55%	55.11%	41.75%	47.85%	80.93%	53.55%	(53.83)%	NA <sup>(5)</sup>	-
02/09/2024	17/01/2025	Dojean International Holdings Ltd.	668	78.57%	81.35%	82.29%	81.35%	86.17%	131.79%	92.31%	(39.34)%	(30.00)%	-
			Maximum	162.77%	158.99%	168.66%	185.71%	186.13%	171.24%	149.95%	970.11%	2,789.27%	55.31%
			Minimum	(1.11)%	0.68%	0.91%	1.48%	8.94%	11.39%	14.23%	(78.85)%	(85.77)%	-
			Average	55.22%	59.71%	62.99%	72.33%	79.74%	86.15%	80.01%	55.55%	353.41%	7.23%
			Median	33.30%	43.40%	51.58%	51.50%	53.60%	80.93%	72.10%	(39.34)%	98.11%	-
			Excluding outliers										
			Maximum	162.77%	158.99%	168.66%	185.71%	186.13%	171.24%	149.95%	227.50%	181.21%	55.31%
			Minimum	(1.11)%	0.68%	0.91%	1.48%	8.94%	11.39%	14.23%	(78.85)%	(85.77)%	-
			Average	55.22%	59.71%	62.99%	72.33%	79.74%	86.15%	80.01%	(20.66)%	36.54%	7.23%
			Median	33.30%	43.40%	51.58%	51.50%	53.60%	80.93%	72.10%	(43.20)%	50.70%	-
		The Company	2207	15.38%	9.09%	1.69%	(6.25)%	1.69%	(13.01)%	(13.01)%	(53.49)%	(58.62)%	76.80%

Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the LSEG Workspace, a financial data platform operated by the London Stock Exchange Group (<https://www.lseg.com/>)

Notes:

1. Premiums/(discounts) shown above for certain trading periods are independently calculated as they are not disclosed in their respective announcements and they are subject to rounding differences.
2. It represents the premium/(discount) of the cancellation price over/(to) the latest available net asset value per share attributable to the shareholders of the company or adjusted net asset value per share (where applicable) as extracted from their respective announcements and their relevant scheme documents.
3. Such premiums have been excluded from the analysis as they appear to be abnormally higher as compared to the rest of the Comparable Companies and are considered as an outliers which may skew the overall results.

4. It represents the premium/(discount) of the cancellation price over/(to) the estimated latest available net cash value (assuming all the receivables and payables being settled by debtors and creditors) of the Privatisation Precedents as stated in their respective then latest published annual report/interim report, divided by the total number of shares in issue as at the latest practicable date as extracted from their respective announcements and their relevant scheme documents.
5. The company recorded a negative estimated net cash in its latest published interim report. Thus, the estimation of the respective net cash per share is not applicable.
6. It represents the proportion of the amount of unutilised net proceeds to the total amount of net proceeds from the listing of the Privatisation Precedents as stated in their respective then latest published annual report/interim report.

As shown in the table above, the premium represented by the Cancellation Price over the closing price of the Shares on the Last Trading Day and the average closing price of the Shares for the last five and 10 trading days up to and including the Last Trading Day fall within, yet are well below the average and median of the respective premium/(discount) over/to the closing price of the shares of the Privatisation Precedents for the respective periods. The premium represented by the Cancellation Price over average closing price of the Shares for the last 60 trading days up to and including the Last Trading Day is lower than the minimum of the range of the respective premium over the closing price of the shares of the Privatisation Precedents for the respective period.

Further to the aforesaid relatively low premiums, we noted that the Cancellation Price represented discounts to the closing price of the Shares on the average closing price of the Shares for the last 30, 120 and 180 trading days up to and including the Last Trading Day, instead of being at premium levels as those of the Privatisation Precedents for the respective periods. In addition, as illustrated above statistical results (excluding outliers), the premium/discount of the cancellation price over/to the net asset value per share of the Privatisation Precedents ranged from a discount of approximately 78.9% to a premium of approximately 227.5% (the "NAV Range"), with an average of discount of approximately 20.7% and a median of discount of approximately 43.2%. The Cancellation Price of HK\$0.6 per Scheme Share represents a discount of approximately 53.49% to the unaudited consolidated net asset value of the Company as at 30 June 2024 per Share. Despite being within the NAV Range, the discount to net asset value per Share represented by the Cancellation Price is (i) deeper than the average and median of the premium/discount of the cancellation price over/to the net asset value per share of the Privatisation Precedents; and (ii) is at the lower end of the NAV Range.

We also noted that in the Privatisation Precedents, Huafa Property Services Group Company Limited ("Huafa Property") (stock code: 982), a company previously listed on the Main Board of the Stock Exchange which was principally engaged in the provision of property management services, hotel advisory and exhibition services in the PRC, with approximately all of its revenue derived from its property management services business for its recent audited financial years, has completed its privatisation transaction with the withdrawal of shares on the Stock Exchange with effect on 30 September 2024. Considering the similarities of principal business, we reasonably believe that Huafa Property and the Group were subject to similar market fundamentals, risks, challenges and prospects of the real estate industry in the PRC. Having said that, the cancellation price of the privatisation proposal of Huafa Property represented relatively higher levels of premium over the average share prices of all reference periods and its net asset value per share as compared to those of the Cancellation Price.

For illustrative purpose, we have further compared the discount of the Cancellation Price to the estimated net cash per Share and the proportion of unutilised Net Proceeds to those of the Privatisation Precedents. Based on the statistical results (excluding outliers), the premium/discount of cancellation price over/to the estimated net cash per share of the privatisation precedents ranged from a discount of approximately 85.8% to a premium of approximately 181.2%, with an average of premium of approximately 36.5% and a median of premium of approximately 50.7%. The discount of the Cancellation Price to the estimated net cash per Share of approximately 58.6% (i) falls within the range; and (ii) is well below the average and median of the premium/discount of cancellation price over/to the estimated net cash per share of the Privatisation Precedents. Except for the proportion of unutilised net proceeds of approximately 55.3% of SciClone Pharmaceuticals (Holdings) Limited ("SciClone") and approximately 38.7% of CM Hi-Tech Cleanroom Limited ("CM Hi-Tech"), all the Privatisation Precedents have fully utilised their net proceeds from listing upon their privatisation exercises. Despite the relatively high proportions of unutilised net proceeds of SciClone and CM Hi-Tech, we noted that the cancellation prices of their privatisation proposals represented significant premiums over their average share prices of all reference periods, its net asset value per share and/or estimated net cash per share, as compared to the respective deep discounts represented by the Cancellation Price.

In conclusion, notwithstanding that the Cancellation Price represented (i) a lower level of discount to the net asset value of the Company as compared to those of Weiqiao Textile Company Limited, Sinosoft Technology Group Limited and Kin Yat Holdings Limited; and (ii) higher level of premiums over the closing price of the Shares on the Last Trading Day and the average closing price of the Shares for the periods of the last 5 and 10 trading days up to and including the Last Trading Day, as compared to those of Pine Care Group Limited, in conjunction with other assessment factors which heavier weighting shall be applied, in particular, (i) the high net cash with high proportion of unutilised net proceeds from listing and the alternatives for investors to realise their investment (e.g. a declaration of special dividend by the Company and Share repurchase exercise) as discussed in the section headed "5. Other factors considered"; and (ii) the aforesaid less favourable Cancellation Price as compared to that of Huafa Property's privatisation exercise, we are of the view that the Cancellation Price and the terms of the Proposal and the Scheme are, on a balanced and comprehensive consideration of factors, **not** fair and reasonable to the Independent Shareholders as a whole.

Taking into consideration that (i) privatisation proposals may be unsuccessful or being voted down by independent shareholders due to various reasons that may be specific to the respective proposals and the companies; and (ii) the Privatisation Precedents aim to present a holistic assessment of the Cancellation Price, where the level of cancellation prices of other successful privatisation proposals being approved by their respective disinterested shareholders or with required acceptance level being achieved are included for the Independent Shareholders' reference and consideration, we are of the view that it is more relevant to only include successful proposals during the Review Period in the above assessment.

For illustrative purpose, we have, on a best effort basis, identified an exhaustive list of two unsuccessful privatisation proposals during the Review Period. The table below illustrates the premiums or discounts of the cancellation prices of each of the unsuccessful privatisation precedents over or to the corresponding prevailing share prices prior to the issue of the relevant privatisation announcements:

Date of the first announcement	Company	Stock code	Premium/(Discount) of cancellation price over/to closing share price over/to <sup>(1)</sup>							Premium/ (Discount) of cancellation price over/to the net asset value per share <sup>(2)</sup>	Premium/ (Discount) of cancellation price over/ to the estimated net cash per share <sup>(3)</sup>	Proportion of unutilised net proceeds from listing <sup>(4)</sup>
			Last trading day	Last 5 trading days	Last 10 trading days	Last 30 trading days	Last 60 trading days	Last 120 trading days	Last 180 trading days			
21/02/2024	China Traditional Chinese Medicine Holdings Co. Limited	570	31.11%	50.13%	50.82%	40.24%	29.44%	32.56%	13.58%	4.12%	179.50%	-
05/06/2024	Asia Cement (China) Holdings Corporation	743	(3.01)%	27.78%	35.29%	52.61%	52.61%	48.39%	38.79%	(75.06)%	(45.41)%	-

Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the LSEG Workspace, a financial data platform operated by the London Stock Exchange Group (<https://www.lseg.com/>)

**Notes:**

1. Premiums/(discounts) shown above for certain trading periods are independently calculated as they are not disclosed in their respective announcements and they are subject to rounding differences.
2. It represents the premium/(discount) of the cancellation price over/(to) the latest available net asset value per share attributable to the shareholders of the company or adjusted net asset value per share (where applicable) as extracted from their respective announcements and their relevant scheme documents.
3. It represents the premium/(discount) of the cancellation price over/(to) the estimated latest available net cash value (assuming all the receivables and payables being settled by debtors and creditors) of the companies as stated in their respective then latest published annual report/interim report, divided by the total number of shares in issue as at the latest practicable date as extracted from their respective announcements and their relevant scheme documents.
4. It represents the proportion of the amount of unutilised net proceeds to the total amount of net proceeds from the listing of the companies as stated in their respective then latest published annual report/interim report.

## RECOMMENDATIONS

For the purpose of comprehensively assessing the fairness and reasonableness of the terms of the Proposal and the Scheme, we formed our opinion based on the totality of factors and reasons. Having taking into consideration the principal factors and reasons as discussed above, in particular:

- (i) the Proposal, if implemented, will provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a reasonably attractive premium and to reallocate the proceeds from the disposal of the Shares to alternative investment opportunities with more liquidity;

- (ii) the business performance of the Group has been affected by the challenges faced by the PRC economy, including the weak market sentiment and the prolonged downturn of the real estate sector, which may have aroused uncertainty in the prospect of the Group;
- (iii) with the generally thin trading liquidity of the Shares during the Review Period, it is uncertain that there would be sufficient liquidity in the Shares for the Independent Shareholders (especially those with relatively sizeable shareholdings) to dispose of a significant number of Shares within a short period in the open market without exerting a downward pressure on the price of the Shares;
- (iv) as set out in the section headed “4. Comparable Companies”, the comparison of the implied P/E Ratio and P/B Ratio of the Cancellation Price are comparable to, if not more favourable, than, those of the Comparable Companies;
- (v) as set out in the section headed “5. Other factors considered”, taking into account the high level of cash and unutilised net proceeds from the Company’s listing, rather than undergoing privatisation, if the Group were to consider adopting alternatives, including but not limited to, distributing dividends and/or undergoing Shares repurchase exercises, it may also provide opportunities for the Independent Shareholders to realise their investments in the Company; and
- (vi) as set out in the section headed “6. Privatisation Precedents”, the Cancellation Price represented discounts to the closing price of the Shares on the average closing price of the Shares for the last 30, 120 and 180 trading days up to and including the Last Trading Day, instead of being at premium levels as those of the Privatisation Precedents for the respective periods. Despite being within the NAV Range, the discount to net asset value per Share represented by the Cancellation Price is deeper than the average and median of the premium/discount of the cancellation price over/to the net asset value per share of the Privatisation Precedents; and is at the lower end of the NAV Range. Moreover, the cancellation price of the privatisation proposal of Huafa Property, being a company principally engaged in similar business of the Group, represented relatively higher levels of premium over the average share prices of all reference periods and its net asset value per share as compared to those of the Cancellation Price,

notwithstanding that the Cancellation Price is considered fair and reasonable based on the P/E Ratio and P/B Ratio approaches, which are the most commonly used and widely accepted benchmarks for valuation purpose, we are of the opinion that the terms of the Proposal and the Scheme are, on a balanced and comprehensive consideration of the abovementioned factors, **not** fair and reasonable as a whole, so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise:

- (i) the Independent Shareholders to vote **against** the resolution to approve the Scheme at the Court Meeting; and
- (ii) the Shareholders to vote **against** the resolution(s) in respect of the Scheme at EGM.

However, the Independent Shareholders should note that, if the Proposal is disapproved or lapsed or withdrawn, (i) the Offeror would not be able to come up with another privatisation proposal within the next 12 months; and (ii) there would not be an exit for investment arising as a result of a general offer across the board for the Independent Shareholders unless the Offeror, who was interested in approximately 59.04% of the existing issued share capital of the Company, consent to a relevant third party offer for disposing of its shareholding in the Company. In addition, there are possibilities that (i) the Share price (together with the trading volume of the Shares) could fall towards or even below the level at which they had been trading prior to the Announcement and the Independent Shareholders would become unable to realise the Shares at a level of the Cancellation Price; and (ii) as the market has been pricing the Shares at a widening discount to the net asset value, the Share price may, in any event, continue to trade at a deep discount without reflecting its full net asset value per Share.

The Shares have traded below the Cancellation Price since the Last Trading Day and up to the Latest Practicable Date. There is still a possibility that the closing price of Shares may exceed the Cancellation Price on 28 February 2025, being the expected last day for trading in the Shares on the Stock Exchange. Accordingly, the Independent Shareholders are reminded to monitor the trading price and liquidity of the Shares during this period, and having their own circumstances, Independent Shareholders may consider to sell their Shares in the open market if the net proceeds to be obtained from the disposal of the Shares (after deducting all transaction costs) would be higher than the net amount expected to be received under the Scheme.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**



**Joshua Liu**  
*Managing Director*

*Mr. Joshua Liu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 25 years of experience in the securities and investment banking industries.*

\* For identification purposes only