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19 July 2024

To the Independent Board Committee

Huafa Property Services Group Company Limited
Room 3605, 36/F
Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Dear Sir or Madam,

(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT; AND (2) PROPOSED WITHDRAWAL OF LISTING OF HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Proposal and the Scheme. Our appointment as the independent financial adviser has been approved by the Independent Board Committee as set out in the Announcement dated 4 June 2024. Details of the Proposal and the Scheme are set out in the "Letter from the Board" contained in the Scheme Document dated 19 July 2024, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

The Proposal

Pursuant to the Announcement dated 27 May 2024, the Offeror and the Company jointly announced that the Offeror formally requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme involving, among others, the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled, and the withdrawal of the listing of the Shares on the Stock Exchange.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai, each being an independent non-executive Director has been established to make recommendation to the Disinterested Shareholders as to: (i) whether the Proposal and the Scheme are, or are not, fair and reasonable so far as the Disinterested Shareholders are concerned and (ii) whether the Disinterested Shareholders should vote in favour of the resolution to approve the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser with respect to the Proposal and the Scheme, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to (i) whether the Proposal and the Scheme are, or are not, fair and reasonable so far as the Disinterested Shareholders are concerned and (ii) whether the Disinterested Shareholders should vote in favour of the resolution to approve the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM.

We (i) are not associated or connected, financial or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Scheme Document.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal and the Scheme is at market level and not conditional upon the outcome of the Proposal and the Scheme; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the independent financial adviser to the Independent Board Committee in respect of the Proposal and the Scheme.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Announcement; (ii) the annual report of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**") and the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**"); and (iii) other information as set out in the Scheme Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us by the Company, the Directors and the management of the Company (collectively the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Scheme Shareholders of any material changes to information contained or referred to in the Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Scheme Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date, and before the despatch of the Scheme Document.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Scheme Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Scheme Shareholders arising from acceptance or non-acceptance of the Proposal and the Scheme, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Scheme Shareholders as a result of the Proposal and the Scheme. In particular, the Scheme Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional adviser on tax matters.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE PROPOSAL

In arriving at our advice for the Proposal and the Scheme, we have considered the following principal factors and reasons:

1. Background and financial information of the Company

1.1 Background of the Group

The Company was incorporated in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in property management services, hotel advisory and exhibition services in the PRC.

1.2 Historical financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2021, 2022 and 2023 as extracted from the 2022 Annual Report and the 2023 Annual Report.

Extracted from the audited consolidated statement of profit or loss

	For the year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,283,491	1,599,056	1,775,742
– Property management services	1,267,563	1,586,027	1,775,630
– Basic property services	823,435	1,049,530	1,273,207
– Value added services for property owners	113,078	171,716	159,972
– Other value-added services	331,050	364,781	342,451
– Hotel advisory and exhibition services	15,928	13,029	112
Gross profit	347,872	395,795	477,911
Gross profit margin	27.1%	24.8%	26.9%
Profit for the year	156,266	194,472	250,261
Net profit margin	12.2%	12.2%	14.1%
Earnings per share *(RMB)*	1.55	1.92	2.48

Extracted from the consolidated audited statement of financial position

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	83,597	91,593	93,691
Current assets	776,703	898,029	953,480
– Cash and cash equivalents	452,087	454,457	382,445
Total assets	860,300	989,622	1,047,171
Non-current liabilities	5,282	30,581	5,902
Current liabilities	981,327	952,959	793,274
– Interest-bearing bank borrowings	506,748	381,355	175,560
Total liabilities	986,609	983,540	799,176

Year ended 31 December 2023 ("FY2023") compared to year ended 31 December 2022 ("FY2022")

Revenue from contracts with customers increased from approximately RMB1,599.1 million for FY2022 to approximately RMB1,775.7 million for FY2023, representing an increase of approximately 11.0%. Such increase was mainly attributable to the increase in revenue from property management services. According to the 2023 Annual Report, the increase in revenue from property management services was mainly attributed to the expansion of the Group's management scale for the properties developed by Zhuhai Huafa Group as well as independent property developers. As of 31 December 2023, the Group had a total contracted gross floor area ("**GFA**") of approximately 60.6 million sq.m, compared to approximately 51.8 million sq.m as at 31 December 2022.

Gross profit margin increased to approximately 26.9% for FY2023 from approximately 24.8% for FY2022, which was mainly due to (i) an increase in the gross profit margin of the basic property services attributable to the Group's refined management; and (ii) an increase in gross profit margin of the value-added services for property owners, as the Group scaled down certain services with lower gross profit margin.

For FY2023, the Group recorded a profit for the year of approximately RMB250.3 million, representing an increase of approximately 28.7% as compared to the profit for the year of approximately RMB194.5 million for FY2022. Such increase was due to the reasons mentioned above. Net profit margin increased to approximately 14.1% for FY2023 from approximately 12.2% for FY2022, which was mainly due to the same reasons as the ones for the improvement in gross profit margin.

As at 31 December 2023, net assets of the Group increased to approximately RMB248.0 million from approximately RMB6.1 million as at 31 December 2022, which was mainly attributable to the operating results of the Group. Furthermore, we note that interest-bearing bank borrowings had decreased by 54.0% from approximately RMB381.3 million for FY2022 to approximately RMB175.6 million for FY2023.

The Group did not distribute dividends for FY2022 and FY2023.

FY2022 compared to year ended 31 December 2021 ("FY2021")

Revenue from contracts with customers increased from approximately RMB1,283.5 million for FY2021 to approximately RMB1,599.1 million for FY2022, representing an increase of approximately 24.6%. Such increase was mainly attributable to the increase in revenue from the property management services segment. As of 31 December 2022, the Group has a total contracted GFA of approximately 51.8 million sq.m, compared to approximately 38.6 million sq.m as at 31 December 2021.

Furthermore, we note from the 2022 Annual Report that a key factor which contributed to the 51.9% increase in revenue from value-added services was due to the new community retail business.

Gross profit margin decreased to approximately 24.8% for FY2022 from approximately 27.1% for FY2021. The decline was mainly because the Group began providing certain new services under value-added services for property owners and other value-added services, which were in the early stages of business development and had lower gross profit margins.

For FY2022, the Group recorded a profit for the year of approximately RMB194.5 million, representing an increase of approximately 24.4% as compared to the profit for the year of approximately RMB156.3 million for FY2021. Such increase was due to the reasons mentioned above. Net profit margin for FY2022 was approximately 12.2%, which remained stable as compared to approximately 12.2% for FY2021.

As at 31 December 2022, net assets of the Group increased to approximately RMB6.1 million from an approximate deficit of RMB126.3 million as at 31 December 2021, which was attributable to the operating results of the Group. Furthermore, we note that interest-bearing bank borrowings had decreased by 24.7% from approximately RMB506.7 million for FY2022 to approximately RMB381.3 million for FY2023.

The Group did not distribute dividends for FY2021 and FY2022.

1.3 Outlook of the Group and the property market

As described in the section headed "1.2 Historical financial performance of the Group" above, the Group's overall financial results had been growing in the past three financial years. Looking ahead, based on the 2023 Annual Report, the Group will strengthen the linkage with Huafa Properties, further deepen the business combination system based on property services and lifestyle services as the main business, and cultivate strategic incubation businesses such as home management, community rental and sales, and new retail.

In respect of the property market, the downward pressure faced by the property market in the PRC may post challenges on the Group's property management business. According to the statistics published by the National Bureau of Statistics of the PRC[1], the amount invested into property development decreased by approximately 25.0% from RMB14.8 trillion in 2021 to RMB11.1 trillion in 2023. Furthermore, based on the press release of the National Bureau of Statistics dated 17 May 2024, from January to April 2024, (i) sales of newly constructed properties for sale totalled 292.52 million sq.m, marking a year-on-year decline of 20.2%, among which sales areas of residential properties experienced a decrease of 23.8%; (ii) sales revenue of newly built properties amounted to RMB2,806.7 billion, reflecting a notable year-on-year decline of 28.3%; and (iii) residential property sales revenue saw a significant year-on-year downturn of 31.1%. In short, the lesser newly constructed projects available for sale will have an impact on the potential sales area available for the Group to provide property management services going forward.

In addition, we observe that for FY2023, properties developed by Zhuhai Huafa Group accounted for approximately 83.8% of revenue from the Company's property management segment. Therefore, we conducted further research into the progress of construction and completed projects by Huafa Properties in the last two years. We note from Huafa Properties' 2022 and 2023 annual reports that the total area of started construction projects depleted year-on-year by approximately 28.3% from 2.9 million sq.m in 2022 to 2.0 million sq.m in 2023 and the completed projects decreased year-on-year by approximately 22.0% from 6.6 million sq.m in 2022 to 5.1 million sq.m in 2023. Consequently, this may pose a challenge to the Company's property management segment.

However, we note that the People's Bank of China and the National Financial Regulatory Administration announced that the minimum down payment ratio for individuals' commercial housing mortgages will be lowered to 15% for first-home purchases and 24% for second-home purchases on 17 May 2024. Therefore, from a macro perspective, the PRC is actively engaging in various measures to stimulate the property market in the PRC.

[1] *Source: The website of the National Bureau of Statistics of the PRC at http://data.stats.gov.cn*

Having considered (i) the prevailing property market condition in the PRC which may pose challenges on the Group's property management business; (ii) the government's recent stimulating policies towards the property market may take time to reveal its impact; and (iii) the Group's financial performance achieved in the past three years under the headwinds from the macro environment and its current financial position, we maintain a cautious view on the outlook of the Group and the property market in the PRC.

2. Background information of the Offeror

2.1 The Offeror and its controlling shareholder

As at the Latest Practicable Date, the Offeror and Guang Jie held 3,899,990,000 Shares and 382,314,960 Shares, representing approximately 38.76% and 3.80% of the total issued Shares respectively.

Huafa Properties is a company established in the PRC with limited liability, whose shares are listed on the Shanghai Exchange (stock code: 600325) and principally engaged in property development. Huafa Properties is a non-wholly owned subsidiary of Zhuhai Huafa, a state-owned enterprise directly regulated by Zhuhai State-owned Asset Supervision and Administration Commission with its business operations primarily conducted in Zhuhai, Guangdong Province. Zhuhai Huafa, through its subsidiaries, is principally engaged in six major business segments, namely, urban operations, real estate development, financial investment, technology industry, commerce and trade services and modern services.

2.2 The Offeror's intention in relation to the Company

As disclosed in the paragraph headed "The Offeror's intention regarding the Group" in the section headed "Explanatory Statement" of the Scheme Document, it is the intention of the Offeror that the Group will continue to carry on its current business following the implementation of the Proposal and does not have any plans to make any material changes to the continued employment of the employees of the Group (other than in the ordinary source of business of the Group).

The Offeror will conduct a strategic review of the Group's assets, corporate structure, capitalisation, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the implementation of the Proposal with a view to optimising the Group's activities and development, and may make any changes as the Offeror deems necessary, appropriate or beneficial for the Group in light of its review of the Group or any future development.

We note the Proposal is made by the existing controlling Shareholder who stated that it will continue to operate the Group's businesses as it is. Based on our discussion with the Management, there is no indication from the controlling Shareholder of any intended significant activities which may fundamentally improve the Group's ongoing operations and outlook, nor which may positively impact the Group's valuation as a business.

3. Rationale of the Proposal

3.1 From perspective of the Company

According to the "Explanatory Statement" under the Scheme Document, the Company has not conducted any equity fund raising activities since 2017, being the primary benefit of having a listing status, due to relatively low liquidity in the trading of the Shares and the downward trend of the trading price of the Shares in the past years. Under such circumstances, the Company is unable to fully utilise its current listing platform as a source of funding for its long term growth. It is expected that the continued listing of the Shares may not provide any meaningful benefit to the Company in the near future.

We have reviewed the Company's announcements and noted the last equity fund raising exercise was conducted in 2017, before the Company's principal business shifted to property management. Coupled with the relatively thin trading volume of the Shares as detailed in the section headed "6. Historical trading liquidity of the Shares" below and ongoing costs of compliance required of a listed company on the Stock Exchange, we are of the view that the usefulness of a listed platform for the Company is limited. Furthermore, the Proposal, if successful, will provide the Offeror with more flexibility in supporting the long-term business development of the Company, without being concerned about the fluctuation of its short-term share performance, regulatory restrictions and compliance obligations arising from its listing status, and would allow the Offeror to streamline the Company's governance structure.

3.2 From perspective of Scheme Shareholders

From the point of view of the Scheme Shareholders, the Proposal offers an opportunity to realise their investment in the Company for cash at an attractive premium over the prevailing share price. The Cancellation Price of HK$0.29 per Share offers a premium of between 30.63% and 70.59% over the average closing prices per Share for the periods detailed in the section headed "4.1 Cancellation price comparison" below. Moreover, this price represents a premium of 970.11% over the audited consolidated net asset value per share attributable to shareholders as of 31 December 2023.

The trading liquidity of the Shares has been relatively low over a prolonged period in recent years. From our own analysis, trading liquidity for the Review Period as defined in the section "6. Historical trading liquidity of the Shares" ranged from only approximately 0.01% to 0.37% of the Group's total issued share capital, and approximately 0.02% to 0.58% of the Shares held by the Disinterested Shareholders. The relatively low liquidity level would make any disposal of a significant number of Shares on-market difficult and may result in downward pressure on the market price of the Shares. As such, the Scheme presents an immediate opportunity for Scheme Shareholders to monetise their investments for cash and redeploy the proceeds from accepting the Scheme into other investment opportunities.

Upon reviewing the Cancellation Price against prevailing Share prices and the trading liquidity level of the Shares in the sections headed "6. Historical trading liquidity of the Shares" and "4.2 Analysis of historical Share price performance", we are of the view that the Proposal and the Scheme is in the interests of, and presents an opportunity for, the Disinterested Shareholders to monetise their investments for cash and redeploy the proceeds from accepting the Proposal and the Scheme into other investment opportunities.

4. The Cancellation Price

4.1 Cancellation Price comparison

The Proposal will be implemented by way of the Scheme. The Scheme will provide that, if the Scheme becomes effective, the Scheme Shares will be cancelled and extinguished in exchange for the payment to each Scheme Shareholder at the Cancellation Price of **HK$0.29** in cash for each Scheme Share cancelled and extinguished.

The Cancellation Price represents:

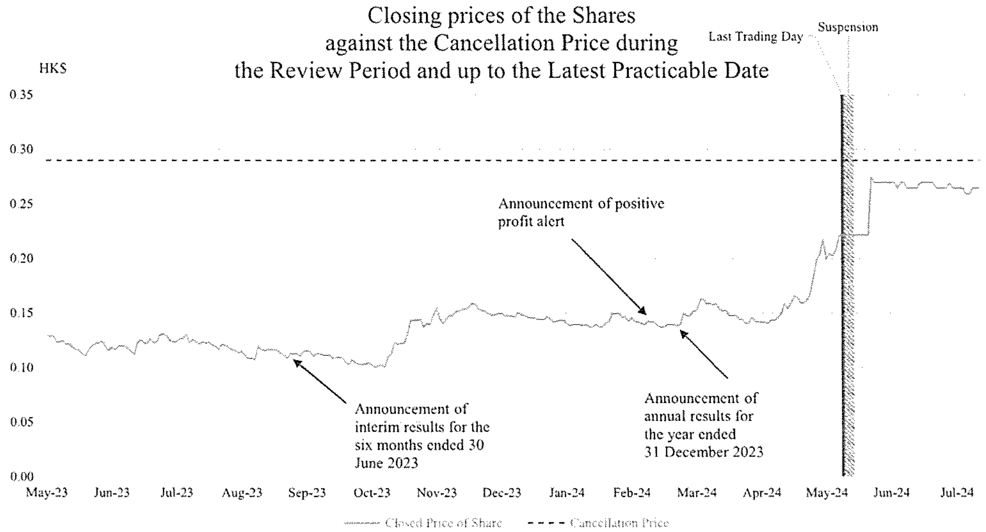
- a premium of approximately 9.43% over the closing price of HK$0.265 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 30.63% over the closing price of HK$0.222 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 36.79% over the average closing price of approximately HK$0.212 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 40.10% over the average closing price of approximately HK$0.207 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 70.59% over the average closing price of approximately HK$0.170 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day; and
- a premium of approximately 970.11% over the audited consolidated net asset value per Share of approximately RMB0.0246 (equivalent to approximately HK$0.0271) as at 31 December 2023.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholder 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.

4.2 Analysis of historical Share price performance

In assessing the reasonableness of the Proposal and the Cancellation Price, we have considered the historical movement of the price of the Shares, as well as the comparison between price of the Shares and the Cancellation Price.

Set out below is a chart showing the movement of the closing prices of the Shares against the Cancellation Price during the period from 15 May 2023, being one year before the Last Trading Day, to the Last Trading Day (the "**Review Period**"). We are of the view that the price performance of the Shares during the Review Period can sufficiently and fairly reflect the market perception on the Company's performance and outlook.



Source: The Stock Exchange website (www.hkex.com.hk)

As shown in the chart on closing prices of the Shares above, for the Review Period, the highest closing price of Shares was HK$0.222 on 13 and 14 May 2024 respectively and the lowest was HK$0.101 on 11 and 16 October 2023, with a mean of HK$0.136. The Cancellation Price represents a premium of 30.6%, 187.1%, and 113.1% over the highest price, lowest price, and mean price respectively.

In regards to the influence of announcements on the Share prices, on 29 August 2023, the Group announced its interim results, which reported an increase of the Group's revenue by 11.5% as compared to the corresponding period of 2022. However, closing price of Shares were not swayed by the aforesaid announcement until the beginning of October 2023 where price of Shares began to ascend to above HK$0.150.

On 28 February 2024, the Group announced its annual results for the year ended 31 December 2023. It was reported that the year-on-year revenue increased by 11.0%. Following such announcement, the closing price of the Shares increased to HK$0.164 per Share on 8 March 2024, before returning to its previous level between HK$0.140 and HK$0.150 per Share.

Other than the above reasons, we are not aware, and the Management also confirmed that they are not aware, of any reason that had affected the fluctuation of Share prices during the Review Period.

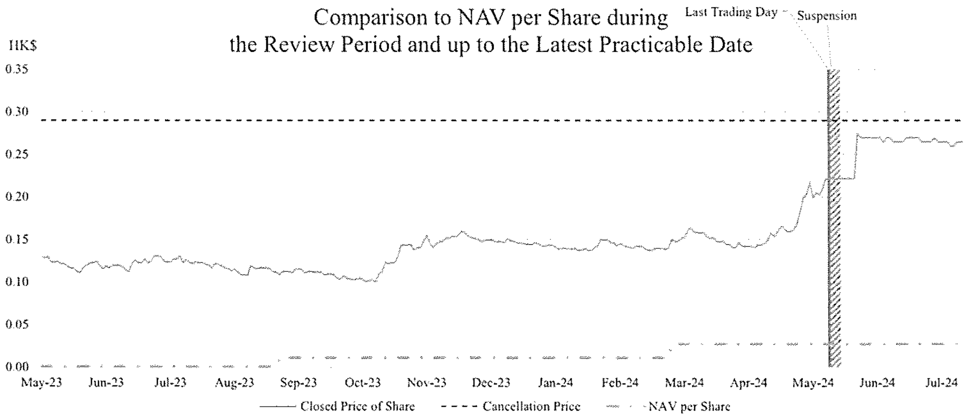
Subsequent to the Announcement on 27 May 2024 and the resumption of trading in the Shares on 28 May 2024, the closing price of Share surged up to around HK$0.270 and remained as this level. However, there is no assurance that the price of the Shares will sustain at the current level if the Scheme is not approved or the Proposal otherwise lapses.

Therefore, from the perspective of the historical price performance of the Shares, we are of the view that the Cancellation Price is fair and reasonable, and presents an attractive opportunity for the Disinterested Shareholders to realise their investments.

5. Net asset value comparison

5.1 Premium of Share price over the NAV (as defined below) per Share

The Cancellation Price represents a premium of approximately 970.11% over the audited net asset value ("**NAV**") per Share of approximately HK$0.0271 as at 31 December 2023, based on the audited consolidated net asset value of the Group of RMB248.0 million (equivalent to HK$272.6 million) as at 31 December 2023. The chart below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the Review Period, and up to the Latest Practicable Date against the Cancellation Price and latest available NAV the Company at the relevant time.



Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. *The NAV per Share was calculated based on the net assets as set out in the respective interim or annual results of the Company divided by the total number of Shares then in issue. The NAV per Share was approximately RMB0.0006 (equivalent to HK$0.0007) for the period from 15 May 2023 to 29 August 2023, RMB0.0101 (equivalent to HK$0.0112) for the period from 30 August 2023 to 28 March 2024 and RMB0.0246 (equivalent to HK$0.0271) for the period from 29 March 2024 to the Latest Practicable Date respectively.*

2. *The exchange rate of HK$1 = RMB0.90981 was based on the exchange rate published on the website of the State Administration of Foreign Exchange of the PRC on 27 May 2024, being the date of the Announcement.*

As shown in the chart above, the Cancellation Price represents a consistent premium to the NAV per Share during the Review Period and up to the Latest Practicable Date.

In summary, given the Cancellation Price represents a premium to both the NAV per Share and closing price of the Shares during the entire Review Period, we are of the view that from the perspective of the NAV per Share comparison, the Cancellation Price is fair and reasonable, and presents an opportunity for the Disinterested Shareholders to realise their investments.

6. Historical trading liquidity of the Shares

We have conducted a review on the trading liquidity of the Shares, and set out below are the average daily trading volume of Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares during the Review Period and up to the Latest Practicable Date as compared to the total number of issued Shares and the total number of issued Shares held by the Disinterested Shareholders as at the Latest Practicable Date.

	Average daily trading volume	**Approximate % of average daily trading volume to total issued Shares** *(Note 1)*	**Approximate % of average daily trading volume to total number of Shares held by Disinterested Shareholders**
Review Period			
2023			
15 May to 30 May	1,956,667	0.02%	0.03%
June	2,161,190	0.02%	0.04%
July	1,141,000	0.01%	0.02%
August	1,328,696	0.01%	0.02%
September	1,196,842	0.01%	0.02%
October	4,553,000	0.05%	0.08%
November	7,060,000	0.07%	0.12%
December	4,274,737	0.04%	0.07%
2024			
January	2,050,909	0.02%	0.04%
February	1,715,789	0.02%	0.03%
March	2,149,000	0.02%	0.04%
April	5,578,000	0.06%	0.10%
1 to 14 May (Last Trading Day)	37,673,333	0.37%	0.65%
Average	5,603,013	0.06%	0.10%
Subsequent to the Review Period and up to the Latest Practicable Date			
May (from 28 May to 31 May)	117,750,000	1.17%	2.04%
June	64,898,970	0.65%	1.12%
July (up to the Latest Practicable Date)	27,310,909	0.27%	0.47%

Source: The Stock Exchange website (www.hkex.com.hk)

Note:

1. *Based on the total number of issued Shares as at each month end.*

As shown in the table above, the average daily trading liquidity of the Shares was low during the Review Period, ranging from only approximately 0.01% to 0.37% of the Group's total issued share capital, and approximately 0.02% to 0.65% of the Shares held by the Disinterested Shareholders. Such liquidity would suggest that any sale of large number of Shares on the market over a short period of time may be difficult without exerting downward pressure on the price of the Shares.

In light of the low trading liquidity of the Shares during the Review Period, the Proposal provides an assured opportunity for the Disinterested Shareholders to realise their investment in the Company for cash at the fixed Cancellation Price regardless of the number of Shares they hold, is fair and reasonable from the perspective of historical trading liquidity of Shares.

7. Market comparables

In assessing the fairness and reasonableness of the Cancellation Price, we have performed analysis on the price-to-earnings ratio (the "**P/E Ratio(s)**"), being a common parameter in assessing a company's value, of companies which are listed on the Stock Exchange and are engaged in similar businesses to those of the Group for comparison purpose ("**Comparable Companie(s)**"). We have also compiled the price-to-book ratio (the "**P/B Ratio(s)**") of the Comparable Companies to provide additional reference for analysis.

On the basis (i) that the majority (over 80%) of the revenue of the Group is derived from property management business in the PRC; and (ii) the implied market capitalisation of approximately HK$2.3 billion of the Company based on 10,060,920,000 issued Shares as at the Last Trading Date and the Cancellation Price, we have set the following selection criteria for the purpose of identifying Comparable Companies:

(i) the share of which are listed on the Main Board of the Stock Exchange;

(ii) of comparable size to the Company with market capitalisation as of the Last Trading Day between approximately HK$1.1 billion (50% of the Company's market capitalisation as of the Last Trading Day) and approximately HK$4.5 billion (200% of the Company's market capitalisation as of the Last Trading Day); and

(iii) predominantly over 80% of revenue is derived from property management business in the PRC.

Based on the above criteria, we have identified 10 Comparable Companies which is an exhaustive list.

Name	Stock code	Market capitalisation	P/E Ratio	P/B Ratio
		(HK$ billion)	*(Times)*	*(Times)*
		(Note 1)	*(Note 2)*	*(Note 3)*
Central China New Life Ltd.	9983	1.5	*(Note 4)*	0.6
Dexin Services Group Ltd.	2215	1.8	26.2	2.1
E-Star Commercial Management Co. Ltd.	6668	1.4	7.6	1.0
Ever Sunshine Services Group Ltd.	1995	3.2	6.8	0.6
Excellence Commercial Property & Facilities Mgt Group Ltd.	6989	2.0	6.1	0.5
Jinmao Property Services Co., Ltd.	816	2.6	7.0	1.5
New Hope Service Holdings Ltd.	3658	1.4	6.1	1.0
Powerlong Commercial Management Holdings Ltd.	9909	1.9	3.8	0.6
S-Enjoy Service Group Co., Ltd.	1755	2.9	6.0	0.8
Shimao Services Holdings Ltd.	873	2.4	8.0	0.3
		Maximum:	26.2	2.1
		Minimum:	3.8	0.3
		Median:	6.8	0.7
		Mean:	8.6	0.9
The Company	**982**	**2.2**	**10.7** *(Note 5)*	**10.7** *(Note 6)*

Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. *Calculated based on the closing share price as at 14 May 2023, being the Last Trading Day, and the number of shares in issue based on the monthly return of equity issuer on movements in securities for the month ended 30 April 2024, being the latest one available before the Last Trading Day.*

2. *P/E Ratio was calculated based on the respective market capitalisation divided by their respective profit reported in the respective companies' latest published annual report.*

3. *P/B Ratio was calculated based on the respective market capitalisation divided by their respective latest net asset value reported in the respective companies' latest published annual report.*

4. *P/E Ratio for Central China New Life Ltd. was not applicable due to it recorded loss in FY2023.*

5. *The implied P/E Ratio of the Group was calculated based on the implied market capitalisation implied by the Cancellation Price, divided by the Group's profit published in the 2023 Annual Report.*

6. *The implied P/B Ratio of the Group was calculated based on the implied market capitalisation implied by the Cancellation Price, divided by the Group's net asset value as at 31 December 2023.*

As shown in the table above, the P/E Ratios of the Comparable Companies range from approximately 3.8 times to 26.2 times with a median of approximately 6.8 times and a mean of approximately 8.6 times. The implied P/E Ratio of the Group based on the Cancellation Price is approximately 10.7 times, which is above median and mean and within range.

The P/B Ratios of the Comparable Companies range from approximately 0.3 times to 2.1 times, with a median of approximately 0.7 times and a mean of approximately 0.9 times. The implied P/B Ratio of the Group based on the Cancellation Price and the Group's net asset value as at 31 December 2023 is approximately 10.7 times, which is above median, mean and the entire range.

In summary, from the perspective of the market comparable analysis based on the abovementioned commonly adopted yardsticks, we are of the view that the Cancellation Price is fair and reasonable.

8. Privatisation precedents

We are of the view that past privatisation transactions of companies listed on the Stock Exchange may not be a good reference for assessing the fairness and reasonableness of the Cancellation Price considering these companies are from different industries, which therefore have different market fundamentals and prospects. Accordingly, we consider the analysis in the sections above to be more relevant for the Disinterested Shareholders.

RECOMMENDATIONS

In summary, in relation to the Proposal and the Scheme, we have considered the below factors and reasons in reaching our conclusion and recommendations:

(a) while the financial performance of the Group had grown steadily in FY2022 and FY2023, the prevailing property market condition in the PRC and the government's recent stimulating policies towards the PRC property market may take time to reveal its impact as described under the section headed "1.3 Outlook of the Group and the property market" above may, in turn, have an impact on the Group's property management business, which should be viewed cautiously going forward;

(b) from the Offeror and the Company's perspective, as the usefulness of a listed platform for the Company has diminished, the Scheme enables the Company to (i) reduce the ongoing administrative costs and management resources for maintaining the listing status of the Company; and (ii) provide more flexibility to the Offeror and the Group to formulate long-term commercial development and to maintain competitiveness to cope with the ever-changing market environment;

(c) the Cancellation Price represents a premium over (i) the closing price of Shares price during the Review Period; and (ii) the NAV per Share during the Review Period;

(d) in the view of the thin liquidity and low trading volume of the Share during the Review Period, the Scheme provides an opportunity for the Disinterested Shareholders to realise their investment in the Company for cash at the fixed Cancellation Price regardless of the number of Shares they hold without exerting downward pressure on the market price of the Shares; and

(e) the Cancellation Price is fair and reasonable from a comparable analysis perspective as the implied P/E Ratio is above the mean and median of those of the Comparable Companies and fell within the range, and the implied P/B Ratio is above the mean, median and the entire range of the Comparable Companies;

In light of the above, we consider that, the Proposal and the Scheme offer the Scheme Shareholders an immediate assured opportunity to exit at the fixed Cancellation Price and to monetise and reallocate their investment in the Company to other investments that they may consider more attractive.

Considering the above, we (i) are of the opinion that the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) recommend the Disinterested Shareholders should vote in favour of the resolution to approve the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM.

As different Scheme Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Disinterested Shareholders who may require advice in relation to any aspect of the Scheme 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.

Disinterested Shareholders are reminded that their decisions to dispose of or retain their investments or exercise their rights in the Shares, having regard to their own circumstances and investment objectives and are reminded to closely monitor the market price and liquidity of the Shares during the offer period and consider selling their Shares in the open market, where possible, if the net proceeds (after deducting all transaction costs) exceed the net amount to be received under the Scheme.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*