



Alliance Capital Partners Limited
同人融資有限公司

Room 03
7/F Worldwide House
Des Voeux Road
Central Hong Kong

14 January 2026

To the Independent Board Committee and Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE
ACQUISITION AND LEASE OF PROPERTIES AND CARPARK SPACES**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions (namely, the Asset Acquisition, the Lease and the Usage Rights Transfer), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 14 January 2026 (the “**Circular**”), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined under the definitions section in the Circular.

As set out in the Letter from the Board, on 5 December 2025, the Company and Kingfar Real Estate entered into the Transaction Documents, pursuant to which: (i) the Company conditionally agreed to acquire Property Units from Kingfar Real Estate; (ii) the Company conditionally agreed to lease the Civil Air Defense Parking Spaces from Kingfar Real Estate; and (iii) Kingfar Real Estate conditionally agreed to transfer the usage right of the Mechanical Parking Spaces to the Company.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Transactions, on an aggregate basis, exceed 25% but are less than 100%, the Transactions constitute a major transaction of the Company and are subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Kingfar Holdings is the controlling shareholder of the Company holding approximately 75% of the total issued share capital of the Company. Kingfar Real Estate is wholly owned by Kingfar Group, which in turn is held as to approximately 96.29% by Kingfar Holdings. Kingfar Group and Kingfar Holdings are holding in aggregate 75% of the total issued capital of the Company, and therefore, Kingfar Real Estate is a connected

person of the Company. Accordingly, the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Transactions exceeds 5%, the Transactions are also subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the Transactions (namely the Asset Acquisition, the Lease and the Usage Rights Transfer) are contained in the Letter from the Board as set out in the circular of the Company dated 14 January 2026 (the "**Circular**"). Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

An Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders on whether the Transactions (namely the Asset Acquisition, the Lease and the Usage Rights Transfer) with the connected persons are in the ordinary and usual course of business of the Company, on normal commercial terms, and on terms that are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and Shareholders as a whole.

An Independent Board Committee of the Company comprising all of the independent non-executive Directors, namely Mr. Lam Siu Wing, Dr. Jiang Li and Mr. Cao Yang, has been formed to advise the Independent Shareholders as to whether the Transactions (namely the Asset Acquisition, the Lease and the Usage Rights Transfer) has been made on normal commercial terms and in the ordinary and usual course of business of the Group; and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and to give a recommendation to the Independent Shareholders in respect of the voting on the resolution to be proposed at the EGM.

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on statements, information and representations referred to in the Circular as well as information and representations provided to us by the Company. We have assumed that all such information and representations provided by the Company, for which the Directors are solely responsible, are true and accurate at the time when they were made. We have also assumed that all statements of belief, opinion, forecasts and intention made by the Company were reasonably made after due enquiry and careful consideration. At the time of writing, we have no reason to doubt the truth and accuracy of the information and representations provided to us and have been advised by the Company that no material facts have been withheld or omitted from the information provided and/or referred to in the Circular. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Kingfar Real Estate and their respective associates, nor have we carried out any independent verification of the information supplied to us.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, for the purpose of this exercise conducted any independent verification of the information included in the Circular and/or those provided to us by the Company nor have we conducted any form of investigation into the businesses and affairs of the Group.

As at the Latest Practicable Date, we did not have any relationship or interest with the Group that could reasonably be regarded as relevant to our independence. In addition, we have no interest in the Company or any of its associates during the past two years immediately preceding the Latest Practicable Date that could reasonably be regarded as relevant to our independence. As such, we are of the opinion that we are independent in relation to our acting as independent financial adviser to the Company in this regard.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Asset Acquisition, the Lease and the Usage Rights Transfer, we have considered the following principal factors and reasons:

Background of the Group

The Group is a state-owned comprehensive city service and property management service provider in Shaanxi Province with presence in Northwest China.

As at the Latest Practicable Date, the Group was contracted to provide public property management services, basic residential property management services and basic commercial property management services to 216 projects in China.

The following table summarises the major information of the statement of profit or loss and other comprehensive income of the Group for the two years ended 31 December 2024 and the six months ended 30 June 2025, as extracted from the Company’s annual report for the year ended 31 December 2024 (the “**2024 Annual Report**”) and interim report for the six months ended 30 June 2025 (the “**2025 Interim Report**”):

	Year ended		Six months ended	
	31 December		30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
– City services	524,908	594,309	289,143	293,752
– Residential property management services	184,170	200,914	97,620	103,615
– Commercial property management services	149,844	153,056	74,740	72,416
– Gross rental income	3,325	3,248	1,827	1,690
Total	862,247	951,527	463,330	471,473
Profit after tax for the year/period	51,018	61,092	31,003	32,098

Source: 2024 Annual Report and 2025 Interim Report

For the year ended 31 December 2024

The Group derived its revenue primarily from the city services and property management and related services segment which accounted for approximately 99.7% of total revenue for the year ended 31 December 2024. It recorded a growth of revenue of approximately 10.4% as compared to the previous financial year. The profit after tax for the year ended 31 December 2024 was approximately RMB61.0 million, representing an increase of approximately 19.8% as compared to approximately RMB51.0 million for the year ended 31 December 2023. According to the 2024 Annual Report, such increase was mainly attributable to (i) the increase in revenue as the Group had a total contracted GFA of approximately 18.1 million sq.m. as at 31 December 2024, representing an increase of approximately 20.7% as compared with 31 December 2023; and (ii) the improved gross profit due to the effective cost control measures adopted by the Group.

For the six months ended 30 June 2025

The Group’s revenue increased by approximately 1.8% from approximately RMB463.3 million for the six months ended 30 June 2024 to approximately RMB471.5 million for the six months ended 30 June 2025, mainly reflecting (i) an increase in city services income

from the Group's hospital projects and the increase in the GFA under management and the number of residential projects managed by the Group.

The profit for the six months ended 30 June 2025 was approximately RMB32.1 million, representing an increase of approximately 3.5% as compared to approximately RMB31.0 million for the same period of last year. According to the 2025 Interim Report, such improvement in the profitability was mainly attributable to the increase in revenue and gross profit during the period.

The following table summarises the major information of the statement of financial position of the Group as at 30 June 2025, extracted from the 2025 Interim Report:

	As at 30 June 2025 <i>RMB'000</i> (unaudited)
Cash and cash equivalent	360,631
Trade receivables and bills receivables	293,191
Others	<u>47,016</u>
Current assets	700,838
Non-current assets	<u>117,661</u>
Total assets	<u>818,499</u>
Current liabilities	520,903
Non-current liabilities	<u>3,408</u>
Total liabilities	<u>524,311</u>
Net assets	<u><u>294,188</u></u>

Source: 2025 Interim Report

As at 30 June 2025, the total assets of the Group mainly comprise of trade receivables and bills receivables, and cash and cash equivalents in aggregate amounted to approximately RMB653.2 million, which represented approximately 79.9% of the total assets. As at 30 June 2025, the total liabilities of the Group mainly comprise of trade and other payables of approximately RMB476.7 million, which represented approximately 90.8% of the total liabilities.

Background of Kingfar Real Estate

Kingfar Real Estate is a company incorporated in the PRC and is directly wholly owned by Xi'an Kingfar Group Co., Limited* (西安經發集團有限責任公司), which in turn is owned as to approximately 96.29% by Kingfar Holdings. Kingfar Holdings is in turn wholly owned by the Management Committee of Xi'an Economic and Technology Development Zone (西安經濟技術開發區管理委員會), an administrative agency of Xi'an Municipal People's Government for the management of Xi'an Economic and Technology Development Zone.

Kingfar Real Estate is principally engaged in property development, investment and management, and is the developer of the Property (including the Assets, the Civil Air Defense Parking Spaces and the Mechanical Parking Spaces).

Background of the Property

The Property Units, the Civil Air Defense Parking Spaces and the Mechanical Parking Spaces (collectively "**the Target Assets**") are located in the Block A, Kingfar Building (the "**Property**"), which is located at No. 132 Weiyang Road, Weiyang District, Xi'an, PRC, within the Xi'an Economic and Technological Development Zone. Situated on Weiyang Road, an 8.1-kilometer premier north-south arterial corridor that forms the northern section of Xi'an's central axis and serves as the primary commercial artery through the city's economic development zone, the location strategically places the Property in the nexus of Xi'an's administrative and economic activity.

Weiyang Road in Weiyang District, Xi'an, is a major thoroughfare in the city. Located within Weiyang District, it traverses the northern part of the city and serves as a vital transportation hub connecting the northern urban areas with the city center. It is also a key street within Weiyang District, supporting substantial traffic flow and commercial activity.

The Property is designated as a mixed-use office and commercial development.

The Target Assets comprises 14 commercial units and 321 car parking spaces (including the standard car park spaces, the Civil Air Defense Parking Spaces and the Mechanical Parking Spaces) with total gross floor area ("**GFA**") of approximately 15,516.85 sq.m. situated on basement level 1 and level 2 (for commercial units) and underground (for parking spaces) in the Property. Part of the Target Assets were leased out while the remaining portion was vacant.

Set forth below are the details of Target Assets:

	Property units	Standard car park spaces	Civil Air Defense Parking Spaces	Mechanical Parking Spaces
Number of units:	14 property units	224	37	60
Unit/location:	(Unit F108, F109, F110, F111, F112, F114, F118, F120, F121, F122, F123, F124, F126 and 202) at B1 and Floor 2	Floor B2 & B3	Floor B3	Floor B2
Usage:	Commercials	Car park	Car park	Car park
GFA (sq.m.):	3,267.13	8,743.12	2,038.64	1,467.96
Remarks:	The target assets under Asset Acquisition Agreement		The target assets under the Civil Air Defense Car Park Lease Agreement	The target assets under the Mechanical Parking Space Transfer Agreement

The Property was developed by Kingfar Real Estate and completed in 2018 and was leased for rental purpose. The initial development cost of the Target Assets situated in the Property by Kingfar Real Estate as the developer was RMB50,030,000.

Based on the independent valuation report conducted by HK Valuer, regarding the Property Units, among other things, (i) Kingfar Real Estate has the legal and valid ownership of the Property Units are not subject to any ownership dispute; and (ii) the Property Units are not pledged for mortgage purpose.

As at the valuation reference date, the Target Assets had not yet obtained the building ownership certificate, but the relevant documents including the State-owned Land Use Certificate, Construction Project Planning Permit and Real Estate Register List had been obtained. The ownership of the Target Assets is clear with no mortgage, seizure, litigation or other title defects.

As advised by the Company's PRC legal adviser, under applicable law in the PRC, the Civil Air Defense Parking Spaces and Mechanical Parking Spaces are stated to be owned and cannot be sold. Also, the rental for relevant parking spaces is not allowed to exceed 20 years and any lease period exceeding 20 years will be void in respect of such period that exceeds the prescribed limit, although parties can renew the lease agreement to extend the lease period. Taking into account the above legal restrictions, the Company believes that the lease arrangement to be in the interest of the Company and the Shareholders as a whole, noting in particular (i) the lease arrangement allows the Group to enjoy the maximum lease term for the Civil Air Defense Carpark Spaces permitted under applicable PRC law and (ii) Kingfar Real Estate has undertaken to automatically renew the Lease free of charge until the expiry of land use right for the land parcel.

Location and surrounding environment

The Property is located at No. 132 Weiyang Road, Weiyang District, Xi'an, within Weiyang District, one of the core urban districts in the northern part of Xi'an and the city's new administrative centre. Weiyang District accommodates a concentration of major municipal facilities, business clusters and large-scale residential communities, and has developed into a key sub-centre supporting the expansion of Xi'an's urban structure.

Weiyang Road is a major north-south arterial road connecting the traditional city centre with the rapidly developing northern districts. The corridor carries substantial daily traffic and accommodates a high concentration of commercial, office and residential developments. The alignment of Xi'an Metro Line 2, which largely follows Weiyang Road, further enhances the accessibility of the area by providing direct connections to core city locations including the Bell Tower CBD as well as Xi'an North High-speed Railway Station, one of the primary transportation hubs in the city.

The Target Assets form part of Kingfar Building, a commercial complex comprising office and retail components with supporting car park facilities. The building is situated along a well-established commercial corridor with several mid- to large-scale shopping centres and lifestyle destinations within the district, including Rongmin Times Plaza (榮民時代廣場) along Weiyang Road and Xi'an IMIXPARK in the Fengcheng area. These developments, together with high-density residential neighbourhoods and public facilities such as the Xi'an Municipal Government and City Sports Centre, contribute to a mature and stable business environment and provide a broad base of consumer and commuter traffic to the surrounding area.

Given the above, we consider that the Property benefits from a favourable location within a mature and well-serviced urban district, supported by comprehensive transportation infrastructure and established commercial activities.

Overview of Xi'an and PRC property market

Based on publicly available information, Xi'an's macroeconomic indicators have remained stable. According to city-level economic profiles, Xi'an's GDP recorded year-on-year growth of around 4.6%¹ in 2024, with services industry accounting for over 60% of the local economy, reflecting a gradual recovery of economic activity following the pandemic and a solid tertiary-industry base.

Xi'an also continues to rank among China's "new first-tier cities", supported by sustained population inflows and the expansion of technology and service industries. In the "Ranking of Cities' Business Attractiveness in China 2024" released by Yicai², Xi'an is listed as one of the 15 new first-tier cities, and is reported to rank sixth among them in terms of overall business attractiveness.

At the policy level, national directives under the "14th Five-Year Plan for Economic and Social Development and the Long-Range Objectives Through the Year 2035" emphasis the need to improve the housing system, build a new development model for the real estate sector and promote its stable and healthy development, forming an overall framework aimed at avoiding disorderly fluctuations in property markets.

Research by international real estate advisory firms indicates that Xi'an's commercial property market has remained broadly stable, with certain submarkets showing signs of gradual stabilisation after earlier adjustments. For example, Savills' Xi'an Q1 2024 Office Market Report³ notes that market activity remained stable with a gradual decline in vacant space and an increase in net take-up compared with Q1 2023, suggesting improving absorption in the Grade A office segment. Earlier retail market commentary for Xi'an shows that following a period of rental adjustment, the city continued to attract both domestic and international brands into major shopping centres, indicating that occupier demand in core locations has remained resilient.

Having considered the above and based on these publicly available data and research, we consider that the Xi'an property market has remained generally stable, with no indication of material deterioration in the fundamentals of core commercial assets. This forms a relevant backdrop for assessing the commercial rationale of the acquisition and/or lease of the Target Assets.

¹ HKTDC RESEARCH <https://research.hktdc.com/tc/data-and-profiles/mcpc/provinces/shaanxi/xian>

² <https://govt.chinadaily.com.cn/s/202405/31/WS66598e88498ed2d7b7eaeefb/xian-ranks-6th-among-top-new-first-tier-cities-in-china.html>

³ <https://pdf.savills.asia/asia-pacific-research/china-research/xian-research/24q1-xa-office-en.pdf>

Reasons for and benefits of the Transactions

The Group is principally engaged in the provision of city services and property management services. With the intention of diversifying its income portfolio, the Group has been identifying opportunities to invest in property portfolios with an intention to enjoy stable rental income and other property-related revenue.

The Property is located at No. 132 Weiyang Road, Weiyang District, Xi'an, PRC, within the Xi'an Economic and Technological Development Zone. Situated on Weiyang Road, an 8.1-kilometer premier north-south arterial corridor that forms the northern section of Xi'an's central axis and serves as the primary commercial artery through the city's economic development zone. The Company believes that it will benefit from the location of the Property as the location strategically places the Property in the central district in Weiyang district and supported by well-established transportation.

Weiyang Road in Weiyang District, Xi'an, is a major thoroughfare in the city. Located within Weiyang District, it traverses the northern part of the city and serves as a vital transportation hub connecting the northern urban areas with the city center. It is also a key street within Weiyang District, supporting substantial traffic flow and commercial activity.

Xi'an is 6th among the 15 new first-tier cities in the "Ranking of Cities Business Attractiveness in China 2024", a list evaluating 337 major cities by commercial resources, transport, urban vitality, economic competitiveness, and future potential. According to official statistics from the National Bureau of Statistics of China⁴, Xi'an's Gross Domestic Product (GDP) in 2024 was approximately RMB1.33 trillion, reflecting an increase from about RMB1.20 trillion in 2023. This corresponds to a growth rate of around 5.2% year-on-year for Xi'an, indicating steady economic expansion in line with national trends. Xi'an enjoys superb traffic and location advantages. Located in the geographical center and the bordering area of Middle China and West China, Xi'an has been a portal and traffic hub that connects Northwest China with other regions.

The Directors believe that the further establishment of the business presence in Xi'an at a location with potential economic growth would enhance the Group's business development capability for the provision of property management and related value-added services in the future.

Whilst the Group understand that there has been a notable decrease in the unaudited gross rental income from the Target Assets from approximately RMB2 million in 2023 to approximately RMB745,000 in 2024 and a slight improvement to RMB757,200 in 2025, which were mainly resulted from (i) the non-renewal of the lease of three property units which were previously rented out to a fitness centre tenant with the lease period ended in December 2023, coupled with (ii) weaker consumer market recovery in 2024 which has led

⁴ <https://data.stats.gov.cn/english/easyquery.htm?cn=E0102>
<https://research.hktdc.com/en/data-and-profiles/mcpc/provinces/shaanxi/xian>

to less demand for retail spaces and increased competition from other vacant consumer properties in the vicinity, the Group believes the historical gross rental income from the Target Assets, especially those in 2024 and 2025, does not fully reflect the potential investment value and return of the Target Assets for the following reasons:

However, the Group believes that these figures do not reflect the true potential of the Target Assets due to several reasons:

- *Different management intentions:* Kingfar Real Estate previously treated the Target Assets as inventories for sale rather than long-term investments, leading to minimal leasing management and very low occupancy rates (8.7% in 2024 and 14.3% in 2025), as compared to the nearby properties.
- *The Group's management capabilities:* As an experienced property manager overseeing 48 projects, the Group has strong connections with commercial tenants and has begun preparing a plan to attract suitable tenants to improve occupancy and rental yields.
- *Favorable 15 Five-Year Plan environment:* Government efforts to boost consumer spending under the 15th Five-Year Plan, along with Xi'an's new incentives (e.g., tax subsidies and cost reductions for property renovations), are expected to enhance the investment appeal of the Target Assets.

In summary, the Group expects that acquiring or leasing the underutilized Target Assets now will lead to significant improvements in rental income and long-term capital appreciation.

We consider that (i) the Transactions is in-line with the business strategy of the Group with the intention of diversifying its income portfolio and to enjoy stable rental income and at the same time to better use of their resources within the Group since it has been providing property management services to the Property; (ii) a stable rental income that it could generated; and (iii) the Group may benefit from the potential growth of the commercial real estate market in Xi'an in the long run. Therefore, we concur with the Directors that there is a commercial justification for the Company to enter into the Transactions.

Principal terms of the Asset Acquisition Agreement

The major terms of the Asset Acquisition Agreement are summarised as follows:

Date: 5 December 2025

- Parties:
- (i) the Company (as the purchaser of the Property Units)
 - (ii) Kingfar Real Estate (as the seller of the Property Units)
- Subject Matter:
- Pursuant to the Asset Acquisition Agreement, the Company conditionally agree to acquire, and Kingfar Real Estate conditionally agree to sell, the Property Units, comprising 14 property units designated for commercial use with an aggregate GFA of 3,267.13 sq.m. and 224 standard car park spaces on the underground levels with an aggregate GFA of 8,743.12 sq.m., in each case at the Property known as Block A, Kingfar Building at No. 132 Weiyang Road, Xi'an, PRC.
- Consideration:
- Consideration of the Asset Acquisition shall be RMB55,247,500, pursuant to which the consideration shall be payable in the following tranches:
- (a) the first tranche of RMB11,049,500 (representing 20% of the consideration) becoming payable within 5 days of the Property Units passing inspection (being the closing date of the Asset Acquisition). The inspection shall take place within 5 days of the Asset Acquisition Agreement taking effect and shall confirm that there are no defects such as damage, loss or failure to normal usage requirements on the Property Units; and
 - (b) the second tranche of RMB44,198,000 (representing 80% of the consideration) becoming payable within 15 days of the Asset Acquisition Agreement taking effect. Within 30 days after the receipt of the second tranche, Kingfar Real Estate shall procure the novation of existing lease agreements regarding the Property Units in favour of the Company.

The consideration of the Asset Acquisition was determined based on the Appraised Value of the Property Units as at 31 October 2025, being approximately RMB55,247,500, as determined by the PRC Valuer. The valuation report of the Target Assets is set out in Appendix IIB to this circular.

Conditions Precedent:

The Asset Acquisition Agreement shall be effective upon:

- (i) the legal representatives or authorized signatories of both the Company and Kingfar Real Estate execute the agreement and affix their respective company seals on the agreement; and
- (ii) the Company and Kingfar Real Estate having complied with requirements under applicable laws, rules, and statutory, governmental, and regulatory authorities (including but not limited to The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong) in relation to the agreement, and obtaining all necessary regulatory, statutory, and governmental consents and/or waivers, including but not limited to obtaining approval from Independent Shareholders in respect of the agreement.

The Civil Air Defense Car Park Lease Agreement

Date: 5 December 2025

Parties:

- (i) the Company (as the lessee of the Civil Air Defense Parking Spaces)
- (ii) Kingfar Real Estate (as the lessor of the Civil Air Defense Parking Spaces)

Subject Matter:

Pursuant to the Civil Air Defense Car Park Lease Agreement, the Company conditionally agrees to lease the Civil Air Defense Parking Spaces, comprising 37 parking spaces with an aggregate GFA of 2,038.64 sq.m., from Kingfar Real Estate for a period of 20 years from the date of effectiveness of the Civil Air Defense Car Park Lease Agreement.

Upon the expiry of the 20-year period, Kingfar Real Estate undertakes to automatically renew the Lease free of charge until the expiry of land use right for the land parcel where the Civil Air Defense Parking Spaces are located.

Conditions Precedent:

The Civil Air Defense Car Park Lease Agreement shall be effective upon:

- (i) the legal representatives or authorized signatories of both the Company and Kingfar Real Estate execute the agreement and affix their respective company seals on the agreement; and
- (ii) the Company and Kingfar Real Estate having complied with requirements under applicable laws, rules, and statutory, governmental, and regulatory authorities (including but not limited to The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong) in relation to the agreement, and obtaining all necessary regulatory, statutory, and governmental consents and/or waivers, including but not limited to obtaining approval from Independent Shareholders in respect of the agreement.

Consideration:

Consideration of the Lease shall be RMB2,960,000, inclusive of management and maintenance fees, pursuant to which the consideration shall be payable in the following tranches:

- (a) the first tranche of RMB592,000 (representing 20% of the consideration) becoming payable within 5 days of the Civil Air Defense Parking Spaces passing inspection. The inspection shall take place within 5 days of the Civil Air Defense Car Park Lease Agreement taking effect and shall confirm that there are no defects such as damage, loss or failure to normal usage requirements on the Civil Air Defense Parking Space; and
- (b) the second tranche of RMB2,368,000 (representing 80% of the consideration) becoming payable within 15 days of the Civil Air Defense Car Park Lease Agreement taking effect. Within 10 days after the receipt of the second tranche, Kingfar Real Estate shall procure the novation of existing lease agreements regarding the Civil Air Defense Parking Spaces in favour of the Company.

The consideration of the Lease was determined based on the Appraised Value of the Civil Air Defense Parking Spaces as at 31 October 2025, being approximately RMB2,960,000, as determined by the PRC Valuer. The valuation report of the Civil Air Defense Parking Spaces is set out in Appendix IIB to this circular.

Mechanical Parking Space Transfer Agreement

Date: 5 December 2025

Parties:

- (i) the Company (as the transferee of the transfer of usage rights for the Mechanical Parking Spaces)
- (ii) Kingfar Real Estate (as the transferor of the transfer of usage rights for the Mechanical Parking Spaces)

Subject Matter: Pursuant to the Mechanical Parking Space Transfer Agreement, Kingfar Real Estate conditionally agrees to transfer the usage right of Mechanical Parking Spaces, comprising 60 mechanical parking spaces at Floor B2 of the Property, for a period of 20 years from the date of effectiveness of the Mechanical Parking Space Transfer Agreement to the Company.

Upon the expiry of the 20-year period, Kingfar Real Estate undertakes to automatically extend the usage period free of charge until the expiry of land use right for the land parcel where the Mechanical Parking Spaces are located.

Conditions Precedent The Mechanical Parking Space Transfer Agreement shall be effective upon:

- (i) the legal representatives or authorized signatories of both the Company and Kingfar Real Estate execute the agreement and affix their respective company seals on the agreement; and

- (ii) the Company and Kingfar Real Estate having complied with requirements under applicable laws, rules, and statutory, governmental, and regulatory authorities (including but not limited to The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong) in relation to the agreement, and obtaining all necessary regulatory, statutory, and governmental consents and/or waivers, including but not limited to obtaining approval from Independent Shareholders in respect of the agreement.

Consideration:

Consideration of the Usage Right Transfer shall be RMB4,800,000, inclusive of car space usage fees, management and equipment maintenance fee, pursuant to which the consideration shall be payable in the following tranches:

- (a) the first tranche of RMB960,000 (representing 20% of the consideration) becoming payable within 5 days of the Mechanical Parking Spaces passing inspection. The inspection shall take place within 5 days of the Mechanical Parking Space Transfer Agreement taking effect and shall confirm that there are no defects such as damage, loss or failure to normal usage requirements on the Mechanical Parking Spaces; and
- (b) the second tranche of RMB3,840,000 (representing 80% of the consideration) within 5 days of completion of the existing tripartite lease amendments.

The consideration of the Usage Right Transfer was determined based on the Appraised Value of the Mechanical Parking Spaces as at 31 October 2025, being approximately RMB4,800,000, as determined by the PRC Valuer. The valuation report of the Mechanical Parking Spaces is set out in Appendix IIB to this circular.

For further details of the terms of the above agreements, please refer to the Letter from the Board.

The Consideration was determined after arm's length negotiation between the Company and Kingfar Real Estate after taking into consideration the valuation of the Target Assets by the PRC Valuer of approximately RMB63,007,500 as at 31 October 2025 and such valuation report was prepared based on the PRC valuation method.

The Company has engaged an independent property valuer (the "HK Valuer") for valuation of Target Assets based on the valuation date of 30 November 2025. Such valuation report is complied with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules and the HKIS Valuation Standards 2024 published by the Hong Kong Institute of Surveyors. The appraised valuer as at 30 November 2025 prepared by the HK Valuer was around RMB63,070,000.

The Consideration represents the market value as at 31 October 2025 appraised by the PRC valuer and such valuation has no material variance from the valuation prepared by HK Valuer as at 30 November 2025 as disclosed in the Appendix IIA to the Circular. The Consideration will be payable by the Company through two instalments for each of the Transactions.

Having considered that the Consideration is determined by the market value appraised by the independent valuer as at 30 November 2025, we are of the view that the Consideration and the payment arrangement are fairly determined.

Property valuation report

To assess the fairness and reasonableness of the Consideration, we have reviewed the valuation report issued by the HK Valuer and discussed with the independent valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the valuation. We noted the independent valuer has adopted the Investment Method in valuing the Property Units by capitalizing the rental incomes derived from the existing tenancies, if any, with due provision for revisionary potential of each constituent part of these property units at appropriate capitalization rates. As part of the property units generate rental income from letting arrangements and such rental comparables are most readily available such that the HK Valuer consider Investment Method to be the best method to valuer the property units. We noted the HK Valuer adopted the market approach for the rental income for car park spaces.

Comparable properties of similar size, characteristic and location are analysed and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of the capital values. As further confirmed by the HK Valuer, the aforesaid approaches are commonly considered as an accepted valuation approach for valuing these types of commercial property for rental use and is consistent with normal market practice. We have reviewed similar property valuations conducted by other listed companies on the Stock Exchange and noted that such approaches are a common valuation methodology in valuing property. We concur with the Independent Valuer in adopting such comparison approaches for the purpose of the valuation.

We have also reviewed the methodology and parameters applied by the HK Valuer in arriving at the valuation. As stated above, several comparable properties were selected by the independent valuer in order to appraise the market value of the Property Unit. We understand from the Independent Valuer that the comparable properties (i) are located in Weiyang District of Xi'an with simple conditions/interior renovation; (ii) are for commercial use; and (iii) are currently put on the market of rental (for property units) and for sale (for car parking spaces). We have reviewed the nature of comparable properties adopted by the HK Valuer and the calculation to arrive at the market value of the Property. We also discussed with the HK Valuer regarding the nature and rationale of adjustments adopted in the valuation and noted that these adjustments are made to the comparable properties to compensate the differences between the Property Units and the comparable properties in relation to their level, size, condition and other characters. Based on our review of the comparable properties as well as our discussion with the Independent Valuer to understand their selection criteria and calculation basis, we are of the view that the basis and assumptions in arriving the valuation are fair and reasonable.

For cross-checking purpose, we have reviewed the relevant rental evidences of similar commercial properties in Weiyang District of Xi'an as extracted from the public website in relation to rental of commercial real estates available and their unit prices were at average at approximately RMB60 per sq.m. depending on floor, view, size, renovation and internal conditions etc. The market value of the Property Units appraised by the HK Valuer are ranging from approximately RMB44 per sq.m. to RMB60 per sq.m. which are close to and within the range of the above-mentioned unit price identified by us.

In valuing the car parking spaces of the property, the HK Valuer has adopted Market Comparison Method assuming sale in their existing state with vacant possession having regard to the short term nature of letting or licensing of the car parking spaces, by making reference to comparable sales evidences as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, size and other relevant factors. This method is in line with the market practice.

Based on publicly available listings of car parks in residential and mixed-use developments in the Weiyang District of Xi'an (such as the Daming Palace area, Taihua Road, Taiyuan Road and the Fengcheng Road corridor), underground car-parking spaces are generally offered for sale in the range of approximately RMB80,000 to RMB150,000 per space, depending on the age, accessibility and quality of the respective development. Recent publicly available listings show that certain lower-priced developments in the same district also offer parking spaces in the range of RMB80,000 to RMB85,000 per space, while more established projects transact at or above RMB100,000 per space. The market value of the car park spaces appraised by the HK Valuer are ranging from approximately RMB74,000–120,000 per lot are close to and within the range of the above-mentioned unit price identified by us.

As these examples all relate to developments situated within the same district as the Property, they represent directly comparable market evidence. On this basis, the appraised value of RMB74,000–120,000 per lot per standard car-parking space for the Property lies within the prevailing market range of RMB80,000 to RMB150,000, and does not suggest any overvaluation.

Civil Defence Parking Spaces only confer a statutory right of use and do not carry full proprietary ownership under PRC regulations. While they function similarly to ordinary parking spaces in normal daily use, the restricted nature of the underlying rights generally places their value at the lower end of the range relative to other types of parking spaces. The valuation adopted for the Civil Defence Parking Spaces is therefore considered reasonable in light of these characteristics. We consider that the selection of comparable properties and the car park spaces are justifiable.

In addition, we have enquired the HK Valuer as to its qualifications, expertise, independence and due diligence measures taken by the independent valuer to the preparation of the valuation report. We are not aware of any irregularities during our discussion with the independent valuer in view of their qualification, independence and works.

Having considered (i) the valuation methodologies adopted by the HK Valuer are commonly adopted for determining the value of similar properties; (ii) the assumptions and underlying basis for valuation of the Target Assets are appropriate; and (iii) the selection criteria of comparable properties are justifiable, we are of the view that the valuation methodologies behind the Consideration are fair and reasonable.

Further details of the bases and assumptions of the valuation are included in the property valuation report as contained in Appendix IIA to the Circular. Nevertheless, the Shareholders should note that the valuation of properties usually involves assumptions and therefore the valuation may or may not reflect the true market value of the Property accurately.

Possible financial effect of the Acquisition

Net assets

Since the Target Assets is acquired for rental use, the Target Assets will be recognised as the Group's investment properties (for the property units) and right of assets (for the lease of car park spaces and usage right of Mechanical Parking Spaces). Given that the Consideration in aggregated to approximately RMB63,007,500 equals to the market value of the Target Assets of as at 31 October 2025, it is expected that the additional of Target Assets would not have material impact on the Group's net asset value upon completion of the Transactions unless the value of the Target Assets significantly deviated from its appraised value as at 31 October 2025.

Cash and cash equivalents

As the Consideration of RMB63,007,500 will be settled by cash, the Group's current assets are expected to decrease by the same amount. According to 2025 Interim Report, the Group had cash and cash equivalents of approximately RMB360.6 million as at 30 June 2025 which is sufficient for the cash payment of the Consideration.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Transactions.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that (i) the entering into of the Transactions is in the ordinary and usual course of business of the Group; (ii) the terms of the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the entering into the Transactions is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Asset Acquisition Agreement, the Civil Air Defense Car Park Lease Agreement and Mechanical Parking Space Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
Alliance Capital Partners Limited

	
Danielle Yau	Naomi Lai
<i>Director</i>	<i>Associate</i>
SFC CE No. BFW878	SFC CE No. BRB007

Ms. Danielle Yau is a licensed type 1 and type 6 person registered with the Securities and Futures Commission and as a responsible officer of Alliance Capital Partners Limited to carry on type 6 (advising on corporate finance) regulated activities under the SFO and has about 10 years of experience in corporate finance industry, including initial public offerings and transactions involving companies listed in Hong Kong and the provision of independent financial advisory services.

Ms. Naomi Lai is a licensed type 1 and type 6 person registered with the Securities and Futures Commission and as a representative of Alliance Capital Partners Limited to carry on type 6 (advising on corporate finance) regulated activities under the SFO and has about 4 years of experience in corporate finance industry, including initial public offerings and transactions involving companies listed in Hong Kong and the provision of independent financial advisory services.