



13 September 2024

*To: the Independent Board Committee and the Independent Shareholders of
Jinmao Property Services Co., Limited*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION AND
MAJOR TRANSACTION
AMENDMENTS TO THE FINANCIAL SERVICES
FRAMEWORK AGREEMENT AND CHANGE IN MAXIMUM
DAILY DEPOSIT BALANCE**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Agreement, the transactions contemplated thereunder and the Revised Maximum Daily Deposit Balance, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 13 September 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

BACKGROUND

As stated in the Letter from the Board, reference is made to the announcement of the Company dated 16 November 2022, in relation to, among other things, the Financial Services Framework Agreement entered into between the Company and Sinochem Finance on 16 November 2022, together with the transactions contemplated thereunder and the Existing Maximum Daily Deposit Balance.

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The Supplemental Agreement was entered into between the Company and Sinochem Finance on 8 August 2024 to amend certain terms of the Financial Services Framework Agreement, which include (i) an update to the scope of other financial services to be provided by Sinochem Finance based on the recent regulatory update as set out in the section headed “3. Principal terms of the Financial Services Framework Agreement (as amended by the Supplemental Agreement) – Scope of services” of this letter, (ii) the extension of the term of the Financial Services Framework Agreement to 31 December 2026, and (iii) a minor amendment to the definition of “member unit” as set out in the section headed “3. Principal terms of the Financial Services Framework Agreement (as amended by the Supplemental Agreement) – Scope of member units” of this letter. At the same time, having reviewed the funding utilisation and funding deployment arrangements of the Group, the Board proposes to amend the maximum daily deposit balance for each of FY2024, FY2025 and FY2026 to cater for the potential growth of the Group’s business and to meet the Group’s demand for deposit services.

For the avoidance of doubt, the Supplemental Agreement, the transactions contemplated thereunder and the Revised Maximum Daily Deposit Balance are subject to the approval of the Independent Shareholders at the EGM, prior to which, the Company will, in any event, continue to comply with the terms of the Financial Services Framework Agreement and the transactions contemplated thereunder (together with the Existing Maximum Daily Deposit Balance) within the original term of the Financial Services Framework Agreement.

As at the Latest Practicable Date, Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 74.76% of the total number of issued shares of the Company, and is therefore a connected person of the Company. Sinochem Finance is owned as to 37% by Sinochem Holdings and as to 63% in aggregate by Sinochem Corporation and Sinochem Capital, both of which are the indirect subsidiaries of Sinochem Holdings. As a result, Sinochem Finance is a connected person of the Company. Accordingly, the transactions contemplated under the Financial Services Framework Agreement (as amended by the Supplemental Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio in respect of the Revised Maximum Daily Deposit Balance exceeds 5%, the Supplemental Agreement, the transactions contemplated thereunder and the Revised Maximum Daily Deposit Balance are subject to the reporting, announcement, annual review, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Furthermore, given that the highest applicable percentage ratio in respect of the Revised Maximum Daily Deposit Balance exceeds 25% but is less than 100%, the transactions contemplated under the Financial Services Framework Agreement (as amended by the Supplemental Agreement) also constitute major transactions of the Company, and the Supplemental Agreement, the transactions contemplated thereunder and the Revised Maximum Daily Deposit Balance are subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Chen Jieping, Dr. Han Jian and Mr. Sincere Wong, has been established to advise the Independent Shareholders on: (i) whether the entering into of the Supplemental Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Supplemental Agreement, the transactions contemplated thereunder and the Revised Maximum Daily Deposit Balance are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how to vote on the resolution concerning the Supplemental Agreement, the transactions contemplated thereunder and the Revised Maximum Daily Deposit Balance at the EGM. Our appointment as the Independent Financial Adviser in this respect has been approved by the Independent Board Committee.

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of (i) the Company, on the proposed continuing connected transactions in relation to a property management services framework agreement; (ii) China Jinmao Holdings Group Limited (“**China Jinmao**”), the holding company of the Company, on the continuing connected transactions and major transactions under two financial services framework agreements, (iii) China Jinmao on the continuing connected transactions and major transactions in relation to the amendments to a financial services framework agreement and change in the relevant maximum daily deposit balance, and (iv) China Jinmao on the connected transaction under the loan agreement and the mortgage agreement, details of which are set out in the circulars of the Company dated 24 November 2022, and China Jinmao dated 7 December 2022, 12 April 2024 and 30 May 2024 respectively (collectively, the “**Past Appointments**”). The Past Appointments are independent of our appointment as the Independent Financial Adviser in respect of the transactions contemplated under the Supplemental Agreement.

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Company, Sinochem Finance or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the Past Appointments, we have not: (i) acted as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fees paid or payable (as the case may be) to us in connection with the Past Appointments and this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, Sinochem Finance or other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Financial Services Framework Agreement;
- (ii) the Supplemental Agreement;
- (iii) the annual reports of the Company for the year ended 31 December (“FY”, which is also applicable to the year ending 31 December) 2022 (the “**2022 Annual Report**”) and FY2023 (the “**2023 Annual Report**”); and
- (iv) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and continued to be so up to the Latest Practicable Date.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided to us by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the Circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Supplemental Agreement, the transactions contemplated thereunder and the Revised Maximum Daily Deposit Balance, we have taken into consideration the following principal factors and reasons:

1. Information on the Parties

1.1. The Group

The Group is a fast-growing upscale property management and city operation service provider in the PRC, and is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services.

1.2. Sinochem Finance

Sinochem Finance is a financial service company regulated by the PBOC and the NFRA. It is committed to providing synergised settlement, financing and financial management and financial consulting services to Sinochem Holdings and its associates. Sinochem Finance is ultimately owned by Sinochem Holdings. Sinochem Holdings operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operations, and industrial finance. The sole shareholder of Sinochem Holdings is the SASAC.

As noted from the articles of association of Sinochem Finance obtained from the Company, Sinochem Finance is required to operate in compliance with, among others, 《企業集團財務公司管理辦法》(The Administrative Measures for the Group Finance Companies*) (the “**Measures**”) promulgated by 中國銀行保險監督管理委員會 (The China Banking and Insurance Regulatory Commission) (the “**CBIRC**”) (currently known as the NFRA) and other relevant regulations. According to the relevant requirements under the new version of Measures promulgated by the CBIRC (currently known as the NFRA) on 13 October 2022 with effect from 13 November 2022 (the “**New Measures**”), finance companies of enterprise groups are required to operate in compliance with certain compliance and risk control requirements/measures, including but not limited to maintaining certain regulatory ratios.

The major regulatory ratio requirements and the relevant ratios of Sinochem Finance as at 31 December 2022 and 31 December 2023 respectively are set out below:

	Requirements for finance companies of enterprise groups	Sinochem Finance As at 31 December	
		2023	2022
Capital adequacy ratio	Not lower than 10.5%	14.04%	13.88%
Loan balance to the sum of the deposit balance and paid-up capital ratio (the “Loan Ratio”)	Not higher than 80%	69.41%	85.96%
Total amount of external liabilities to net capital ratio	Not higher than 100%	0.00%	18.88%
Total investment amount to the net capital ratio (the “Investment Ratio”)	Not higher than 70%	61.82%	76.27%
Net fixed assets to net capital ratio	Not higher than 20%	0.03%	0.04%
Current ratio	Not lower than 25%	45.57%	43.57%

As shown in the table above, as at 31 December 2022, the Loan Ratio and the Investment Ratio of Sinochem Finance was 85.96% and 76.27% respectively, which fell short of the respective regulatory ratio requirements. As explained by the Management, since the Loan Ratio was a new regulatory ratio requirement and the calculation method of the Investment Ratio had been changed according to the New Measures which was implemented on 13 November 2022, shortly before 31 December 2022, Sinochem Finance had not had enough time to immediately adjust its operations to comply with the newly implemented regulatory ratio requirements under the New Measures. According to 《中國銀保監會辦公室關於做好《企業集團財務公司管理辦法》實施工作的通知》(Notice of the Office of the China Banking and Insurance Regulatory Commission on Implementing the Administrative Measures for the Group Finance Companies*), a finance company which does not comply with the regulatory ratio requirements should comply with the regulatory ratio requirements within 6 months from the date (i.e. 13 November 2022) of implementation of the New Measures (the “**Transitional Period**”). After the Transition Period, the Loan Ratio and the Investment Ratio of Sinochem Finance as at 30 June 2023 were 74.49% and 66.82% respectively, which complied with the newly implemented regulatory ratio requirements. The Loan Ratio and the Investment Ratio of Sinochem Finance as at 31 December 2023 were 69.41% and 61.82% respectively as set out in the table above, which continued to comply with the newly implemented regulatory ratio requirements.

Save for the above, Sinochem Finance’s relevant ratios were in compliance with the relevant regulatory ratio requirements during the past two years which suggests that it is financially sound as far as the compliance with the New Measures are concerned.

Notably, we draw to the attention of the Independent Shareholders that as stated in the New Measure, the board of directors of a finance company is required to evaluate, at least annually, its major shareholders in areas such as its qualifications, fulfillment of undertakings, its implementation of the finance company's articles of association or terms of the agreements, as well as its compliance with laws and regulations, and submit the evaluation report to the relevant office of the CBIRC (currently known as the NFRA) in a timely manner. As such, we have requested the Company to provide the annual evaluation reports of Sinochem Finance for FY2022 and FY2023. According to the evaluation report of Sinochem Finance for FY2022 issued in December 2023 and obtained from the Company, the three major shareholders of Sinochem Finance, namely Sinochem Holdings, Sinochem Corporation and Sinochem Capital, were in good standings according to the assessment requirements of the New Measures. According to the Management, the evaluation report of Sinochem Finance for FY2023 was not available as at the Latest Practicable Date, as it usually takes a few months to compile the evaluation report and will not be available until the fourth quarter of the financial year.

2. Reasons for and benefits of entering into the transactions contemplated under the Financial Services Framework Agreement (as amended by the Supplemental Agreement)

As stated in the Letter from the Board, the Directors are of the view that the risk profile of Sinochem Finance, as a provider of financial services to the Group, is not greater than those of the independent commercial banks in the PRC because:

- (i) Sinochem Finance is regulated by the PBOC and the NFRA, and it must comply with the relevant rules and operational requirements promulgated by the above authorities, including the capital risk guidelines and requisite capital adequacy ratio requirements. Accordingly, the risks that the Group is exposed to when receiving financial services from Sinochem Finance will not be higher than receiving those from independent financial institutions;
- (ii) according to the relevant laws and regulations promulgated by the NFRA and the articles of association of Sinochem Finance, in the event that Sinochem Finance falls into financial difficulty, Sinochem Holdings, being the holding company of Sinochem Finance, will under an obligation to take all necessary steps, such as injecting capital into Sinochem Finance based on its funding needs, to restore its financial position; and
- (iii) according to the Financial Services Framework Agreement (as amended by the Supplemental Agreement), the Group will have a right of set-off. In the event that the Group fails to recover any amount it deposits with Sinochem Finance, the Group will have the right to offset against any outstanding amounts due to Sinochem Finance by the Group. Sinochem Finance does not have such right of set-off under the Financial Services Framework Agreement (as amended by the Supplemental Agreement).

The Directors also take the view that the utilisation of financial services provided by Sinochem Finance has the following advantages:

- (i) Sinochem Finance has been providing financial services to the Group since November 2022 and has an in-depth understanding of the Group's business and development needs. It can assist the Group to formulate a beneficial deposit mix that will increase the return on funds and maintain the sufficiency and flexibility of the working capital of the Group;
- (ii) Sinochem Finance does not charge the Group any service fees in respect of the settlement services provided. As Sinochem Finance is familiar with the business and transaction pattern of the Group, the settlement services provided by it tend to provide a more efficient and orderly platform than those provided by independent financial institutions. This also helps to reduce the transaction costs payable by the Group, such as handling fees for transfer of funds and other administrative expenses;
- (iii) the Group has financing needs and other financial services needs from time to time for its daily operations. Sinochem Finance can offer reliable and stable finance resource and mid-term and long-term credit line for the Group, therefore optimising the capital structure of the Group; and
- (iv) in any event, the Group may discontinue the use of the financial services provided by Sinochem Finance without incurring any extra cost if any independent financial institution of the same type offers more favorable terms in respect of these financial services. The entering into the Financial Services Framework Agreement (as amended by the Supplemental Agreement) will provide more options and greater flexibility to the Group in selecting financial service providers and will be conducive to the Group's full and reasonable utilisation of market resources.

As discussed under the above sub-sections headed "1.2 Sinochem Finance" under the section headed "1. Information on the Parties" above, Sinochem Finance is regulated by both the PBOC and the NFRA. As such, Sinochem Finance must comply with the relevant rules and operational requirements promulgated by the above authorities, in particular, the New Measures and the requisite capital adequacy ratio requirements in particular. Therefore, the risks that the Group is exposed to when receiving financial services from Sinochem Finance will not be higher than receiving those from independent financial institutions.

From the review of the New Measure, parent company of the enterprise group and the controlling shareholder of the finance company shall replenish capital for the finance company when necessary. According to articles of association of Sinochem Finance obtained from the Company, it is noted that Sinochem Holdings has undertaken to increase the relevant capital base of Sinochem Finance in event of emergency situation arising from funding needs to solve payment difficulties of Sinochem Finance.

As noted from the principal terms of the Financial Services Framework Agreement (as amended by the Supplemental Agreement), the Group will have the right to offset against any outstanding amounts due to Sinochem Finance by the Group in the event that the Group fails to recover any amount it deposits with Sinochem Finance while Sinochem Finance does not have such right of set-off.

Last but not least, we noted that it is not the first time that Sinochem Finance provides financial services to the Group. In fact, Sinochem Finance has been providing financial services to the Group since November of 2022. As such, Sinochem Finance is familiar with the Group's business and development needs which facilitate Sinochem Finance to provide financial services to the Group in an effective and efficient manner. In addition, there is no obligation for the Group to utilise any financial services to be provided by Sinochem Finance which provides the Group with flexibility.

In view of the above, we consider that the entering into of the Financial Services Framework Agreement (as amended by the Supplemental Agreement) is in the ordinary and usual course of the business of the Group and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Financial Services Framework Agreement (as amended by the Supplemental Agreement)

Principal terms of the Financial Services Framework Agreement (as amended by the Supplemental Agreement) are set out below:

- | | |
|--------------------|---|
| Date: | 8 August 2024 |
| Parties: | (a) the Company; and
(b) Sinochem Finance |
| Scope of services: | The Group will, from time to time, utilise the financial services available from Sinochem Finance on a non-exclusive basis as it deems necessary. Such services include:

(a) providing deposit services to the Group, including but not limited to demand deposits, call deposits and term deposits;

(b) providing loans to the Group (excluding entrustment loans) on normal commercial terms where no mortgage, pledge or other security over the assets of the Group will be required; |

- (c) arranging entrustment loans for the Group as a financial agent through which funds of one member of the Group may be channeled for use by another member of the Group;
- (d) providing settlement services to the Group;
- (e) providing guarantees at the request of the Group for financing, financing lease, bidding activities or performing other contractual obligations where no counter-guarantee will be required;
- (f) providing non-financing factoring services to the Group, including supply chain factoring services and relevant management and consultancy services;
- (g) providing internet banking services to the Group; and
- (h) as amended by the Supplemental Agreement, providing any other financial services ~~as approved by the China Banking and Insurance Regulatory Commission to the Group, including but not limited to notes services and other services within the scope prescribed by the~~ “Enterprise Group Finance Company Management Measures” (《企業集團財務公司管理辦法》) issued by the NFRA and its related documents and subject to obtaining the approval of the NFRA on the provision of such services by Sinochem Finance, including but not limited to bill acceptance, bill discounting and non-financing letters of guarantee, with the risk evaluation and control per the relevant policies of and credit review by Sinochem Finance. The amendments to the scope of other financial services to be provided by Sinochem Finance are indicated by the mark-ups above.

Term:

The Supplemental Agreement shall become effective upon approval by the Independent Shareholders at the EGM and the expiry date of the Financial Services Framework Agreement (as amended by the Supplemental Agreement) will be extended from 31 December 2024 to 31 December 2026.

Fees and charges: Fees and charges payable to Sinochem Finance under the Financial Services Framework Agreement (as amended by the Supplemental Agreement) are determined on the following basis:

- (a) when providing the deposit services, subject to compliance with regulatory requirements, interest rates shall not be lower than the benchmark interest rates for deposits of the same type and duration as promulgated by the PBOC from time to time, or the interest rates for deposits of the same type and duration as offered by independent commercial banks in the PRC, whichever is higher;
- (b) when providing loans, interest rates shall not be higher than the interest rates offered by independent commercial banks in the PRC under the same conditions;
- (c) when arranging entrustment loans, the service fees together with the loan interests shall not be higher than the service fees and interests in respect of an entrustment loan of the same duration offered by independent commercial banks in the PRC under the same conditions;
- (d) when providing settlement services, no service fees will be charged; and
- (e) when providing the guarantees, non-financing factoring services, internet banking services and any other financial services, the fees so charged shall not be higher than the rates offered by independent financial institutions of the same type in the PRC under the same conditions, or, if applicable, the standard rates promulgated by the PBOC from time to time, whichever is lower.

Right of set-off: In the event that the Group fails to recover any amount it deposits with Sinochem Finance, the Group will have the right to offset against any outstanding amounts due to Sinochem Finance by the Group.

Undertakings:

Sinochem Finance undertakes that:

- (a) it will apply all the monies deposited by the Group to such activities as approved by the NFRA in accordance with the relevant laws and regulations of the PRC;
- (b) at all times the sum of the outstanding amount of the loans it provides to Sinochem Holdings' member units (exclusive of the Group) shall not exceed the sum of Sinochem Finance's equity capital, reserve and the deposits received from parties other than the Group;
- (c) it will notify the Company immediately in the event of any change in its credit ratings;
- (d) it will provide its financial statements to the Company on a monthly basis; and
- (e) it will deliver to the Company a monthly report on the status of deposits, loans and other transactions between the Group and Sinochem Finance.

Scope of member units:

As amended by the Supplemental Agreement, the member units to which Sinochem Finance provides financial services include the parent company and the companies controlled by the parent company; companies in which the parent company and its controlled companies, either individually or jointly, hold more than 20% of the shares directly or indirectly, or companies of which the parent company and its controlled companies are the largest shareholder(s), even though their direct shareholding(s) in the aforementioned companies are below 20%; and legal entity or social group legal person affiliated to the parent company or its controlled companies. For the avoidance of doubt, the parent company refers to Sinochem Holdings, and the companies controlled by the parent company refer to companies actually controlled and managed on a consolidated basis by Sinochem Holdings. The amendments to the definition of member units to which Sinochem Finance provides financial services are indicated by the mark-ups above.

4. Analysis on the principal terms of the Financial Services Framework Agreement (as amended by the Supplemental Agreement)

It is noted that the terms under the Financial Services Framework Agreement (as amended by the Supplemental Agreement), save for (i) an update to the scope of other financial services to be provided by Sinochem Finance based on the recent regulatory update as set out in the section headed “3. Principal terms of the Financial Services Framework Agreement (as amended by the Supplemental Agreement) – Scope of services” of this letter, (ii) the extension of the term of the Financial Services Framework Agreement to 31 December 2026, and (iii) a minor amendment to the definition of “member unit” as set out in the section headed “Principal terms of the Financial Services Framework Agreement (as amended by the Supplemental Agreement) – Scope of member units” of this letter, are essentially carried over from the Financial Services Framework Agreement and they remain principally the same as those under the Financial Services Framework Agreement, in particular, the terms of fees and charges, the right of set-off, and the undertakings as mentioned above.

We have, on a random basis, obtained and reviewed three samples of the members of the Group having utilised the deposit services provided by Sinochem Finance (the “**Sinochem Deposit Samples**”) during the period from 16 November 2022 (being the date of the Financial Services Framework Agreement) to 31 December 2022 (the “**2022 Period**”), FY2023 and six months ended 30 June 2024 (“**1H2024**”) (collectively, the “**Historical Period**”), of which one sample was obtained for each of 2022 Period, FY2023 and 1H2024 respectively. We consider the samples are fair and representative for the purpose of assessing the principal terms (including the pricing terms) of the transactions contemplated under the Financial Services Framework Agreement (as amended by the Supplemental Agreement), in particular, those relevant to deposit transactions, on the bases that (i) we are mainly concerned with comparing, among others, the interest rates of the deposit transactions under the Financial Services Framework Agreement with the benchmark interest rates for deposits of the same type and duration as promulgated by the PBOC and the interest rates for deposits of the same type and duration as offered by independent commercial banks in the PRC, we have obtained one sample for each of 2022 Period, FY2023 and 1H2024 respectively on a random basis for such comparison purpose, so long as we select the samples on a random basis, we do not consider there is a need to achieve a large sample size through substantive tests; and (ii) we are also concerned with the internal controls of carrying out the relevant deposit transactions, therefore under the section headed “5. Analysis of internal control procedures” below, we have randomly selected and obtained from the Company and reviewed three sets of the Group’s internal approval records before placing deposit with Sinochem Finance during the Historical Period (being one random sample for each of 2022 Period, FY2023 and 1H2024) (i.e. the Sinochem Deposit Approval Records (as defined below)) which provided additional comfort on our selected substantive tests of selecting three Sinochem Deposit Samples. We have also obtained the information of the interest rates for similar types of deposits of comparable period to those of the Sinochem Deposit Samples as announced by three independent commercial banks in the PRC (the “**Bank Deposit Rates**”) and PBOC (the “**PBOC Deposit Rates**”) during the Historical Period. From the review of the Sinochem Deposit Samples, it is noted that the interest rates in the Sinochem Deposit Samples were not lower than the higher of the Bank Deposit Rates and the PBOC Deposit Rates.

Further, we also made enquiry to and obtained confirmation from the Company that there was no change to the credit ratings of Sinochem Finance during the Historical Period. As such, the pricing terms under the Financial Services Framework Agreement were followed.

In view of the above, we are of the view that the terms of the Financial Services Framework Agreement (as amended by the Supplemental Agreement), which remain principally the same as those under the Financial Services Framework Agreement, are fair and reasonable and normal commercial terms as carried over from the Financial Services Framework Agreement.

5. Analysis of internal control procedures

In order to protect the interests of the Shareholders, the Company will adopt the following internal control procedures and corporate governance measures in relation to its utilisation of the financial services provided by Sinochem Finance:

- (i) the deposits will be placed by the Group with Sinochem Finance on a voluntary and non-exclusive basis. Before placing any deposit with Sinochem Finance, the Company will obtain and compare against at least two comparable interest rates of deposits of the same type and duration from independent commercial banks, and the benchmark deposit interest rates promulgated by the PBOC at the time of transaction;
- (ii) prior to the entering into of any agreements with respect to loans, credit facilities or factoring services by any member of the Group with Sinochem Finance, the Company will obtain at least two quotations for loans of the same duration, credit facilities of the same nature or factoring services of the same type (as the case may be) from independent financial institutions;
- (iii) the comparable interest rates of deposits from independent commercial banks and the benchmark deposit interest rates promulgated by the PBOC (for the placing of deposits), or the quotations from independent financial institutions (for the entering into of any agreements with respect to loans, credit facilities or factoring services), as the case may be, together with the terms offered by Sinochem Finance, will upon being obtained be submitted to the finance and legal departments of the Company for review, to ensure that the terms offered by Sinochem Finance are in strict compliance with the terms and conditions (including the pricing terms) under the Financial Services Framework Agreement (as amended by the Supplemental Agreement), and are no less favourable to the Group than those offered by independent financial institutions;
- (iv) before entering into any agreements with respect to loans, credit facilities or factoring services, upon the review by the finance and legal departments of the Company, the quotations from independent financial institutions and the offer from

Sinochem Finance will be sent to the chief financial officer of the Company for review. The chief financial officer will seek approval from the chief executive officer of the Company on whether to accept the terms offered by Sinochem Finance as and when appropriate;

- (v) the Company will report to the independent non-executive Directors every year on:
 - (a) the implementation of the specific agreements entered into by the members of the Group with Sinochem Finance pursuant to the Financial Services Framework Agreement (as amended by the Supplemental Agreement), and the utilisation rate of annual caps;
 - (b) any change in the credit ratings of Sinochem Finance; and
- (vi) the Company will monitor the status of its deposits, loans and other transactions with Sinochem Finance through the internet banking services provided by Sinochem Finance.

To assess the above internal control procedures, we have randomly selected and obtained from the Company and reviewed three sets of the Group's internal approval records before placing deposit with Sinochem Finance during the Historical Period (the “**Sinochem Deposit Approval Records**”).

As advised by the Management, no loan was obtained by the Group from Sinochem Finance during the Historical Period, thus there was no internal approval records of the Group before obtaining loan from Sinochem Finance during the Historical Period.

From the review of the Sinochem Deposit Approval Records and our discussion with the Company, we understand that the Company would obtain and compare against at least two comparable interest rates of deposits of the same type and duration from independent commercial banks and the benchmark deposit interest rates promulgated by the PBOC at the time of transaction. As noted from the Sinochem Deposit Approval Records, approvals from various departments, the chief financial officer of the Company were obtained for placing the deposit with Sinochem Finance.

As stated in the Letter from the Board, the Company will report to the independent non-executive Directors every year in relation to the implementation of the specific agreements entered into by the members of the Group with Sinochem Finance pursuant to the Financial Services Framework Agreement (as amended by the Supplemental Agreement), and the utilisation rate of annual caps. We have obtained from the Company the materials for reporting to the independent non-executive Directors for FY2022 and FY2023 (the “**Reporting Materials**”). We noted that the utilisation status of annual caps for FY2022 and FY2023 were stated in the respective Reporting Materials. We have made reference to the relevant disclosures under the paragraph headed “Confirmation of Independent Non-executive Directors and Auditors” under the section headed “Directors’ Report” in the 2022 Annual Report and the

2023 Annual Report. It is noted from the opinions of the independent non-executive Directors that, among others, the continuing connected transactions for FY2022 and FY2023 which shall include the transactions conducted under the Financial Services Framework Agreement were entered into by the Group in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the above, we are of the view that the internal control procedures as set out in the Letter from the Board have been complied with.

6. The Revised Maximum Daily Deposit Balance

6.1. Financial Services Framework Agreement (as amended by the Supplemental Agreement)

Set out below are: (i) the Existing Maximum Daily Deposit Balance (including accrued interest) under the Financial Services Framework Agreement for each period/year of the Historical Period; (ii) the historical transaction amounts of deposits placed with Sinochem Finance during the Historical Period; (iii) the utilisation of the Existing Maximum Daily Deposit Balance under the Financial Services Framework Agreement during the Historical Period; (iv) the monetary balances of the Group as at 31 December 2022, 31 December 2023 and 30 June 2024 respectively; and (v) the Revised Maximum Daily Deposit Balance (including accrued interest) under the Financial Services Framework Agreement (as amended by the Supplemental Agreement) for FY2024, FY2025 and FY2026 (the “**Relevant Period**”) respectively.

	2022 Period RMB million	FY2023 RMB million	1H2024 RMB million
Existing Maximum Daily Deposit Balance (including accrued interest) under the Financial Services Framework Agreement	120	120	120
Maximum daily deposit balance (including accrued interest) placed with Sinochem Finance (approximately)	115	115	115
Utilisation of the Existing Maximum Daily Deposit Balance under the Financial Services Framework Agreement (approximately)	95.8%	95.8%	95.8%

	As at 31 December 2022 RMB million	As at 31 December 2023 RMB million
Monetary balance (including cash and cash equivalents and restricted cash) (approximately)	1,021	1,254

	FY2024 RMB million	FY2025 RMB million	FY2026 RMB million
Existing Maximum Daily Deposit Balance (including accrued interest) under the Financial Services Framework Agreement	120	Not applicable	Not applicable
Revised Maximum Daily Deposit Balance (including accrued interest) under the Financial Services Framework Agreement (as amended by the Supplemental Agreement)	600	1,000	1,000

6.2. Basis of determination of the Revised Maximum Daily Deposit Balance under the Financial Services Framework Agreement (as amended by the Supplemental Agreement)

As stated in the Letter from the Board, in determining the Revised Maximum Daily Deposit Balance, the principle factors taken into consideration by the Directors are as follows:

- (i) the historical transaction amounts of deposit services and the high utilisation rate of the maximum daily deposit balance under the Financial Services Framework Agreement: the historical maximum balance of the Group's deposits with Sinochem Finance for the 2022 Period and FY2023 are RMB115 million and RMB115 million respectively, representing approximately 95.8% and 95.8% of the Existing Maximum Daily Deposit Balance under the Financial Services Framework Agreement for the respective years. As the historical transaction amounts of deposit services are very close to the Existing Maximum Daily Deposit Balance, the existing annual caps for deposit services are unable to meet the future deposit needs of the Group with Sinochem Finance;

- (ii) the expected increase in the Group's demand for deposit services due to the increase in cash deposits and the business development of the Group:
- (a) the Group's maximum daily deposit balance attained RMB1,254.1 million in 2023, while the maximum daily deposit balance in 2022 was no more than RMB1,140.2 million, representing an increase of over approximately 10.0%. The Company expects to maintain the same or a higher level of maximum daily deposit balance for FY2024, FY2025 and FY2026;
 - (b) the total assets of the Group have increased from RMB3,003.5 million as at 31 December 2022 to RMB3,613.8 million as at 31 December 2023, representing an increase of approximately 20.3%, and the cash and cash equivalents of the Group has increased from approximately RMB1,019.0 million as at 31 December 2022 to approximately RMB1,252.0 million as at 31 December 2023, representing an increase of approximately 22.9%;
 - (c) the Group's business have been developing steadily. In particular, (i) the contracted gross floor area ("GFA") of the Group increased from approximately 106.4 million sq.m. as of 31 December 2023 to approximately 117.4 million sq.m. as of 30 June 2024, representing an increase of approximately 10.3%, and (ii) the GFA under management of the Group increased from 84.2 million sq.m. as of 31 December 2023 to 98.1 million sq.m. as of 30 June 2024, representing an increase of approximately 16.5%, both of which grew steadily as a result of the Group's business expansion. It is expected that the need for deposit services will grow along with the development of the Group's business;
- (iii) the substantial increase in the Revised Maximum Daily Deposit Balance as compared to the Existing Maximum Daily Deposit Balance is mainly because the Group plans to use the account opened with the Sinochem Finance as one of the main deposit and settlement accounts in the future after taking into consideration the following facts:
- (a) as set out in the section headed "2. Reasons for and benefits of entering into the transactions contemplated under the Financial Services Framework Agreement (as amended by the Supplemental Agreement)" of this letter, the risk profile of Sinochem Finance, as a provider of financial services to the Group, is not greater than those of the independent commercial banks in the PRC, which is able to effectively guarantee the Group's access to funds from time to time and the safety of deposits of the Group;
 - (b) as the Group's funds are currently deposited in many bank accounts, the Group has to not only closely monitor the status of its account with Sinochem Finance on a daily basis to avoid exceeding the Existing Maximum Daily Deposit Balance, but also to manage large number of deposit accounts with different

banks to meet its business needs from time to time. Therefore, using the account with Sinochem Finance as a centralized deposit and settlement platform would bring considerable efficiency to the Group's fund management and operational efficiency;

- (c) Sinochem Finance offers free settlement services to the Group, which helps to reduce the transaction costs payable by the Group during its ordinary course of business. In addition, the balance of trade payables and other payables and accruals of the Group as at 31 December 2023 amounted to approximately RMB1,359.3 million, which is far above the Existing Maximum Daily Deposit Balance. As such, increasing the maximum daily deposit balance will facilitate the Group to fully take advantage of the convenient and free settlement services available from Sinochem Finance, while the Existing Maximum Daily Deposit Balance would restrict the Group from using more settlement services from Sinochem Finance and the Group is left to use settlement services from other financial institutions which may incur higher charges and expenses;
 - (d) as the account maintained with Sinochem Finance may become a centralized deposit and settlement platform for the Group, the Revised Maximum Daily Deposit Balance is set with reference to the expected maximum daily deposit balance for the three years ending 31 December 2026 and the increasing trend of the Group's cash and cash equivalent as set out above;
 - (e) the Group will utilise the services of Sinochem Finance on a voluntary and non-exclusive basis and is not obliged to engage Sinochem Finance for any particular services. The maximum daily deposit balance of the deposit services only represents the highest daily amount of deposits that the Group may place with Sinochem Finance, but there are no obligations for the Group to deposit such amounts with Sinochem Finance. Setting the maximum daily balance of the deposits placed will enable the Group to have a greater flexibility in selecting deposit service providers and allocating its resources; and
- (iv) the treasury management strategies of the Group: the Company monitors and takes measures to manage its cash balance from time to time, taking into consideration factors including, among others, the Company's dividend policy, working capital, business expansion and debt management needs. Placing cash deposits as savings into financial institutions (such as Sinochem Finance) is one of the options that may be adopted by the Company from time to time.

6.3. Analysis of the Revised Maximum Daily Deposit Balance under the Financial Services Framework Agreement (as amended by the Supplemental Agreement)

In assessing the fairness and reasonableness of the Revised Maximum Daily Deposit Balance under the Financial Services Framework Agreement (as amended by the Supplemental Agreement), we have i) reviewed the daily deposit balance (including accrued interest) placed with Sinochem Finance during the Historical Period; ii) reviewed relevant information regarding the Group's business development and financial statements in 2022 Annual Report and 2023 Annual Report; and iii) attended a conference call with the Management and legal adviser of the Company regarding, amongst others, basis of determining the Revised Maximum Daily Deposit Balance (including accrued interest). The factors we have taken into account are as below:

- (i) as disclosed above, the maximum daily deposit balance (including accrued interest) placed with Sinochem Finance was RMB115 million during the Historical Period (which took place in 2022 Period, FY2023 and 1H2024 respectively), representing a high utilisation rate of approximately 95.8% of the Existing Maximum Daily Deposit Balance (including accrued interest) under the Financial Services Framework Agreement in each of 2022 Period, FY2023 and 1H2024. It's expected that the existing annual caps for deposit services are unable to meet the future deposit needs of the Group with Sinochem Finance as the historical transaction amounts of deposit services are very close to the Existing Maximum Daily Deposit Balance;
- (ii) the expected increase in the Group's demand for deposit services due to the increase in cash deposits and the business development of the Group.
 - (a) according to the Management, the Group's maximum daily deposit balance attained approximately RMB1,254.1 million in FY2023, such amounts were approximately 2.1 times of the amount of the Revised Maximum Daily Deposit Balance for FY2024 and approximately 1.3 times of the amount of the Revised Maximum Daily Deposit Balance for each of FY2025 and FY2026 under the Financial Services Framework Agreement (as amended by the Supplemental Agreement). When compared to the Group's maximum daily deposit balance in FY2022 which was no more than RMB1,140.2 million, the Group's maximum daily deposit balance in FY2023 represented an increase of approximately 10.0%. The Company expects to maintain the same or a higher level of maximum daily deposit balance for FY2024, FY2025 and FY2026;
 - (b) the total assets of the Group have increased from RMB3,003.5 million as at 31 December 2022 to RMB3,613.8 million as at 31 December 2023, representing an increase of approximately 20.3%, and the cash and cash equivalents of the Group has increased from approximately RMB1,019.0 million as at 31 December 2022 to approximately RMB1,252.0 million as at 31 December 2023, representing an increase of approximately 22.9%. As disclosed above,

the monetary balance of the Group (including cash and cash equivalents and restricted cash) amounted to approximately RMB1,254 million as at 31 December 2023, which was approximately 2.1 times of the amount of the Revised Maximum Daily Deposit Balance for FY2024 and approximately 1.3 times of the amount of the Revised Maximum Daily Deposit Balance for each of FY2025 and FY2026 under the Financial Services Framework Agreement (as amended by the Supplemental Agreement); and

- (c) the Group's business have been developing steadily. In particular, (i) the contracted GFA of the Group increased from approximately 106.4 million sq.m. as of 31 December 2023 to approximately 117.4 million sq.m. as of 30 June 2024, representing an increase of approximately 10.3%, and (ii) the GFA under management of the Group increased from approximately 84.2 million sq.m. as of 31 December 2023 to approximately 98.1 million sq.m. as of 30 June 2024, representing an increase of approximately 16.5%, both of which grew steadily as a result of the Group's business expansion. It is expected that the need for deposit services will grow along with the development of the Group's business. With reference to the 2023 Annual Report, as of 31 December 2023, the Group's contracted GFA was approximately 106.4 million sq.m., and GFA under management was approximately 84.2 million sq.m., representing an increase of approximately 31.7% and approximately 48.0% respectively, as compared to 31 December 2022;
- (iii) the substantial increase in the Revised Maximum Daily Deposit Balance as compared to the Existing Maximum Daily Deposit Balance is mainly because the Group plans to use the account opened with the Sinochem Finance as one of the main deposit and settlement accounts in the future after taking into consideration the following facts:
 - (a) as set out in the section headed "2. Reasons for and benefits of entering into the transactions contemplated under the Financial Services Framework Agreement (as amended by the Supplemental Agreement)" of this letter, the risk profile of Sinochem Finance, as a provider of financial services to the Group, is not greater than those of the independent commercial banks in the PRC, which is able to effectively guarantee the Group's access to funds from time to time and the safety of deposits of the Group;
 - (b) as the Group's funds are currently deposited in many bank accounts, the Group has to not only closely monitor the status of its account with Sinochem Finance on a daily basis to avoid exceeding the Existing Maximum Daily Deposit Balance, but also to manage large number of deposit accounts with different banks to meet its business needs from time to time. Therefore, using the account with Sinochem Finance as a centralized deposit and settlement platform would bring considerable efficiency to the Group's fund management and operational efficiency. The substantial increase in the Revised Maximum

Daily Deposit Balance enable the Group to implement centralized management of its fund while the Group is not obliged to engage Sinochem Finance for any particular services, which provide flexibility for the Group to act in its best interest;

- (c) Sinochem Finance offers free settlement services to the Group, which helps to reduce the transaction costs payable by the Group during its ordinary course of business. In addition, the balance of trade payables and other payables and accruals of the Group as at 31 December 2023 amounted to approximately RMB1,359.3 million, which is far above the Existing Maximum Daily Deposit Balance. As such, increasing the maximum daily deposit balance will facilitate the Group to fully take advantage of the convenient and free settlement services available from Sinochem Finance, while the Existing Maximum Daily Deposit Balance would restrict the Group from using more settlement services from Sinochem Finance and the Group is left to use settlement services from other financial institutions which may incur higher charges and expenses. As Sinochem Finance does not charge the Group any service fees in respect of the settlement services provided. The Group can deposit a large amount of its funds with Sinochem Finance to utilise the settlement services free of charge. Given the large volume of trade payables and other payables and accruals of the Group, we consider the Company's treasury management strategy of depositing with Sinochem Finance and utilizing its "service fees-free" settlement services for settlement of the relevant amounts payable to be in the interests of the Company and the Shareholders as whole, which also supports the call for an increased Revised Maximum Daily Deposit Balance;
- (d) as the account maintained with Sinochem Finance may become a centralized deposit and settlement platform for the Group, the Revised Maximum Daily Deposit Balance is set with reference to the expected maximum daily deposit balance for the three years ending 31 December 2026 and the increasing trend of the Group's cash and cash equivalent from approximately RMB1,019.0 million as at 31 December 2022 to approximately RMB1,252.0 million as at 31 December 2023, representing an increase of approximately 22.9%; and
- (e) as noted from the Letter from the Board, the Group will utilise the services of Sinochem Finance on a voluntary and non-exclusive basis and is not obliged to engage Sinochem Finance for any particular services, including the deposit services under the Financial Services Framework Agreement (as amended by the Supplemental Agreement). The maximum daily deposit balance of the deposit services only represents the highest daily amount of deposits that the Group may place with Sinochem Finance, but there are no obligations for the Group to deposit such amounts with Sinochem Finance. Setting the maximum daily balance of the deposits placed will enable the Group to have a greater flexibility in selecting deposit service providers and allocating its resources;

- (iv) with reference to the treasury management strategies of the Group, the Company monitors and takes measures to manage its cash balance from time to time, taking into different consideration factors. Placing cash deposits as savings into financial institutions (such as Sinochem Finance) is one of the options that may be adopted by the Company from time to time. In the event the overall daily deposit balance is increased, there can be a ripple effect to the Existing Maximum Daily Deposit Balance. If the Existing Maximum Daily Deposit Balance remains unchanged, it imposes a ceiling to the amount of cash can be held with Sinochem Finance and somewhat limits the flexibility of the Group in executing its treasury management strategies, especially in case of increase in overall daily deposit balances of the Group; and
- (v) in view of a) maximum daily deposit balance (including accrued interest) placed with Sinochem Finance during the Historical Period and the high utilisation rate of the Existing Maximum Daily Deposit Balance under the Financial Services Framework Agreement; b) the expected increase in the Group's demand for deposit services due to the increase in cash deposits and the business development of the Group; c) the Group's plan to use the account opened with the Sinochem Finance as one of the main deposit and settlement accounts in the future; and d) the treasury management strategies of the Group mentioned above, the Revised Maximum Daily Deposit Balance under the Financial Services Framework Agreement (as amended by the Supplemental Agreement) for FY2024, FY2025 and FY2026 is proposed to be increased to RMB600 million, RMB1,000 million and RMB1,000 million respectively to cater for the potential growth of the Group's business and to meet the Group's demand for deposit services;

Haven taking into account of the above, we are of the view that the Revised Maximum Daily Deposit Balance under the Financial Services Framework Agreement (as amended by the Supplemental Agreement) is fair and reasonable.

OPINION AND RECOMMENDATION

In view of the above principal factors and reasons, we considered that:

- (i) the entering into of the Supplemental Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and
- (ii) the terms of the Supplemental Agreement, the transactions contemplated thereunder and the Revised Maximum Daily Deposit Balance are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

We, therefore, recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the EGM in relation to the Supplemental Agreement, the transactions contemplated thereunder and the Revised Maximum Daily Deposit Balance.

Yours faithfully,
For and on behalf of
Opus Capital Limited



Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Mr. Cheung has over 16 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

* *English name for identification purposes only.*