



27 March 2026

*To: The Independent Board Committee and the Independent Shareholders of  
Jiahua Stores Holdings Limited*

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTION  
IN RELATION TO THE LEASE AGREEMENTS**

**INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into the Lease Agreements and the transactions contemplated thereunder, 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 27 March 2026 (the “**Circular**”) of which this letter forms part. Capitalised terms in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 26 January 2026 (after trading hours), the Tenant entered into the Long-Term Lease Agreement with the Landlord in respect of the leasing of certain properties (together with the Individual Lease Premises) for the operation of the Group’s shopping mall, retail shops and other commercial purposes.

Pursuant to HKFRS 16, the entering into of the Lease Agreements as a lessee (together with the Individual Lease Agreements) will require the Group to recognise the right-of-use of the Premises as the right-of-use assets of an estimated aggregate value of approximately RMB181.4 million on its consolidated statement of financial position. Thus, the entering into of the Lease Agreements and the transactions contemplated thereunder will be regarded as acquisition of assets by the Group under the Listing Rules.

As on an aggregate basis, certain applicable percentage ratios as defined under the Listing Rules in respect of the acquisition of right-of-use asset to be recognized by the Group under the Lease Agreements are more than 100%, the entering into of the Lease Agreements constitutes a very substantial acquisition of the Company and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, among the owners of the Premises included Shenzhen Baijiali Hua, a company held as to 74% by Shenzhen Jiahua Real Estate, a company incorporated in the PRC, which is held as to 18% by Mrs. Zhuang and 82% by Jiahua Group (a company owned as to 90% by Mr. Zhuang, an executive Director and 10% by Mrs. Zhuang, the spouse of Mr. Zhuang). Accordingly, Shenzhen Baijiali Hua is a connected person of the Company. The entering into the Long-Term Lease Agreement (together with the Individual Lease Agreement which will only become effective upon the effective of the Long-Term Lease Agreement) for renting the Premises and the Individual Premises constitutes connected transactions of the Company. As the total lease payment in respect of the Lease Agreements is more than HK\$10 million, the entering into the Lease Agreements are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Zhuang and Mr. Zhuang Xiao Xiong are connected persons and have material interest in the transaction, they have abstained from voting on the board resolution.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chin Kam Cheung, Mr. Sun Ju Yi, Mr. Ai Ji and Madam Ying Chi Kwan has been established to advise the Independent Shareholders as to (i) whether the transactions contemplated under the Lease Agreements (the "Transactions") are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and whether the terms of the Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how to vote on the resolution(s) relating to the Transactions.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether (i) the Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms; and whether the terms of the Lease Agreements are fair and reasonable so far as the Independent Shareholders are concerned; and whether they are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution(s) relating to the Transactions at the EGM. Our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Transactions has been approved by the Independent Board Committee.

During the past two years, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the EGM and would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

#### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion on the Transactions, we have taken into consideration the following principal factors and reasons:

##### **(1) Background information of the Company**

The Group is principally engaged in property investment and operation and management of retail stores and shopping mall in the PRC. The Group commenced tapping into the operation of shopping mall in 2017 by opening its first shopping mall in Shenzhen. As at the Latest Practicable Date, there are 9 retail stores and 3 shopping malls under the Group's operation.

### *Financial performance*

The following table summarises the financial performance of the Group for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025 as extracted from the annual reports of the Company for the years ended 31 December 2023 and 2024 (the “2023 Annual Report” and “2024 Annual Report” respectively) and the interim report of the Company for the six months ended 30 June 2025 (the “2025 Interim Report”) respectively.

	For the six months ended		For the year ended	
	30 June		31 December	
	2025	2024	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<b>Revenue</b>	<b>177,580</b>	<b>207,763</b>	<b>378,901</b>	<b>353,966</b>
– Operation and management of retail stores and other related businesses	177,580	207,763	378,901	351,428
– Provision of financing services	–	–	–	2,538
Cost of inventories sold	(56,555)	(83,256)	(151,121)	(139,169)
Other operating income and gains	36,780	23,193	37,918	35,213
Decrease in fair value of investment properties	–	–	(19,500)	(12,600)
Selling and distribution costs	(124,254)	(130,973)	(215,734)	(266,797)
Administrative expenses	(17,356)	(15,613)	(35,123)	(42,532)
Impairment loss on loan receivables	–	–	–	(36,377)
Finance costs	(18,697)	(25,004)	(48,423)	(46,859)
Other operating expenses	(1,026)	(1,079)	(2,156)	(1,177)
Income tax (expenses)/credit	(53)	(498)	(489)	3,754
<b>Loss for the period/year</b>	<b>(3,581)</b>	<b>(25,467)</b>	<b>(55,727)</b>	<b>(152,578)</b>

*For the six months ended 30 June 2024 and 2025*

Revenue amounted to approximately RMB177.6 million for the six months ended 30 June 2025, representing a decrease of approximately RMB30.2 million (or approximately 14.5%) as compared to approximately RMB207.8 million for the six months ended 30 June 2024. As mentioned in the 2025 Interim Report, the decrease in revenue was mainly attributable to the weak general economic condition and the decline in spending spirit of residents. Besides, the increase in competition surrounding the stores and shopping malls, the change in spending pattern and attitude, and the divestment of foreign enterprise resulting in closure of factory and reduction of resident population, the income of most of the stores has therefore been restricted. Commodity sales decreased by approximately RMB22.2 million, commissions from concessionaire sales decreased by approximately RMB0.6 million, rental income from sub-leasing of shop premises decreased by approximately RMB2.3 million, rental income from investment property decreased by approximately RMB0.1 million, and rental income from sub-leasing of shopping malls decreased by approximately RMB5.0 million.

Cost of inventories sold amounted to approximately RMB56.6 million for the six months ended 30 June 2025, representing a decrease of approximately RMB26.7 million (or approximately 32.1%) as compared to approximately RMB83.3 million for the six months ended 30 June 2024. The decrease in cost of inventories sold was mainly due to the decrease in sales of goods.

Other operating income increased by approximately 58.6% from approximately RMB23.2 million in the same period in 2024 to approximately RMB36.8 million for the six months ended 30 June 2025, mainly due to recognition of gain on early termination of leases of approximately RMB13.9 million.

As mentioned in the 2025 Interim Report, staff costs decreased by approximately RMB1.6 million from approximately RMB35.2 million in the same period in 2024 to approximately RMB33.6 million for the six months ended 30 June 2025 mainly due to streamlining of staff base. The depreciation of right-of-use assets decreased by approximately RMB2.4 million from approximately RMB26.7 million in the same period in 2024 to approximately RMB24.3 million for the six months ended 30 June 2025, mainly due to the shrinkage of procurement centre last year and aging of old leases. Depreciation of property, plant and equipment decreased by approximately RMB3.4 million to approximately RMB23.6 million for the six months ended 30 June 2025 from approximately RMB27.0 million in the corresponding period in 2024, mainly due to decrease in additions to fixed assets. Operating lease rental expenses decreased by approximately RMB2.1 million from approximately RMB6.0 million in the same period in 2024 to approximately RMB3.9 million for the six months ended 30 June 2025, mainly due to reduction of rent by landlords.

Finance costs decreased by approximately RMB6.3 million from approximately RMB25.0 million in the same period in 2024 to approximately RMB18.7 million for the six months ended 30 June 2025. As mentioned in the 2025 Interim Report, interest on lease liabilities was approximately RMB15.8 million and interest on bank borrowings was approximately RMB2.9 million for the six months ended 30 June 2025, compared with approximately RMB21.7 million and approximately RMB3.3 million respectively in the same period in 2024, which was down by approximately RMB5.9 million and approximately RMB0.4 million respectively. The decrease in interest on lease liabilities was mainly due to (i) shrinkage of procurement centre last year; and (ii) aging of old leases, while the decrease in interest on bank borrowings was mainly due to decrease in bank interest rate and decreasing principal balance of outstanding loans.

Given the above, net loss narrowed from approximately RMB25.5 million for the six months ended 30 June 2024 to approximately RMB3.6 million for the six months ended 30 June 2025.

*For the two years ended 31 December 2023 and 2024*

Revenue amounted to approximately RMB378.9 million for the year ended 31 December 2024, representing an increase of approximately RMB24.9 million (or approximately 7.0%) as compared to approximately RMB354.0 million for the year ended 31 December 2023. The increase in revenue was principally attributable to (i) the increase in sales of goods by approximately RMB7.4 million, which was mainly due to the addition of a new store in Shenzhen, the PRC in July 2024; and the change of fresh foods counters from concessionaire to self-operation; (ii) the increase in rental income from sub-leasing of shop premises by approximately RMB0.3 million; and (iii) the increase in rental income from sub-leasing of shopping malls by approximately RMB24.6 million, which was mainly due to full year operation of Shajing shopping mall. The increases were partially offset by (i) the decrease in commissions from concessionaire sales by approximately RMB4.2 million, which was mainly due to the change of fresh goods counters from concessionaire to self-operation; (ii) the decrease in rental income from investment properties by approximately RMB0.6 million, which was mainly due to the early termination of certain lease tenant; and (iii) the absence of interest income from financing services as compared to approximately RMB2.5 million for the year ended 31 December 2023, which was mainly due to cessation of business by a major customer.

Cost of inventories sold amounted to approximately RMB151.1 million for the year ended 31 December 2024, representing an increase of approximately RMB12.0 million (or approximately 8.6%) as compared to approximately RMB139.2 million for the year ended 31 December 2023. As mentioned in the 2024 Annual Report, the increase in cost of inventories sold was mainly due to the addition of a new store and change of fresh goods counters from concessionaire to self-operation.

Other operating income and gains was up by approximately RMB2.7 million to approximately RMB37.9 million for the year ended 31 December 2024 from approximately RMB35.2 million for the year ended 31 December 2023. As mentioned in the 2024 Annual Report, the increase was mainly due to newly incurred gain on early termination leases of approximately RMB5.5 million, which was partially offset by the decrease in administrative and management fee income by approximately RMB0.7 million corresponding to the drop in commission from concessionaire sales, the decrease in government grants by approximately RMB0.6 million due to tightening of local government budget, the decrease in interest income by approximately RMB0.4 million and the decrease in others by approximately RMB1.3 million.

As mentioned in the 2024 Annual Report, staff costs decreased by approximately RMB2.2 million from approximately RMB72.2 million for the year ended 31 December 2023 to approximately RMB70.0 million for the year ended 31 December 2024, mainly due to streamlining of manpower. The depreciation of right-of-use assets decreased by approximately RMB13.2 million from approximately RMB59.2 million for the year ended 31 December 2023 to approximately RMB46.0 million for the year ended 31 December 2024, mainly due to the decrease in depreciation charges after provision of impairment loss in previous years for loss making stores. The provision of impairment loss on right of-use assets (net) of approximately RMB10.7 million compared with approximately RMB26.6 million in 2023 has been decreased due to adequate provision of impairment loss in prior years. Depreciation of property, plant and equipment decreased by approximately RMB13.0 million to approximately RMB42.4 million for the year ended 31 December 2024 from approximately RMB55.4 million for the year ended 31 December 2023, mainly due to decrease in depreciation charges after provision of impairment loss in previous years for loss making stores. The reversal of impairment loss on property, plant and equipment (net) of approximately RMB0.5 million compared with provision of impairment loss of approximately RMB11.4 million in 2023 was due to adequate provision of impairment loss in prior years.

No impairment loss on loan receivables for year ended 31 December 2024 as compared with approximately RMB36.4 million for the year ended 31 December 2023 which represented expected credit loss on loan receivables from financing services business.

Other operating expenses increased by approximately RMB1.0 million from approximately RMB1.2 million for the year ended 31 December 2023 to approximately RMB2.2 million for the year ended 31 December 2024. As mentioned in the 2024 Annual Report, this was mainly due to disposal of certain motor vehicle.

Finance costs maintained at similar level of approximately RMB46.9 million and approximately RMB48.4 million for the year ended 31 December 2023 and 2024 respectively.

Given the above, net loss narrowed from approximately RMB152.6 million for the year ended 31 December 2023 to approximately RMB55.7 million for the year ended 31 December 2024.

*Financial position*

Set out below is the summary of the financial position of the Group as at 31 December 2023 and 2024 and 30 June 2025 as extracted from the 2023 Annual Report, the 2024 Annual Report and the 2025 Interim Report, respectively:

	<b>As at 30 June 2025</b>	<b>As at 31 December</b>	
	<b>2024</b>	<b>2023</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Audited)
Total assets	779,600	809,748	897,375
Total liabilities	852,076	878,643	910,543
Net liabilities	(72,476)	(68,895)	(13,168)

*Comparison between 31 December 2024 and 30 June 2025*

Total assets decreased by approximately RMB30.1 million from approximately RMB809.7 million as at 31 December 2024 to approximately RMB779.6 million as at 30 June 2025. Such decrease was mainly attributable to the decrease in property, plant and equipment by approximately RMB21.9 million and the decrease in right-of-use assets by approximately RMB24.3 million, which was partially offset by the increase in cash and cash equivalents by approximately RMB15.7 million.

Total liabilities decreased by approximately RMB26.6 million from approximately RMB878.6 million as at 31 December 2024 to approximately RMB852.1 million as at 30 June 2025. Such decrease was mainly due to the decrease in lease liabilities by approximately RMB21.1 million from approximately RMB441.2 million as at 31 December 2024 to approximately RMB420.1 million as at 30 June 2025; and the decrease in borrowings by approximately RMB3.6 million from approximately RMB145.8 million as at 31 December 2024 to approximately RMB142.2 million as at 30 June 2025.

Given the above, net liabilities increased by approximately RMB3.6 million from approximately RMB68.9 million as at 31 December 2024 to approximately RMB72.5 million as at 30 June 2025.

*Comparison between 31 December 2023 and 31 December 2024*

Total assets decreased by approximately RMB87.6 million from approximately RMB897.4 million as at 31 December 2023 to approximately RMB809.8 million as at 31 December 2024. Such decrease was mainly attributable to (i) the decrease in property, plant and equipment by approximately RMB12.3 million and the decrease in right-of-use assets by approximately RMB20.1 million; (ii) the decrease in investment properties by approximately RMB19.5 million due to decrease in fair value of investment properties; (iii) the decrease in deferred tax assets by approximately RMB10.3 million; (iv) the decrease in deposits paid, prepayments and other receivables by approximately RMB11.9 million mainly due to the decrease in value added tax receivables arising from purchases by approximately RMB9.2 million; and (v) the decrease in cash and cash equivalents by approximately RMB14.9 million.

Total liabilities decreased by approximately RMB31.9 million from approximately RMB910.5 million as at 31 December 2023 to approximately RMB878.6 million as at 31 December 2024. Such decrease was mainly due to the decrease in lease liabilities by approximately RMB39.8 million from approximately RMB481.0 million as at 31 December 2023 to approximately RMB441.2 million as at 31 December 2024.

Given the above, net liabilities increased by approximately RMB55.7 million from approximately RMB13.2 million as at 31 December 2023 to approximately RMB68.9 million as at 31 December 2024.

**(2) Reasons for and the benefits of entering into the Lease Agreements**

As mentioned in the Letter from the Board, to further expand the retail network of the Group, the Group will from time to time explore possible suitable properties and enter into lease agreements for operations of retail shops and shopping malls.

We noted from the Letter from the Board that in 2024, the Group considered opening a new shopping mall and retail shops at a commercial complex located at Pingshan District, Shenzhen, Guangdong Province, the PRC. Understanding that the commercial premises in the complex the Group identified were held by various owners and with more than 100 ultimate beneficiaries, discussion on lease terms arrangement could be time consuming. To secure the commercial spaces in the targeted complex to open the shopping mall and retail shops, the Group commenced negotiation of lease terms with various owners in the targeted complex and entered into various Individual Lease Agreements between second quarter of 2024 and December 2025 in the complex which in aggregate has commercial space of over 10,000 sq.m. with various landlords. All the Individual Lease Agreements will become effective upon the entering into and the effective of the Long-Term Lease Agreement of which substantial commercial space of around 34,000 sq.m. will be subject to the lease. The entering into of the Lease Agreements will secure around 44,000 sq.m. of commercial space for the Group.

The Directors (including the independent non-executive Directors) are of the view that the Transactions are conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and that (iii) the terms contemplated under the Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

According to an article named “Total retail sales of consumer goods in November 2025” released by National Bureau of Statistics of China ([https://www.stats.gov.cn/english/PressRelease/202512/t20251218\\_1962115.html](https://www.stats.gov.cn/english/PressRelease/202512/t20251218_1962115.html)) on 16 December 2025, in November, the total retail sales of consumer goods in the PRC reached RMB4,389.8 billion, up by 1.3% year on year. Specifically, the retail sales of consumer goods excluding automobiles reached RMB3,944.4 billion, up by 2.5%. From January to November, the total retail sales of consumer goods reached RMB45,606.7 billion, up by 4.0%; and the retail sales of consumer goods excluding automobiles reached RMB41,163.7 billion, up by 4.6%.

With reference to an article named “Shenzhen Retail” published by Savills plc., a global real estate services provider listed on the London Stock Exchange (<https://pdf.savills.asia/asia-pacific-research/asia-pacific-research/acr---sz-ret-2h-2025.pdf>), between 2020 and 2024, Shenzhen consistently outperformed its tier-one peers across nearly all key economic and demographic indicators influencing retail demand. The city benefits from a deep technology-driven economic base, high-value employment clusters and the unique economic positioning of the Greater Bay Area. The gross domestic product (“GDP”) growth averaged 6.6% over the past decade and 5.0% in the past five years – both the highest among its peers. Forecasts indicate that Shenzhen will likely sustain around 5.0% year-on-year growth in 2025, at a time when other tier-one cities are expected to fall below 4.0%. This continued economic momentum reinforces both the spending capacity and long-term stability of the city’s retail market. Income trends further strengthen Shenzhen’s position. Urban residents’ disposable income has risen by 82% over the last ten years, comfortably ahead of other top-tier cities. The city’s expenditure to income ratio has also climbed to 63.4% reflecting both high spending power and stronger consumption propensity compared with other markets, where ratios remain below 60%. These fundamentals point toward robust long-term retail potential.

Further, according to an article from Shenzhen Daily on 2 December 2025 ([https://www.eyeshenzhen.com/content/2025-02/12/content\\_31464054.htm](https://www.eyeshenzhen.com/content/2025-02/12/content_31464054.htm)), the GDP of Pingshan District in 2024 experienced a year-on-year increase of 9%, the third consecutive year its growth outpaced that of other districts in Shenzhen, including Dapeng New Area. We also noted from an article named “Pingshan inks deals worth ¥4B of conference” sourced from Shenzhen Daily dated 7 December 2025 on the website of the People’s Government of Pingshan District ([https://www.szpsq.gov.cn/english/News/LocalNews/content/post\\_12537001.html](https://www.szpsq.gov.cn/english/News/LocalNews/content/post_12537001.html)) that Pingshan District finalized four projects totaling RMB4 billion at the 2025 Shenzhen Global Investment Promotion Conference, held at the Shenzhen Convention and Exhibition Center on 5 December 2025. In all, the district unveiled 23 projects with a combined planned

investment of RMB30 billion. Focusing on new energy and intelligent connected vehicles, biopharmaceuticals, semiconductors, and AI, Pingshan District signed several major projects notable for their scale and strategic significance. It is anticipated that these investments will boost employment and disposable income, creating favourable conditions for retail malls in Pingshan District.

Having considered that (i) the retail sales of consumer goods in the PRC, in general, is on an upward trend; (ii) Shenzhen's strong economic fundamentals, including its GDP growth and rising disposable incomes; (iii) Pingshan District's GDP growth has outpaced that of other districts in Shenzhen and new investments in strategic industries are expected to further enhance employment and household income which may stimulate demand for retail, dining and entertainment options within shopping malls; and (iv) the Lease Agreements are in line with the Group's business strategy of expanding its retail network of shops and shopping mall operations to capture additional income for the Group, we concur with the Directors that the Lease Agreements are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

### (3) Principal terms of the Lease Agreements

#### *3.1 The Long-Term Lease Agreement*

The principal terms of the Long-Term Lease Agreement are summarised as follows. Please refer to "The Long-Term Lease Agreement" under the section headed "2. The Lease Agreements" in the Letter from the Board for details.

Parties:	The Landlord as the landlord of the Premises
	The Tenant as the tenant of the Premises
Premises:	The Premises comprised of certain commercial space located at Basement Level 1, Basement Level 2 and Floors 1 to 5, Jiahua Lingyue Plaza, Pingshan District, Southwest side of the intersection of Lanzhu West Road and Longping Road, Pingshan District, Shenzhen, Guangdong Province, the PRC ("Jiahua Lingyue Plaza"). (廣東省深圳市坪山區蘭竹西路和龍坪路交匯處西南側區佳華領悅廣場負一樓、負二樓以及一樓至五樓), (excluding units subject to the Individual Lease Agreements) with a total area of 33,812.46 sq.m. leased by the Landlord for sub-leasing purposes.

**Term:** 15 years from 1 December 2025 to 30 November 2040 (both days inclusive). If delivery of the Premises would be delayed, the term of the Long-Term Lease Agreement will be postponed accordingly.

The term of the Long-term Lease Agreements will only be effective upon obtaining the approval by the Independent Shareholders at the EGM, upon which, the term of the Long-term Lease Agreements will be applied retroactively from 1 December 2025.

**Rent-Free period:** 1 December 2025 to 31 December 2026

**Rent:** An initial monthly rent of RMB 1,014,373.8 per month (approximately RMB30 per sq.m. per month) (including 9% value added tax), with a 10% increment on the monthly rent for every 5 years

<b>Period</b>	<b>Rent per sq.m.</b>	<b>Rent per month</b>
1 December 2025 to 31 December 2026*	–	–
1 January 2027 to 31 December 2031	30	1,014,373.8
1 January 2032 to 31 December 2036	33	1,115,811.18
1 January 2037 to 30 November 2040	36.3	1,227,392.298

\* *Rent free period*

Monthly rent is payable before the 5th of each month

**Deposit:** A rental deposit of RMB 1,014,373.8 payable by the Tenant to the Landlord

Management and maintenance fees:	<p>Management fee: RMB10 per sq.m. per month (including 6% value added tax)</p> <p>Maintenance fee: RMB0.25 per sq.m. per month</p> <p>Payable commencing from 1 January 2026</p>
Usage:	For commercial and ancillary commercial facilities purposes
Sub-let:	The Landlord allows the Tenant to sub-lease any part of the Premises to other independent parties provided that the usage purpose and structure of the Premises remain unchanged
Termination:	<p>The Long-Term Lease Agreement may be terminated among other things, the mutual agreement between the Tenant and the Landlord</p> <p>Should the Long-Term Lease Agreement be terminated by the Tenant as a result of the compliance of the Listing Rules, the Tenant would not be responsible for any damages or payable to the Landlord</p>
Condition precedent:	Effectiveness of the Long-Term Lease Agreement is conditional upon obtaining approval at the EGM

The shopping mall to be operated at the Premises and the Individual Premises were leased from different landlords with various lease terms. Should lease agreements which the Premises and the Individual Premises were subject to were early terminated or could not be renewed, the Tenant may also terminate the Long-Term Lease Agreement accordingly.

As at the Latest Practicable Date, the Premises have been handed over to the Company, pending official opening.

Saved as the condition precedent above, the Long-Term Lease Agreement is not subject to any other condition precedent. As at the Latest Practicable Date, none of the condition precedent of the Long-Term Lease Agreement has been fulfilled.

### 3.2 The Individual Lease Agreements

The principal terms of the Individual Lease Agreements (as supplemented by the respective supplemental agreements) are summarised as follows. Please refer to “The Individual Lease Agreements (as supplemented by the supplemental lease agreements)” under the section headed “2. The Lease Agreements” in the Letter from the Board for details.

	Individual Lease Agreement I	Individual Lease Agreement II	Individual Lease Agreement III	Individual Lease Agreement IV	Individual Lease Agreement V	Individual Lease Agreement VI			
<b>Date:</b>	24 May 2024	2 September 2025	11 October 2025	11 October 2025	27 November 2025	5 December 2025			
<b>Landlord:</b>	Mr. Li	Shenzhen Pingshan Xinhe	Ms. Lin	Ms. Lin	Shenzhen Pingshan Liulian	Shenzhen Pingshan Liube			
<b>Term (note 1):</b>	1 June 2024 to 1 June 2029	1 October 2025 to 30 September 2035	1 October 2025 to 30 September 2030	1 October 2025 to 30 September 2033	1 December 2025 to 30 November 2035	1 December 2025 to 30 November 2035			
<b>Premises:</b>	Individual Premises I	Individual Premises II	Individual Premises III	Individual Premises IV	Individual Premises V	Individual Premises VI			
<b>Rent-Free period:</b>	1 June 2024 to 31 October 2024	N/A	N/A	N/A	1 December 2025 to 31 May 2027	1 December 2025 to 31 May 2027			
<b>Rent (note 2):</b>	An initial monthly rent of RMB24,798 from 1 November 2024 to 1 February 2025, followed by a monthly rent of RMB30,000 for the remaining of the term	<i>Period</i> 1 Oct 25 – 30 Sep 28 1 Oct 28 – 30 Sep 31 1 Oct 31 – 30 Sep 34 1 Oct 34 – 30 Sep 35	<i>Monthly rent (RMB)</i> 203,119 213,275 223,939 235,136	A monthly rent of RMB24,000	An initial monthly rent of RMB24,000 from 1 October 2025 to 30 September 2030, followed by a monthly rent of RMB25,200 for the remaining of the term	<i>Period</i> 1 Jun 27 – 30 Nov 28 1 Dec 28 – 30 Nov 31 1 Dec 31 – 30 Nov 34 1 Dec 34 – 30 Nov 35	<i>Monthly rent (RMB)</i> 82,333 86,449 90,772 95,310	<i>Period</i> 1 Jun 27 -30 Nov 28 1 Dec 28 – 30 Nov 31 1 Dec 31 – 30 Nov 34 1 Dec 34 – 30 Nov 35	<i>Monthly rent (RMB)</i> 56,315 59,131 62,038 65,192
<b>Deposit:</b>	RMB90,000	RMB500,000	RMB72,000	RMB72,000	RMB164,665	RMB112,630			
<b>Usage:</b>	Commercial purposes								
<b>Sub-Jet:</b>	Subject to, among others, (i) compliance with relevant regulations; (ii) usage of premises remains unchanged; and (iii) premises may not be further subleased without approval of the landlord, the Tenant is allowed to sub-lease any part of the Premises to other independent parties								
<b>Termination:</b>	The Individual Lease Agreements may be terminated, among other things, the mutual agreement between the Tenant and the respective landlords								
	Should the Individual Lease Agreements be terminated by the Tenant as a result of the compliance of the Listing Rules, the Tenant would not be responsible for any damages or payable to the respective landlords								
<b>Condition precedent:</b>	Effectiveness of the Individual Lease Agreements is conditional upon the Tenant fulfilling relevant Listing Rules Requirements (including but not limited to obtaining approval in the EGM) as well the Long-Term Lease Agreement being effective								

*Notes:*

1. The term of the Individual Lease Agreements will only be effective upon the entering of the Long-Term Lease Agreement and the Long-Term Lease Agreement becoming effective after obtaining the approval by the Independent Shareholders at the EGM, upon which, the term of the Individual Lease Agreements will be applied retroactively from the respective signing dates of the Individual Lease Agreements.
2. Prior to the effective day of the Individual Lease Agreements, all payments made will be prepayment to the respective landlords of the Individual Lease Agreements for the purpose of securing the Premises. The payments will be treated as rent upon approval by the Independent Shareholders at the EGM.

Please refer to the section headed “6. Information on the Premises, the Individual Premises, the Tenant and the Landlord and the Individual Landlords” in the Letter from the Board for the addresses of the premises to be rented under each of the Individual Premises Agreements.

Saved as the condition precedent above, the Individual Premises Agreements are not subject to any other condition precedent. As at the Latest Practicable Date, none of the condition precedent of the Individual Premises Agreements has been fulfilled.

**(4) Assessments of the terms of the Lease Agreements**

***4.1 Rent and lease terms***

*The Long-Term Lease Agreement*

The initial monthly rent of the Long-Term Lease Agreement will be RMB1,014,373.8 per month (approximately RMB30 per sq.m. per month) (including 9% value added tax), and a 10% increment on the monthly rent for every 5 years.

We noted from the Letter from the Board that the Premises comprised of certain retail space located at Basement Level 1, Basement Level 2 and Floors 1 to 5, Jiahua Lingyue Plaza, Southwest side of the intersection of Lanzhu West Road and Longping Road, Pingshan District, Shenzhen, Guangdong Province, the PRC (i.e. Jiahua Lingyue Plaza) (excluding units subject to the Individual Lease Agreements) with a total area of 33,812.46 sq.m. leased by the Landlord from six owners for sub-leasing purposes. The construction of the Premises is completed and is available for usage as at the Latest Practicable Date. The Premises has been handed over to the Company, pending for official opening.

The premises owned by Shenzhen Baijiali Hua have a total area of over 8,793.06 sq.m. For ease of management, Shenzhen Baijiali Hua leased out such property to the Landlord together with other owners of Jiahua Lingyue Plaza so as to arrange a sizeable retail leasing space also for better attraction of retail tenants. The rent payable by the Landlord to Shenzhen Baijiali Hua is RMB27.0

per sq.m. which is comparable to the rent of the Premises payable by the Tenant to the Landlord.

We also noted from the Letter from the Board that the terms of the Long-Term Lease Agreement (including the rent) were determined after arm's length negotiations between the parties, with reference to standard terms of the lease agreements adopted for leasing of properties and taking into account the initial market rental of the Premises. When determining the basis of the 10% increment on the monthly rent for every 5 years, the Company has taken into consideration the terms of the lease agreements entered into by the Group with independent third parties in relation to leasing out of the Group's investment properties and noted that such increment adjustment clauses were also incorporated into such lease agreements. The payment of rent will be financed with internal resources and/or external borrowings of the Company.

We compared the terms in the Long-Term Lease Agreement against the standard template 《深圳市房屋租賃合同(非住宅)》 published on the official website of the Shenzhen Housing and Construction Bureau (深圳市住房和建設局, <https://zjj.sz.gov.cn/xxgk/szzfzljgfwpt/fwzlhts/>). Our review indicates that the terms contained in the Long-Term Lease Agreement are consistent with those commonly adopted in lease agreements in Shenzhen, including: (i) a lease term not exceeding the maximum duration permitted under applicable laws and regulations. Pursuant to Article 705 of the Civil Code of the PRC 《中華人民共和國民法典》 issued by the Supreme People's Court of the PRC (中華人民共和國最高人民法院), any lease exceeding 20 years is deemed invalid; (ii) the term with a rent-free period; (iii) increments in monthly rent as scheduled in the lease agreement; and (iv) a security deposit in the amount of not more than the equivalent of two months' rent. In addition, we have reviewed the independent valuation prepared by the Valuer; and noted that the initial monthly rent of approximately RMB30 per sq.m. per month under the Long-Term Lease Agreement falls below the prevailing market range of RMB69.0 to RMB93.0 per sq.m. per month for comparable properties in the vicinity; and initial monthly rent of RMB1,014,373.8 per month is below the market rent of RMB1,309,000 per month as at 31 December 2025 as appraised by the Valuer.

In assessing the reasonableness of the 10% increment on the monthly rent for every five years stated as the term in the Long-Term Lease Agreement, we referred to the inflation rate (being the annual percentage change in consumer price index (the "CPI") of the PRC) on the website of World Bank Group (<https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=CN&utm>). We noted that the inflation rate of the PRC ranged from approximately 0.2% to approximately 2.9% with average of approximately 1.6% for the last decade from 2015. The weak consumer spending remained subdued since COVID-19; however, it is not expected to persist once confidence and consumption rebound. According to a report from National Bureau of Statistics of China on consumer

price index in November 2025 ([https://www.stats.gov.cn/english/PressRelease/202512/t20251211\\_1962020.html](https://www.stats.gov.cn/english/PressRelease/202512/t20251211_1962020.html)), in November 2025, CPI of the PRC increased by 0.7% year on year and as reported by ING Bank N.V. (<https://think.ing.com/snaps/chinas-escapes-2025-deflation-as-december-cpi-moves-to-34-month-high/>), CPI rose 0.8% year-on-year in December 2025; whereas in August, September and October 2025, CPI only increased by 0.4%, 0.3% and 0.2% year on year, respectively. A 10% increment on monthly rent for every five years is equivalent to a compound annual growth rate of approximately 1.92%, which is higher than the average CPI inflation rate of approximately 1.6% of the PRC for the last decade from 2015, Having considered that (i) if excluding the extremely low rates of 1% for 2021 and 0.2% for each of 2023 and 2024, the average CPI inflation rate would be approximately 2.1% which is higher than the compound annual growth rate of 1.92% for the 10% increment on monthly rent for every five years. It is expected that the deflationary pressures stemming from COVID-19 will not persist as the post COVID-19 economy shows sign of gradual recovery; (ii) property owners tend to seek higher rental income to offset the increased costs resulting from the inflation; and (iii) rent increment is an agreed term of the Long-Term Lease Agreement after arm's length negotiations between the parties; and the entering into the Long-Term Lease Agreement is in the interests of the Company and the Shareholders as a whole as mentioned under the section headed "(2) Reasons for and the benefits of entering into the Lease Agreements" above in this letter, we concur with the management of the Group that the 10% increment on monthly rent for every five years is fair and reasonable. We obtained and reviewed two long-term lease agreements entered into by the Group with independent third parties. We noted that the lease terms contain rent increments for every two or three years. The Company confirmed that these are the only two lease agreements of premises for commercial use the Group has entered into with the Independent Third Parties as at the Latest Practicable Date.

*The Individual Lease Agreements*

The initial monthly rent/monthly rent, rent-free period and monthly rent increment for Individual Premises I, Individual Premises II, Individual Premises III, Individual Premises IV, Individual Premises V and Individual Premises VI are set out as below:

	Initial monthly rent/ Monthly rent	Initial monthly rent/Monthly rent per sq.m. Size (approximately) (sq.m.)	Term	Rent-free period	Monthly rent increment	
Individual Premises I	RMB24,798	309.98	RMB80.0	61 months	5 months	approximately 20% after three months
Individual Premises II	RMB203,119	5,345.24	RMB38.0	120 months	N/A	5% for every three years
Individual Premises III	RMB24,000	599.54	RMB40.0	60 months	N/A	N/A
Individual Premises IV	RMB24,000	595.35	RMB40.3	96 months	N/A	5% for every five years
Individual Premises V	RMB82,333	2,166.65	RMB38.0	120 months	18 months	5% for every three years
Individual Premises VI	RMB56,315	1,481.98	RMB38.0	120 months	18 months	5% for every three years

We noted from the Letter from the Board that the terms of the Individual Premises Agreements (including the rent) were determined after arm's length negotiations between the parties, with reference to standard terms of the lease agreements adopted for leasing of properties and taking into account the initial market rental of the Individual Premises. When determining the basis of the increment on the monthly rent for every 3 years, the Company has taken into consideration the terms of the lease agreements entered into by the Group with other independent third parties in relation to leasing out of the Group's investment properties and noted that such increment adjustment clauses were also incorporated into such lease agreements. The payment of rent will be financed by internal resources and/or external borrowings of the Company. Please refer to paragraphs under "The Long-Term Lease Agreement" above in this letter for the

reasonableness of 5% increment (i.e. a lower percentage than the 10% increment) on the monthly rent for every 5 years for Individual Premises IV. The Individual Premises I is subject to approximately 20% increment shortly after three months. Having considered that (i) the Individual Premises I only measures 309.98 sq.m. Based on the Directors' best knowledge after having made reasonable enquiries, the bargaining power of lessees on the rental terms for smaller units in shopping malls is limited; and (ii) the entering into the Individual Lease Agreements (including the Premises I) is in the interests of the Company and the Shareholders as a whole as mentioned under the section headed "(2) Reasons for and the benefits of entering into the Lease Agreements" above in this letter, in particular, as advised by the management of the Group, the Individual Premises I is located at the entrance of the shopping mall offering better external view and is more attractive to customers and visitors, we concurred that in order to secure Individual Premises I, the aforesaid rent increment is considered acceptable.

We compared the terms in the Individual Lease Agreements against the standard template 《深圳市房屋租賃合同(非住宅)》 published on the official website of the Shenzhen Housing and Construction Bureau 深圳市住房和建設局 (<https://zjj.sz.gov.cn/xxgk/szzfzljgfwpt/fwzlhts/>). Our review indicates that the terms contained in the Individual Lease Agreements are consistent with those commonly adopted in lease agreements in Shenzhen, including: (i) a lease term not exceeding the maximum duration permitted under applicable laws and regulations. Pursuant to Article 705 of Civil Code of the PRC 《中華人民共和國民法典》 issued by the Supreme People's Court of the PRC (中華人民共和國最高人民法院), any lease exceeding 20 years is deemed invalid; (ii) the term with a rent-free period (as case may be); and (iii) increments in monthly rent as scheduled (if any) in the lease agreements. However, while the standard template 《深圳市房屋租賃合同(非住宅)》 stipulates that the security deposit shall not exceed the equivalent of two months' rent, the security deposits for the Individual Premises range from 2 months to approximately 3.6 months. As advised by the management of the Group, security deposit exceeding two months' rent in respect of certain Individual Premises arises from the specific requirements of the relevant individual owners.

We have reviewed the independent valuation prepared by the Valuer; and compared the market rent as appraised by the Valuer with the initial monthly rent or monthly rent of each premises under the Lease Agreements. Based on the information extracted from the Valuation Report, the following table provides a summary of the adjusted unit monthly rents of comparable properties and initial unit monthly rent of the premises under the Long-Term Lease Agreement; and each of the Individual Premises:

	Gross floor area (sq.m.)	Monthly market rent as at 31 December 2025 as appraised by the Valuer (RMB)	Initial monthly rent (RMB)	Adjusted unit monthly rents for the comparable properties as at 31 December 2025 as quoted by the Valuer (RMB/sq.m.)	Initial unit monthly rent (RMB/sq.m.)
Premises under the Long-Term Lease Agreement	33,812.46	1,309,000	1,014,374	69-93	30
Individual Premises I	309.98	32,000	24,798	91-122	80
Individual Premises II	5,345.24	323,000	203,119	78-105	38
Individual Premises III	599.54	38,000	24,000	55-73	40
Individual Premises IV	595.35	31,000	24,000	46-61	40
Individual Premises V	2,166.65	136,000	82,333	78-105	38
Individual Premises VI	1,481.98	93,000	56,315	78-105	38

As illustrated by the table above, the initial monthly rent of each premises under the Lease Agreements is below the respective monthly market rent as at 31 December 2025 as appraised by the Valuer; and the initial unit monthly rent is below the respective adjusted unit monthly rents for the comparable properties as at 31 December 2025 as quoted by the Valuer. Please refers to paragraphs under "The Valuation Report" below in this letter for the discussion on the selection of comparable properties by the Valuer.

In assessing the reasonableness of the 5% increment on the monthly rent for every three years or five years stated as the term in the Individual Lease Agreements, we referred to the inflation rate (being the annual percentage change in CPI of the PRC) on the website of World Bank Group (<https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=CN&utm>). We noted that the inflation rate of the PRC ranged from approximately 0.2% to approximately 2.9% with average of approximately 1.6% for last decade from 2015. The weak consumer spending remained subdued since COVID-19; however, it is not expected to persist once confidence and consumption rebound. According to a report from National Bureau of Statistics of China on consumer price index in November 2025 ([https://www.stats.gov.cn/english/PressRelease/202512/t20251211\\_1962020.html](https://www.stats.gov.cn/english/PressRelease/202512/t20251211_1962020.html)), in November 2025, CPI of the PRC increased by 0.7% year on year and as reported by ING Bank N.V. (<https://think.ing.com/snaps/chinas-escapes-2025-deflation-as-december-cpi-moves-to-34-month-high/>), CPI rose 0.8% year-on-year in December 2025; whereas in August, September and October 2025, CPI only increased by 0.4%, 0.3% and 0.2% year on year, respectively. A 5% increment on monthly rent for every three years is equivalent to a compound annual growth rate of approximately 1.64%; and for every five years is equivalent to a compound annual growth rate of approximately 0.98%. The 5% increment on monthly rent for every three years is slightly higher than the average CPI inflation rate of approximately 1.6% of the PRC for the last decade from 2015, Having considered that (i) if excluding the extremely low rates of 1% for 2021 and 0.2% for each of 2023 and 2024, the average CPI inflation rate would be approximately 2.1%, which is higher than the compound annual growth rate of 1.64% for the 5% increment on monthly rent for every three years and the compound annual growth rate of 0.98% for the 5% increment on monthly rent for every five years. It is expected that the deflationary pressures stemming from COVID-19 will not persist as the post COVID-19 economy shows sign of gradual recovery; (ii) property owners tend to seek higher rental income to offset the increased costs resulting from the inflation; and (iii) rent increment is an agreed term of the relevant premises (i.e. the Individual Premises II, IV, V and VI) under the Individual Lease Agreements after arm's length negotiations between the parties; and the entering into the Individual Lease Agreements is in the interests of the Company and the Shareholders as a whole as mentioned under the section headed "(2) Reasons for and the benefits of entering into the Lease Agreements" above in this letter, we concur with the management of the Group that the 5% increment on monthly rent for every three years or five years is fair and reasonable.

### *The Valuation Report*

In order to assess the expertise and independence of the Valuer, we have obtained and reviewed (i) the engagement letter of the Valuer; and (ii) details of the Valuer's relevant qualifications and experience from its official website (<https://valorappraisal.com/aboutus/>). We understand that the Valuer is a professional valuation firm established since 2013 providing valuation, risk advisory and ESG Advisory services for listed companies and private businesses, and has the relevant experience to prepare the Valuation Report. The individual responsible for the valuation, namely Mr. Haydn Y. C. Lee, is a professional member of Royal Institution of Chartered Surveyors, Chartered Financial Analyst charterholder and member of CPA Australia. As advised by the Valuer, Mr. Haydn Y. C. Lee has over 10 years' experience in valuation of properties in Hong Kong and the PRC. For due diligence purpose, we conducted telephone discussion with the Valuer to understand its prior valuation experience, the methodologies, basis and assumptions adopted in the Valuation Report, as well as the procedures and measures undertaken in conducting the valuation. We further noted that the Valuer has carried out on-site inspections for the exterior, and wherever possible, the interior of the properties but no structural survey had been made. In the course of its inspections, it did not note any serious defects. The Valuer confirmed that (i) except for its previous engagements as property valuer for certain companies within the Group, it is independent from the Group, Shenzhen Baijiali Hua, Shenzhen Jiahua Real Estate, Mr. Zhuang, Mrs. Zhuang, Huang Wei Xin, Jiahua Group, the Landlord, Mr. Liu Yufeng, Mr. Li, Ms. Lin, Shenzhen Pingshan Xinhe, Shenzhen Pingshan Liulian and Shenzhen Pingshan Liuhe; and (ii) apart from normal professional fees paid or payable to them in connection with their appointment as the Independent Valuer, no arrangements exist whereby they will receive any fees or benefits from the Group. Based on the above, we consider that the Independent Valuer is qualified and possess relevant experience in conducting the valuations, and the terms and scope of the engagement between the Company and the Independent Valuer are appropriate; therefore, it is appropriate to rely on their work and opinion.

We have reviewed the Valuation Report and discussed with the Valuer on the methodologies of, and basis and assumptions adopted therein. In valuing the market rent of the relevant properties, the Valuer has adopted market comparison method which is universally considered the most acceptable method for assessing the rent of most forms of real estate. This involves the analysis of recent rental evidences of similar properties to compare with the properties under assessment. Each comparable is analysed on the basis of its unit rent; each attribute of the comparable is then compared with the relevant property and where there is a difference, the unit rent is adjusted in order to arrive at the appropriate unit rent for the relevant property.

We have reviewed the list of comparable properties identified by the Valuer for each of the Premises and the Individual Premises (collectively, the “**Appraised Properties**”), with the following selection criteria: (i) premises for which rental evidences are available; (ii) premises located in Pingshan District of Shenzhen; (iii) premises with commercial usage; (iv) floor 1 premises; and (v) premises with a gross area of more than 200 sq.m. (the “**Selected Comparable Properties**”). We noted that the Selected Comparable Properties are of commercial use with the location in Pingshan District, Shenzhen. The Valuer has taken into account the differences between the comparable properties and each of the Appraised Properties and made relevant adjustments, including location, size and floor level (if applicable); and a 5% discount for the quoted price nature of the comparables. As advised by the Valuer, the location, size and quoted price adjustments are based on professional judgment. Regarding the floor level adjustment, the Valuer has made reference to floor level adjustment coefficients for commercial premises in the Appendix to the Shenzhen Land Price Calculation Rules (《深圳市地價計算規則》附表) issued by the Shenzhen Municipal Planning and Natural Resources Bureau (深圳市規劃與自然資源局) on 31 December 2020.

We conducted a search of comparable properties for each of the Appraised Properties on an online real estate agency platform, namely 58同城 • 房產 in January 2026 (<https://www.58.com/house/>) based on the following criteria: (i) the geographical locations of the comparable properties are located at Pingshan District, Shenzhen; and (ii) the comparable properties are commercial properties for retail use (excluding hotels, mahjong rooms and snooker halls). We noted that (i) the monthly rent of approximately RMB30.0 per sq.m. of the Premises under the Long-Term Lease Agreement is below the range of the comparable properties with area size over 1,000 sq.m. from approximately RMB32.0 per sq.m. to approximately RMB39.5 per sq.m.; (ii) the monthly rent of approximately RMB80.0 per sq.m. of the Individual Premises I under the Individual Lease Agreements falls within the ranges but towards the high end of the ranges of the comparable properties with area size between 250 to 350 sq.m. from approximately RMB21.2 sq.m to approximately RMB87.0 sq.m.; (iii) the monthly rent of approximately RMB38.0 per sq.m. of the Individual Premises II, approximately RMB38.0 per sq.m. of the Individual Premises V and approximately RMB38.0 per sq.m. of the Individual Premises VI, respectively under the Individual Lease Agreements fall within the ranges of the comparable properties with area size over 1,000 sq.m. from approximately RMB32.0 per sq.m. to approximately RMB39.5 per sq.m.; and (iv) the monthly rents of approximately RMB40.0 per sq.m. of the Individual Premises III and approximately RMB40.0 per sq.m. of the Individual Premises IV under the Individual Lease Agreements are slightly above the upper end (i.e. approximately RMB36.0 per sq.m.) of the comparables with area size between 500 to 700 sq.m. The Company considered that monthly rents of the individual Premises I, the Individual Premises III and the Individual Premises IV are acceptable given (i) these premises are associated with landlords of small area leases (300 to 600

sq.m.). We understood from the Valuer that rental rates for smaller units in shopping malls are in general higher and the bargaining power of lessees is limited to safeguard the overall image and positioning of the mall; and (ii) as advised by the management of the Group, these premises are located at the entrance of the shopping mall offering better external views and especially for dining shops, are more attractive to customers and visitors, which could render higher rent. On this basis, we are of the view that the monthly rents per sq.m. for the Appraised Properties adopted by the Valuer are reasonable.

In light of the above, we are of the view that the valuation methodologies adopted, together with the basis and assumptions for appraising the Appraised Properties are reasonable and acceptable.

#### *4.2 Duration of the terms of the Lease Agreements*

The lease term of the Long-Term Lease Agreement will be 15 years and the lease terms of the Individual Lease Agreements will vary from 5 to 10 years.

In order to assess the reasonableness of the lease terms of the Lease Agreements, we have obtained and reviewed two lease agreements entered into by the Group with independent third parties. We noted that the lease terms of these lease agreements are 9 years and 10 years. The Company confirmed that these are the only two lease agreements of premises for commercial use the Group has entered into with the independent third parties.

In addition, on a best effort basis, we have conducted independent research into comparable transactions announced by companies involving the leasing of properties for commercial purposes, using publicly available information from the website of the Stock Exchange. The comparable transactions (the “**Comparable Transactions**”) were selected based on the following criteria: (i) the transaction sizes at the level of very substantial acquisitions; (ii) transactions relating to the leasing of properties for commercial purposes (excluding those transactions involving sale and leaseback arrangements); and (iii) transactions announced during the period from 1 January 2023 up to and including the date of the Announcement. We consider that the approximately 36 months period provides an appropriate reference for recent market practice in respect of key terms for commercial properties, as it provides a sufficient number of meaningful samples for analysis and represents a true and fair view of the prevailing market trends for similar transactions conducted by other listed issuers of Hong Kong. Based on the said selection criteria, we have identified six Comparable Transactions.

To the best of our knowledge, effort and endeavour and based on our search conducted in accordance with the aforesaid criteria, the list of Comparable Transactions is exhaustive. Independent Shareholders should note, however, that the size, business nature, scale of operations and prospects of the Company are not identical to those of the Comparable Transactions, and we have not conducted any in-depth investigation into such aspects of the Comparable Transactions. Nevertheless, as this analysis is intended to provide a general reference to the prevailing market practice for similar types of transactions, we consider that our comparable analysis without limiting to companies having similar size, business nature and scale of operations as that of the Group, is fair and reasonable and useful for the Independent Shareholders' reference. Information on duration of the lease terms of the Comparable Transactions is set out as below:

Company (Stock code)	Date of announcement	Date of lease agreement	Duration of the lease	Location	Connected transaction(s) (Yes/No)
Xinji Shaxi Group Co., Ltd (3603)	31 October 2025	A date falling on a business day between 25 December 2025 and 31 December 2025	20 years	101 Yingbin Road, Shangjiao Village, Luopu Street, Panyu District, Guangzhou City, PRC	No
Wei Yuan Holdings Limited (1343)	26 February 2025	26 February 2025	20 years	18 Chin Bee Drive Singapore 619865	No

Company (Stock code)	Date of announcement	Date of lease agreement	Duration of the lease	Location	Connected transaction(s) (Yes/No)
Beijing Jingkelong Company Limited (814)	10 May 2024	10 May 2024	(i) 5 years	(i) No. 14, Zone 2, Gaojiayuan Chaoyang District, Beijing;	Yes
			(ii) 5 years	(ii) 32 properties at Chaoyang District, Beijing, the PRC;	
			(iii) 5 years	(iii) Block No. 204, Shuanglong South Lane, Chaoyang District, Beijing;	
			(iv) 1 year	(iv) Nine blocks (including block no. 1) at Yaojia Garden Westkou (Food Company), Chaoyang District, Beijing; and	
			(v) 5 years	(v) Block No. 211, Wangjing South Lake Central Park, Chaoyang District, Beijing, the PRC	

Company (Stock code)	Date of announcement	Date of lease agreement	Duration of the lease	Location	Connected transaction(s) (Yes/No)
Aeon Stores (Hong Kong) Co., Limited (984)	9 May 2024	9 May 2024	(i) 4 years (with option to renew for further term of 3 years)	(i) Ground Floor, First Floor, Second Floor, Third Floor and Fourth Floor including the AHU Room, the Lift Motor Room on the Fifth Floor, the Fan Room and the Condenser Room on the Sixth Floor and Fan Rooms on the Seventh Floor, Kornhill Plaza, 2 Kornhill Road, Hong Kong;	No
			(ii) 6 years	(ii) Ground Floor, First Floor, Second Floor and Third Floor of the Commercial Podium, Skyline Plaza, 88 Tai Ho Road, Tsuen Wan, New Territories, Hong Kong	
Century Ginwa Retail Holdings Limited (162)	15 May 2023	15 May 2023	15 years and 9 months	Partially leased housing on the basement level 1 to upper floor level 5 at Building No.1, part of the outer facade, outer square and ancillary facilities of Jinfangyuan Plaza, No. 29 Renmin West Road, Xianyang, Shaanxi, the PRC	No

Company (Stock code)	Date of announcement	Date of lease agreement	Duration of the lease	Location	Connected transaction(s) (Yes/No)
The Company	24 April 2023	27 April 2023	(i) 15 Years	(i) Intersection of Xinqiao Street Zhongxin Road West and Haoxiang Road South, Baoan District, Shenzhen, Guangdong Province, the PRC;	Yes
			(ii) 3 years	(ii) 1st Floor, Building 1, Jiahua Shuyuan Yage, Dabao South Road, Xinan Street, Baoan District, Shenzhen, Guangdong Province, the PRC	
			(iii) 10 years	(iii) Intersection of Xinqiao Street Zhongxin Road West and Haoxiang Road South, Baoan District, Shenzhen, Guangdong Province, the PRC	

As illustrated in the table above, the terms of the Comparable Transactions range from 1 year to 20 years. Accordingly, the duration of the lease terms of the Long-Term Lease Agreement and the Individual Lease Agreements fall within the range of the lease terms of the Comparable Transactions; and thus, it is the common practice in the market.

## RECOMMENDATION

Having considered that the above principal factors and reasons, we consider that (i) the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into the Lease Agreements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution(s) in relation to the Transactions to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**SBI China Capital Hong Kong Securities Limited**



**Ringo Kwan**  
*Managing Director*



**Evelyn Fan**  
*Executive Director*

*Mr. Ringo Kwan and Ms. Evelyn Fan have been responsible officers of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) since 2005 and 2012, respectively. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.*