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If you have sold or transferred all your shares in Fantasia Holdings Group Co., Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1777)

**CONNECTED AND MAJOR TRANSACTION
RESTRUCTURING AGREEMENT IN RELATION TO DISPUTE
INVOLVING SHARES IN A SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
Independent Shareholders**



Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 7 to 24 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 25 to 26 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 74 of this circular.

A notice convening the EGM to be held at 10 a.m. on Wednesday, 11 March 2026 at Imagination Room, BOHUB, 5/F., Tower A, The Platinum Tower, No. 1 Tairan 7th Road, Futian District, Shenzhen, the PRC is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Such form of proxy is also published on the Stock Exchange's HKExnews website at www.hkexnews.hk and the Company's website at www.cnfantasia.com. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

24 February 2026

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2022 Agreement”	has the meaning as defined in the section headed “Background” in the Letter from the Board
“2025 RSA”	has the meaning as defined in the section headed “Background” in the Letter from the Board
“Agreed Share Value”	USD2,060,744.28, being the value of the TFISF Shares to be transferred to the TFISF Designated Entity under the Restructuring Agreement as effective enforcement of the Purported Security, valued at HK\$0.087 each
“Announcement”	the announcement of the Company dated 2 January 2026 in relation to, among other things, the Restructuring Agreement
“Board”	the board of Directors
“Cayman Scheme”	a scheme of arrangement proposed by the Company pursuant to section 86 of the Companies Act (2025 Revision) of the Cayman Islands as part of the implementation of the Proposed Debt Restructuring
“Colour Life”	Colour Life Services Group Co., Limited (stock code: 1778), a company incorporated in the Cayman Islands with limited liability and a subsidiary of the Company as at the Latest Practicable Date
“Colour Life Share(s)”	780,104,676 shares of Colour Life, which are beneficially owned by the Company as at the Latest Practicable Date
“Company”	Fantasia Holdings Group Co., Limited (stock code: 1777), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Company Shares”	185,568,838 Colour Life Shares
“Consideration”	USD4,528,379.03, being the aggregate consideration for the Sale Shares at HK\$0.087 per Sale Share

DEFINITIONS

“Deed of Release”	the deed of absolute release and discharge dated 2 January 2026 in respect of the Sale Shares and the Company Shares, obligations of each party to the Subject Transactions (other than TFISF) in respect of the Purported Indebtedness under or arising from the Subject Transactions, obligations of the chargor under the Existing Security in respect of the Existing Security and any other part of the Purported Security, to be entered into on the date of closing of the Restructuring
“Debt Novation”	the proposed novation of the Net Deficiency Amount owed to TFISF to Sky Ease without recourse to the Company and other members of the Group (other than the chargor under the Share Pledges (i.e. same as the Existing Security) and the companies the shares of which will be subject to the Share Pledges)
“Director(s)”	the director(s) of the Company
“Dispute”	the dispute in connection with the Subject Transactions, relating to, among other things, repayment of the Purported Indebtedness and validity and enforceability of the Purported Security
“EGM”	the extraordinary general meeting of the Company to be held at 10 a.m. on Wednesday, 11 March 2026 at Imagination Room, BOHUB, 5/F., Tower A, The Platinum Tower, No. 1 Tairan 7th Road, Futian District, Shenzhen, the PRC or any adjournment thereof, notice of which is set out on pages EGM-1 to EGM-2 of this circular
“Existing Security”	the security described in the transaction documents relating to the Subject Transactions as having been purportedly granted in favour of TFISF to secure the obligation of the Company to repay the Purported Indebtedness
“Further Discussions”	has the meaning as defined in the section headed “Background” in the Letter from the Board
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Scheme”	a scheme of arrangement proposed by the Company pursuant to sections 670, 673 and 674 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) as part of the implementation of the Proposed Debt Restructuring
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, namely Mr. Leung Yiu Cho, Mr. Guo Shaomu and Mr. Ma Yu-heng
“Independent Financial Adviser”	Opus Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, who is appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Restructuring Agreement and the Restructuring
“Independent Shareholders”	Shareholders other than Ms. Zeng, Fantasy Pearl International Limited and their respective associates
“Instruments”	has the meaning as defined in the section headed “Background” in the Letter from the Board
“Latest Practicable Date”	16 February 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means: (i) 27 February 2026; or (ii) any other date as may be agreed by each party to the Restructuring Agreement in writing. As of the Latest Practicable Date, the parties to the Restructuring Agreement have extended the Long Stop Date to 31 March 2026
“Ms. Zeng”	Ms. Zeng Jie, Baby, the controlling Shareholder and a non-executive Director

DEFINITIONS

“New Debt”	the loan in the principal amount of the Net Deficiency Amount owed by Sky Ease (without recourse to the Company and other members of the Group (other than the chargor under the Share Pledges (i.e. same as the Existing Security) and the companies the shares of which will be subject to the Share Pledges)) to TFISF following the Debt Novation
“Net Deficiency Amount”	USD111,856,845.88, representing the difference between (i) the Purported Indebtedness and (ii) the sum of the Consideration and the Agreed Share Value
“Purchaser”	Splendid Fortune Enterprise Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, which is indirectly owned as to approximately 67.36% by Ms. Zeng and as to approximately 32.64% by Liu Liangqi (an independent third party) as at the Latest Practicable Date
“Purported Indebtedness”	the purported indebtedness of the Company owed to TFISF as asserted to arise under the Subject Transactions and as further alleged to be secured by the Purported Security, which has been agreed by the Company and TFISF to be USD118,445,969.18 (comprising outstanding principal and interest) for the purpose of the Restructuring Agreement
“Purported Security”	the purported general possessory lien and other unregistered security created over the Colour Life Shares
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed Debt Restructuring”	the financial restructuring of certain offshore indebtedness of the Group, details of which are set out in the announcement of the Company dated 4 August 2025
“Restructuring”	the transactions contemplated under the Restructuring Agreement including, among other things, the disposal of the Sale Shares, the transfer of the TFISF Shares to the TFISF Designated Entity as effective enforcement of the Purported Security and the Debt Novation

DEFINITIONS

“Restructuring Agreement”	the deed of restructuring dated 2 January 2026 and entered into among the Company, TFISF and the Purchaser
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sale Share(s)”	408,595,119 Colour Life Shares
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.1 each in the issued share capital of the Company
“Share Pledges”	pledges to be provided by Shenzhen Qianhai Jianianyunxin Investment Consulting Limited Partnership*, a subsidiary of the Company, over its 14% interest in each of Qingdao Yihewansheng Property Co., Ltd.*, Qingdao Meiyuxinghai Property Co., Ltd.* and Qingdao Jinganglanwan Commercial Development Co., Ltd.*
“Shareholder(s)”	holder(s) of the Share(s)
“Sky Ease”	Sky Ease Global Limited, an investment holding company incorporated with limited liability in the British Virgin Islands and a subsidiary of the Company. Upon closing of the Restructuring, the primary asset of Sky Ease will be the Instruments
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Transactions”	a series of financial transactions between the Company and TFISF from around June 2021 to September 2021 (together with any subsequent transactions related thereto)
“Supplemental Announcement”	the supplemental announcement of the Company dated 6 February 2026 in relation to, among other things, the Restructuring Agreement
“Tender”	has the meaning as defined in the section headed “Background” in the Letter from the Board

DEFINITIONS

“TFISF”	TFI Securities and Futures Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO, a wholly-owned subsidiary of Tianfeng Securities Co., Ltd. (Shanghai Stock Exchange stock code: 601161)
“TFISF Designated Entity”	an entity designated by TFISF in writing before the closing date of the Restructuring
“TFISF Shares”	185,940,719 Colour Life Shares
“USD”	United States dollars, the lawful currency of the United States of America
“Valuation Report”	valuation report issued by Altus Capital Limited, an independent valuer, which is jointly commissioned by the Company and TFISF for an independent assessment of the value of the Sale Shares
“%”	per cent

In this circular, translation of USD into HK\$ is based on the exchange rate of USD1.00 to HK\$7.85. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or USD have been, could have been or may be converted at such or any other rate or at all.

** for identification purpose only*

LETTER FROM THE BOARD

花樣年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1777)

Executive Directors:

Ms. Cheng Jianli (*Chairman*)

Mr. Timothy David Gildner

Mr. Lin Zhifeng

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Non-executive Directors:

Ms. Zeng Jie, Baby

Mr. Su Boyu

Principal place of business in Hong Kong:

21/F., CMA Building

64 Connaught Road Central

Hong Kong

Independent non-executive Directors:

Mr. Leung Yiu Cho

Mr. Guo Shaomu

Mr. Ma Yu-heng

24 February 2026

To the Shareholders

Dear Sir/Madam,

**CONNECTED AND MAJOR TRANSACTION
RESTRUCTURING AGREEMENT IN RELATION TO DISPUTE
INVOLVING SHARES IN A SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement, the Supplemental Announcement, and the announcement dated 16 February 2026 in relation to, among other things, the Restructuring Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further information on the Restructuring Agreement and the Restructuring; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders; (iii) a letter from the Independent Board Committee in relation to the Restructuring Agreement and the Restructuring; (iv) the Valuation Report; and (v) the notice convening the EGM.

BACKGROUND

Before the 2025 RSA

During the period from June to September 2021, the Company entered into a series of financing transactions with TFISF relating to certain total return swap linked pass-through instruments due 2022 (the “**Instruments**”) which referenced certain bonds of the Group. The initial financing transactions related to the Instruments, resulting in indebtedness of approximately USD96.98 million, provided funding for the Company to refinance other existing indebtedness of the Group. Nonetheless, because of liquidity constraints, the Company was not able to discharge its repayment obligation which in turn necessitated the parties to enter into a number of transaction rearrangement agreements (the 2022 Agreement (as defined below) being the last of those agreements). The transaction rearrangement agreements primarily stipulated the key commercial and economic terms such as, where applicable, the total amount of indebtedness owed (i.e. principal plus accrued interest), the rate of interest and the revised payment schedule. Further particulars of the 2022 Agreement are set out below.

The Dispute arose in late 2021 and concerned, in essence, the Purported Indebtedness (i.e. the amount of the alleged obligations of the Company in connection with each of the Subject Transactions) and the validity and enforceability of the Purported Security (i.e. a general possessory lien and a specific first charge over the Colour Life Shares and any dividends declared in respect of those shares). A fundamental issue in the Dispute was/is whether, as a matter of contractual interpretation, the Purported Indebtedness could properly be construed as having “arisen under” standard account opening documentation, such that TFISF could benefit from the Purported Security. Throughout the Dispute, the Company, in conjunction with its former and current legal advisers, continued to analyse all relevant information and documents concerning the Dispute in order to evaluate the merits and weaknesses of its position and identify potential defects (e.g. a specified charge under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) being void for lack of registration) in the Purported Security.

LETTER FROM THE BOARD

During September 2022, the Company, TFISF and others, entered into the transaction rearrangement agreement concerning all of the Subject Transactions (the “**2022 Agreement**”). Pursuant to the 2022 Agreement: (i) the parties agreed to a revised repayment schedule for the revised principal amount of USD101.85 million (together with accrued interest); (ii) the Company procured the grant of the Existing Security as additional credit support to TFISF; and (iii) the parties reserved their respective positions generally with regard to the matters relating to the Dispute. Owing to the Company’s continuing financial distress, the Company was ultimately unable to discharge in full the outstanding amount as required by the revised payment schedule.

Thereafter, the Company and TFISF were obliged to continue to explore ways to resolve the Dispute. However, this was not possible, despite exploring numerous different alternatives. These alternatives included (a) commencing formal legal proceedings (which practically was not viable given the Company’s distressed financial condition), (b) seeking to include any properly payable amounts owed to TFISF in the proposed debt restructuring of the Company in 2023 (which was strongly opposed by TFISF), and (c) disposing of the Colour Life Shares in the open market (which was not plausible given the Colour Life Shares were held by TFISF as the custodian under the Company’s securities account and the Company was not in a position to effect any disposal of the Colour Life Shares without the involvement or cooperation of TFISF).

After the 2025 RSA

On 1 August 2025, the Company and the ad hoc group of noteholders entered into a restructuring support agreement (the “**2025 RSA**”) to support the Proposed Debt Restructuring. The particulars of the Proposed Debt Restructuring are set out in the announcement of the Company dated 4 August 2025. As disclosed in the announcement of the Company dated 3 October 2025, the Company has received strong support for the Proposed Debt Restructuring. Nevertheless, throughout negotiations, TFISF steadfastly maintained with the Company that it would oppose the Proposed Debt Restructuring if any part of the Purported Indebtedness was included for compromise (whether or not TFISF was classified as a putative secured creditor).

During November 2025, the Company received a notice about the tender to commence an auction process to dispose of up to 29.9% of the issued shares of Colour Life (the “**Tender**”), which TFISF represented it was entitled to sell by way of enforcement of the Purported Security. The Company objected to the Tender in writing but such objection did not deter TFISF from continuing with the Tender. For illustration only, even assuming TFISF had been able to sell up to 29.9% of the issued shares of Colour Life at or around the prevailing market price of the Colour Life Shares, the net sale proceeds would still significantly fall short of the Purported Indebtedness and, in any event, TFISF would remain an actual or putative secured creditor because of the Purported Security over the remaining Colour Life Shares (which represent approximately 12.05% of the issued shares of Colour Life as at the Latest Practicable Date).

LETTER FROM THE BOARD

In early December 2025, the Company was informed that the Tender failed to attract any or sufficient interest from potential investors, albeit that the Company does not have any knowledge or other visibility about any aspect of the Tender process, including whether any one or more bids may have been submitted with indicative pricing. Subsequently, TFISF indicated to the Company (the “**Further Discussions**”) that it remained keen to pursue a disposal of the Colour Life Shares and asked for assistance of the Company to facilitate discussions on a potential disposal to existing Shareholders.

The management team of the Company reached out to an important Shareholder to inquire about whether it would be interested in acquiring the Colour Life Shares, which was met with a lukewarm response. At around the same time, the management team of the Company discussed with Ms. Zeng, the controlling shareholder of the Company, who indicated that, as a last resort, she would consider an acquisition so long as the Company could retain a certain number of Colour Life Shares (being offshore assets of the Company) to support the Proposed Debt Restructuring and operations of the Company.

The Further Discussions re-opened the window for the Company to resume negotiations with TFISF.

As further explained under the section headed “Reasons for and benefits of the Restructuring Agreement” in the Letter from the Board, commencement of any legal proceedings by the Company would likely entail a protracted and costly process. Accordingly, the Company believed the most appropriate course of action would be to resolve the Dispute between the parties as a matter separate from the Proposed Debt Restructuring.

LETTER FROM THE BOARD

On 2 January 2026, the Company, TFISF and the Purchaser entered into the Restructuring Agreement, pursuant to which the parties conditionally agreed to effect a series of parallel transactions in connection with the Dispute, involving (i) the acquisition of the Sale Shares (representing approximately 21.97% of the issued shares of Colour Life as at the Latest Practicable Date) by the Purchaser at the price of HK\$0.087 per Colour Life Share; (ii) the appropriation of the Consideration (i.e. proceeds from the disposal of the Sale Shares) by TFISF; (iii) the transfer of the TFISF Shares to the TFISF Designated Entity as effective enforcement of the Purported Security (representing approximately 10.0% of the issued shares of Colour Life as at the Latest Practicable Date); (iv) the deduction of the Consideration and the Agreed Share Value from the Purported Indebtedness, thereby reducing the aggregate indebtedness payable to TFISF to the Net Deficiency Amount; (v) the Company's retention of the Company Shares (representing approximately 9.98% of the issued shares of Colour Life as at the Latest Practicable Date) free from, and fully released and discharged from, the Purported Security or any other claim; and (vi) (subject to satisfaction or waiver of the conditions to the closing of the Restructuring on or before the Long Stop Date) the Debt Novation and related incurrence of the New Debt by Sky Ease, a subsidiary of the Company, on a non-recourse basis to the Company and other members of the Group (other than the chargor under the Share Pledges (i.e. same as the Existing Security) and the companies the shares of which will be subject to the Share Pledges).

RESTRUCTURING AGREEMENT

The principal terms of the Restructuring Agreement are summarised as follows.

Date

2 January 2026

Parties

- (i) The Company
- (ii) TFISF
- (iii) The Purchaser

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, TFISF and the controlling shareholder(s) of Tianfeng Securities Co., Ltd. (Shanghai Stock Exchange stock code: 601161), the parent company of TFISF, are independent of the Company and its connected persons.

LETTER FROM THE BOARD

Subject matter

Pursuant to the Restructuring Agreement, subject to the satisfaction or waiver of the conditions to the closing of the Restructuring, the following key terms shall apply:

- (i) for the purpose of the Restructuring Agreement, the Company and TFISF shall recognise bilaterally, and shall not challenge or commence any proceeding to prevent, delay or frustrate the Company and/or TFISF from exercising any respective right or discretion under or in respect of the Purported Security and/ or otherwise under applicable law to effect the disposal of the Sale Shares to the Purchaser free from any security or encumbrance and the transfer of the beneficial interest in the TFISF Shares to the TFISF Designated Entity in accordance with the terms of the Restructuring Agreement, respectively;
- (ii) subject to each party having complied with the Restructuring Agreement, TFISF shall not challenge, object or oppose or procure any other person to challenge or oppose the Hong Kong Scheme, the Cayman Scheme or any other transaction relating to it;
- (iii) TFISF, under powers contained in the Purported Security and by applicable law, shall sell and the Purchaser shall purchase the Sale Shares for the Consideration (i.e. the disposal of the Sale Shares);
- (iv) the Deed of Release shall take effect on the closing date of the Restructuring;
- (v) the Debt Novation (and related incurrence of the New Debt) shall take effect on the closing date of the Restructuring; and
- (vi) with effect from the closing date of the Restructuring, among other things:
 - (a) TFISF shall be withdrawn and excluded from the terms of the Proposed Debt Restructuring, the Hong Kong Scheme and the Cayman Scheme;
 - (b) the Purported Indebtedness and any contingent or prospective obligation as between respectively, TFISF, the Company or any other released party shall be absolutely discharged;
 - (c) any right and obligation accrued under any document in respect of the Subject Transactions, including in respect of the Purported Indebtedness and/or Purported Security, shall be discharged in full;
 - (d) any event of default under any Subject Transaction documents which occurred, or is alleged to have occurred, prior to the effective date of the Restructuring Agreement shall be irrevocably and unconditionally waived;

LETTER FROM THE BOARD

- (e) the risk of loss of the Sale Shares shall be passed to the Purchaser upon closing of the Restructuring; and
- (f) the risk of loss of the TFISF Shares to be transferred to the TFISF Designated Entity shall be passed to TFISF upon closing of the Restructuring.

The proceeds from the disposal of the Sale Shares (i.e. the Consideration) will be appropriated by TFISF to reduce the Company's exposure to TFISF. Upon the transfer of the TFISF Shares to the TFISF Designated Entity, the value of such Colour Life Shares (i.e. the Agreed Share Value) will also be deducted from the Company's exposure to TFISF.

Following the deduction of the Consideration and the Agreed Share Value from the Purported Indebtedness, the remaining balance of the indebtedness payable to TFISF (i.e. the Net Deficiency Amount) will be novated by the Company to Sky Ease (without recourse to the Company and other members of the Group (other than the chargor under the Share Pledges (i.e. same as the Existing Security) and the shares of the companies subject to the Share Pledges)) under the Debt Novation and in turn result in the incurrence of the New Debt, which will be owed by Sky Ease to TFISF going forward.

Consideration for disposal of the Sale Shares and determination of Agreed Share Value

For the purpose of the Restructuring Agreement, each Colour Life Share was valued at HK\$0.087, representing a discount of approximately 48.82% to the closing price of HK\$0.17 per Colour Life Share as quoted on the Stock Exchange as at the date of the Restructuring Agreement. The value of each Colour Life Share for the purpose of the Restructuring Agreement was determined upon arm's length negotiation between the Company, TFISF and the Purchaser, having taken into account (i) the value of the Purported Indebtedness; (ii) the merits of the respective cases of the parties to the Dispute; and (iii) the lack of interest in the Colour Life Shares in the Tender.

The Board also notes that the valuation of HK\$0.087 per Colour Life Share falls within the range as set out in the Valuation Report, which was commissioned by the Company and TFISF to independently assess the value of the Sale Shares to facilitate the price negotiation that was primarily driven by TFISF (as a willing vendor) and the Purchaser (as a willing purchaser). For the avoidance of doubt, the Purchaser was not involved in the engagement of Altus Capital Limited for the purpose of preparing the Valuation Report.

LETTER FROM THE BOARD

In considering the appointment of Altus Capital Limited for preparing the Valuation Report, the Board notes that among other things, (i) Altus Capital Limited being a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the SFO; (ii) the extensive experience of Altus Capital Limited acting as independent financial adviser, providing advice and comfort letters on valuations reports, assessing the fairness of various transactions involving the listed shares (including general offers); and (iii) the individual experience and qualifications of persons-in-charge of signing the Valuation Report, the Board is of the view that Altus Capital Limited has the relevant experience and qualifications to assess the value of shares in listed companies. The Board also understands from Altus Capital Limited that, save for its prior role as compliance adviser of Colour Life between 2014 and 2016, it is independent from and does not have any relationship with the Company and the Purchaser. Furthermore, the Company did not disclose to Altus Capital Limited the identity of the Purchaser when the Company and TFISF appointed Altus Capital Limited to prepare the Valuation Report.

The Valuation Report served as a reference to facilitate the Board's assessment of the valuation of the Sale Shares for the purpose of the Restructuring Agreement. The Board notes that, as stated in the Valuation Report, the report has not been prepared according to the generally accepted valuation standards for business valuations but has been prepared with consideration of relevant analytical frameworks and methodologies typical in the context of share transactions. The Board has reviewed the Valuation Report and believes the valuation approach and methodology, key assumptions and market comparables chosen under the Valuation Report are appropriate and allow for a fair and reasonable valuation of the Colour Life Shares. In particular, given the limitations of the income approach and asset approach as set out in the Valuation Report, as well as the number of companies comparable to Colour Life identified, the Board considers the market approach using the comparable companies method to be suitable. Additionally, the use of the Hybrid Value, which is calculated using both the comparable companies method and the prevailing market trading price, incorporates both established valuation practices and market investor sentiment. The Board believes applying a 50:50 weighting to both factors allows for a balanced valuation of the Colour Life Shares that is fair and reasonable.

The parties have also agreed to adopt the valuation of the Sale Share as the basis for determining the Agreed Share Value.

LETTER FROM THE BOARD

Although the Colour Life Shares were valued at a discount to the prevailing trading price and the net asset value per Colour Life share for the purpose of the Restructuring Agreement, having considered, among other things, (i) the lack of sufficient interest in the Colour Life Shares in the Tender, reflecting the difficulty of disposing of the Colour Life Shares to any third party unrelated to the Company amidst the Dispute and the distressed financial condition of the Company; (ii) the uncertainty surrounding any legal proceedings that may be commenced in relation to the Dispute and/or the Purported Security generally, taking into account the merits and weaknesses of the parties' respective positions in the Dispute; (iii) the prevailing market conditions and sentiment with regard to the real estate industry in the PRC, which is not expected to record significant growth in the near future; and (iv) the uncertainty surrounding the Proposed Debt Restructuring and the potential impact on the operations of Colour Life (including but not limited to potential consequences if the Company enters insolvent liquidation should the Proposed Debt Restructuring fail or cannot be implemented in a timely fashion), the Board is of the view that the Consideration and the Agreed Share Value are fair and reasonable, on normal commercial terms and in the interest of the Company, its creditors and, ultimately, its shareholders as a whole given the circumstances of the Company and the Dispute.

Debt Novation and New Debt

The principal terms of the New Debt, which will arise upon the Debt Novation taking effect, are summarised as follows:

Debtor:	Sky Ease
Creditor:	TFISF Designated Entity
Principal amount:	the Net Deficiency Amount
Interest:	3.00% per annum, payable in kind (PIK) annually in arrears. The interest rate was determined by reference to the 3.00% short-term notes to be issued by the Company under the Proposed Debt Restructuring, details of which are set out in the announcement of the Company dated 4 August 2025. The Board considers the 3.00% short-term notes to be suitable reference as the short-term notes have a similar tenor, are also secured and the terms of which have been determined after arm's length negotiation
Term:	Six years
Security:	Share Pledges (i.e. same as the Existing Security)

LETTER FROM THE BOARD

Key events of default: Customary events of default including non-payment, material adverse change, cross default (which will not be triggered by the Company's default on the existing debts), inability to pay debts, insolvency proceedings and Sky Ease ceasing to be wholly owned by the Company (except as part of any solvent reorganisation or restructuring)

Acceleration: TFISF has the right to declare that any part of the principal, accrued interest or any other amount outstanding in connection with the New Debt becomes immediately due and payable upon occurrence of any event of default

The New Debt is provided under the Restructuring Agreement as part of the agreed position between the Company and TFISF on the treatment of the Purported Indebtedness and the Existing Security.

Whilst the New Debt does not represent a significant discount to the Purported Indebtedness, the Company is not required to provide additional credit support (the Share Pledges are identical to the Existing Security) and the Company is in a better position than under the alternative scenario in which inclusion of the Purported Indebtedness for compromise under the Proposed Debt Restructuring could easily introduce implementation risks and/or possible delays due to strong opposition from TFISF, which has steadfastly maintained with the Company that it would oppose the Proposed Debt Restructuring.

The three companies underlying the Share Pledges jointly own an undeveloped plot of land, with no operations or revenue. The aggregate total assets of the three companies underlying the Share Pledges amounted to approximately RMB510.1 million as at 30 June 2025. The Company indirectly holds 65% of equity interests in the three companies underlying the Share Pledges through its subsidiary Shenzhen Qianhai Jianianyunxin Investment Consulting Limited Partnership*. In the event of a default of the New Debt which results in the TFISF Designated Entity enforcing the Share Pledges, there will be no material impact on the operations of the Group as the Company will still hold more than 50% equity interests in the companies underlying the Share Pledges and retain control of their respective operations. Furthermore, the impact to the financial position of the Company is expected to be immaterial as the Company will still consolidate the financial results of three companies in the consolidated financial statements of the Group.

LETTER FROM THE BOARD

Having considered, among other things, (i) the interest rate of the New Debt; (ii) the non-recourse basis of the New Debt and the scope of the Share Pledges (which are identical to the Existing Security) and (iii) the maximum exposure to the Group in the event of default as described in the above paragraph, the Board is of the view that the terms of the New Debt are fair and reasonable.

Conditions Precedent

Closing of the Restructuring is conditional upon the satisfaction or waiver of the following conditions:

- (i) the Company having provided evidence of the approval of transactions contemplated under the Restructuring Agreement by the Independent Shareholders pursuant to applicable law and requirements of the Listing Rules and the Takeovers Code;
- (ii) the Company having provided evidence of the payment to TFISF of an amount (approximately HK\$68,000) representing contribution towards stamp duty payable by TFISF or the TFISF Designated Entity in connection with the Colour Life Share transfers contemplated under the Restructuring;
- (iii) the Purchaser having provided to TFISF evidence of payment of the Consideration on the closing date of the Restructuring;
- (iv) TFISF having provided evidence of delivery of the Sale Shares to Hong Kong Securities Clearing Company Limited in accordance with the Restructuring Agreement on the closing date of the Restructuring;
- (v) TFISF having procured the execution of all necessary documents to effect an absolute release and discharge of the Existing Security;
- (vi) the Company having procured the grant and perfection of the Share Pledges (i.e. same as the Existing Security); and
- (vii) TFISF having notified the Company and the Purchaser of the relevant details of the TFISF Designated Entity.

TFISF may in its absolute discretion waive condition (ii) and/or (vi) above, while the waiver of the other conditions is subject to the prior written consent of all parties to the Restructuring Agreement. Closing of the Restructuring shall occur upon the satisfaction or waiver of the conditions precedent. If any of the conditions is not satisfied on or before the Long Stop Date, the Restructuring Agreement will cease to have any effect.

LETTER FROM THE BOARD

In the event closing of the Restructuring does not occur on or before the Long Stop Date, the Restructuring Agreement shall be terminated and upon termination the parties will be restored to their respective positions in all respects as if the Restructuring Agreement had never been executed.

INFORMATION ON COLOUR LIFE

Colour Life, together with its subsidiaries, is principally engaged in (a) the provision of property management services, which primarily include: (i) provision of services for communities under lump sum basis; (ii) provision of services for communities under commission basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for property management companies; and (b) the provision of value-added services, which primarily include: (i) online promotion services; (ii) sales and rental assistance services; (iii) engineering services; and (iv) other value-added services.

Financial information

Set out below is certain audited consolidated financial information of Colour Life for the two financial years ended 31 December 2023 and 2024 and the six months ended 30 June 2025:

	For the six months ended 30 June 2025 (unaudited) RMB '000	For the year ended 31 December 2024 RMB '000	For the year ended 31 December 2023 RMB '000
Revenue	1,039,446	1,951,321	1,523,179
Profit before tax	44,280	60,453	52,611
Profit after tax	28,578	36,122	32,966

The unaudited consolidated total assets and net asset value of Colour Life as at 30 June 2025 were approximately RMB5,804.9 million and RMB4,552.4 million, respectively.

REASONS FOR AND BENEFITS OF THE RESTRUCTURING AGREEMENT

The Group is principally engaged in the development and investment of residential and commercial properties, property management and commercial properties operation in the PRC.

The Company wishes to emphasise that the Restructuring Agreement represents a heavily negotiated compromise which is not a simple endorsement of the Purported Security. Otherwise, the Company would not, among other things, be able to retain the Company Shares or novate the New Debt to Sky Ease on the basis of no recourse to the Company.

LETTER FROM THE BOARD

Based on advice from the legal advisers to the Company, while there were/are probable defects in certain elements of the Purported Security, commencing legal proceedings (whether to challenge the Purported Security or resist enforcement action or otherwise) would likely entail a protracted and costly litigation process and there was no certainty about the outcome of any such proceedings. Moreover, the legal advisers to the Company had noted that the laws which apply to the Hong Kong Scheme and the Cayman Scheme severely limit the ability of the Company to satisfactorily address all matters concerning the Dispute without jeopardising the Proposed Debt Restructuring, because of the absence of any direct legal precedent in Hong Kong and the novelty of needing to present different factual and legal scenarios (e.g. depending on the projected outcome of the Restructuring Agreement) for scheme creditors to consider and, if necessary, to approve or reject at the scheme meeting. Accordingly, in those circumstances, the Board, having reflected on the best interests of creditors, determined that the most appropriate course of action to adopt would be to resolve the Dispute between the parties as an independent matter distinct and separate from the Proposed Debt Restructuring.

Although the Colour Life Shares were valued at a discount to the prevailing trading price for the purpose of the Restructuring Agreement, the Restructuring Agreement represented a unique opportunity for the Company to address the Dispute, which had dragged on for years. Immediately prior to the Further Discussions (which ultimately led to the Restructuring Agreement), there was no feasible solution to the Dispute available to the Company as (i) the Company was not in a financial position to settle properly payable amounts owed to TFISF; (ii) it was not plausible for the Company to dispose of the Colour Life Shares without involving or cooperating with TFISF (as the Colour Life Shares were held by the latter as the custodian); (iii) the Company was not in a financial position to commence legal proceedings with respect to the Dispute, which would likely entail a protracted and costly process; and (iv) inclusion of amounts owed to TFISF in the Proposed Debt Restructuring would give rise implementation risks given TFSFI's strong opposition (see below). When Ms. Zeng indicated she would consider acquiring certain Colour Life Shares as a last resort (provided the Company could retain certain Colour Life Shares), and subsequently TFISF (as a willing vendor) and the Purchaser (as a willing purchaser) reached an agreement on the valuation of the Colour Life Shares for the purpose of the Restructuring Agreement, the Restructuring represented a commercially feasible way for the Company to address the Dispute given the circumstances of the Company (including but not limited to the financial position of the Company and the progress of the Proposed Debt Restructuring). For illustration, had the Company not entered into the Restructuring Agreement and TFISF remained an actual or putative secured creditor over the Colour Life Shares, TFISF would have been able to, among other things, either commence legal proceedings against the Company with respect to the Dispute or (in the case where TFISF was included in the Proposed Debt Restructuring for compromise) hold out approval to block the Proposed Debt Restructuring if they so wished - in either case it would be highly disruptive and there is a risk the Company and Shareholders as a whole would be worse off than the Company monetising the Colour Life Shares at a discount to its prevailing trading price under the Restructuring Agreement.

LETTER FROM THE BOARD

In considering the terms of the Restructuring Agreement, the Board has regard, among other things, to (i) TFISF's strong opposition to being included in the Proposed Debt Restructuring and the related implementation risks that could arise for the Proposed Debt Restructuring, including the likelihood that TFISF would need to be regarded as being both secured and unsecured, and thereby possibly constituting a separate class of scheme creditors (and if so, the prospect of holding out approval to block the Proposed Debt Restructuring, if they so wished, which would be to the detriment of other scheme creditors); (ii) the merits and weaknesses of the parties' respective positions in the Dispute, including arguments for and against the contractual interpretation that the Purported Indebtedness could properly be construed as having "arisen under" standard account opening documentation; (iii) the history of protracted negotiation between the Company and TFISF over the past four years; (iv) the time and costs of commencing legal proceedings with respect to the Dispute and uncertainties associated with any such proceedings; (v) the lack of sufficient interest in the Colour Life Shares in the Tender reflecting the difficulty of disposing of the Colour Life Shares to any third party unrelated to the Company amidst the Dispute and the distressed financial condition of the Company; (vi) the limited recourse and payment terms of the New Debt; (vii) the Company's ability to retain the Company Shares, representing approximately 9.98% of the issued shares of Colour Life; (viii) the financial position of the Company; (ix) the prevailing market conditions and sentiment with regard to the real estate industry in the PRC, which is not expected to record significant growth in the near future; (x) the timetable of the Proposed Debt Restructuring; and (xi) potential consequences if the Company enters insolvent liquidation should the Proposed Debt Restructuring fail or cannot be implemented in a timely fashion, in which case (A) estimated recoveries to creditors would be very low and (B) no recovery would be made to Shareholders and the operations of the Group, if continued by the appointed insolvency officeholders, would be highly disrupted. As disclosed in the section headed "Background" in this Letter from the Board, the Further Discussions re-opened the window for the Company to resume negotiations with TFISF and the Company believed the most appropriate course of action would be to resolve the Dispute between the parties as a matter separate from the Proposed Debt Restructuring. In light of the aforesaid factors, the Board is of the view that the entry into the Restructuring Agreement is commercially rational, fair and reasonable and in the best interests of the Company (having given paramount regard to the interests of creditors) and ultimately its shareholders as a whole given the circumstances of the Company.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Ms. Zeng owns 100% of the issued shares of Ice Apex Limited, which owns 80% of the issued shares of Fantasy Pearl International Limited, and Fantasy Pearl International Limited in turn owns approximately 57.41% of the issued Shares. Ms. Zeng also owns 100% of the issued shares of Delight Vision Limited, which owns 100% of the issued shares of Link Gold Holdings Limited, and Link Gold Holdings Limited in turn owns approximately 67.36% of the issued shares of the Purchaser. Ms. Zeng is also a non-executive Director. Accordingly, each of Ms. Zeng and the Purchaser is a connected person of the Company.

LETTER FROM THE BOARD

As the highest applicable percentage ratio in respect of the disposal of the Sale Shares contemplated under the Restructuring Agreement exceeds 25% but is less than 75%, the disposal of the Sale Shares constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholder approval requirements under Chapter 14 of the Listing Rules. The Restructuring Agreement also constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholder approval requirements under Chapter 14A of the Listing Rules.

Ms. Zeng and Fantasy Pearl International Limited will be required to abstain from voting at the EGM in relation to the Restructuring Agreement. Therefore, Ms. Zeng and Fantasy Pearl International Limited, which hold 3,314,090,500 Shares in aggregate as at the Latest Practicable Date, representing approximately 57.41% of the issued Shares, shall abstain from voting at the EGM in relation to the Restructuring Agreement. Save as disclosed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder is required to abstain from voting at the EGM in relation to the Restructuring Agreement.

For the reasons stated above, Ms. Zeng abstained from voting on the resolutions of the Directors approving the Restructuring Agreement. Other than Ms. Zeng, no Director is materially interested in the Restructuring Agreement and accordingly no Director was required to abstain from voting on the resolutions of the Directors approving such matter.

FINANCIAL EFFECTS OF THE RESTRUCTURING AND INTENDED USE OF PROCEEDS

Upon closing of the Restructuring, the Company will retain approximately 9.98% of the issued shares of Colour Life and Colour Life will cease to be a subsidiary of the Company and its financial results thereafter will no longer be consolidated in the consolidated financial statements of the Group. Immediately after the disposal of the Sale Shares and the transfer of the TFISF Shares to the TFISF Designated Entity, the Company will retain 185,568,838 Colour Life Shares (free from the Purported Security), representing approximately 9.98% of the issued shares of Colour Life as at the Latest Practicable Date. The 9.98% of the issued shares of Colour Life will be accounted for in the Group's consolidated financial statements as an investment in an associate using the equity method.

LETTER FROM THE BOARD

Taking into account (i) the current continuing connected transactions between the Company and Colour Life where Colour Life provides property management related services to the Group (other than Colour Life) are expected to continue on the terms of the subsisting agreements, which have been agreed and determined on an arm's length basis and (ii) that Colour Life has not declared any dividends (being the primary form of cash distribution by Colour Life to the Company) in the last three financial years, the deconsolidation of Colour Life upon closing of the Restructuring is (i) expected to have the financial impact disclosed in this section below; and (ii) the operations of Colour Life, which is primarily engaged in property management, will no longer form part of the Group. Upon completion of the Restructuring, the Company will retain approximately 9.98% of the issued shares of Colour Life. Consequently, Colour Life will cease to be consolidated into the scope of the consolidated financial statements. Following this deconsolidation, the property projects managed by Colour Life are no longer included in the Company's consolidated area under management. As of 30 June 2025, Colour Life managed 1,651 communities with a total GFA of approximately 281.15 million square meters; the scale and corresponding operating results of this segment will be excluded from the Group's consolidated financial statements from the date of deconsolidation. Save for these implications, the deconsolidation of Colour Life is not expected to have any other material impact on the Company's financial performance or position or business operations. The Board has considered, among other things, the impact of the deconsolidation of Colour Life in forming its view that the Restructuring Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Earnings

Subject to final audit, it is expected the Group will record a net loss of approximately RMB1,409 million, representing the deficit of the implied value of the Colour Life Shares disposed of under the Restructuring Agreement under the attributable net asset value of such Colour Life Shares, which is calculated by reference to (i) the consideration for the disposal of the Sale Shares (representing approximately 21.97% of the issued shares of Colour Life as at the Latest Practicable Date), (ii) the transfer of the TFISF Shares to the TFISF Designated Entity as effective enforcement of the Purported Security (representing approximately 10.0% of the issued shares of Colour Life as at the Latest Practicable Date) and (iii) the unaudited net asset value of Colour Life as at 30 June 2025.

Upon closing of the Restructuring, the financial results of Colour Life will no longer be consolidated into the Group's consolidated financial statements. This will result in a reduction in the Group's annual revenue of approximately RMB1,951.32 million and a reduction in profit before tax of approximately RMB60.45 million based on the financial results of Colour Life for the year ended 31 December 2024.

LETTER FROM THE BOARD

For illustration only, based on the financial results of Colour Life and the Company for the year ended 31 December 2024, Colour Life's revenue made up approximately 42.57% of the Company's revenue. While this represents a relatively significant portion of the Company's revenue, the Board has considered the impact of the deconsolidation and the reduction of the operations of the Group by the scale of the Colour Life group on the Company's future prospects (as further described in the section headed "Financial and trading prospects" in Appendix II of this circular). Having considered, among other things, the reasons and benefits of entering into the Restructuring Agreement, the impact of deconsolidation of Colour Life and the circumstances of the Company, the Board is of the view that the Restructuring Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Asset and liabilities

Subject to final audit, upon closing of the Restructuring, it is expected that the unaudited total assets of the Group will decrease by approximately RMB5,790 million, the total liabilities of the Group will decrease by approximately RMB1,299 million and the net asset value of the Group will decrease by approximately RMB4,491 million.

For illustration only, based on the financial results of Colour Life and the Company for the year ended 31 December 2024, Colour Life's total assets and total liabilities made up approximately 8.08% and 1.70% respectively of the Company's total assets and total liabilities.

Use of proceeds

The proceeds from the disposal of the Sale Shares (i.e. the Consideration) will be appropriated by TFISF to reduce the Company's exposure to TFISF. The Company will not receive any cash payment as a result of other transactions (including but not limited to the transfer of the TFISF Shares to the TFISF Designated Entity, the Debt Novation and incurrence of the New Debt) contemplated under the Restructuring Agreement.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the Restructuring Agreement and the transactions contemplated thereunder.

The Board has appointed Opus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A letter from Opus Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 74 of this circular.

LETTER FROM THE BOARD

EGM AND PROXY ARRANGEMENT

A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. Pursuant to the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll.

A form of proxy for the EGM is enclosed herewith. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person should you so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 25 to 26 of this circular and (ii) the letter from Opus Capital Limited as set out on 27 to 74 of this circular.

Having taken into account the aforementioned reasons and benefits, the Board considers that the Restructuring Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the Restructuring Agreement, as detailed in the EGM notice.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular.

Shareholders and potential investors of the Company should note that the Restructuring is subject to the satisfaction or waiver of certain conditions. Accordingly, the Restructuring may or may not proceed. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company. When in doubt, Shareholders and other investors are advised to seek professional advice from their own professional or financial advisers.

By order of the Board
Fantasia Holdings Group Co., Limited
CHENG Jianli
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1777)

24 February 2026

To the Independent Shareholders

Dear Sir/Madam,

**CONNECTED AND MAJOR TRANSACTION
RESTRUCTURING AGREEMENT IN RELATION TO DISPUTE
INVOLVING SHARES IN A SUBSIDIARY**

We refer to the circular issued by the Company dated 24 February 2026 (the “**Circular**”) of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders on whether, in our opinion, the Restructuring Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned. Opus Capital Limited has been appointed as the Independent Financial Adviser in this regard.

Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Restructuring Agreement and the transactions contemplated thereunder. We wish to draw your attention to the “Letter from the Board” as set out on pages 7 to 24 of the Circular and the “Letter from the Independent Financial Adviser” as set out on pages 27 to 74 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the factors and reasons considered by, and the advice of, the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that although the Restructuring is not in the ordinary and usual course of business of the Group, the terms of the Restructuring Agreement (including the valuation of each Colour Life Share and the terms of the New Debt for the purpose of the Restructuring Agreement) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Restructuring Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee of
Fantasia Holdings Group Co., Limited

Mr. Leung Yiu Cho
*Independent non-executive
Director*

Mr. Guo Shaomu
*Independent non-executive
Director*

Mr. Ma Yu-heng
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of a letter of advice from Opus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Restructuring Agreement and the Restructuring for the purpose of inclusion in this circular.



18th Floor, EC Healthcare Tower (Central)
19-20 Connaught Road Central
Central, Hong Kong

24 February 2026

To: *The Independent Board Committee and the Independent Shareholders of Fantasia Holdings Group Co., Limited*

Dear Sir or Madam,

CONNECTED AND MAJOR TRANSACTION RESTRUCTURING AGREEMENT IN RELATION TO DISPUTE INVOLVING SHARES IN A SUBSIDIARY

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Restructuring Agreement 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 to the Shareholders dated 24 February 2026 (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.

Reference is made to the announcements of the Company dated 10 December 2021 and 11 November 2025 concerning the dispute between TFISF and the Company regarding the Subject Transactions.

On 2 January 2026, the Company, TFISF and the Purchaser entered into the Restructuring Agreement, pursuant to which the parties conditionally agreed to effect a series of parallel transactions in connection with the Dispute, involving:

- (i) the acquisition of the Sale Shares (representing approximately 21.97% of the issued shares of Colour Life as at the Latest Practicable Date) by the Purchaser at the price of HK\$0.087 per Colour Life Share;
- (ii) the appropriation of the Consideration (i.e. proceeds from the disposal of the Sale Shares) by TFISF;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the transfer of the TFISF Shares to the TFISF Designated Entity as effective enforcement of the Purported Security (representing approximately 10.0% of the issued shares of Colour Life as at the Latest Practicable Date);
- (iv) the deduction of the Consideration and the Agreed Share Value from the Purported Indebtedness, thereby reducing the aggregate indebtedness payable to TFISF to the Net Deficiency Amount;
- (v) the Company's retention of the Company Shares (representing approximately 9.98% of the issued shares of Colour Life as at the Latest Practicable Date) free from, and fully released and discharged from, the Purported Security or any other claim; and
- (vi) (subject to satisfaction or waiver of the conditions to the closing of the Restructuring on or before the Long Stop Date) the Debt Novation and related incurrence of the New Debt by Sky Ease, a subsidiary of the Company, on a non-recourse basis to the Company and other members of the Group (other than the chargor under the Share Pledges (i.e. same as the Existing Security) and the companies the shares of which will be subject to the Share Pledges).

As at the Latest Practicable Date, Ms. Zeng owns 100% of the issued shares of Ice Apex Limited, which owns 80% of the issued shares of Fantasy Pearl International Limited, and Fantasy Pearl International Limited in turn owns approximately 57.41% of the issued Shares. Ms. Zeng also owns 100% of the issued shares of Delight Vision Limited, which owns 100% of the issued shares of Link Gold Holdings Limited, and Link Gold Holdings Limited in turn owns approximately 67.36% of the issued shares of the Purchaser. Ms. Zeng is also a non-executive Director. Accordingly, each of Ms. Zeng and the Purchaser is a connected person of the Company.

As the highest applicable percentage ratio in respect of the disposal of the Sale Shares contemplated under the Restructuring Agreement exceeds 25% but is less than 75%, the disposal of the Sale Shares constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Restructuring Agreement also constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened to consider, and if thought fit, to approve, among other things, Restructuring Agreement and the transactions contemplated thereunder.

Ms. Zeng and Fantasy Pearl International Limited will be required to abstain from voting at the EGM in relation to the Restructuring Agreement. Therefore, Ms. Zeng and Fantasy Pearl International Limited, which hold 3,314,090,500 Shares in aggregate as at the Latest Practicable Date, representing approximately 57.41% of the issued Shares, shall abstain from voting at the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

EGM in relation to the Restructuring Agreement. Save as disclosed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder is required to abstain from voting at the EGM in relation to the Restructuring Agreement.

For the reasons stated above, Ms. Zeng abstained from voting on the resolutions of the Directors approving the Restructuring Agreement. Other than Ms. Zeng, no Director is materially interested in the Restructuring Agreement and accordingly no Director was required to abstain from voting on the resolutions of the Directors approving such matter.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Leung Yiu Cho, Mr. Guo Shaomu and Mr. Ma Yu-heng, has been formed to advise the Independent Shareholders on whether (a) the Restructuring Agreement and the transactions contemplated thereunder (i) are conducted in the ordinary and usual course of business of the Group; (ii) are in the interests of the Company and the Shareholders as a whole; and (iii) whose terms are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (b) how to vote on the resolutions at the EGM.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

OUR INDEPENDENCE

During the past two years immediately prior to this appointment, we have been appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company on the Proposed Debt Restructuring (the “**Existing Appointment**”). The transaction is not completed yet and the Existing Appointment is still in progress. As disclosed in the Letter from the Board, TFISF asked for assistance of the Company to facilitate discussions on a potential disposal of the Colour Life Shares to existing Shareholders. Such transaction is separate from the Proposed Debt Restructuring, therefore, the Existing Appointment is independent of this appointment and is separate from the existing transactions contemplated under the Restructuring Agreement. In addition, the Proposed Debt Restructuring and the Restructuring Agreement are not inter-conditional. Our capacity as an independent financial adviser in the Proposed Debt Restructuring, vis-à-vis the Existing Appointment, is to provide independent financial advice on the connected transactions that arise in the Proposed Debt Restructuring, in which TFISF would not be a connected person of the Company on the assumption that the Purported Indebtedness be included in the Proposed Debt Restructuring. Moreover, our independent financial advice in the Proposed Debt Restructuring will not comment on the arrangement between the Company and the scheme creditors who are independent of the Company and its connected persons. Furthermore, we are acting in the capacity of an independent financial adviser, as opposed to a financial adviser, in both the Proposed Debt Restructuring and the Restructuring Agreement, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We do not have any relationship with, or interest in, the Group, the Purchaser, TFISF or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this appointment, apart from the Existing Appointment, we have not (i) acted in the capacity as financial adviser or 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 fee paid or payable to us in connection with the Existing Appointment and this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Purchaser, TFISF or any 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 Company's annual reports for the years ended 31 December (“FY”) 2023 (the “**2023 Annual Report**”) and 2024 (the “**2024 Annual Report**”);
- (ii) the Company's interim report for six months ended 30 June (“HY”) 2025 (the “**2025 Interim Report**”);
- (iii) the annual reports of Colour Life for FY2023 (the “**2023 CL Annual Report**”) and FY2024 (the “**2024 CL Annual Report**”);
- (iv) the interim report of Colour Life for HY2025 (the “**2025 CL Interim Report**”);
- (v) the Restructuring Agreement; and
- (vi) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of 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 respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 would 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 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 accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Restructuring Agreement and the Restructuring 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 purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Restructuring Agreement and the Restructuring, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

Business profile

The Company is a limited liability company incorporated in Cayman Islands. The Group is principally engaged in property development, property investment, property operation services, hotel operations, property project management and other related services in the PRC. Revenue from property development and property operation services accounted for the majority of the revenue of the Group from FY2022 to HY2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial information

The following is a summary of the audited financial results of the Group for FY2022, FY2023, FY2024, as extracted from the 2024 Annual Report and the 2023 Annual Report, and unaudited financial results for six months ended 30 June 2025 and 2024, as extracted from the 2025 Interim Report:

Table 1: Highlights of the financial results of the Group

	HY2025	HY2024	FY2024	FY2023	FY2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Contracts with customers	1,772,979	1,526,557	4,357,519	15,595,035	9,561,219
– Property development	379,710	166,188	1,593,015	13,246,488	7,361,634
– Property operation services	1,384,986	1,332,086	2,702,019	2,169,934	2,061,695
– Hotel operations	8,039	25,605	39,543	145,262	117,774
– Others	244	2,678	22,942	33,351	20,116 ^{Note}
Leases	110,453	114,723	216,032	249,058	192,794
Total Revenue	1,883,432	1,641,280	4,573,551	15,844,093	9,754,013
Cost of sales and services	(1,554,381)	(1,279,197)	(3,824,840)	(13,371,824)	(8,027,017)
Gross profit	329,051	362,083	748,711	2,472,269	1,726,996
Loss for the period/year attributable to owners of the Company	(3,171,041)	(3,161,480)	(8,311,567)	(6,488,010)	(6,071,227)

Source: 2025 Interim Report, 2024 Annual Report and 2023 Annual Report

Note: The segment revenue from others for FY2022 includes revenue from property agency services segment and others segment as stated in the 2023 Annual Report.

HY2025 vs HY2024

Over 94.1% of total revenue of the Group was derived from contracts with customers, with property operation services being the major revenue contributor, constituting approximately 78.1% of the total revenue generated from contracts with customers for HY2025. This was followed by property development segment contributing approximately 21.4%. Both these segments made up about 99.6% of the total revenue generated from contracts with customers for HY2025. Similarly in HY2024, both these segments contributed about 98.2% of the total revenue generated from contracts with customers. Lease revenue, which comprises of revenue generated from leasing of investment properties of the Group, only constituted about 5.9% and 7.0% of the total revenue, respectively for the periods under review.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During HY2025, the Group recorded revenue of approximately RMB1.9 billion, representing an increase of approximately 14.8% from approximately RMB1.6 billion in HY2024. Revenue from property development and property operation services segments experienced an increase of approximately 128.5% and 4.0% respectively. On the other hand, segments such as hotel operations and others experienced a total decrease of approximately 70.7% as compared to HY2024.

Revenue from property development in HY2025 of approximately RMB0.4 billion witnessed a surge of approximately 128.5% compared to HY2024. This was mainly attributable to the Group having sold approximately 32,703 square metre (“sq.m.”) of properties in gross floor area (“GFA”) in HY2025, representing a hike of approximately 108.4% compared to HY2024. The surge in the GFA of delivered properties during the period resulted in the increased revenue recognised in HY2025 since the Company recognises revenue when the customer obtains control of the completed property and represents proceeds from the sales of the Group’s properties held for sale. The average selling price (“ASP”) was approximately RMB9,978 per sq.m. in HY2025, representing a decline of approximately 20.9% compared to RMB12,611 per sq.m. in HY2024.

A small rise of approximately 4.0% to approximately RMB1.4 billion for revenue derived from property operation services in HY2025 was primarily due to the increase in the number of services provided by the Group during the period. The majority of the revenue generated from property operations services came from its non wholly-owned subsidiary, Colour Life, that provides property management services.

Despite the revenue increase during the period, the Group’s gross profit margin fell to approximately 17.5% for HY2025 compared to approximately 22.1% for HY2024. The decline in gross profit margin was mainly due to a further decline in gross profit from property development. The Group recorded a gross profit of approximately RMB329.1 million in HY2025, a decline of approximately 9.1%.

The Group recorded loss attributable to owners of the Company at approximately RMB3.2 billion for HY2025, representing a slight increase by approximate 0.3% compared to HY2024.

As at 30 June 2025, the Group had a total of 14 projects or phases of project held for development with a total GFA of 5,921,908 sq.m., with 13 projects or phases of project under construction with 1,341,547 sq.m. GFA. The landbank comprising the projects mentioned amounted to approximately 7,263,455 sq.m..

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FY2024 vs FY2023

Similar to HY2025 under review, about 95.3% of total revenue of the Group was derived from contracts with customers for FY2024. Both property development and property operation services segments continued to dominate over 98.5% of the total revenue generated from contracts with customers for FY2024 and FY2023 respectively.

During FY2024, the Group recorded revenue of approximately RMB4.6 billion, marking a significant decrease of approximately 71.1% from approximately RMB15.8 billion registered in FY2023. This was mainly attributable to a drastic decline of over 87% in the property development segment year-on-year (“YoY”). Other segments such as hotel operations and others also experienced a drop of approximately 72.8% and 31.2% respectively albeit the quantum in FY2024 only constituted approximately 1.4% of the total revenue generated from contracts with customers.

The Group sold approximately 162,955 sq.m. of properties in GFA in FY2024, a marked deterioration of approximately 78.1% compared to 743,061 sq.m. sold in FY2023 YoY. The decrease in revenue recognised from property development in FY2024 was due to less area of properties completed and delivered during the year as the real estate market continued to be under pressure while the Group faced liquidity shortage. ASP was approximately RMB11,586 per sq.m. in FY2024, indicating an approximate 5.4% decline from approximately RMB12,246 per sq.m. in FY2023. The reduction was due to decline in sales volume evidenced by the drastic drop in revenue and GFA sold attributable to general weakened consumer confidence.

Revenue derived from property operation services increased by 24.5% to approximately RMB2.7 billion in FY2024, primarily due to the increase in the property management services under lump sum basis provided by the Group in FY2024. Over 70% of the revenue from this segment was contributed by Colour Life.

The Group still managed to record a decent gross profit of approximately RMB0.8 billion for FY2024, albeit a drastic drop of approximately 69.7% as compared to FY2023 YoY. Gross profit margin nonetheless improved to 16.4% when compared to approximately 15.6% for FY2023. The slight increase in gross profit margin was mainly due to the increase of the proportion of property operation services with a higher profit margin. The property operation services segment constituted about 62.0% of the total revenue from contracts with customers against a mere 13.9% in FY2023.

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The Group continued to record loss attributable to owners of the Company at approximately RMB8.3 billion for FY2024, with its loss position further deteriorated by approximately 28.1% in comparison to FY2023. The major factors, amongst others, contributing to the increased loss in FY2024 were (i) an approximate 49.9% increase in write-down on properties for sales to approximately RMB2.9 billion in FY2024 to reflect the decrease in net realisable value due to the combined impact of multiple unfavourable factors in macroeconomic, industry and financing environments; and (ii) a surge in finance costs of approximately 45.8% to approximately RMB4.2 billion for FY2024. The increase in finance costs was primarily due to the decrease in the Group's projects under construction and in the amount of interest capitalisation accordingly.

FY2023 vs FY2022

The property development and property operation services segments were major contributors to the total revenue generated from contracts with customers for FY2023 and FY2022 respectively at over 98%.

During FY2023, the Group witnessed a boost in revenue of approximately 62.4% to RMB15.8 billion from approximately RMB9.8 billion in FY2022. This was mainly attributable to property development segment that posted an impressive 79.9% jump in revenue to RMB13.3 billion, constituting 84.9% to the total revenue generated from contracts with customers. Property operations services registered a modest 5.3% increase instead to RMB2.2 billion.

The Group sold approximately 743,061 sq.m. of properties in GFA in FY2023, an increase of approximately 16.7% YoY. Accordingly, the improvement in the revenue recognised from property development segment was due to more area of properties completed and delivered during the year, as opposed to 637,016 sq.m. of GFA sold in FY2022. ASP improved by approximately 22.4% to approximately RMB12,246 per sq.m. in FY2023 as compared to RMB10,008 per sq.m. in FY2022. Although ASP in some projects suffered a reduction in FY2023, there are more GFA sold for newly launched projects in FY2023 that contributed to the rise in ASP.

With the increase in the property management services provided by the Group in FY2023, revenue derived from property operation services topped RMB2.2 billion.

The Group registered a lower gross profit margin of approximately 15.6% for FY2023 as opposed to 17.7% for FY2022 despite the encouraging revenue performance. The decrease in gross profit margin was mainly due to the delivery of properties with higher land and construction costs during the year.

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The loss attributable to owners of the Company remained relatively stable at approximately RMB6.5 billion for FY2023, with a slight worsening of its loss position by approximate 6.9% YoY. The loss was mainly attributable to, amongst others, (i) a first-time recognition of an impairment loss on deposits paid for potential acquisition of equity interests of approximately RMB1.0 billion for FY2023 due to the combined impact of multiple unfavourable factors in macroeconomic and industry; and (ii) a two-fold increase in write-down on properties for sales to approximately RMB2.0 billion in FY2023 from RMB0.5 billion.

The following is a summary of the audited financial positions of the Group as at 31 December 2024 and 31 December 2023 respectively, as extracted from the 2024 Annual Report and as at 30 June 2025 as extracted from the 2025 Interim Report:

Table 2: Highlights of the financial positions of the Group

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)	2023 RMB'000 (audited)
Non-current assets	14,599,681	15,167,246	17,996,225
Current assets	57,333,048	58,038,695	59,723,869
Total assets	71,932,729	73,205,941	77,720,094
Non-current liabilities	9,406,415	10,086,492	13,332,565
Current liabilities	76,858,501	74,152,556	66,412,141
Total liabilities	86,264,916	84,239,048	79,744,706
Capital and deficiency	(14,332,187)	(11,033,107)	(2,024,612)

Source: 2025 Interim Report and 2024 Annual Report

As at 30 June 2025, total assets and liabilities of the Group were approximately RMB71.9 billion and RMB86.3 billion respectively, registering a decrease of approximately 1.7% in total assets with an increase of approximately 2.4% in total liabilities respectively. Capital deficit worsened by approximately 29.9% to RMB14.3 billion as at 30 June 2025 following the continuous loss recorded.

As at 31 December 2024, total assets of the Group continued to slide by approximately 5.8% at RMB73.2 billion whilst total liabilities saw a hike of 5.6% to RMB84.2 billion. The Group registered a higher capital deficit at RMB11.0 billion due to the higher loss recorded in FY2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Multiple uncertainties relating to going concern

FY2024

We noted from the 2024 Annual Report that, while the Board has prepared the consolidated financial statements of the Group as at 31 December 2024 on a going concern basis, the Company's auditor, Prism Hong Kong Limited (*formerly known as Prism Hong Kong and Shanghai Limited*) ("**Prism**"), has drawn attention to multiple uncertainties relating to going concern, the conditions, together with other matters, indicating the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern (the "**Going Concern Issue**"), details of which are summarised as follows:

- (i) the Group incurred net loss of RMB8,991,482,000 for FY2024;
- (ii) as at 31 December 2024, the Group's net current liabilities and net liabilities amounted to RMB16,113,861,000 and RMB11,033,107,000, respectively;
- (iii) as at 31 December 2024, the Group's current liabilities (including those that had become default or cross default or contain early demand clauses) amounted to RMB74,152,556,000;
- (iv) as at 31 December 2024, the Group did not repay certain interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) of about RMB39,592,333,000 according to their scheduled repayment dates. As a result, as at 31 December 2024, the above interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) had become default; and
- (v) subsequent to 31 December 2024, the Group did not repay certain other bank and other borrowings according to the scheduled repayment dates.

We also note that it is not the first year that Prism has drawn attention to material uncertainty related to the Going Concern Issue. In fact, Prism highlighted multiple uncertainties related to going concern of the Group for each of FY2023, FY2022 and FY2021 under similar circumstances in its independent auditor's reports.

As stated in the 2024 Annual Report, the validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including:

- (i) successfully completing the offshore debt restructuring;
- (ii) successfully carrying out the Group's business strategy plan including the acceleration of the sales of properties;

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- (iii) successfully obtaining of additional new sources of financing as and when needed;
- (iv) successfully disposing of the Group's equity interest in project development companies when suitable; and
- (v) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses.

Should the Group be unable to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern. As stated in the 2024 Annual Report, the management of the Group (including the Directors) when assessing the Group's ability to continue as a going concern, has taken into account the Group's current liquidity, performance and available sources of financing and has considered the Group's cash flow projections prepared by the management of the Group (including the Directors) for a period of not less than 12 months from the date of the reporting period. Considering that a number of measures, such as the successful negotiation and identification of various options for financing the Group's working capital with certain financial institutions and the successful negotiation of the renewal and extension of bank borrowings and credit facilities with various financial institutions, have been implemented successfully and on an ongoing basis, the management of the Group (including the Directors) believes that the Group will have sufficient working capital for a period of at least 12 months commencing from 31 December 2024.

HY2025

With reference to the 2025 Interim Report, the Group incurred net loss of RMB3,342,578,000 for HY2025. As at 30 June 2025, the Group's net current liabilities amounted to RMB19,525,453,000 and net liabilities amounted to RMB14,332,187,000. As at 30 June 2025, the Group did not repay certain interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) of approximately RMB43,995,318,000 according to their scheduled repayment dates. As a result, as at 30 June 2025, interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) had become default. Subsequent to 30 June 2025, the Group did not repay certain interest-bearing liabilities according to the scheduled repayment dates. These conditions, together with other matters, indicated the Going Concern Issue. Because of the multiple uncertainties related to going concern and its possible cumulative effect on interim condensed consolidated financial statements, Prism did not express a conclusion on the interim financial information.

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Our assessment

We note that the Group has been registering consecutive loss attributable to owners of the Company for the year/period coupled with the Going Concern Issue since FY2021. The Company is facing significant pressure on its working capital and liquidity position. The challenging financial position also casts doubt on the Company as a going-concern. The Restructuring Agreement provides an alternative to settle some of the disputed debts of the Group, thereby reducing the amount involved in the debt restructuring exercise of the Group, that has been on-going since January 2023 and eventually resulted in the signing of the 2025 RSA on 1 August 2025. On 16 and 23 January 2026, the Hong Kong court and Cayman court have respectively directed via an order that a single meeting of scheme creditors be convened to approve the Hong Kong Scheme and Cayman Scheme respectively. The Company will convene the meeting of the scheme creditors on 20 February 2026 to approve the Hong Kong Scheme and Cayman Scheme respectively. In view of (i) TFISF's strong opposition to being included in the Proposed Debt Restructuring and the related implementation risks it may impose on the Proposed Debt Restructuring as further explained in section headed "4. Background and reasons for and benefits of the Restructuring Agreement" below; and (ii) potential consequences if the Company is put into insolvent liquidation should the Proposed Debt Restructuring not be implemented in a timely fashion, the entering into the Restructuring Agreement would reduce the implementation risks for the Proposed Debt Restructuring which is one of the measures to address the Going Concern Issue of the Group.

2. Background information of Colour Life

Business profile

Colour Life is a company incorporated in the Cayman Islands with limited liability. Colour Life, together with its subsidiaries (the "**Colour Life Group**"), is principally engaged in the provision of property management services and related services in the PRC. As at 31 December 2024, the Colour Life Group managed 1,758 communities with an aggregate contracted GFA of approximately 306.78 million sq.m. and entered into consultancy service contracts with 1 community with an aggregate GFA of consultancy service arrangements of approximately 0.041 million sq.m..

The Colour Life Group has two (2) main business lines:

- (a) Property management services, which primarily include:
 - (i) provision of services for communities under lump sum basis. Under this basis, the Colour Life Group is entitled to recognise all the property management fees from the property owners as revenue and pay expenses related to property management from the property management fees;

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- (ii) provision of services for communities under commission basis. Under this basis, the Colour Life Group is acting as an agent of the property owners and reserves the right to retain a specified percentage of the owner's property management fees as required by the relevant local authorities as the Colour Life Group's revenue;
 - (iii) provision of pre-delivery services. This relates to the Colour Life Group's appointment by the property developers at the initial stage of the property development to provide pre-delivery services to the property developers; and
 - (iv) provision of consultancy services for property management companies. The Colour Life Group has selectively entered into consultancy services contracts with regional property management companies and provides its consultancy and advice by leveraging on the Colour Life Group's experience and self-developed online platform for its community services; and
- (b) Value-added services, which primarily include: (i) online promotion services; (ii) sales and rental assistance services; (iii) engineering services; and (iv) other value-added services.

In order to assess the fairness and reasonableness of the Restructuring Agreement and the Consideration of the Sale Shares, we set out the financial performance of Colour Life and the prospects of the property management industry in the PRC in section 3(ii) below since the Colour Life Group is engaged in the provision of property management services. We are of the view that this would give the Independent Shareholders a better understanding of the recent development of the Colour Life Group and the challenging industry outlook that it is facing.

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Financial information

The following is a summary of the audited financial results of the Colour Life Group for FY2022, FY2023, FY2024, as extracted from the 2024 CL Annual Report and the 2023 CL Annual Report, and unaudited financial results for six months ended 30 June 2025 and 2024, as extracted from 2025 CL Interim Report:

Table 3: Highlights of the financial results of the Colour Life Group

	HY2025	HY2024	FY2024	FY2023	FY2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue from services	1,039,446	974,488	1,951,321	1,523,179	1,311,037
– Property management services	994,040	929,842	1,854,271	1,427,599	1,206,350
– Valued-added services	45,406	44,646	97,050	95,580	104,687
Cost of services	(815,821)	(754,141)	(1,541,288)	(1,069,019)	(889,815)
Gross profit	223,625	220,347	410,033	454,160	421,222
Profit for the period/year	28,578	33,103	36,122	32,966	48,518
Profit for the period/year attributable to owners of Colour Life	23,892	24,380	18,953	23,007	31,358

Source: 2025 CL Interim Report, 2024 CL Annual Report and 2023 CL Annual Report

HY2025 vs HY2024

During HY2025, the Colour Life Group recorded revenue of approximately RMB1,039.4 million, representing an increase of approximately 6.7% from HY2024. Property management services has been the major revenue contributor to the Colour Life Group since FY2020, constituting more than 90% of the total revenue throughout the years. The increase mainly stemmed from property management services under lump sum basis which witnessed a hike of approximately 8.2% due to the rise in the number of communities managed under lump sum basis and business development to undertake new commissioned communities during the period. Revenue from value-added services merely rose approximately 1.7% to RMB45.4 million. As of 30 June 2025, the Colour Life Group managed 1,651 communities with an aggregate GFA of approximately 281.2 million sq.m. managed by the Colour Life Group.

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Despite the improvement in revenue and gross profit in HY2025, the Colour Life Group however experienced a drop in overall gross profit margin from 22.6% to 21.5%, which was attributable to two (2) factors. Firstly, gross profit margin from property management services decreased from 19.8% to 18.9% for the period. This was mainly attributable to the increased proportion of income from property management services under lump sum basis with lower gross profit margin, while the proportion of income from property management services under commission basis with higher gross profit margin decreased, resulting in the total decline in gross profit margin from property management services income. In addition, both gross profit and gross profit margin from value-added services sustained a reduction, with a fall from 81.5% to 78.3% in gross profit margin.

The Colour Life Group recorded an approximate 13.7% reduction in profit for the period at RMB28.6 million even with a slight improvement of approximately 1.5% in gross profit. Although there were substantial increases in expenses for FY2025 consisting of (i) approximately 100.9% increase in the other gains and losses to about RMB5.0 million; (ii) a hike of approximately 98.1% in impairment losses under expected credit loss model (net of reversal) to approximately RMB65.8 million; and (iii) a significant drop in share of results of associates which turned a profit of approximately RMB0.1 million in HY2024 to a loss position of RMB1.6 million for HY2025, this was mitigated by corresponding expenses reduction in terms of significant improvement in the results of joint ventures which saw a smaller loss compared to HY2024 by a compelling 96.9%. The income tax expenses increased by approximately 17.9% despite a 4.6% drop in profit before tax, which was due to an increase in deferred tax, resulting in the fall in profit for the period.

FY2024 vs FY2023

During FY2024, property management services segment recorded a rise of approximately 29.9% to register revenue of approximately RMB1,854.3 million in FY2024, boosting the total revenue by approximately 28.1% at RMB1,951.3 million. This was mainly attributable to an approximate 37.8% revenue increase arising from a surge in the number of the new commissioned projects for business expansion and communities managed under lump sum basis during the year. Revenue from value-added services also increased by approximately 1.5% as compared to FY2023.

With the rise in revenue during FY2024, the Colour Life Group nonetheless recorded a decrease of approximately 9.7% in total gross profit, with a corresponding decline in overall gross profit margin from 29.8% to 21.0%. This was mainly due to property management services segment that experienced a decline in gross profit margin from 27.0% to 18.0% in FY2024 as a result of reduction in revenue from the provision of property management services under commission basis. This has contributed to the drop in gross profit in this segment despite segment revenue increase.

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The Colour Life Group recorded a rise of approximately 9.6% in profit for FY2024 at RMB36.1 million despite the fall in gross profit. A major contributing factor is the impairment losses under expected credit loss model (net of reversal) reduced by approximate 54.2% to RMB59.8 million from RMB130.5 million in FY2023. This was offset by a worsening position in the share of results of associates and joint ventures which saw a profit of RMB1.5 million and RMB4.8 million respectively deteriorated into respective losses of RMB0.5 million and RMB32.8 million. Profit attributable to owners of Colour Life for the year still registered a decline by approximately 17.6% due to a substantial hike of approximately 72.4% in non-controlling interests portion.

FY2023 vs FY2022

In FY2023, property management services continued to experience an approximate 18.3% growth in revenue, resulting in the enhancement of total revenue for the Colour Life Group to RMB1,523.2 million, representing an increase of approximately 16.2%. It constituted a significant 93.7% of the total revenue, while value-added services slipped by an immaterial 8.7% to approximately RMB95.6 million in FY2023. Property management services under lump sum basis continued to enjoy an advancement of approximately 22.8% in revenue mainly due to the increase in the number of the new commissioned communities for business expansion and communities managed under such basis during the year. As at 31 December 2023, the Colour Life Group managed 1,986 communities with an aggregate contracted GFA of approximately 356.0 million sq.m..

In line with the revenue increment, gross profit of the Colour Life Group also increased by approximately 7.8% accordingly but suffered a decline in gross profit margin from 32.1% to 29.8% for FY2023. This was primarily attributable to the decreased gross profit margin of property management services from 28.8% to 27.0% for FY2023.

The Colour Life Group recorded a decline in profit attributable to owners of Colour Life by approximately 26.6% as compared to FY2022 despite the hike in both total revenue and gross profit. The reduction was mainly due to an increase in (i) other losses by approximately 299.0% to RMB43.4 million; (ii) administrative expenses of approximately 15.7% to approximately RMB255.7 million; and (iii) income tax of approximately 6.0% despite a lower profit recorded in FY2023 as compared to FY2022.

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The following is a summary of the audited financial positions of the Colour Life Group as at 31 December 2024 and 31 December 2023 respectively, as extracted from the 2024 CL Annual Report and as at 30 June 2025 as extracted from the 2025 CL Interim Report:

Table 4: Highlights of the financial positions of the Colour Life Group

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)	2023 RMB'000 (audited)
Non-current assets	1,549,871	1,554,413	1,605,556
<i>Right-of-use assets</i>	185,589	196,197	207,109
<i>Goodwill</i>	880,344	880,344	906,944
<i>Deferred tax assets</i>	136,443	132,354	129,421
<i>Deposits paid for potential acquisition of subsidiaries</i>	123,475	123,475	121,776
Current assets	4,254,996	4,362,381	4,243,814
<i>Trade receivables</i>	922,973	748,522	651,808
<i>Other receivables and prepayments</i>	1,618,979	1,530,322	1,454,450
<i>Payments on behalf of residents</i>	702,356	820,684	756,830
<i>Bank balances and cash</i>	778,536	994,119	947,904
Non-current liabilities	14,400	20,224	19,906
Current liabilities	1,238,019	1,415,259	1,366,141
<i>Trade payables</i>	390,166	500,012	378,876
<i>Other payables and accruals</i>	164,161	217,164	211,003
<i>Contract liabilities</i>	352,162	336,891	253,342
<i>Tax liabilities</i>	248,651	263,183	294,141
Total equity	4,552,448	4,481,311	4,463,323
Equity attributable to owners of Colour Life	4,365,971	4,286,798	4,271,140

Source: 2025 CL Interim Report, 2024 CL Annual Report

HY2025 vs FY2024

As at 30 June 2025, the Colour Life Group's non-current assets mainly consisted of right-of-use assets, goodwill, deferred tax assets and deposits paid for potential acquisition of subsidiaries. The major components of its current assets were trade receivables, other receivables and prepayments, payments on behalf of residents and bank balances and cash.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2025, there was an increase of approximately 23.3% in trade receivables to RMB923.0 million which was mainly due to (i) an increase in the number of communities managed under the lump sum basis during this period; and (ii) an increase in unsettled property management fees arising from the seasonality of the property management industry. The collection record of the unsettled property management fees is usually better in the second half of the year than the first half of the year. Bank balances and cash, on the other hand, dropped to approximately RMB778.5 million, a reduction of approximately 21.7%. Total assets decreased by a mere 1.9% to approximately RMB5,805 million.

Current liabilities as at 30 June 2025 mainly comprised of trade payables, other payables and accruals, contract liabilities and tax liabilities. There was an improvement in current liabilities by approximately 12.5% to RMB1,238.0 million. Trade payables reduced by approximately 22.0% from approximately RMB500.0 million to approximately RMB390.2 million. This was mainly attributable to the payment cycle of the Colour Life Group to its suppliers having been shortened during the period. Other payables and accruals also reduced by approximately 24.4% due to a reduction in its payable staff costs and accounts receivable to third parties.

The equity attributable to the owners of Colour Life increased slightly by approximately 1.85% to RMB4,366.0 million as at 30 June 2025.

FY2024 vs FY2023

As at 31 December 2024, total assets showed a small increase of approximately 1.2% at RMB5,916.8 million. Trade receivables net of allowance for credit losses increased by approximately 14.8%, amounted to RMB748.5 million which was generally in line with the revenue growth of approximately 28.1% during the year. Payments on behalf of residents also registered a rise of approximately 8.4% to approximately RMB820.7 million mainly due to an upturn of the payments on behalf of residents under commission basis that rose by approximately 7.1%. Payment/receipts on behalf of residents represent the current accounts with the property management offices of communities, which are the representatives of the residents of communities managed by the Colour Life Group. These property management offices of communities usually have no separate bank accounts because these property management offices have no separate legal identity. For the daily management of these property management offices of the communities, all transactions of these property management offices, including the collection of property management fees and the settlement of daily expenditures, were settled through the treasury function of the Colour Life Group entities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Current liabilities rose slightly by approximately 3.6% to RMB1,415.3 million as at 31 December 2024. Trade payables surged by approximately 32.0% which was in line with the 44.2% increase in cost of services during the year. Contract liabilities also increased by approximately 33.0% to RMB336.9 million which reflected that the Colour Life Group received the monthly property management services fee from customers in advance or received a deposit before equipment installation commences until revenue was recognised on the relevant contract.

The equity attributable to the owners of Colour Life showed a minimal increase of approximately 0.4% to RMB4,286.8 million as at 31 December 2024.

Our assessment

The Colour Life Group has been registering profits for the past five (5) financial years but both the revenue and profit attributable to owners of Colour Life have suffered significantly since FY2021. The property management industry has experienced profound changes and transformation with the changes in the global economic environment and the on-going contraction faced by the property development industry in the recent years, that has a direct impact to property management services market. Pursuit of value for money and sustainable development has become the new direction, coupled with effective costs control measures as the industry is labour-intensive. The Colour Life Group has to focus its resources to achieve such objectives to ensure it is sustainable in the challenging market.

3. Industry outlook

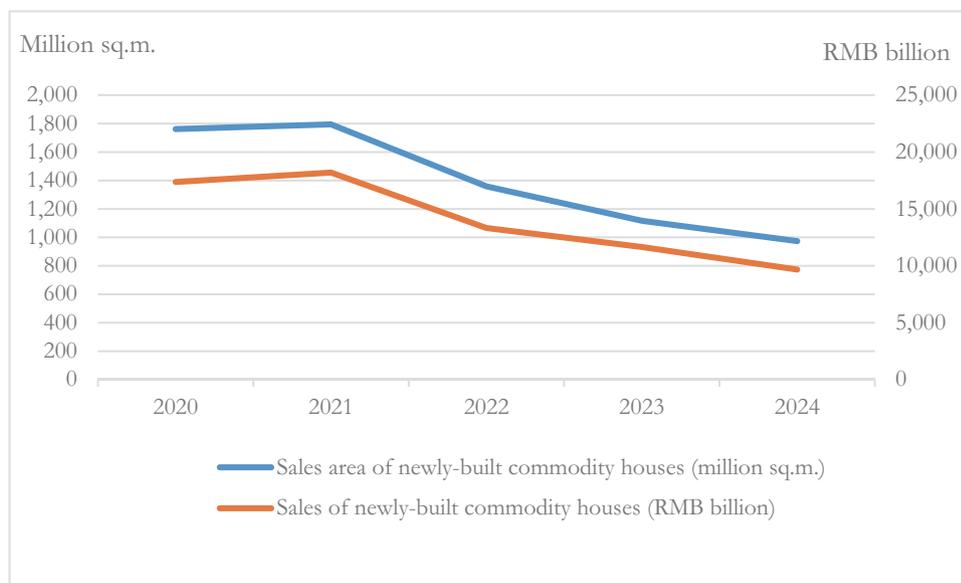
We set out below the industry outlook for real estate/property development and property management, being the principal activities undertaken by the Group and Colour Life Group.

(i) Outlook for the real estate/property development industry of the PRC

The property development industry in the PRC has been undergoing a prolonged adjustment since the early 2020s. While the market continues to adjust, recent data indicates the pace of contraction is meaningfully slowing, reflecting an on-going process where the market is working to balance supply with actual, sustainable demand. Concurrently, the property development market in the PRC continues to face challenges with on-going contractions across key indicators based on the data below as extracted from the National Bureau of Statistics of China (國家統計局)(the “NBS”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Chart 1: Movement of sales area and sales amount of newly-built commodity from 2020 to 2024



Source: NBS

As illustrated in the table above, the rate of decline in both sales area and value has narrowed significantly since 2022. Following peak sales of approximately 1.79 billion sq.m. in 2021, the market experienced significant contraction, with sales area declining to approximately 1.36 billion sq.m. in 2022 and further to approximately 1.12 billion sq.m. in 2023. By 2024, sales area had continued to drop to approximately 974 million sq.m. and the sales of newly-built commodity house decreased by approximately 17%. For the period ended eleven (11) months ended 30 November 2025, the downward trend continued but narrowing decline, with sales area reaching 787 million sq.m., representing a decrease of approximately 7.8% from the same period of 2024 and the sales volume dropped by approximately 11.1% to approximately RMB7,513 billion. This consistent contraction suggests the market is working through its adjustment in an orderly manner and is steadily progressing toward a more sustainable scale of operations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the NBS, there had been a continued pullback in overall development investment in the PRC. In 2021, the nationwide real estate development investment reached approximately RMB14,760.2 billion, with completed residential development investment at approximately RMB11,117.3 billion, and investment levels have steadily moderated. By 2024, total development investment had adjusted to RMB10,028.0 billion, with residential investment at RMB7,604.0 billion. The real estate development investment for the period ended eleven (11) months ended 30 November 2025 amounted to approximately RMB7,859.1 billion, representing a contraction of approximately 15.9% compared to that of same period in 2024, of which, completed residential development investment amounted to approximately RMB6,043.2 billion, representing a drop of approximately 15.0% compared to the same period in 2024. This consistent moderation in the pace of contraction suggests the market is reflecting efforts across regions to digest inventory and strictly control increments, while property developers are responding to the current market conditions.

The central government and regulatory authorities continue to implement policies to stabilise the housing market, focusing on stimulating demand and optimising supply in the short term, while also considering medium to long term policy deployments. As estimated by China Index Academy (中國指數研究院), the nationwide sales area of newly built commercial housing will decrease by 6.2% YoY in 2026. While still a contraction, this represents a narrowing of the decrease compared to the current year of 2025. In addition, under the policy direction aimed at controlling new supply and optimising existing stock, newly-started construction area in 2026 is projected to fall by 8.6%. This decline, while significant, is notably more moderate than the steep drops seen in recent years. Overall real estate development investment is expected to decline by 11% YoY. This deliberate reduction in new supply is anticipated to aid in lowering market inventory levels, thereby helping to improve the overall supply-demand balance.

Over the medium to long term, the 15th Five-Year Plan clearly states the need to “promote high-quality development of the real estate industry”, and the central government will continue to focus on improving fundamental systems, optimising the supply of affordable housing, and building “good houses”. The annual sales area for newly-built residential housing is projected to stabilise within a range of 700 to 800 million sq.m.. As market inventory gradually declines and societal confidence sees a measured recovery, the real estate sector is expected to progressively emerge from its current adjustment phase, likely in the mid-to-later years of the 15th Five-Year Plan. Overall, the outlook for PRC real estate remains challenging but shows signs of a moderating downturn. The market is in a managed transition, with government policies aimed at fostering a gradual recovery and a more stable foundation over the medium and long term.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Outlook for the property management industry of the PRC

The prospects for the PRC property management industry are essentially linked to and constrained by the on-going downturn in real estate development. In general, the property management industry in the PRC has been affected by the challenges faced by the PRC economy, including the weak market sentiment, declining customer demand and the continuing downturn of the real estate industry in PRC, which continued to bring uncertainty to the prospects of the property management industry. These combined factors sustain uncertainty for the sector's outlook.

Set out below is the summary of the total investment on the property development in the PRC for the eleven months ended 30 November 2021 to 2025 published by the NBS:

Table 5: Summary of the total investment on the property development in PRC from 2021 to 2025

	For the eleven (11) months ended				
	2021	2022	2023	2024	2025
Total investment amount					
<i>(in RMB' billion)</i>	13,731.4	12,386.3	10,404.5	9,363.4	7,859.1
Growth rate (%)	6.0%	(9.8%)	(9.4%)	(10.4%)	(15.9%)

Source: NBS

According to the table above published by the NBS, the total investment amount on the property development in the PRC maintained a decreasing trend from 2021 to 2025, and recorded the highest negative growth rate in 2025. Total investment on the property development in the PRC during 2025 amounted to approximately RMB7,859.1 billion, representing a decrease of approximately 15.9% as compared to the same period in 2024. Based on the industry statistic published by the NBS, during the eleven (11) months ended 30 November 2025, the residential investment amount has dropped by approximately 15.0% as well, which is generally in line with the decline trend of the total investment amount as compared to the corresponding period. In addition, the floor space of residential buildings under construction in the PRC amounted to approximately 4.6 billion square meters, a decline by approximately 10.0% compared to the corresponding period in 2024, while the new floor space of residential buildings under construction dropped by approximately 19.9%, and the completed floor space of residential buildings also reduced by approximately 20.1%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Considering the continued reduction in property development investment and the historically low levels of new and completed property supply, the real estate sector and the closely-linked property management industry continue to face significant downward pressure. This slowdown in new supply directly impacts the growth of managed area, which is the core asset of the property management industry. The decline in construction activity is expected to dampen demand for property management services in the foreseeable future.

Set below is the summary of the area under management in property management industry from 2020 to 2024 extracted from a property management industry report, published by the industry expert from China Property Management Institute* (中國物業管理協會), an industry institute for property management players in the PRC:

Table 6: Summary of area under management in property management industry in PRC from 2020 to 2024

	2020	2021	2022	2023	2024
Area under management (billion sq.m.)	33.0	35.1	36.9	38.3	39.6
Annual growth rate (%)	6.6%	6.2%	5.0%	3.8%	3.4%

Source: China Property Management Institute

The area under management in property management industry in 2024 reached approximately 39.6 billion sq.m., increased by approximately 3.4% compared to 2023, and the total revenue scale of the property management industry amounted to approximately RMB1,750.0 billion, representing an increase of approximately 3.4% compared to 2023. According to the analysis from China Property Management Institute, such revenue growth rate had slowed compared to the historical growth rate due to the deceleration in the expansion of area under management, which is highly correlated with the completed floor space of residential buildings. The China Property Management Institute expected that, due to the fewer new completed property projects, the relevant demand for the property management services will be reduced, leading to the overall industry sluggishness in property management for the following years.

In light of the above, the future prospects of the property management service industry in the PRC may continue to be uncertain under the challenging real estate market condition in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Background and reasons for and benefit of the Restructuring Agreement

Before the 2025 RSA

As disclosed in the Letter from the Board, during the period from June to September 2021, the Company entered into a series of financing transactions with TFISF relating to certain total return swap linked pass-through instruments due 2022 which referenced certain bonds of the Group. The initial financing transactions related to the Instruments, resulting in indebtedness of approximately USD96.98 million, provided funding for the Company to refinance other existing indebtedness of the Group. Nonetheless, because of liquidity constraints, the Company was not able to discharge its repayment obligation which in turn necessitated the parties to enter into a number of transaction rearrangement agreements (the 2022 Agreement being the last of those agreements). The transaction rearrangement agreements primarily stipulated the key commercial and economic terms such as, where applicable, the total amount of indebtedness owed (i.e. principal plus accrued interest), the rate of interest and the revised payment schedule.

The Dispute arose in late 2021 and concerned, in essence, the Purported Indebtedness (i.e. the amount of the alleged obligations of the Company in connection with each of the Subject Transactions) and the validity and enforceability of the Purported Security (i.e. a general possessory lien and a specific first charge over the Colour Life Shares and any dividends declared in respect of those shares). A fundamental issue in the Dispute was/is whether, as a matter of contractual interpretation, the Purported Indebtedness could properly be construed as having “arisen under” standard account opening documentation, such that TFISF could benefit from the Purported Security. Throughout the Dispute, the Company, in conjunction with its former and current legal advisers, continued to analyse all relevant information and documents concerning the Dispute in order to evaluate the merits and weaknesses of its position and identify potential defects (e.g. a specified charge under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) being void for lack of registration) in the Purported Security.

During September 2022, the Company and TFISF and others, entered into the transaction rearrangement agreement concerning all of the Subject Transactions. Pursuant to the 2022 Agreement: (i) the parties agreed to a revised payment schedule for the revised principal amount of USD101.85 million (together with accrued interest); (ii) the Company procured the grant of the Existing Security as additional credit support to TFISF; and (iii) the parties reserved their respective positions generally with regard to the matters relating to the Dispute. Owing to the Company’s continuing financial distress, the Company was ultimately unable to discharge in full the outstanding amount as required by the revised payment schedule.

Thereafter, the Company and TFISF were obliged to continue to explore ways to resolve the Dispute. However, this was not possible, despite exploring numerous different alternatives as discussed in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After the 2025 RSA

As disclosed in the Letter from the Board, on 1 August 2025, the Company and the ad hoc group of noteholders entered into a restructuring support agreement to support the Proposed Debt Restructuring. The particulars of the Proposed Debt Restructuring are set out in the announcement of the Company dated 4 August 2025. As disclosed in the announcement of the Company dated 3 October 2025, the Company has received strong support for the Proposed Debt Restructuring. Nevertheless, throughout negotiations, TFISF steadfastly maintained with the Company that it would oppose the Proposed Debt Restructuring if any part of the Purported Indebtedness was included for compromise (whether or not TFISF was classified as a putative secured creditor).

During November 2025, the Company received a notice about the Tender to commence an auction process to dispose of up to 29.9% of the issued shares of Colour Life, which TFISF represented it was entitled to sell by way of enforcement of the Purported Security. The Company objected to the Tender in writing but such objection did not deter TFISF from continuing with the Tender. For illustration only, even assuming TFISF had been able to sell up to 29.9% of the issued shares of Colour Life at or around the prevailing market price of the Colour Life Shares, the net sale proceeds would still significantly fall short of the Purported Indebtedness and, in any event, TFISF would remain an actual or putative secured creditor because of the Purported Security over the remaining Colour Life Shares (which represent approximately 12.05% of the issued shares of Colour Life as at the Latest Practicable Date).

In early December 2025, the Company was informed that the Tender failed to attract any or sufficient interest from potential investors, albeit that the Company does not have any knowledge or other visibility about any aspect of the Tender process, including whether any one or more bids may have been submitted with indicative pricing. Subsequently, TFISF indicated to the Company that it remained keen to pursue a disposal of the Colour Life Shares and asked for assistance of the Company to facilitate discussions on a potential disposal to existing Shareholders.

The Further Discussions re-opened the window for the Company to resume negotiations with TFISF.

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Our assessment

We noted that as the Colour Life Shares were held by TFISF as the custodian under the Company's securities account, the Company was not in a position to effect any disposal of the Colour Life Shares without the involvement or cooperation of TFISF. We understand from the Company that the Restructuring Agreement represents a heavily negotiated compromise which is not a simple endorsement of the Purported Security. Otherwise, the Company would not, among other things, be able to retain the Company Shares or novate the New Debt to Sky Ease on the basis of no recourse to the Company. Based on advice from the legal advisers to the Company, while there were/are probable defects in certain elements of the Purported Security, commencing legal proceedings (whether to challenge the Purported Security or to resist enforcement action or otherwise) would likely entail a protracted and costly litigation process and there was no certainty about the outcome of any such proceedings. Pursuant to our discussion with the Management and the Company's legal advisers, we understand that any resolution of the Dispute through legal proceedings will likely result in protracted litigation lasting at least 1.5 to 2 years. Furthermore the proceedings seeking to declare the Purported Security as invalid is expected to cost no less than USD6 million given the inherent complexity of the underlying Dispute and there was uncertainty as to the outcome of such proceeding.

We also noted from the legal advisers to the Company that, the laws which apply to the Hong Kong Scheme and the Cayman Scheme severely limit the ability of the Company to satisfactorily address all matters concerning the Dispute without jeopardising the Proposed Debt Restructuring, because of the absence of any direct legal precedent in Hong Kong and the novelty of needing to present different factual and legal scenarios (e.g. depending on the projected outcome of the Restructuring Agreement) for scheme creditors to consider and, if necessary, to approve or reject at the scheme meeting. Accordingly, in those circumstances, the Board, having reflected on the best interests of creditors, determined that the most appropriate course of action to adopt would be to resolve the Dispute between the parties as an independent matter distinct and separate from the Proposed Debt Restructuring. Pursuant to our discussion with the Management and the Company's legal advisers, the Proposed Debt Restructuring is expected to be implemented through a scheme of arrangement in Hong Kong and Cayman Islands (the "**Schemes**"). We were made to understand that if TFISF were included in the Schemes, there is a likelihood that TFISF would need to be regarded as being both secured and unsecured and thereby constituting a separate class of scheme creditors. This would theoretically be possible for TFISF to hold out approval to block the Proposed Debt Restructuring if they so wish, which would in turn prevent the implementation of the Proposed Debt Restructuring in a timely manner. Failure to implement the Proposed Debt Restructuring in a timely manner will likely result in an insolvent liquidation of the Company that will be detrimental to the interests of the Company and its Shareholders as a whole.

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Having considered the following factors and the various factors considered by the Board when entering into the Restructuring Agreement that was commercially rational, fair and reasonable and in the best interests of the Company (having given paramount regard to the interests of creditors) and its Shareholders as a whole given the circumstances of the Company as disclosed in the Letter from the Board:

- (i) the Company can ill afford the prolonged time spent in engaging in legal proceedings with TFISF and the high costs involved which will drain unnecessary resources and financial commitment of the Group;
- (ii) the uncertainty on the outcome of such legal proceeding;
- (iii) the possible failure in implementing the Proposed Debt Restructuring if TFISF were included in the Schemes as a separate class of scheme creditor which it will object in the scheme creditors' meeting, hence jeopardising the Proposed Debt Restructuring;
- (iv) the Going Concern Issue faced by the Group;
- (v) the potential consequences of the Group not able to operate as a going concern if the Company is put into insolvent liquidation should the Proposed Debt Restructuring not be implemented in a timely fashion; and
- (vi) the exclusion of TFISF from the terms of the Proposed Debt Restructuring, the Hong Kong Scheme and the Cayman Scheme,

we concur with the Company's view that the entering into the Restructuring Agreement represent the best available option for the Company to resolve the Dispute between the parties and to treat it as a matter separate from the Proposed Debt Restructuring as it would reduce the related implementation risks TFISF may impose on the Proposed Debt Restructuring which represents one of the measures to address the Going Concern Issue.

5. Principal terms of the Restructuring Agreement

We outlined below the principal terms of the Restructuring Agreement as extracted from the Letter from the Board under the section headed "RESTRUCTURING AGREEMENT":

- Date:** 2 January 2026
- Parties:**
- (i) The Company
 - (ii) TFISF
 - (iii) The Purchaser

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To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, TFISF and the controlling shareholder(s) of Tianfeng Securities Co., Ltd. (Shanghai Stock Exchange stock code: 601161), the parent company of TFISF, are independent of the Company and its connected persons.

Subject matter:

Pursuant to the Restructuring Agreement, subject to the satisfaction or waiver of the conditions to the closing of the Restructuring, the following key terms shall apply:

- (i) for the purpose of the Restructuring Agreement, the Company and TFISF shall recognise bilaterally, and shall not challenge or commence any proceeding to prevent, delay or frustrate the Company and/or TFISF from exercising any respective right or discretion under or in respect of the Purported Security and/or otherwise under applicable law to effect the disposal of the Sale Shares to the Purchaser free from any security or encumbrance and the transfer of the beneficial interest in the TFISF Shares to the TFISF Designated Entity in accordance with the terms of the Restructuring Agreement, respectively;
- (ii) subject to each party having complied with the Restructuring Agreement, TFISF shall not challenge, object or oppose or procure any other person to challenge or oppose the Hong Kong Scheme, the Cayman Scheme or any other transaction relating to it;
- (iii) TFISF, under powers contained in the Purported Security and by applicable law, shall sell and the Purchaser shall purchase the Sale Shares for the Consideration (i.e. the disposal of the Sale Shares);
- (iv) the Deed of Release shall take effect on the closing date of the Restructuring;
- (v) the Debt Novation (and related incurrence of the New Debt) shall take effect on the closing date of the Restructuring; and

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- (vi) with effect from the closing date of the Restructuring, among other things:
 - (a) TFISF shall be withdrawn and excluded from the terms of the Proposed Debt Restructuring, the Hong Kong Scheme and the Cayman Scheme;
 - (b) the Purported Indebtedness and any contingent or prospective obligation as between respectively, TFISF, the Company or any other released party shall be absolutely discharged;
 - (c) any right and obligation accrued under any document in respect of the Subject Transactions, including in respect of the Purported Indebtedness and/or Purported Security, shall be discharged in full;
 - (d) any event of default under any Subject Transactions documents which occurred, or is alleged to have occurred, prior to the effective date of the Restructuring Agreement shall be irrevocably and unconditionally waived;
 - (e) the risk of loss of the Sale Shares shall be passed to the Purchaser upon closing of the Restructuring; and
 - (f) the risk of loss of the TFISF Shares to be transferred to TFISF Designated Entity shall be passed to TFISF upon closing of the Restructuring.

The proceeds from the disposal of the Sale Shares (i.e. the Consideration) will be appropriated by TFISF to reduce the Company's exposure to TFISF. Upon the transfer of the TFISF Shares to the TFISF Designated Entity, the value of such Colour Life Shares (i.e. the Agreed Share Value) will also be deducted from the Company's exposure to TFISF.

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Following the deduction of the Consideration and the Agreed Share Value from the Purported Indebtedness, the remaining balance of the indebtedness payable to TFISF (i.e. the Net Deficiency Amount) will be novated by the Company to Sky Ease (without recourse to the Company and other members of the Group (other than the chargor under the Share Pledges (i.e. same as the Existing Security) and the shares of the companies will be subject to the Share Pledges)) under the Debt Novation and in turn result in the incurrence of the New Debt, which will be owed by Sky Ease to TFISF going forward.

Debt Novation and New Debt:

The principal terms of the New Debt, which will arise upon the Debt Novation taking effect, are summarised as follows:

Debtor:	Sky Ease
Creditor:	TFISF Designated Entity
Principal amount:	the Net Deficiency Amount
Interest:	3.00% per annum, payable in kind (PIK) annually in arrears. The interest rate was determined by reference to the 3.00% short-term notes to be issued by the Company under the Proposed Debt Restructuring, details of which are set out in the announcement of the Company dated 4 August 2025
Term:	Six years
Security:	Share Pledges (i.e. same as the Existing Security)

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- Key events of default:** Customary events of default including non-payment, material adverse change, cross default (which will not be triggered by the Company's existing default debts), inability to pay debts, insolvency proceedings and Sky Ease ceasing to be wholly owned by the Company (except as part of any solvent reorganisation or restructuring)
- Acceleration:** TFISF has the right to declare that any part of the principal, accrued interest or any other amount outstanding in connection with the New Debt becomes immediately due and payable upon occurrence of any event of default

The New Debt is provided under the Restructuring Agreement as part of the agreed position between the Company and TFISF on the treatment of the Purported Indebtedness and the Existing Security.

Whilst the New Debt does not represent a significant discount to the Purported Indebtedness, the Company is not required to provide additional credit support (the Share Pledges are identical to the Existing Security) and the Company is in a better position than under the alternative scenario in which inclusion of the Purported Indebtedness for compromise under the Proposed Debt Restructuring could easily introduce implementation risks and/or possible delays due to strong opposition from TFISF, which has steadfastly maintained with the Company that it would oppose the Proposed Debt Restructuring.

- Conditions Precedent:** Closing of the Restructuring is conditional upon the satisfaction or waiver of the following conditions:
- (i) the Company having provided evidence of the approval of transactions contemplated under the Restructuring Agreement by the Independent Shareholders pursuant to applicable law and requirements of the Listing Rules and the Takeovers Code;

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- (ii) the Company having provided evidence of the payment to TFISF of an amount (approximately HK\$68,000) representing contribution towards stamp duty payable by TFISF or the TFISF Designated Entity in connection with the Colour Life Share transfers contemplated under the Restructuring;
- (iii) the Purchaser having provided to TFISF evidence of payment of the Consideration on the closing date of the Restructuring;
- (iv) TFISF having provided evidence of delivery of the Sale Shares to Hong Kong Securities Clearing Company Limited in accordance with the Restructuring Agreement on the closing date of the Restructuring;
- (v) TFISF having procured the execution of all necessary documents to effect an absolute release and discharge of the Existing Security;
- (vi) the Company having procured the grant and perfection of the Share Pledges (i.e. same as the Existing Security); and
- (vii) TFISF having notified the Company and the Purchaser of the relevant details of the TFISF Designated Entity.

TFISF may in its absolute discretion waive condition (ii) and/or (vi) above, while the waiver of the other conditions is subject to the prior written consent of all parties to the Restructuring Agreement. Closing of the Restructuring shall occur upon the satisfaction or waiver of the conditions precedent. If any of the conditions is not satisfied on or before the Long Stop Date, the Restructuring Agreement will cease to have any effect.

In the event closing of the Restructuring does not occur on or before the Long Stop Date, the Restructuring Agreement shall be terminated and upon termination the parties will be restored to their respective positions in all respects as if the Restructuring Agreement had never been executed.

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Consideration for disposal of the Sale Shares and determination of Agreed Share Value

For the purpose of the Restructuring Agreement, each Colour Life Share was valued at HK\$0.087, representing a discount of approximately 48.82% to the closing price of HK\$0.17 per Colour Life Share as quoted on the Stock Exchange as at the date of the Restructuring Agreement, being 2 January 2026 (the “**Last Trading Day**”).

The value of each Colour Life Share for the purpose of the Restructuring Agreement was determined upon arm’s length negotiation between the Company, TFISF and the Purchaser, having taken into account:

- (i) the value of the Purported Indebtedness;
- (ii) the merits of the respective cases of the parties to the Dispute; and
- (iii) the lack of interest in the Colour Life Shares in the Tender.

The Board also noted that the valuation of HK\$0.087 per Colour Life Share falls within the range as set out in the Valuation Report, which was commissioned by the Company and TFISF to independently assess the value of the Sale Shares to facilitate the price negotiation that was primarily driven by TFISF (as a willing vendor) and the Purchaser (as a willing purchaser). We have not taken into account of the Valuation Report in our evaluation as the Valuation Report was commissioned to provide an independent assessment to facilitate the price negotiation process and does not form the basis in determining the Sale Price.

We have reviewed the Valuation Report and have not taken into account of the Valuation Report in our evaluation due to the following factors:

- (i) Altus Capital Limited, which acted as the valuer for an independent assessment of the value of the Sale Shares (the “**Valuer**”), is licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and their experience comprises of acting as independent financial adviser providing advice and comfort letters on valuations reports, assessing the fairness of various transactions involving the listed shares (including general offers) to assess the value of shares in listed companies. However, we have not ascertained whether Altus Capital Limited has the qualification (if applicable) and sufficient experience for acting as a valuer for this nature of share transactions;

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- (ii) one of the selection criteria for the comparable companies method used in the market approach by the Valuer is companies of comparable operating scale, defined as total revenue less than or equal to RMB5,000 million. It is unclear to us how a revenue cap of RMB5,000 million for small and medium-sized companies was adopted from the list of 57 companies identified (which generate revenue ranging from about RMB250 million to RMB44,000 million), considering that the revenue recorded by the Colour Life Group for FY2024 was approximately RMB1,951 million;
- (iii) application of a 50:50 equal weighting on both the market trading price and implied valuation of Colour Life Shares derived from the comparable companies method to arrive at the hybrid value for each Colour Life Share may or may not be substantiated; and
- (iv) whether and how the application of a block trade discount to the hybrid value for each Colour Life Share can be applied as reference was made to precedent transactions from 29 January 2021 to 28 October 2024, which the discount might be caused by other facts and circumstances of such issuers.

6. Evaluation of the Sales Shares

(i) Historical share price performance of the shares of Colour Life

In order to assess the fairness and reasonableness of the price of each Sale Share at HK\$0.087 (the “**Sale Price**”) for an aggregate of 408,595,119 Colour Life Shares, we have reviewed the daily closing prices (the “**Closing Price(s)**”) of shares of Colour Life from 1 January 2025, being approximately one year prior to and including the Last Trading Day (i.e. 2 January 2026) (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of shares of Colour Life for conducting a reasonable comparison between the Sale Price and the historical Closing Prices and having factored in the market assessment of shares of Colour Life for the Review Period. Such comparison is relevant for the assessment of the fairness and reasonableness of the Sale Price. The following diagram sets out the Closing Prices on the Stock Exchange during the Review Period:

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Chart 2: Movement of the Closing Price during the Review Period



Source: website of the Stock Exchange

During the Review Period, the shares of Colour Life traded between a range of the lowest price at HK\$0.151 on 8 April 2025 to the highest price of HK\$0.255 on 25 and 26 August 2025 with an average Closing Price of approximately HK\$0.180 per share. The Sale Price represents discount of approximately 65.9%, 42.4% and 51.7% over the highest, lowest and the average Closing Prices respectively during the Review Period.

As illustrated in chart 2 above, the Closing Prices was oscillating between HK\$0.151 and HK\$0.178 during the period from 2 January 2025 to 9 July 2025. The closing price rose slightly to HK\$0.182 on 10 July 2025 and continued upwards for the next two weeks to a high of HK\$0.22 on 25 July 2025, before experiencing a downward trend to HK\$0.171 on 8 August 2025. We note that Colour Life (i) completed a rights issue exercise on 24 March 2025 in which a gross proceeds of approximately HK\$61.36 million was raised. The rights issue was mostly supported by the Company's controlling shareholder (i.e. Ms. Zeng), who put in excess shares application, to ensure Colour Life was able to raise the full amount of the rights issue; and (ii) published its annual results announcement for the year ended 31 December 2024 on 28 March 2025, in which Colour Life posted a profit of approximately RMB36.1 million for FY2024, representing an approximate 9.6% increase from FY2023.

The Closing Prices subsequently saw a surge to the highest price of HK\$0.255 on both 25 and 26 August 2025. On 29 August 2025, Colour Life published its interim results announcement for six months ended 30 June 2025, pursuant to which Colour Life recorded a profit of approximately RMB28.6 million for HY2025, representing a decrease of approximately 13.7% compared to HY2024.

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Thereafter the Closing Prices gradually spiralled downwards to a low of HK\$0.166 on 25 November 2025 and has since been hovering between HK\$0.167 to HK\$0.178 for the period from 26 November 2025 to the Last Trading Day.

As advised by the Management, other than the events mentioned above, the Management were not aware of any events that led to the fluctuation of the Closing Prices during the Review Period.

In light of the above analysis, the Sale Price represents:

- (a) a discount of approximately 65.9%, 42.4% and 51.7% over the highest Closing Price, the lowest Closing Price and the average Closing Price respectively during the Review Period; and
- (b) a discount of approximately 62.7% over the Closing Price as at the Latest Practicable Date of HK\$0.233.

Our assessment

During the Review Period, the share prices of Colour Life have generally been hovering between HK\$0.160 to HK\$0.200 with the occasional spike up to HK\$0.255 and a low to HK\$0.151. We note that the Sale Price of HK\$0.087 per Colour Life Share represents a steep discount of approximately 45.6% to 56.5% over the general trading prices of HK\$0.160 to HK\$0.200.

Nonetheless the existing share price performance alone should not be the sole barometer to assess the fairness and reasonableness of the Sale Price of the Sale Shares in the Restructuring Agreement given the circumstances of the Company and the Dispute.

We set out below additional factors that were taken into consideration when assessing the fairness and reasonableness of the Sale Price, apart from the review of historical share price movement:

- (i) the relatively thin trading volume of the shares of Colour Life as stated in the section headed “(ii) Trading liquidity of the shares of Colour Life” below and the fact that the average daily trading volume of the shares of Colour Life is insignificant relative to the size of the Sale Shares;

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- (ii) reference should be made to the section headed “8. Other considerations” below to have a comprehensive picture of the financial predicament faced by the Group, the Proposed Debt Restructuring that is currently on-going, and the firm resolution and commitment by the Group to de-leverage expeditiously, so that the Group can retain a relatively sustainable and healthier financial position to move the Group forward;
- (iii) the impending implementation deadline for the Company to effect the Proposed Debt Restructuring, currently being 31 May 2026, failing which the Company may be placed into insolvent liquidation, which will not be in the best interests of the Company and its Shareholders as a whole;
- (iv) the lack of sufficient interest in the Colour Life Shares in the Tender which suggests that there are no potential buyers in the market for Colour Life Shares based on its prevailing share price performance despite its profit-making financial condition and the said shares are listed on the Stock Exchange, even though the unsuccessful Tender appears to be a matter of TFISF in enforcing the Purported Security;
- (v) the Restructuring represents a comprehensive solution to satisfactorily resolve the Dispute with the Purported Indebtedness fully settled, failing which, even with the successful completion of the Proposed Debt Restructuring, the Group will still have an overhang of the Dispute remained unsettled that will pose difficulty for the Group to start afresh with a strong financial position going forward; and
- (vi) the uncertainty surrounding any proceedings that may be commenced in relation to the Dispute and/or the Purported Security generally.

In conclusion, although the Sale Price may appear to be not fair and not reasonable in light of the historical share price performance of Colour Life alone *per se* during the Review Period, having taking into account of all other factors mentioned above which are equally important, in particular the complete resolution of the Dispute, we consider the Sale Price to be fair and reasonable as far as the Independent Shareholders are concerned.

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(ii) Trading liquidity of the shares of Colour Life

The following table sets out the trading volume of the shares of Colour Life during the Review Period:

Table 7: Trading volume of Colour Life

	Total trading volume (No. of shares)	No. of trading days	Average daily trading volume (No. of shares)	Average daily trading volume to the total number of shares of Colour Life (Approximate) <i>Note 1</i>	Average daily trading volume to the number of shares held by public shareholders (Approximate) <i>Note 2</i>
2025					
January	4,266,812	19	224,569	0.0150%	0.0472%
February	5,118,374	20	255,919	0.0172%	0.0539%
March	17,648,928	21	840,425	0.0452%	0.1506%
April	7,945,000	19	418,158	0.0225%	0.0749%
May	10,192,794	20	509,640	0.0274%	0.0913%
June	10,121,000	21	481,952	0.0259%	0.0864%
July	36,178,590	22	1,644,481	0.0884%	0.2947%
August	93,361,587	21	4,445,790	0.2391%	0.7968%
September	81,980,600	22	3,726,391	0.2004%	0.6679%
October	31,767,828	20	1,588,391	0.0854%	0.2847%
November	63,531,500	20	3,176,575	0.1708%	0.5693%
December	16,642,000	21	792,476	0.0426%	0.1420%
2026					
January (up to and including the Last Trading Day)	109,000	1	109,000	0.0059%	0.0195%

Source: website of the Stock Exchange

Notes:

1. The calculation is based on the average of the daily trading volume of the shares of Colour Life divided by the total number of shares of Colour Life in the relevant period.
2. The calculation is based on the average daily trading volume of the shares of Colour Life divided by the number of the shares Colour Life held by the public shareholders (i.e. shareholders other than the substantial shareholders of Colour Life).

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As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 109,000 shares of Colour Life to approximately 4,445,790 shares of Colour Life, representing: (i) approximately 0.0059% to approximately 0.2391% of the total number of the shares of Colour Life; and (ii) approximately 0.0195% to approximately 0.7968% of the number of shares of Colour Life held by public shareholders. The average daily trading volume during the Review Period was 1,533,862 shares of Colour Life, representing approximately 0.2814% of the number of shares of Colour Life held by the public shareholders. The highest daily trading volume was recorded on 28 November 2025, where trading volume reached approximately 40.2 million shares of Colour Life, representing approximately 7.2054% of the number of shares of Colour Life held by the public shareholders.

According to the Management, given the relatively low trading volume of the shares of Colour Life, it is uncertain whether there would be sufficient liquidity in the trading of the shares of Colour Life for the Company to dispose of a significant number of the shares of Colour Life in the open market without significantly depressing the price of the shares of Colour Life.

Our assessment

Based on the trading volume during the Review Period shown in the table above, we note the relatively thin trading volume of the shares of Colour Life, based on the average daily trading volume, would not be attractive to potential purchaser(s) of a relatively large block of shares of Colour Life, since subsequent exit from the capital market may prove to be difficult for the buyer(s) to realise the return on the investment, without exerting pressure on the price of shares of Colour Life. Therefore it is reasonable to expect an attractive discount to be applied to the current market price of shares of Colour Life to entice potential purchaser(s) for the share disposal by the Company.

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7. Evaluation of the other terms of the Restructuring Agreement

To further assess the fairness and reasonableness of the other terms of the Restructuring Agreement, we have conducted an independent research of recent restructuring transactions involving issuance/subsorption of notes by companies listed on the Main Board of the Stock Exchange (the “**Comparable Notes**”). We consider the Comparable Notes would be relevant in assessing, in particular the terms of the New Debt, in the Restructuring Agreement. The New Debt arose upon the Debt Novation taking place as part and parcel of the Restructuring. Some terms of the New Debt, such as interest, was determined by reference to the short-term notes to be issued by the Company under the Proposed Debt Restructuring and this would be similar to the Comparable Notes that were issued by listed companies in their restructuring exercises. Furthermore the principal terms contained in the Comparable Notes (i.e. interest rate, term to maturity and collateral) are able to provide a reference in assessing the terms of the New Debt under the Restructuring Agreement.

The selection criteria of the Comparable Notes is based on the following: (i) restructuring transactions on which their respective circulars were published during the period from 1 January 2024 to the Last Trading Day (i.e. 2 January 2026), being a period of approximately two (2) years prior to the Last Trading Day (the “**Comparison Period**”); and (ii) companies listed on GEM of the Stock Exchange were excluded. Although Sky Ease is a private company, it is a subsidiary of the Company. Given that the Company is listed on the Main Board of the Stock Exchange, we are of the view that the Comparable Notes which are issued by companies listed on the Main Board of the Stock Exchange in undertaking their restructuring transactions is able to provide a fair and representative reference as well as sufficient sample size for our analysis.

Based on our best endeavours and as far as we are aware, an exhaustive list of a total of six (6) Comparable Notes, which met the said criteria in which the respective circulars were published during the Comparison Period, have been identified to provide a general reference on the market practice in relation to the restructuring transactions involving issuance/subsorption of notes during the Comparison Period. We consider that the Comparison Period is appropriate since it provided, in our opinion, a reasonable and meaningful number of samples for our analysis purpose and the Comparable Notes as a whole provides a fair and representative sample.

Based on the table below, although the amount of the Comparable Notes ranged from USD190 million to USD2.2 billion, which may be significantly larger than the Net Deficiency Amount of approximately USD112 million, the fact that the Comparable Notes meet with the selection criteria set out above and represents an exhaustive list of samples in the Comparison Period, we are of the view that it serves as a good reference in the evaluation of the terms of the New Debt.

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Details of the Comparable Notes are set out in the table below.

Table 8: Analysis of the Comparable Notes

Date of circular	Stock code	Name of company	Principal business	Principal amount (approx.)	Term to maturity (year)	Interest rate per annum (%)	Nature of Collateral
10 Jul 2025	1233	Times China Holdings Limited	Property development, urban redevelopment and property leasing business				Secured by capital stock and charge over a cash sweep account
		- Short Term Notes		USD190,000,000	3.50	4.00%	
		- Medium Term Notes		USD825,000,000	7.00	4.20%	
		- Long Term Notes		USD400,000,000	8.00	4.50%	
31 Mar 2025	1232	Golden Wheel Tiandi Holdings Company Limited	Property development, property leasing and hotel operation business	USD506,662,503	5.00	1.00%	Secured by shares pledges
30 Dec 2024	813	Shimao Group Holdings Limited	Property development business	USD600,000,000	9.50	2.00%	Secured by shares pledges, receivable assignment and designated bank accounts
29 Nov 2024	1638	Kaisa Group Holdings Ltd.	Property development, property investment, property management and property operation business				Secured by shareholder loan, offshore allocation account, designated onshore account and shares pledges
		- Tranche A		USD400,000,000	2.29 <i>(Note 1)</i>	5.00% or 5.50% or 6.00% or 6.50% <i>(Note 2)</i>	
		- Tranche B		USD600,000,000	3.29 <i>(Note 1)</i>	5.25% or 6.25% <i>(Note 2)</i>	
		- Tranche C		USD1,000,000,000	4.29 <i>(Note 1)</i>	5.50% or 6.50% <i>(Note 2)</i>	
		- Tranche D		USD1,200,000,000	5.29 <i>(Note 1)</i>	5.75% or 6.75% <i>(Note 2)</i>	
		- Tranche E		USD1,800,000,000	6.29 <i>(Note 1)</i>	6.00% or 7.00% <i>(Note 2)</i>	
		- Tranche F		USD1,686,210,005	7.29 <i>(Note 1)</i>	6.25% or 7.25% <i>(Note 2)</i>	
5 Nov 2024	1238	Powerlong Real Estate Holdings Limited	Property development and operation business	up to USD558,166,990			Secured by shares pledges and designated account
		- New Medium Term Notes		Depends on selection	5.00	2.75-3.50%	
		- New Long Term Notes		up to USD238,558,389	7.50	2.00-2.75%	
1 Nov 2024	3377	Sino-Ocean Group Holding Limited	Property development business	up to USD2,200,000,000	3.0-8.0	3.00%	Secured by receivables, shares, partnership interests, properties and other assets
				Maximum	9.50	7.25%	
				Minimum	2.29	1.00%	
				Average	5.70	4.08%	
	1777	The Company	Property development, property investment, property operation business and other related business	USD111,856,845.88	6.0	3.00%	Secured by Share Pledges

Source: website of the Stock Exchange

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Notes:

- 1. The terms to maturity of the new notes of Kaisa Group Holdings Ltd. were calculated based on the issue date of the new notes of Kaisa Group Holdings Ltd., which is the restructuring effective date (i.e. 15 September 2025) announced in the announcement of Kaisa Group Holdings Ltd. dated 15 September 2025.*
- 2. The interest rates of the notes of Kaisa Group Holdings Ltd. vary due to (i) whether all interest with respect to such interest payment period is paid in cash or whether any portion of interest with respect to such interest payment period is paid in kind; and/or (ii) whether the original maturity is extended or not (if applicable).*

Interest rate

As shown in the table above, we note that the interest rates of the Comparable Notes ranged from 1.00% to 7.25% per annum, with an average interest rate of approximately 4.08% per annum. The interest rate of the New Debt (3.00% per annum) therefore falls within the range of the Comparable Notes and is below the average interest rate of the Comparable Notes.

As disclosed in the inside information announcement published by the Company on 4 August 2025, the Company entered into the 2025 RSA and proposed to issue the short-term notes with the interest rate of 3.0% per annum. We understand from the Company that the interest rate of the New Debt (3.00% per annum) was determined by reference to such short-term notes to be issued by the Company under the Proposed Debt Restructuring. Considering (i) the Purported Indebtedness will be reduced to the Net Deficiency Amount and novated to Sky Ease on a non-recourse basis; (ii) the New Debt will bear the similar interest rate as compared to the short-term notes under the Proposed Debt Restructuring; and (iii) the interest accrued will be paid in kind (PIK) instead of cash that will help in preserving the cashflow of the Group, we consider the interest rate of the New Debt is in the interests of the Company and the Shareholders as a whole.

Term to maturity

The terms to maturity of the Comparable Notes ranged from 2.29 years to 9.50 years, with an average term of approximately 5.70 years. The term to maturity of the New Debt is six (6) years and falls within such range but is slightly above the average term of the Comparable Notes. In view of the fact that the six-year term of the New Debt will not give rise to any immediate liquidity pressure to the Company, we consider that the term to maturity of the New Debt is justifiable, fair and reasonable.

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Security

As all of the six (6) Comparable Notes are secured by collateral, we considered the Share Pledges for the New Debt are in line with market practices. Furthermore the Share Pledges are identical to the Existing Security, therefore the Company is not required to provide additional credit support, which will enable the Company to avoid the potential implementation risks and/or delay under the alternative scenario in which inclusion of the Purported Indebtedness for compromise under the Proposed Debt Restructuring due to strong opposition from TFISF. Accordingly, we are of the view that the Share Pledges of the New Debt is fair and reasonable.

Non-recourse term

Upon closing of the Restructuring, the Purported Indebtedness will be reduced to the Net Deficiency Amount and will be novated by the Company to Sky Ease (without recourse to the Company and other members of the Group (other than the chargor under the Share Pledges (i.e. same as the Existing Security) and the shares of the companies subject to the Share Pledges)). This limits the liability of the Company, safeguards the interest of the Company and separates the potential financial risk from the Company as TFISF Designated Entity could only seize the Share Pledges in case of default by Sky Ease in the future.

The three companies underlying the Share Pledges, namely Qingdao Yihewansheng Property Co., Ltd.*, Qingdao Meiyuxinghai Property Co., Ltd.* and Qingdao Jinganglanwan Commercial Development Co., Ltd.*, jointly own an undeveloped plot of land, with no operations or revenue. The aggregate total assets of the three companies underlying the Share Pledges amounted to approximately RMB510.1 million as at 30 June 2025. The Company indirectly holds 65% of equity interests in the three companies underlying the Share Pledges through its subsidiary Shenzhen Qianhai Jianianyunxin Investment Consulting Limited Partnership*.

In the event of a default by Sky Ease in the future that results in the TFISF Designated Entity enforcing the Share Pledges, which consist of 14% equity interests in each of the three companies, we understand from the Management that there will be no material impact on the operation of the Group, vis-à-vis the three companies, as the Company will still hold more than 50% equity interests in the said companies underlying the Share Pledges and retains control of their respective operations. Furthermore the impact to the financial position of the Company is expected to be immaterial as the Company will still consolidate the financial performance of three companies in the consolidated financial statements of the Group.

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In view of (i) the liability limitation of the Company that serves to protect the Company; (ii) the Share Pledges are identical to the Existing Security with no additional collateral provided by the Company in the Debt Novation; and (iii) the Company expects there is no material impact on the operation and financial position of the Company in the event the Share Pledges are seized due to a default by Sky Ease, we are of the view that the non-recourse term of the Debt Novation is fair and reasonable to the Company and the Shareholders as a whole.

8. Other considerations

We want to draw the attention of the Independent Shareholders to the other considerations stated below in evaluating the fairness and reasonableness of the Restructuring Agreement and the transactions contemplated thereunder, including the Sale Price.

(a) Distressed financial position of the Group

As stated in paragraph headed “Multiple uncertainties relating to going concern” in section titled “1. Background information of the Group” above, the Group is in a distressed financial position that is undergoing a debt restructuring exercise with its creditors to settle its outstanding indebtedness in order to return to a strong financial position going forward and avoid a liquidation scenario.

It is in the interests of the Group and its Shareholders to reduce its indebtedness swiftly and expeditiously and the disposal of Sale Shares, together with the transactions contemplated under the Restructuring Agreement, is one of the various methods to achieve this objective by completely reducing the indebtedness owed to TFISF. The Sale Price also falls within the range as set out in the Valuation Report, although we note that the Valuation Report was commissioned primarily for an independent assessment of the value of the Sale Shares.

Nonetheless, although the Sale Price represents a significant discount over the historical share price movement and the net asset value of Colour Life, given the shaky and troubled financial position of the Group, it is equally reasonable to expect a distressed sale situation to take place with respect of the Sale Shares for the Group to conclude the transaction to achieve the objective of the Restructuring Agreement.

(b) Outcome of the Tender

Pursuant to the announcement made by the Company on 11 November 2025, the Company has received a notice from the financial adviser of TFISF in relation to the purported exercise of rights to sell up to 29.9% of the total issued shares in Colour Life through an auction process managed by the financial adviser. The Company was informed that the Tender closed on 2 December 2025 and it failed to attract any or sufficient interest of investors.

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The fact that the Colour Life Group has been generating profits for the past few years and yet no potential buyer was willing to acquire the tendered shares with no obligations to undertake a general offer pursuant to the acquisition highlighted the difficulty to dispose a large block of shares even at the prevailing market prices.

Therefore the Restructuring Agreement which involved the acquisition of the Sale Shares by the Purchaser at the Sale Price, together with the transactions contemplated thereunder, represent a feasible solution to all parties, in particular to the Group, in achieving an amicable solution to the full and final settlement of the indebtedness owed by the Group to TFISF with a settlement accepted by TFISF via the New Debt with no recourse to the Group.

9. Financial effects of the Restructuring and intended use of proceeds

Immediately after the disposal of the Sale Shares and the transfer of the TFISF Shares to the TFISF Designated Entity, the Company will retain 185,568,838 Colour Life Shares (free from the Purported Security), representing approximately 9.98% of the issued shares of Colour Life as at the Latest Practicable Date. The 9.98% of the issued shares of Colour Life will be accounted for in the Group's consolidated financial statements as an investment in an associate using the equity method.

Upon closing of the Restructuring, the Company will retain approximately 9.98% of the issued shares of Colour Life and Colour Life will cease to be a subsidiary of the Company and its financial results thereafter will no longer be consolidated in the consolidated financial statements of the Group. The financial effects of the Restructuring on the Group's earnings, asset and liabilities and use of proceeds are set out below. However, it should be noted that the analysis below is solely for illustrative purposes.

(a) Effect on earnings

As set out in the Letter from the Board, subject to final audit, it is expected the Group will record a net loss of approximately RMB1,409 million, representing the deficit of the implied value of the Colour Life Shares disposed of under the Restructuring Agreement under the attributable net asset value of such Colour Life Shares, which is calculated by reference to (i) the consideration for the disposal of the Sale Shares (representing approximately 21.97% of the issued shares of per Colour Life as at the Latest Practicable Date); (ii) the transfer of the TFISF Shares to the TFISF Designated Entity as effective enforcement of the Purported Security (representing approximately 10.0% of the issued shares of Colour Life as at the Latest Practicable Date); and (iii) the unaudited net asset value of Colour Life as at 30 June 2025.

Upon closing of the Restructuring, the financial results of Colour Life will no longer be consolidated into the Group's consolidated financial statements. This will result in a reduction in the Group's annual revenue of approximately RMB1,951.32 million and a reduction in profit before tax of approximately RMB60.45 million based on the financial results of Colour Life for the year ended 31 December 2024.

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For illustration only, based on the financial results of Colour Life and the Company for the year ended 31 December 2024, Colour Life's revenue made up approximately 42.57% of the Company's revenue.

(b) *Effect on asset and liabilities*

As set out in the Letter from the Board, subject to final audit, upon closing of the Restructuring, it is expected that the unaudited total assets of the Group will decrease by approximately RMB5,790 million, the total liabilities of the Group will decrease by approximately RMB1,299 million and the net asset value of the Group will decrease by approximately RMB4,491 million.

For illustration only, based on the unaudited financial results of Colour Life and the Company for the year ended 31 December 2024, Colour Life's total assets and total liabilities made up approximately 8.08% and 1.70% respectively of the Company's total assets and total liabilities.

(c) *Use of proceeds*

The proceeds from the disposal of the Sale Shares (i.e. the Consideration) will be appropriated by TFISF to reduce the Company's exposure to TFISF. The Company will not receive any cash payment as a result of other transactions (including but not limited to the transfer of the TFISF Shares to the TFISF Designated Entity, the Debt Novation and incurrence of the New Debt) contemplated under the Restructuring Agreement.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular:

- (i) the financial performance of the Group as discussed in the section headed "1. Background information of the Group" above, particularly the distressed financial position of the Group and the on-going debt restructuring exercise which have garnered strong support from the scheme creditors pursuant to the announcement of the Company dated 3 October 2025;
- (ii) the reasons for the Restructuring Agreement as discussed in the section headed "4. Background and reasons for and benefits of the Restructuring Agreement" above, particularly the laws applicable to the Hong Kong Scheme and the Cayman Scheme limit the ability of the Company to satisfactorily address matters relating to the Dispute without jeopardising the Proposed Debt Restructuring;

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- (iii) although the Sale Price may appear to be not fair and not reasonable in light of the historical share price performance of Colour Life alone *per se* during the Review Period, having taking into account of all other factors mentioned in the section headed “6. Evaluation of the Sales Shares” which are equally important, in particular the complete resolution of the Dispute, we consider the Sale Price to be fair and reasonable; and
- (iv) the imminent need for the Company to complete the Restructuring as well as the subsequent Proposed Debt Restructuring within the stipulated deadline, failing which this will likely result in an insolvent liquidation of the Company that will be detrimental to the interests of the Company and its Shareholders as a whole;

we are of the view that although the Restructuring is not conducted in the ordinary and usual course of business of the Group, the principal terms of the Restructuring Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions approving the Restructuring Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Koh Kwai Yim
Managing Director

Ms. Koh Kwai Yim is the Managing Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 20 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

The following is the text of the Valuation Report, with amendments, received from Altus Capital Limited, an independent valuer, which was jointly commissioned by and is addressed to the Company and TFISF in respect of the value of the Sale Shares.

30 December 2025

Board of Directors

Fantasia Holdings Group Co., Limited

21/F, CMA Building
64 Connaught Road, Central
Hong Kong

TFI Securities and Futures Limited

16/F, Two Pacific Place
88 Queensway, Admiralty
Hong Kong

ESTIMATE-OF-VALUE OF COLOUR LIFE SHARES

Dear Sirs,

1. Background and Purpose of the Estimate-Of-Value

We refer to our appointment as the independent valuer jointly commissioned by the Company and TFISF in respect of a scope of work of providing an estimate of value of the Sale Shares (the “**Estimate-Of-Value**”). Details of the Settlement are set out in the announcement dated 2 January 2026 (the “**Announcement**”). Terms used in this report shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

As set out in the Announcement, the Company and TFISF have agreed to settle the dispute arising from the Subject Transactions. The Company, TFISF and the Purchaser intend to enter into the Restructuring Agreement, pursuant to which the parties will conditionally agree to effect a series of parallel transactions in full and final settlement of the Dispute, involving, among other things, the acquisition of Sale Shares of approximately 21.97% of the issued shares of Colour Life (the “**Colour Life Share(s)**”) and the appropriation to TFISF of the proceeds thereof, the transfer of approximately 10.0% of Colour Life Shares to TFISF, and the novation of the remaining indebtedness. Upon completion, Colour Life will cease to be a subsidiary of the Company.

The purpose of this Valuation Report is to provide the independent Estimate-Of-Value of the Sale Shares as at the Reference Date for reference in connection with the Restructuring Agreement and the transactions contemplated thereunder. The Valuation Report has not been prepared according to the generally accepted valuation standards for business valuations. It has been prepared with consideration of relevant analytical frameworks and methodologies typical in the context of share transactions.

The Estimate-Of-Value has been provided solely for the Board and TFISF. For the avoidance of doubt, our advice will be strictly to the Company and TFISF and will not extend to, or be interpreted as advice to, and may not be relied upon by, any of the shareholders of the TFISF and/or the Company or any other third party for any purposes whatsoever. All duties and liabilities (including without limitation those arising from negligence) to third parties are specifically disclaimed. For the avoidance of doubt, the contents of this report do not constitute, and should not be relied upon as, legal, regulatory, tax, or accounting advice.

We are licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the SFO. Our experience encompasses acting as independent financial adviser and financial adviser providing advice and comfort letters on valuations reports, assessing the fairness of various transactions involving the issuance or transfer of listed shares, including general offers, which is directly relevant to the transaction set out in the Announcement. We had acted as the compliance adviser of Colour Life between 2014 and 2016. Save for the said appointment, we do not have any relationship with the Company or Colour Life and are independent of and not associated with the Company and Colour Life.

2. Basis of the Estimate-Of-Value

The Estimate-Of-Value represents an estimate of the value of the Sale Shares as at 19 December 2025 (the “**Reference Date**”), being the block of shares in Colour Life representing approximately 21.97% of its total issued capital which is the subject of the Settlement.

We note that the Colour Life Shares are currently listed on the Main Board of The Stock Exchange of Hong Kong (the “**Stock Exchange**”) and are freely traded which may provide observable market prices for such shares. This is notwithstanding the fact that trading liquidity of the Colour Life Shares has fluctuated (where certain trading days there could be limited trading activities while certain days with more active trading) which may render such market prices not wholly reflective of their value (i.e. the Colour Life Shares may be over-valued or under-valued relative to the observed market trading price). Furthermore, the Sale Shares represent 21.97% of Colour Life’s issued share capital. Given that the liquidity of Colour Life Shares has remained low, with an average daily trading volume in 2025 ranging from only 0.015% to 0.239% (as detailed in the section titled “Trading liquidity of the Colour Life Shares”), we consider the trading volume to be insignificant relative to the size of the Sale Shares. As such, market prices may not be wholly reflective of the transactional value of the block of Sale Shares as at the Reference Date. This Estimate-Of-Value is to provide an alternative assessment of the value of the Colour Life Shares using commonly adopted valuation approaches as well as considering the size of this block of Sale Shares to be transacted as further described below.

The Estimate-Of-Value is determined based on the existing shareholding structure of Colour Life and is on a willing-buyer willing-seller basis, neither being under any compulsion to buy or sell. The Estimate-Of-Value is also prepared on the basis that the buyer (the “**Buyer**”) is acquiring a minority non-controlling interest of 21.97% shareholding and does not include any possible premium for control.

In formulating the Estimate-Of-Value, we have reviewed and/or analysed the following materials:

- (i) the prevailing trading price and liquidity of Colour Life Shares on the Stock Exchange;
- (ii) the financial reports of Colour Life, including but not limited to its published annual report for the year ended 31 December 2024 (the “**2024 Annual Report**”) and its interim report for the six months ended 30 June 2025 (the “**2025 Interim Report**”);
- (iii) publicly available information related to Colour Life and the Company, including those announced on the Stock Exchange;
- (iv) publicly available information related to the industries in which Colour Life is engaged in; and
- (v) prevailing trading prices (and hence trading valuation multiples) of certain other companies listed on the Stock Exchange, which accuracy we have relied on the relevant data service providers.

Limitations

In preparing this valuation, we have relied solely on the information and materials made available to us and have assumed, without independent verification, that such information is true, accurate, complete and not misleading in all material respects. We have not considered any non-public information relating to Colour Life, including any of its financial projections, latest business developments nor any negotiations between Colour Life and its stakeholders. We have not conducted any independent investigation into the business, financial condition or prospects of the Company. Our opinion is necessarily based upon the information available to us and the circumstances existing and disclosed to us as of the date of this report, and we assume no responsibility to update or revise our opinion based on events or circumstances arising after the date hereof.

3. Valuation Approach and Methodology

When arriving at the Estimate-Of-Value, we have considered the valuation approaches that are commonly adopted when valuing shares of listed companies on the Stock Exchange, being the (i) income approach; (ii) asset approach; and (iii) market approach as described below.

3.1 *Income approach*

Value is determined intrinsically based on future profit potential where it calculates the present value of all expected future economic benefits (cash flow or income) that can be generated. It reflects on the company's fundamental ability to generate returns now and into the future.

It requires assumptions on the company's projected / future free cash flow (i.e. cash a company generates after accounting for operational expenses and capital expenditure for a discrete period), and estimation of terminal value. A key assumption is the relevant discount rate to discount such future value to present value.

3.2 *Asset approach*

Value is determined by calculating the net fair value of the company's total assets minus its total liabilities. This valuation approach necessitates determining the fair market value of its assets and liabilities (as opposed to the carrying book value). Intangible assets such as trademarks and customer lists are also to be valued.

Asset approach is most relevant for investment companies such as funds and REITs, financial institutions, natural resources companies and asset-intensive manufacturing companies.

3.3 *Market approach*

Value is determined intuitively by benchmarking against market values of comparable companies. This approach determines relative value of the company versus the comparable companies under prevailing market conditions. It may not reflect intrinsic value.

The market approach is influenced by market noises and may vary with broader macroeconomic developments. The comparable companies are typically those similarly listed, operating in the same industry and of similar operating scale.

Having considered the approaches above, such as the business model of Colour Life and the availability of information and data, we consider that:

- (i) for the income approach – the projection of free cash flow necessitates substantial insight into operating and financial data of Colour Life in the future which is not readily and publicly available, and there can be significant uncertainties to the assumptions to be made given the current precarious state of the PRC property industry. The above results in limitations of this approach.
- (ii) for the asset approach – the business model of Colour Life is not asset-intensive, and its business value rests on its ability to generate revenue and profit. Applying the asset approach necessitates ascertaining the value of assets and liabilities such as the intangible assets, the collectability of various receivables and any contingent liabilities which require insight into operating and financial data of Colour Life.
- (iii) for the market approach – Colour Life will be compared against comparable companies (the “**Comparable Companies Method**”), and in this respect, we noted that there are a number of companies listed on the Stock Exchange which operate in the same industry, geographical area and are of similar operating scale. Historical financial information needed on Colour Life and the comparable companies are generally available in the public domain.

Based on the above and as we are not privy to non-public operating and financial information of Colour Life and there are insufficient precedent transactions to refer to (where our research for precedent transactions involving the sale of 20% to 30% shareholding in listed companies in the same industry as Colour Life yielded only one result), we consider that the Comparable Companies Method under market approach is most appropriate for determining the Estimate-Of-Value of the Sale Shares in this case.

4. Assumptions for the Estimate-Of-Value

When we apply the Comparable Companies Method, we have assumed that:

- (i) Colour Life operates as a going concern.
- (ii) There are no material changes in the business model and operating condition of Colour Life as at the Reference Date as compared to during 2024 as reported in the 2024 Annual Report and 2025 Interim Report.
- (iii) There are no material changes in the industry and geographical area which Colour Life and the comparable companies operate in, including their political, legal and economic conditions.
- (iv) There are no force majeure and unforeseen circumstances that will have a significant impact on Colour Life.

5. Brief Background of Colour Life

5.1 Business description

The Group is a technologically integrated property management and community service operator in China. As of 30 June 2025, the Group managed 281 million square meters of gross floor area across 1,651 communities in 118 cities, serving over 7 million property owners. The Group has been shifting its focus toward enhancing profitability, service excellence and digital innovation.

5.2 Business model

The Group operates a business model designed to generate stable revenue from foundational property management while also pursuing higher-margin growth through a value-added community service. It strives to generate recurring income from its management portfolio with the scalable potential of platform-based value-added services.

5.2.1 Property management services

Property management services form the backbone of the Group, providing critical operational services and a steady revenue stream. This segment encompasses the core duties of security, cleaning, landscaping, facility maintenance, and engineering for residential and non-residential properties.

5.2.2 Value-added services

Value-added services segment represents the evolution of business model, transforming managed communities into service hubs. By leveraging its resident base, the Group builds a synergistic platform offering community living services (e.g., cleaning, decoration), asset services (e.g., parking space management), and e-commerce for daily necessities. This ecosystem capitalises on customer relationships to cross-sell high-demand services, driving revenue diversification and improved profitability beyond traditional management fees.

5.2.3 Key financial information

Set out below are tables summarising certain key financial information of the Group extracted from the 2024 Annual Report and 2025 Interim Report.

Extract of consolidated statement of profit or loss

	Year ended 31 December 2024 ("FY2024") <i>(audited)</i> <i>(RMB thousand)</i>	Year ended 31 December 2023 ("FY2023") <i>(audited)</i> <i>(RMB thousand)</i>	6 months ended 30 June 2025 ("1H2025") <i>(audited)</i> <i>(RMB thousand)</i>	6 months ended 30 June 2024 ("1H2024") <i>(audited)</i> <i>(RMB thousand)</i>
Revenue	1,951,321	1,523,179	1,039,446	974,488
Gross profit	410,033	454,160	223,625	220,347
Profit for the year/period	36,122	32,966	28,578	33,103
Profit for the year attributable to owners of the Company	18,953	23,007	23,892	24,380

FY2024 vs FY2023

The Group generated revenue primarily through property management services and value-added services. In FY2024, total revenue grew 28.1% to approximately RMB1,951.3 million, up from RMB1,523.2 million in FY2023. This growth was largely driven by a 29.9% increase in revenue from property management services, mainly due to an additional RMB495.3 million from lump-sum contracts as a result of a higher number of newly commissioned projects and communities under such arrangements.

Overall gross profit for FY2024 was approximately RMB410.0 million, a decrease of 9.7% from RMB454.2 million in FY2023. Gross profit margin declined to 21.0%, down 8.8 percentage points from 29.8% in FY2023, primarily due to lower revenue from commission-based property management services. Despite this, profit increased slightly to approximately RMB36.1 million in FY2024, compared to RMB33.0 million in FY2023.

1H2025 vs 1H2024

In 1H2025, revenue from property management services rose 6.9% to RMB994.0 million, primarily driven by a RMB74.8 million increase in lump-sum contract revenue, resulting from an expansion in the number of communities managed under such contracts and the acquisition of new communities.

Gross profit remained relatively stable at approximately RMB223.6 million (1H2025) compared to RMB220.3 million (1H2024), with margins at 21.5% and 22.6%, respectively. Profit for the period however declined to approximately RMB28.6 million in 1H2025 compared with RMB33.1 million in 1H2024.

Extract of consolidated statement of financial position

	As at 31 December 2023 (HK\$ thousand) (Audited)	As at 31 December 2024 (HK\$ thousand) (Audited)	As at 30 June 2025 (HK\$ thousand) (Unaudited)
Non-current Assets	1,605,556	1,554,413	1,549,871
– Goodwill	906,944	880,344	880,344
– Right-of-use assets	207,109	196,197	185,589
– Deferred tax assets	129,421	132,354	136,443
– Deposits paid for potential acquisition of subsidiaries	121,776	123,475	123,475
Current Assets	4,243,814	4,362,381	4,254,996
– Other receivables and prepayments	1,454,450	1,530,322	1,618,979
– Bank balances and cash	947,904	994,119	778,536
– Payments on behalf of residents	756,830	820,684	702,356
– Trade receivables	651,808	748,522	922,973
Current Liabilities	1,366,141	1,415,259	1,238,019
– Trade payables	378,876	500,012	390,166
– Tax liabilities	294,141	263,183	248,651
– Contract liabilities	253,342	336,891	352,162
– Other payables and accruals	211,003	217,164	164,161
Non-current Liabilities	19,906	20,224	14,400
Net assets	4,463,323	4,481,311	4,552,448

The Group's non-current assets amounted to approximately RMB1,605.6 million, RMB1,554.4 million, and RMB1,549.9 million as of 31 December 2023, 31 December 2024, and 30 June 2025, respectively. These assets primarily comprised goodwill, right-of-use assets, deferred tax assets, and deposits paid for potential acquisitions. The goodwill is allocated to cash-generating units corresponding to the Group's operational regions. Right-of-use assets represent the Group's leases for office premises and apartments, while deferred tax assets arise from deductible temporary differences. The deposits were related to the proposed acquisition of certain property management companies from independent third parties, and pursuant to the relevant sale and purchase agreements, are fully refundable by the vendors should these acquisitions not proceed.

The Group's current assets consisted primarily of other receivables and prepayments, bank balances and cash, payments on behalf of residents, and trade receivables.

Other receivables and prepayments represented items such as refundable deposits, prepayments to suppliers, staff advances, consideration receivables from the disposal of subsidiaries and equity investments, and receivables for rental assistance services provided to customers. The balance in this category had increased mainly due to increases in prepayments to suppliers. These prepayments grew from approximately RMB242.9 million as at 31 December 2023 to RMB310.6 million as at 31 December 2024, and further to RMB396.0 million as of 30 June 2025.

Bank balances and cash remained stable at around RMB947 million to RMB994 million at the end of 2023 and 2024. However, such amount decreased in the first half of 2025, with the balance falling to RMB778.5 million as at 30 June 2025, primarily due to net cash used in operating activities of approximately RMB234.6 million during the period.

Payments on behalf of residents were related to current accounts with property management companies under commission arrangements, for which the Group provided a centralised treasury function. As the individual property management offices for these communities lack separate legal identity and bank accounts, all their transactions, including fee collections and expenditure settlements, were processed through the Group's treasury.

Trade receivables were derived from several income streams which included property management services under lump-sum contracts, pre-delivery and consultancy services, value-added services, and engineering services.

The Group's current liabilities primarily consisted of trade payables, tax liabilities, contract liabilities, and other payables and accruals. Fluctuations in the current liabilities balance were largely driven by changes in trade payables, which stood at approximately RMB378.9 million as of 31 December 2023, rising to RMB500.0 million by 31 December 2024, and then decreased to RMB390.2 million as of 30 June 2025. The notably higher trade payables balance at the end of 2024 was mainly attributable to an increase in the Group's cost of services, which grew from RMB1,069.0 million in FY2023 to RMB1,541.3 million in FY2024.

The Group's overall net assets had remained relatively stable in the past two years, maintaining at RMB4,463.3 million as of 31 December 2023, RMB4,481.3 million as of 31 December 2024, and RMB4,552.5 million as of 30 June 2025.

6. Calculations of the Estimate-Of-Value

6.1 Rationale and basis of calculation

As set out in the section headed "5.1 Business description" above, Colour Life is principally engaged in the property management business, with operations conducted primarily in the PRC. Given the Group's listed profile and geographic focus, and to ensure that our approach reflects prevailing investor sentiment, we consider the application of the Comparable Companies Method to be most appropriate for deriving the Estimate-Of-Value.

As there exists market trading price for the Colour Life Shares that are freely traded on the Stock Exchange, we will also take into consideration this indicative value as reflected by such transactions on the Stock Exchange notwithstanding that trading volume may be sparse. Further, as the Buyer is acquiring a minority, non-controlling shareholding but substantial block that is the Sale Shares, it is necessary to consider the level of discounts that are typically applicable to such large size, off market share trades that reflects liquidity risk.

Consequently, for the calculation, we have

- (1) referred to the trading multiples of the Comparables (as defined below) to derive the implied value of each Colour Life Share;
- (2) taken into account the prevailing market trading price of the Colour Life Shares to arrive at a Hybrid Value (as defined below); and
- (3) further adjusted for a Block Trade Discount (as defined below) to arrive at the final Estimate-Of-Value. Further details are set out below.

6.2 *Applying the Comparable Companies Method*

6.2.1 *Selection of the Comparables*

Under the Comparable Companies Method, we have identified a list of companies comparable to Colour Life (the “**Comparables**”), each of which is engaged in a similar line of business and operates under broadly comparable market conditions. In particular, we focused on those companies that both operate under similar financially regulated environments and produce transparent, readily available financial information. Our universe is restricted to listed companies for the following reasons:

- (i) Listed companies may provide an open market for their shares, thereby offering observable trading prices and valuation multiples; and
- (ii) Publicly available financial disclosures required from such listed companies allow for a consistent and reliable comparison.

As the principle of the market approach is to value a company based on how similar businesses are priced, we have applied further selection criteria to the business mix and geographic focus of the companies during our screening. Specifically, the criteria were calibrated to identify issuers that, in our view, exhibit commensurate operating scale, aligned revenue composition and demonstrated earnings capability.

Noting that Colour Life is principally engaged in property management services within the PRC, the selection criteria applied to each company (as at the Reference Date and, where relevant, based on disclosures in each company’s published annual reports) are as follows:

- (i) companies whose shares are listed on the Stock Exchange;
- (ii) companies principally engaged in property management services, with at least 70% of total revenue generated from property management services;
- (iii) companies with main operation in the PRC, i.e. the PRC is the largest revenue-generating market and at least 70% of total revenue is generated from the PRC; and
- (iv) companies of comparable operating scale, defined as total revenue less than or equal to RMB5,000 million.

We consider the above criteria appropriate for identifying comparable companies for the following reasons. First, restricting the pool to listed issuers ensures an adequate level of transparency and market-based price discovery. Second, by requiring that at least 70% of revenue be derived from property management services, the peer set is focused on issuers whose business mix are closely aligned to Colour Life and minimises distortions caused by ancillary or unrelated business segments that Colour Life does not engage in. Third, requiring at least 70% of revenue from the PRC ensures that selected companies share a comparable geographic exposure. These include, amongst others, regulatory regime, customer behaviour, pricing dynamics and cost structures that are relevant for property management businesses operating predominantly in the PRC. Fourth, we noted that Colour Life recorded total revenues of RMB1,951 million in the financial year ended 31 December 2024. Based on criteria (i) to (iii) above, we have compiled a list of 57 companies generating revenue in the range of about RMB250 million to RMB44,000 million. We are of the view companies within this list can be broadly divided into the categories of (i) large companies; and (ii) small and medium-sized companies, which differentiate their operating scale, thereby mitigating differences arising from economies of scale, diversification capacity or capital market access of significantly larger companies compared with small and medium-sized companies. Considering the aforesaid number of companies and the revenue range, we impose a revenue cap of RMB5,000 million for small and medium-sized companies, which is the category that Colour Life falls within.

Based on the above, we identified to the best of our knowledge an exhaustive list of 22 Comparables. While no company possesses an identical business model, operating scale, trading prospects, target markets, product mix, or capital structure as Colour Life, we are of the view that the selected Comparables provide an appropriate and representative benchmark of prevailing market sentiment for PRC-focused property management companies listed on the Hong Kong Stock Exchange.

6.2.2 Selection of trading multiples

To determine the Estimate-Of-Value under the Comparable Companies Method, we have considered a range of suitable trading multiples.

Of these multiples, we consider the price-to-earnings ratio (the “**P/E Ratio(s)**”) to be the most appropriate metric for assessing the value of the Comparables and Colour Life. We note that the fact that Colour Life had been profit-making in recent years also renders the application of the P/E Ratio feasible. As a result, we have therefore applied the criterion that the Comparables shall have recorded audited net profits during their most recent financial year.

Our selection of the P/E Ratio is based on several factors. First, profitability is a principal determinant of investor pricing for property management businesses. The P/E Ratio is widely recognised as a standard market benchmark for equity valuation, reflecting the price investors are willing to pay for shares after considering earnings capacity. Second, Colour Life has consistently reported profitability over the past few financial years. Third, alternative metrics such as the (a) price-to-book ratio, which primarily values assets and liabilities with limited regard to revenue and profit generation business competencies; and (b) price-to-sales ratio, which is more commonly applied to pre-profit start-up enterprises, are considered less suitable given the current context.

6.2.3 Valuation details of the Comparables

Details of our analysis on the Comparables and their respective P/E Ratios are summarised in the table below. Issuers that were loss-making in their latest audited financial year were excluded for the reasons described above, as were anomalous observations where reported P/E Ratios were disproportionately high relative to their peer distribution due to idiosyncratic factors which are further explained in the footnotes. For the avoidance of doubt, all statistics are calculated as at the Reference Date and do not reflect changes arising from disclosures or market movements after that date.

Stock code	Name	Market	Revenue ⁽²⁾	Net profit ⁽³⁾	P/E Ratio ⁽⁴⁾
		capitalisation ⁽¹⁾			
		RMB million	RMB million	RMB million	times
2080.HK	AUX International Holdings Limited	167.6	331.8	24.0	6.98
9916.HK	Xingye Wulian Service Group Co. Ltd.	112.6	359.1	45.1	2.50
2271.HK	Zhong An Intelligent Living Service Limited	939.8	412.2	38.1	24.67
2165.HK	Ling Yue Services Group Limited	493.0	652.9	81.5	6.05
1153.HK	Jiayuan Services Holdings Limited	211.1	858.8	8.2	25.74
2455.HK	Runhua Living Service Group Holdings Limited	195.2	903.7	45.6	4.28
2215.HK	Dexin Services Group Limited	266.8	933.4	38.5	6.93
1354.HK	Xi'an Kingfar Property Services Co., Ltd.	211.9	951.5	59.0	3.59
2205.HK	Kangqiao Service Group Limited	762.9	960.8	48.4	15.76
1971.HK	Redsun Services Group Limited	154.5	1,026.7	14.4	10.73
0606.HK	SCE Intelligent Commercial Management Holdings Limited	474.5	1,212.9	57.0	8.32
3662.HK	Starjoy Wellness and Travel Company Limited	290.2	1,355.3	96.2	3.02
6093.HK	Hevol Services Group Co. Limited	386.5	1,365.1	54.4	7.11
2168.HK	Kaisa Prosperity Holdings Limited	198.7	1,735.4	14.6	13.61
1502.HK	Financial Street Property Co., Limited	698.8	1,751.6	116.1	6.02
1538.HK	Zhong Ao Home Group Limited	302.7	1,779.0	88.9	3.40
2146.HK	Roiserv Lifestyle Services Co., Ltd.	512.2	1,956.9	113.8	4.50
2210.HK	Beijing Capital Jiaye Property Services Co., Limited	347.7	1,983.6	79.7	4.36
6677.HK	Sino-Ocean Service Holding Limited	462.4	2,840.0	28.9	16.00
9983.HK	Central China New Life Limited	719.8	2,952.2	214.6	3.35

Stock code	Name	Market	Revenue ⁽²⁾	Net profit ⁽³⁾	P/E Ratio ⁽⁴⁾
		capitalisation ⁽¹⁾			
		RMB million	RMB million	RMB million	times
6626.HK	Yuexiu Services Group Limited	3,369.8	3,868.2	352.9	9.55
6989.HK	Excellence Commercial Property & Facilities Management Group Limited	919.9	4,232.2	312.1	2.95
				Median	6.49
				Mean	8.61

Source: Hong Kong Stock Exchange

Notes:

- (1) Revenue is extracted from the respective latest published annual results announcement or report as at the Reference Date.
- (2) Market capitalisation is calculated by multiplying the closing share price as at the Reference Date by the total number of shares in issue.
- (3) Net profit attributable to shareholders of the Comparables is extracted from the respective latest published annual results announcement or report as at the Reference Date.
- (4) P/E Ratio is calculated by dividing the market capitalisation (as described in Note 1) by the net profit attributable to shareholders (as described in Note 3).
- (5) We have excluded the following companies from the Comparables:

a. *Sundy Service Group Co. Ltd (9608.HK) – P/E Ratio of 80.63 times*

The company reported a significant decline in earnings, with earnings per share decreasing by approximately 93% between FY2022 and FY2024. The nominal earnings inflated the P/E Ratio notwithstanding its profitability. As such, the company has been deemed an outlier and excluded from the Comparables.

b. *Desun Real Estate Investment Services Group Co., Ltd (2270.HK)– P/E Ratio of 54.66 times*

The company's share prices have risen approximately four-fold in the past 52 weeks despite the lack of accompanying public disclosure. As such, the company has been deemed an outlier and excluded from the Comparables.

c. *Times Neighborhood Holdings Limited (9928.HK) – P/E Ratio of 110.16 times*

The company has recorded only minimal profit in 2024, its first year of positive earnings since 2021. The nominal earnings inflated the P/E Ratio notwithstanding it turned profitable. As such, the company has been deemed an outlier and excluded from the Comparables.

From the table above, the median P/E Ratio of the Comparables is approximately 6.49 times, while the mean is approximately 8.61 times. We then apply these ratios to further derive the implied value per share of the Colour Life Shares using the Comparable Companies Method as calculated below:

Description		Median	Mean
P/E Ratio of the Comparables (times)	A	6.49	8.61
Net profit attributable to shareholders of Colour Life for FY2024 (RMB million)	B	18.95	18.95
Implied value of Colour Life (RMB million)	$C = A \times B$	123.0	163.2
Colour Life Shares in issue as at the Reference Date (million)	D	1,859.4	1,859.4
Implied value per Colour Life Share (RMB)	$E = \frac{C}{D}$	0.066	0.088
Implied value per Colour Life Share⁽¹⁾ (HK\$)	F	0.070	0.100

Note:

- (i) Based on the most recent exchange rate as of the Reference Date of RMB1.00:HK\$1.1011 as published by the Hong Kong Monetary Authority, rounded to two decimal places.

As a result, the implied value of Colour Life using the Comparable Companies Method as at the Reference Date is RMB123.0 million based on the median P/E Ratio and RMB163.2 million based on the mean P/E Ratio. This equates to approximately RMB0.066 per Colour Life Share (HK\$0.070) on a median basis and RMB0.088 per Colour Life Share (HK\$0.100) on a mean basis.

6.3 Due Consideration Placed on Market Price of Colour Life Shares

While the implied value per Colour Life Share set out in section 6.2 above is derived via a commonly adopted valuation approach, it is also relevant to consider the observable trading prices of the Colour Life Shares on the Stock Exchange. As such Colour Life Shares are freely traded, their market prices reflect sentiments of certain investors who had transacted them, notwithstanding the fact that their trading liquidity has fluctuated (that is, where on certain trading days there could be limited trading activities while certain days with more active trading) and that the number of Sale Shares is significant relative to the average daily trading volume of Colour Life Shares.

Having considered that both market trading price and implied valuation of Colour Life Shares derived from the Comparable Companies Method are transparent and observable by the market, we have applied an equal 50:50 weighting to these two measures to arrive at an implied value (the “**Hybrid Value**”) per Colour Life Share. Specifically, we have taken (i) the previously mentioned implied values per Colour Life Share derived under the Comparable Companies Method; and (ii) the closing price of each Colour Life Share traded on the Stock Exchange on the Reference Date (being HK\$0.169 per Colour Life Share).

Applying the implied values per Colour Life Share derived under the Comparable Companies Method together with the closing price each Colour Life Share on the Stock Exchange on the Reference Date, we arrive at the Hybrid Value of each Colour Life Share as follows:

Description		Median	Mean
Implied value per Colour Life Share (HK\$)	F	0.070	0.100
Closing price per Colour Life Share on the Reference Date (HK\$)	G	0.169	0.169
Hybrid Value per Colour Life Share (HK\$)	H = (F × 0.5) + (G × 0.5)	0.120	0.135

On this basis, the Hybrid Value per Colour Life Share as at the Reference Date is HK\$0.120 per share on a median P/E Ratio basis and HK\$0.135 per share on a mean P/E Ratio basis.

6.4 Block trade discounts

We note that in this instance, the Buyer is acquiring a minority, non-controlling shareholding interest in Colour Life representing 21.97% of the issued share capital (i.e. the Sale Shares). This constitutes a substantial block of the Colour Life Shares, and is significant relative to Colour Life’s daily trading volume on the Stock Exchange as further illustrated below. As such, we have applied a block trade discount (the “**Block Trade Discount**”). The analysis of Block Trade Discount serves to estimate the difference between the price of transacting the Sale Shares specifically and price of Colour Life Shares in general considering the aforesaid liquidity risks, based on historical precedents of share sales of similar percentage shareholding as the Sale Shares. We consider the level of Block Trade Discount is generally neutral to differences in prevailing market conditions, company’s operational scale and whether the relevant company is listed on the Main Board or GEM of the Stock Exchange, on the assumption that these factors would principally be reflected in the value of the shares.

6.4.1 Trading liquidity of the Colour Life Shares

Month	Average daily trading volume (“ADTV”)	Total issued share capital as at month-end	ADTV as a percentage of total issued share capital
Jan 2025	224,569	1,487,525,754	0.015%
Feb 2025	255,919	1,487,525,754	0.017%
Mar 2025	840,425	1,859,407,192	0.045%
Apr 2025	418,158	1,859,407,192	0.023%
May 2025	509,640	1,859,407,192	0.027%
Jun 2025	481,952	1,859,407,192	0.026%
Jul 2025	1,644,481	1,859,407,192	0.088%
Aug 2025	4,445,790	1,859,407,192	0.239%
Sep 2025	3,726,391	1,859,407,192	0.200%
Oct 2025	1,588,391	1,859,407,192	0.085%
Nov 2025	3,176,575	1,859,407,192	0.171%
Dec 2025 (up to Reference Date)	870,042	1,859,407,192	0.047%

Source: Hong Kong Stock Exchange

As shown above, the average daily trading volume of the Colour Life Shares was very low in the early months of 2025. While we observed that the average daily trading volume increased in August, September, and November 2025, this was attributed to isolated spikes on certain trading days (for example, 19.5 million shares on 14 August 2025, 14.8 million shares on 8 September 2025, and 40.2 million shares on 28 November 2025). In the absence of identifiable reasons for these spikes, we consider the trading liquidity of the Colour Life Shares to be generally low.

The main rationale for applying the Block Trade Discount is liquidity risk. The sale of a large volume of the Colour Life Shares on the Stock Exchange will create share overhang and suppress its market trading price, especially given its low trading liquidity. The larger the size of the block, the larger the typical discount.

It is worthwhile noting that generally a buyer who obtains control after an acquisition may be willing to pay a control premium which mitigates block trade discounts. In this case, we are not aware of any terms under the Settlement that would confer control to the Buyer. There is therefore no applicable control premium being considered.

6.4.2 Methodology

In ascertaining the magnitude of the Block Trade Discount applicable to the Sale Shares (i.e. representing 21.97% of the issued Colour Life share capital), we have analysed precedent block trade transactions (the “**Precedent Transactions**”) based on the criteria that:

- (i) The company has its shares listed on the Stock Exchange;
- (ii) The block size represents not less than 17% and up to 29.9% of total shares outstanding;
- (iii) Top-up placings are excluded given their difference in nature compared with block trades; and
- (iv) The block trade took place between 1 January 2021 and 2 December 2025. This time-period was applied to derive an adequate sample size of Precedent Transactions for analysis.

The observed discounts of the Precedent Transactions, which are exhaustive based on our research, are summarised below:

Date of announcement	Stock code	Company	Percentage of issued share capital sold	Premium/ (discount) of placing price to last traded price
29 Jan 2021	8035	Janco Holdings	24.0%	–
2 Jun 2021	8471	Reach New Holdings	19.6%	(83%)
3 Jun 2021	8547	Pacific Legend Group	18.3%	(24%)
30 Jan 2023	1715	MIJI International Holdings	26.5%	(33%)
2 May 2023	1343	Wei Yuan Holdings	24.0%	(12%)
28 Aug 2023	8471	Reach New Holdings	23.5%	(22%)
28 Oct 2024	8426	Modern Living Investments	21.0%	(14%)
			Median	(22%)
			Mean	(27%)

As observed above, block placements involving existing shares representing between approximately 17% and 29.9% of the company’s total issued share capital were scarce and had generally been executed at a discount. Based on the Precedent Transactions reviewed, we observed a large range of discounts from nil to 83.3%. The levels of Block Trade Discounts are derived by calculating the mean and median of the Precedent Transactions to balance and negate possible effects of isolated reasons for discount of any single transaction. Hence, we consider applying the median and mean Block Trade Discounts of 22% and 27% respectively to be reasonable as they will also mitigate extremities.

By further applying the block trade discounts to the Hybrid Value per Colour Life Share, we arrive at the final Estimate-Of-Value range per Sale Share:

Description		Median		Mean	
Block trade discount	I	(22%)		(27%)	
Hybrid Value per Colour Life Share (HK\$)	H	0.120	0.135	0.120	0.135
Estimate-Of-Value per Sale Share (HK\$)	J = H × (1-I)	0.093	0.105	0.087	0.098

6.5 Summary of the valuation

Based on the above, we conclude that the Estimate-Of-Value per Sale Share as at the Reference Date lies within a range of approximately **HK\$0.087 to HK\$0.105**.

You are reminded that, as explained in this report, the Estimate-Of-Value is subject to uncertainties and fluctuations in capital markets which are difficult to predict and beyond our control. When determining the Estimate-Of-Value based on the Comparable Companies Method, we noted that certain parameters, such as the share prices of the Comparables, may fluctuate with market conditions and investor sentiment. The market trading price of Colour Life Shares may also fluctuate daily. Accordingly, the Estimate-Of-Value should be regarded as an indicative assessment only and does not constitute a forecast, guarantee, or prediction of future trading prices of the Colour Life Shares.

Yours faithfully,
For and behalf of
Altus Capital Limited

Chang Sean Pey
Partner

Leo Tam
Partner

*Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Mr. Leo Tam (“**Mr. Tam**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over ten years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

(I) FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 are disclosed in the published annual reports and interim report of the Company, all of which are published on the website of the Stock Exchange at <http://www.hkexnews.hk/>, and the website of the Company at <http://www.cnfantasia.com>. Quick links to such financial information are set out below:

Annual report of the Company for the year ended 31 December 2022:

www1.hkexnews.hk/listedco/listconews/sehk/2023/0825/2023082500528.pdf

Annual report of the Company for the year ended 31 December 2023:

www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042904875.pdf

Annual report of the Company for the year ended 31 December 2024:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042905154.pdf>

Interim report of the Company for the six months ended 30 June 2025:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0929/2025092902398.pdf>

(II) INDEBTEDNESS STATEMENT

As at the close of business on 31 December 2025, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding borrowings as follows:

	31 December 2025
	<i>RMB million</i>
Secured senior notes and bonds	50,622
Assets backed securities issued	307
Borrowings	18,431
Guaranteed borrowings	14,534
Unguaranteed borrowings	<u>3,897</u>
Total borrowings	<u><u>69,360</u></u>

The security provided by the Group for the above-mentioned borrowings of the Group were certain land use rights, properties for sale, property, plant and equipment, pledged bank deposits and equity interests of certain subsidiaries of the Company. The guaranteed borrowings of the Group were guaranteed by the Company and certain subsidiaries of the Company.

Other than above, the Group had amounts due to joint ventures of RMB145 million and amounts due to associates of RMB58 million at 31 December 2025, which were unsecured and unguaranteed.

Lease liabilities

As at 31 December 2025, the Group, as a lessee, had outstanding lease payments which represented undiscounted unpaid lease payments for the remaining terms of relevant lease agreements (excluding our contingent rental arrangements) in an aggregate amount of approximately RMB58 million.

Financial guarantees and contingent liabilities

At the close of business on 31 December 2025, the Group provided guarantees amounting to approximately RMB1,821 million for mortgage facilities granted by certain banks to purchasers of the Group's properties for sales.

At the close of business on 31 December 2025, the aggregate amount of guarantees provided by the Group in respect of its respective equity shares of outstanding obligations under the bank borrowings incurred by the joint ventures and associates for developing their projects amounted to approximately RMB5,847 million.

Save as disclosed above, the Group did not have, at the close of business on 31 December 2025, any debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, borrowings, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments, debentures, mortgages, charges, finance lease obligations, guarantees or other contingent liabilities.

(III) MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

(IV) WORKING CAPITAL

As at 31 December 2025, the Group did not repay certain interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) of approximately RMB45,484 million according to their scheduled repayment dates. As a result, as at 31 December 2025, interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) had become default. Subsequent to 31 December 2025, the Group did not repay certain interest-bearing liabilities according to the scheduled repayment dates. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. In this connection, the Company has obtained a letter on the working capital statement from its auditor.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing and have considered the Group's cash flow projections prepared by the management for a period of not less than 12 months from the date of this circular. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

- (i) the Company has appointed Alvarez & Marsal Corporate Finance Limited as its financial adviser for the Proposed Debt Restructuring. On 4 August 2025, the Company announced that it has entered into the 2025 RSA with an ad-hoc group of noteholders holding over 34.9% of the aggregate outstanding principal amount of the Existing Notes to support the implementation of the Proposed Debt Restructuring. As of 9 January 2026, the Company has received strong support from its creditors for the Proposed Debt Restructuring (evidenced by the overwhelming 85% odd accession rate to the 2025 RSA). The Company is working closely with its advisers to implement the Proposed Debt Restructuring, which will alleviate the liquidity pressures faced by the Group upon completion. The Group is actively in discussions with the existing lenders on the renewal of certain of the Group's borrowings. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to the ongoing changes in market conditions. In addition, the Group will continue to seek for new sources of financing or accelerate asset sales to address upcoming financial obligations and future operating cash flow requirements whilst engaging with existing lenders;
- (ii) the Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and trade receivables. The Group will also continue to actively adjust sales and pre-sale activities to better respond to the changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;

- (iii) the Group will continue to seek suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows; and
- (iv) the Group has already taken measures to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will continue to actively assess additional measures to further reduce discretionary spending.

Taking into account the financial resources available to the Group including the internally generated funds and the available banking facilities and assuming (i) the success in the restructuring of the offshore debts; (ii) effective implementation of the above measures; (iii) the relevant lenders of the existing bank and other borrowings will not exercise their rights to demand immediate repayment of the relevant borrowings prior to their scheduled contractual repayment dates; and (iv) the Group will be able to effectively pre-empt or mitigate imminent risk of non-payment (if any) in respect of the Group's outstanding indebtedness, the Directors are of the view that the Group will have sufficient working capital for at least the next 12 months commencing from the date of this circular.

In the event the above plans could not be effectively implemented or were not successful as expected, the Group may not have sufficient working capital for the next 12 months from the date of this circular. The Company will consider and seek for other appropriate alternative plan(s), including but not limited to potential equity or debt fund raising exercise, negotiation with lenders on the renewal and/or extension of borrowings, in order to ensure the Group will have sufficient working capital.

(V) FINANCIAL AND TRADING PROSPECTS

The Company is an investment holding company. The principal activities of the Group's subsidiaries include development and investment of residential and commercial properties, property management services and hotel operations. Upon closing of the Restructuring, Colour Life will cease to be a subsidiary of the Company and the operations of the Group will be reduced by the scale of the Colour Life group.

The Company has focused, and will continue to focus, on completion and delivery of its property projects, implementing measures to accelerate the sale of properties under development and completed properties, and controlling administrative costs and capital expenditure, resolutely taking measures to execute non-core asset disposal and downsize the business to optimal scale to enable a successful debts restructuring with creditors. The Company is also taking active steps to reduce liabilities and enhance efficiency. The property development business maintains a liquidity buffer and the rental income derived from investment properties is stabilising, whilst property management services and hotel operations provide continuous and stable cash flows. The diversified income streams will in turn contribute to a more robust financial structure for the Group, delivering long-term, sustainable returns for its shareholders. The Group believes the above strategies will enhance its resilience to overcome the difficulties.

Property development business

Although the PRC government provides supporting policies on the demand side to boost buying sentiment and gradually loosen the supply side restrictions, the management believes it takes time to restore the confidence of creditors and home buyers. In the short term, the pressure of deleveraging inventories still exists and the suppressed buying sentiments will take time to recover.

The property development business adopts a “sale and no hoarding” approach. As the remaining inventory of the Group is concentrated in core metropolitan areas, the Group will rely on whitelisted project financing and advances from construction partners to achieve stable delivery and simultaneous de-stocking. The Group has also introduced asset-light operators for investment properties, thereby achieving a reduction in vacancy rate and stabilization of rental cash flow. It is expected that property value will gradually recover as communities continue to mature.

Property management services

Upon completion of the Restructuring, the Company will retain approximately 9.98% of the issued shares of Colour Life. Consequently, Colour Life will cease to be consolidated into the scope of the consolidated financial statements. Following this deconsolidation, the property projects managed by Colour Life are no longer included in the Company’s consolidated area under management. As of 30 June 2025, Colour Life managed 1,651 communities with a total GFA of approximately 281.15 million square meters; the scale and corresponding operating results of this segment will be excluded from the Group’s consolidated financial statements from the date of deconsolidation.

The Company will optimize its exit from the traditional large-scale residential property segment characterized by “labor-intensive and low unit price” operations. Instead, the Company will strategically focus on business communities, integrated complexes, and other property management sectors with higher fee levels, driving the adjustment of its property management business structure toward higher margins and quality. With the steady and continuous delivery of residential and commercial projects, property management services have transformed from a cost center into a profit center. This segment now possesses significant growth potential and has become a core engine driving the Group’s sustainable operations.

Hotel operations

Hotels are transitioning towards “boutique accommodation + communal activities”, with vacant floors being converted into long-stay apartments and urban micro-vacation accommodation and integrated with curated exhibitions, artisan workshops and wellness food trading to enhance repeat patronage. Customer sources are being expanded through online travel agencies and corporate team-building channels, with average room rates and occupancy rates stabilising and recovering. The hotel segment is expected to progressively achieve breakeven and generate stable customer traffic for other business segments.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this 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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interest in the securities of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors and chief executive of the Company has any interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(i) Long positions in the shares and underlying shares of the Company

Director	Nature of interest	Number of issued ordinary shares of the Company	Interest in underlying shares of the Company	Approximate percentage of interest in the Company as the Latest Practicable Date
Ms. Zeng	Interest of controlled corporation	3,314,090,500 ⁽¹⁾	–	57.41%

Notes:

- (1) Fantasy Pearl International Limited (“**Fantasy Pearl**”) is owned as to 80% by Ice Apex Limited (“**Ice Apex**”) and 20% by Graceful Star Overseas Limited (“**Graceful Star**”). Ice Apex is wholly owned by Ms. Zeng, and Ms. Zeng is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.
- (2) As at the Latest Practicable Date, the number of issued shares of the Company was 5,772,597,864.

(ii) Long positions in the debentures of the Company

Director	Nature of interest	Relevant debentures	Principal amount of the debentures held	Approximate percentage of the interest in the debentures as at the Latest Practicable Date
Ms. Zeng	Interest of controlled corporation	9.25% senior notes due 2023 issued by the Company	US\$3,000,000 ⁽¹⁾	0.94%
	Interest of controlled corporation	10.875% senior notes due 2024 issued by the Company	US\$4,500,000 ⁽²⁾	1.6%
Mr. Guo Shaomu	Beneficial owner	7.95% senior notes due 2022 issued by the Company	US\$200,000	0.067%

Notes:

- (1) The debentures are held by Fantasy Pearl, which is indirectly owned as to 80% by Ms. Zeng.
- (2) These comprise: (i) US\$2,000,000 held by Fantasy Pearl; and (ii) US\$2,500,000 held by Baocollection Limited, a company wholly owned by Ms. Zeng.

*(iii) Long positions in associated corporations**(A) Fantasy Pearl*

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at the Latest Practicable Date
Ms. Zeng	Interest of controlled corporation	80 ⁽¹⁾	Ordinary	80%

Note:

- (1) These are shares held by Ice Apex in Fantasy Pearl and Ice Apex is wholly owned by Ms. Zeng.

(B) Colour Life

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at the Latest Practicable Date
Ms. Zeng	Interest of controlled corporation ⁽¹⁾⁽²⁾⁽³⁾	1,301,467,396	Ordinary	69.99%

Notes:

- (1) The interests are held as to 780,104,676 shares by the Company, as to 519,059,924 shares by the Purchaser and as to 2,302,796 shares by Fantasy Pearl.
- (2) The Company is owned as to 57.41% by Fantasy Pearl, which is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is wholly owned by Ms. Zeng. Accordingly, Ms. Zeng is deemed to be interested in the shares of Colour Life held by the Company for the purpose of Part XV of the SFO.
- (3) The Purchaser is 67.36% owned by Link Gold Holdings Limited and 32.64% owned by Shenyang International Investment Co., Ltd. Accordingly, Ms. Zeng is deemed to be interested in the shares of Colour Life held by the Purchaser for the purpose of Part XV of the SFO.

(b) Director's interest in the securities of the Company

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following shareholders (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote at general meetings of any other member of the Group.

Substantial shareholder	Nature of interest	Number of shares	Approximate percentage of interest in the Company as at the Latest Practicable Date
Fantasy Pearl	Beneficial owner	3,314,090,500 (L)	57.41%
Ice Apex ⁽¹⁾	Interest of controlled corporation	3,314,090,500 (L)	57.41%
T.C.L. Industries Holdings Co., Ltd. ⁽²⁾ (formerly known as TCL Industrial Holdings (Guangdong) Co., Ltd.)	Beneficial owner	1,012,740,000 (L)	17.54%

(L) denotes long position

Notes:

- (1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.
- (2) As at 30 June 2025, Li Rong Development Limited held 1,012,740,000 shares of the Company representing 17.54% interest in the Company. Li Rong Development Limited is wholly owned by TCL Industries Holdings (H.K.) Limited which is in turn wholly owned by TCL Industries Holdings Co., Ltd. TCL Industries Holdings Co., Ltd. is deemed to be interested in the shares held by Li Rong Development Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective associates was considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, other than the Restructuring Agreement, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. MATERIAL CONTRACTS

Save for the Restructuring Agreement and the 2025 RSA, the Group has not entered into any contract (not being a contract entered into in the ordinary course of business) within the two years preceding the date of this circular and is or may be material.

8. LITIGATION

Save as disclosed in the Announcement and in this circular in relation to the Dispute, as at the Latest Practicable Date, the Group has certain litigations with its business partners regarding the settlement of the outstanding/overdue operational payables, banks and other borrowings and senior notes including the following material litigation:

- (i) an investment management company (as plaintiff) has instituted legal proceedings against the Group in relation to contractual disputes arising from certain loan arrangements, claiming an amount of approximately RMB1,657 million;
- (ii) a bank in China (as plaintiff) has instituted legal proceedings against the Group in relation to contractual disputes arising from certain loan arrangements, claiming a total amount of approximately RMB1,476 million;
- (iii) an investment management company (as plaintiff) has instituted legal proceedings against the Group in relation to contractual disputes arising from certain loan arrangements, claiming an amount of approximately RMB948 million; and
- (iv) a bank in China (as plaintiff) has instituted legal proceedings against the Group in relation to contractual disputes arising from certain loan arrangements, claiming a total amount of approximately RMB510 million.

The Group has been proactive in seeking ways to settle the outstanding litigation of the Group, however, the outcome of the claims and disputes is not certain at current stage.

9. EXPERT AND CONSENT

The following is the qualification of the experts who have given opinions or advices which are contained in this circular:

Name	Qualification
Opus Capital Limited	a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Altus Capital Limited	a corporation licensed by the Securities and Futures Commission to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, the experts named above have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letter(s), report(s), certificate(s) and/or opinion(s) and the references to its names included herein in the form and context in which it is respectively included.

The experts confirmed that as at the Latest Practicable Date, they do not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have been, since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at 21/F, CMA Building, 64 Connaught Road Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The secretary of the Company is Ms. Luo Shuyu, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text.

11. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.cnfantasia.com>) for a period of 14 days from the date of this circular:

- (a) the Restructuring Agreement;
- (b) the letter from the Board, the text of which is set out on pages 7 to 24 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 25 to 26 of this circular;

- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 27 to 74 of this circular;
- (e) the valuation report prepared by Altus Capital Limited, the text of which is set out in Appendix I to this circular; and
- (f) the written consents referred to in the section headed “Expert and Consent” of this Appendix.

NOTICE OF EGM

花 樣 年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1777)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms which are not expressly defined in this notice shall bear the same meaning as those defined in the circular to the shareholders of the Company dated 24 February 2026.

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) of Fantasia Holdings Group Co., Limited (the “**Company**”) will be held at Imagination Room, BOHUB, 5/F., Tower A, The Platinum Tower, No. 1 Tairan 7th Road, Futian District, Shenzhen, the PRC at 10 a.m. on Wednesday, 11 March 2026 for the purposes of considering and, if thought fit, passing the following resolution (with or without modifications):

ORDINARY RESOLUTION

“THAT

- (a) the Restructuring Agreement, a copy of which is tabled at the meeting and marked “A” and signed by the chairman of the meeting for identification purpose and the transactions contemplated thereunder including, among other things, the disposal of Sale Shares, the transfer of TFISF Shares to TFISF as effective enforcement of the Purported Security and the Debt Novation be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary, appropriate, desirable or expedient for the purpose of or in connection with or to give effect to the Restructuring Agreement and the transactions contemplated thereunder, and to make and agree to make such variations of the terms of the Restructuring Agreement as they may in their discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders as a whole.”

By Order of the Board
Fantasia Holdings Group Co., Limited
Cheng Jianli
Chairman

Hong Kong, 24 February 2026

Notes:

1. Any member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies (if holding two or more shares) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
3. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjourned meeting thereof should he so wishes and in such event, the form of proxy shall be deemed to be revoked.
4. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
5. The register of members of the Company will be closed from Friday, 6 March 2026 to Wednesday, 11 March 2026, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the shareholders entitled to attend and vote at the EGM. All completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, 5 March 2026.
6. A form of proxy for use at the EGM is enclosed.