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If you have sold or otherwise transferred all your shares in **Kangqiao Service Group Limited**, you should at once hand this circular and the accompanying revised form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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Kangqiao Service Group Limited

康橋悅生活集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2205)

**(1) CONTINUING CONNECTED TRANSACTIONS —
SUPPLEMENTAL SALES AGENCY SERVICES FRAMEWORK AGREEMENT
(2) RECTIFICATION OF BREACH OF THE LISTING RULES
AND
(3) SUPPLEMENTAL NOTICE OF THE ANNUAL GENERAL MEETING**

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



A letter from the Board is set out on pages 5 to 26 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 27 to 28 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 29 to 46 of this circular.

The Original Notice of AGM convening the AGM at Conference Room, 24F, Huacheng International Center, 80 Daxue Road, Erqi District, Zhengzhou City, Henan Province, the PRC on Thursday, June 30, 2022 at 3:00 p.m. was despatched to the Shareholders on June 9, 2022. The Supplemental Notice of AGM, which contains an additional resolution to be proposed at the AGM, is set out on pages AGM-1 to AGM-3 of this circular. A revised form of proxy for use at the AGM is also sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kqysh.com.cn).

June 16, 2022

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DEFINITIONS

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

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|---------------------------------|--|
| “2021 Unaudited Annual Results” | the announcement of the Company dated March 31, 2022 in relation to its unaudited annual results for the year ended December 31, 2021 |
| “AGM” | the annual general meeting of the Company proposed to be held on Thursday, June 30, 2022 at 3:00 p.m. to, among other things, consider and if thought fit, approve the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits |
| “Announcement” | the announcement of the Company dated April 21, 2022 in relation to the Supplemental Sales Agency Services Framework Agreement and the continuing connected transactions contemplated thereunder |
| “Articles of Association” | the articles of association of the Company, as amended from time to time |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Beijing Tongdao” | Beijing Tongdao Shenghe Investment Co., Ltd. (北京康橋同道聖合諮詢集團有限責任公司) (previously known as Beijing Tongdao Shenghe Investment Co., Ltd. (北京同道聖合投資有限公司) and was renamed to Beijing Tongdao Shenghe Investment Co., Ltd. (北京康橋同道聖合諮詢集團有限責任公司) on June 2, 2022), a company established in the PRC with limited liability on May 10, 2010 which is beneficially and wholly owned by Mr. Song |
| “Beijing Tongdao Group” | Beijing Tongdao, its subsidiaries and associates |
| “Board” | the board of Directors |
| “Company” | Kangqiao Service Group Limited (康橋悅生活集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on October 8, 2020 |
| “Computershare” | Computershare Hong Kong Investor Services Limited, the Hong Kong share registrar of the Company |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |

DEFINITIONS

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| “connected transaction(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Song, Hung Fai Property Limited and Kangqiaoyue Shenghuo BVI or all of which are a group of Controlling Shareholders |
| “Director(s)” | director(s) of the Company |
| “GFA” | gross floor area |
| “Group” | the Company and its subsidiaries |
| “Historical Refundable Deposits” | the Refundable Deposits paid by the Group to the Beijing Tongdao Group as of the date of the Announcement, as further described in Parts B and C in the letter from the Board in this circular |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the independent board committee of the Board consisting of all the independent non-executive Directors |
| “Independent Financial Adviser” | Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits |
| “Independent Shareholder(s)” | Shareholder(s) who are not required by the Listing Rules to abstain from voting on the resolution to be proposed at the AGM to approve the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits |
| “Kangqiaoyue Shenghuo BVI” | Kangqiaoyue Shenghuo Holdings Limited (康橋悦生活控股有限公司), a company established in the British Virgin Islands with limited liability on September 29, 2020 and a wholly-owned subsidiary of Hung Fai Property Limited (one of the Controlling Shareholders) |

DEFINITIONS

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| “Latest Practicable Date” | June 14, 2022, being the latest practicable date before the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules |
| “Mr. Song” | Mr. SONG Gewei (宋革委), the chairman of the Board, a non-executive Director and the ultimate Controlling Shareholder |
| “Original Form of Proxy” | the original form of proxy of the Company in respect of the resolutions set out in the Original Notice of AGM, which was despatched to the Shareholders on June 9, 2022 |
| “Original Notice of AGM” | the original notice of the AGM dated June 9, 2022 |
| “PRC” | the People’s Republic of China |
| “Prospectus” | the prospectus of the Company dated June 29, 2021 |
| “Refundable Deposits” | the refundable deposits to be paid by relevant members of the Group to relevant members of the Beijing Tongdao Group pursuant to the Supplemental Sales Agency Services Framework Agreement in connection with the Sales Agency Services |
| “Reporting Period” | the financial year ended December 31, 2021 |
| “Revised Form of Proxy” | the revised form of proxy of the Company in respect of the resolutions set out in the Original Notice of AGM and the Supplemental Notice of AGM |
| “RMB” | Renminbi yuan, the lawful currency of the PRC |
| “Sales Agency Services” | the services to be provided by the Group to the Beijing Tongdao Group as contemplated under the Sales Agency Services Framework Agreement, the details of which are set out in the section headed “Continuing Connected Transactions” of the Prospectus |

DEFINITIONS

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| “Sales Agency Services Framework Agreement” | the sales agency services framework agreement dated June 17, 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates), the details of which are set out in the section headed “Continuing Connected Transactions” of the Prospectus |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) in the share capital of the Company, currently with a par value of HK\$0.01 each |
| “Shareholder(s)” | holder(s) of the share(s) of the Company |
| “sq.m.” | square meter(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiaries” | has the meaning ascribed thereto under the Listing Rules, and “subsidiary” means any one of them |
| “Supplemental Notice of AGM” | the supplemental notice of the AGM dated June 16, 2022, which is set out on pages AGM-1 to AGM-3 of this circular |
| “Supplemental Sales Agency Services Framework Agreement” | the supplemental sales agency services framework agreement dated April 21, 2022 and entered into between the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) in relation to, among other things, the payment of Refundable Deposits in connection with the Sales Agency Services |
| “%” | per cent. |

LETTER FROM THE BOARD



Kangqiao Service Group Limited

康橋悅生活集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2205)

Directors:

Non-executive Director:

Mr. SONG Gewei (*Chairman*)

Executive Directors:

Mr. DAI Wei

Mr. KANG Weiguo

Ms. WANG Na

Independent non-executive Directors:

Dr. LI Haitao

Dr. FAN Yun

Mr. WONG Yun Pun

Registered Office:

Campbells Corporate Services Limited

Floor 4, Willow House

Cricket Square

Grand Cayman

KY1-9010

Cayman Islands

***Principal Place of Business and Head Office
in the PRC:***

24F, Huacheng International Center

Daxue Road, Erqi District

Zhengzhou City

Henan Province

The PRC

Principal Place of Business in Hong Kong:

31/F, Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

June 16, 2022

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS —
SUPPLEMENTAL SALES AGENCY SERVICES FRAMEWORK AGREEMENT
AND
(2) RECTIFICATION OF BREACH OF THE LISTING RULES**

LETTER FROM THE BOARD

A. INTRODUCTION

Reference is made to the (i) Announcement in relation to entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits; and (ii) the AGM circular of the Company and the Original Notice of AGM dated June 9, 2022.

The purpose of this circular is to provide you with, among other things, (i) details of the Supplemental Sales Agency Services Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee in relation to the Supplemental Sales Agency Services Framework Agreement; (iii) a letter from the Independent Financial Adviser in relation to the Supplemental Sales Agency Services Framework Agreement to the Independent Board Committee and the Independent Shareholders; (iv) the Supplemental Notice of AGM; and (v) other information as required under the Listing Rules.

B. CONTINUING CONNECTED TRANSACTIONS — SUPPLEMENTAL SALES AGENCY SERVICES FRAMEWORK AGREEMENT

1. Sales Agency Services Framework Agreement and Historical Refundable Deposits

As disclosed in the section headed “(D) Continuing Connected Transactions subject to Reporting, Annual Review, Announcement, Circular and Independent Shareholders’ Approval Requirements — 3. Provision of Sales Agency Services to Beijing Tongdao and its Associates” of the Prospectus, on June 17, 2021, the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) entered into the Sales Agency Services Framework Agreement, pursuant to which the Group agreed to provide the Sales Agency Services to the Beijing Tongdao Group, being sales agency services for first-hand properties and unsold parking spaces, including but not limited to consulting services and sales events organization services, on an exclusive and sole basis for some of the property projects developed by the Beijing Tongdao Group. The Sales Agency Services Framework Agreement became effective on July 16, 2021 (being the date of the listing of the Shares on the Main Board of the Stock Exchange) and shall be valid until December 31, 2023, renewable by mutual agreement of the parties, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations.

As disclosed in note 16 to the unaudited consolidated financial statements for the Reporting Period disclosed in the 2021 Unaudited Annual Results, the Group and certain subsidiaries of Beijing Tongdao entered into several sales agency services agreements, pursuant to which the Group paid the Historical Refundable Deposits in an aggregate amount of RMB134,969,000 subsequent to the Reporting Period. Further, during the Reporting Period, the Group has paid the Historical Refundable Deposits in an aggregate amount of RMB85,836,000. As of the Latest Practicable Date, the Historical Refundable Deposits had been refunded to the Group in full and there was no outstanding balance.

LETTER FROM THE BOARD

2. Principal Terms of the Supplemental Sales Agency Services Framework Agreement

On April 21, 2022, the Company and Beijing Tongdao entered into the Supplemental Sales Agency Services Framework Agreement, pursuant to which members of the Group shall pay to members of the Beijing Tongdao Group the Refundable Deposits in connection with the Sales Agency Services contemplated under the Sales Agency Services Framework Agreement. The Refundable Deposits payable by the Group were and will continue to be funded by the Group's internal resources generated from its operations. The Company did not and will not use its proceeds from its initial public offering for the payment of the Refundable Deposits. The Company is not entitled to receive any interest income from the payment of the Refundable Deposits.

The first-hand properties and unsold parking spaces covered under the Supplemental Sales Agency Services Framework Agreement form only part of the properties and parking spaces covered under the Sales Agency Services Framework Agreement. The GFA of the first-hand properties and the number of unsold parking spaces covered under the Sales Agency Services Framework Agreement and the Supplemental Sales Agency Services Framework Agreement are set out below, respectively:

Sales Agency Services Framework Agreement

| Item | For the year ended December 31, 2021 | For the year ending December 31, 2022 | For the year ending December 31, 2023 |
|--|---|--|--|
| First-hand properties (<i>sq.m.</i>) | 971,815.57 | 1,248,913.26 | 1,560,944.21 |
| unsold parking spaces | 10,583 | 14,605 | 21,615 |

Supplemental Sales Agency Services Framework Agreement

| Item | For the year ended December 31, 2021 | For the year ending December 31, 2022 | For the year ending December 31, 2023 |
|--|---|--|--|
| First-hand properties (<i>sq.m.</i>) | 0 | 20,438.44 | 21,011.21 |
| unsold parking spaces | 1,760 | 2,175 | 2,574 |

Note: The aforementioned GFA of the first-hand properties and number of unsold parking spaces covered under the Sales Agency Services Framework Agreement and the Supplemental Sales Agency Services Framework Agreement for the two years ending December 31, 2023 are the estimated figures only, which are based on (i) the property development plan of the Beijing Tongdao Group and (ii) the estimated GFA of first-hand properties and number of unsold parking spaces of the Beijing Tongdao Group available for sale by the Group as an agent. Such figures may be affected by the market conditions and the sales of first-hand properties and parking spaces.

LETTER FROM THE BOARD

The following sets forth a summary of the principal terms of the Supplemental Sales Agency Services Framework Agreement:

- Date** : April 21, 2022
- Parties:** : (a) the Company (for itself and on behalf of its subsidiaries); and
- (b) Beijing Tongdao (for itself and on behalf of its subsidiaries and associates)
- Term** : For a term of three years with retrospective effect from January 1, 2021 and ending on December 31, 2023, subject to renewal of the Supplemental Sales Agency Services Framework Agreement by mutual agreement of the parties
- Subject matter:** : In connection with the Sales Agency Services contemplated under the Sales Agency Services Framework Agreement, members of the Group shall pay to members of the Beijing Tongdao Group the Refundable Deposits in an amount equal to: (a) a percentage ranging from 20% to 40% of the value of relevant properties (in the case of first-hand properties); or (b) sales reserve prices of the relevant parking spaces (in the case of the unsold parking spaces).
- Pricing policy** : (i) **Refundable Deposits with respect to the first-hand properties**

With respect to the first-hand properties, the Refundable Deposits shall be equal to a percentage ranging from 20% to 40% of the saleable value of the underlying properties, which is determined in line with industry practice and with reference to the locations, the unsold amount and the popularity of the respective property projects. The Company has taken into account transactions conducted by comparable companies (the “**Comparables**”) of a similar nature, the details of which are set out in the table of Comparables below.

LETTER FROM THE BOARD

(ii) Refundable Deposits with respect to the unsold parking spaces

With respect to the unsold parking spaces, the amount of the Refundable Deposits shall be equal to total sales reserve price of such unsold parking spaces, which is a unified standard of Beijing Tongdao Group also applicable to the refundable deposits payable by an independent third party to them in respect of the same services and is in line with the industry practices. The total sales reserve price is calculated according to the formula below:

$$\begin{array}{l} \text{Total sales} \\ \text{reserve} \\ \text{price} \end{array} = \begin{array}{l} \text{Sales} \\ \text{reserve} \\ \text{price of} \\ \text{each} \\ \text{unsold} \\ \text{parking} \\ \text{space} \end{array} \times \begin{array}{l} \text{Number of unsold parking} \\ \text{spaces under the relevant} \\ \text{definitive sales agency} \\ \text{services agreement(s)} \end{array}$$

The sales reserve price for the unsold parking spaces ranges from RMB30,000 to RMB170,000, which is determined with reference to (i) the popularity of the unsold parking spaces; (ii) the real estate market condition and the scope of services provided; and (iii) the location of the unsold parking spaces.

LETTER FROM THE BOARD

In respect of the pricing terms under the Supplemental Sales Agency Services Framework Agreement, the Company made reference to the comparable transactions announced by other companies listed on the Stock Exchange during the 12 months immediately preceding the date of the Supplemental Sales Agency Services Framework Agreement that involved payment of refundable deposits in respect of the exclusive sales agency rights for properties and/or parking spaces. The table below sets forth the list of the Comparables in respect of properties and/or parking spaces and the summary of their relevant deposit rates:

| Company name (stock code) | Date of announcement | Deposit rate in respect of properties | Deposit rate in respect of parking spaces | Payment in lump sum | Connected transaction |
|--|-------------------------|---|---|------------------------|--------------------------|
| Poly Property Services Co., Ltd. (6049) | July 16, 2021 | Not applicable | Not more than 50% | Not available | Yes |
| Landsea Green Life Service Company Limited (1965) | September 15, 2021 | 100% | 100% | Yes | Yes |
| Landsea Green Life Service Company Limited (1965) | November 22, 2021 | 100% | Not applicable | Yes | Yes |
| Xinyuan Property Management Service (Cayman) Ltd. (1895) | January 12, 2022 | Not applicable | 100% | No | Yes |
| The Company | April 21, 2022 | 20% to 40% | 100% | Yes | Yes |

Note: Sources of information: the official website of the Stock Exchange (<https://www.hkex.com.hk/>)

As shown in the table above, the relevant deposit rates underlying the applicable Comparables are 100% in respect of properties. Hence, the deposit rate ranging from 20% to 40% in respect of the first-hand properties under the Supplemental Sales Agency Services Framework Agreement is more favourable to the Group than those under the Comparables.

With respect to the parking spaces, the relevant deposit rates underlying the Comparables range from being not more than 50% to 100%, with such rates underlying two out of three applicable Comparables being 100%. Accordingly, the deposit rate of 100% in respect of the unsold parking spaces under the Supplemental Sales Agency Services Framework Agreement is in line with those under the majority of the applicable Comparables and is justifiable.

LETTER FROM THE BOARD

With respect to the payment terms of the Refundable Deposits, the Board notes that details of the underlying payment terms of the refundable deposits have been explicitly disclosed in the relevant announcement and circulars of three out of four Comparables, among which two of them require the payments of the refundable deposits to be made in one lump sum within a short period of time after the execution of the relevant agreements.

Based on the public information available and to the best knowledge of the Company, no interest rates of the refundable deposits paid by the Comparables were disclosed in the relevant announcements and/or circulars on the comparable transactions. Having considered that (i) members of the Group are able to charge higher commission and agency fees to members of the Beijing Tongdao Group after entering into the Supplemental Sales Agency Services Framework Agreement; (ii) the potential benefits of the Supplemental Sales Agency Services Framework Agreement to the Group outweigh the cost of capital of the Group, the details of which are set out under the section headed “5. Reasons for and Benefits of the Supplemental Sales Agency Services Framework Agreement” below; and (iii) no available information has indicated that the payment of the Refundable Deposits on an interest free basis under the Supplemental Sales Agency Services Framework Agreement is contradict to the normal market practice or not on normal commercial terms, the Board is of the view that the term of the Supplemental Sales Agency Services Framework Agreement relating to the no-interest income to be received by the Company on the payment of the Refundable Deposits is justifiable.

Taking into account the above-mentioned factors, the Board is of the view that the pricing terms (including the payment of the Refundable Deposits on an interest free basis) under the Supplemental Sales Agency Services Framework Agreement are fair and reasonable and are on normal commercial terms.

LETTER FROM THE BOARD

Other terms : With respect to the first-hand properties, the Refundable Deposits shall be refunded to the Group as follows:

- (a) on a monthly basis and from the month following the entering into of definitive sales agency services agreement(s), the amount of Refundable Deposits equivalent to the aggregated contracted sales amount of the properties in the previous month will be refunded to the Group;
- (b) within six months after entering into of definitive sales agency services agreement(s), no less than 50% of the Refundable Deposits shall be refunded to the Group, and any shortfall shall be paid up within 15 days after receipt of the notices from the Group; and
- (c) within 12 months after entering into of definitive sales agency services agreement(s), all the outstanding Refundable Deposits shall be refunded to the Group.

With respect to the unsold parking spaces, the Refundable Deposits shall be refunded to the Group as follows:

- (a) for the parking spaces sold by the Group, the amount of the Refundable Deposits shall be set-off by the total sales reserve price for such parking spaces received by the Group; and
- (b) for the parking spaces failed to be sold by the Group, the Refundable Deposits shall be refunded in full upon the expiration of the Sales Agency Services Framework Agreement on December 31, 2023, or on the date(s) as agreed by parties under the relevant definitive sales agency services agreement(s) (whichever is earlier).

LETTER FROM THE BOARD

The payment terms of the Refundable Deposits shall be agreed in the definitive agreements to be entered into between the relevant members of the Group and the Beijing Tongdao Group. The payment arrangements of 2022 and 2023 are expected to be generally in line with the following:

With respect to the unsold parking spaces, the Refundable Deposits shall be paid to the Beijing Tongdao Group as follows:

- (a) in 2021, the Refundable Deposits shall be paid in three instalments. 35% of the Refundable Deposits shall be paid within seven days after signing of the definitive agreements, 30% shall be paid within a period of three to six months (as agreed by relevant parties) after signing of the definitive agreements, and the remaining 35% shall be paid within another period of three to six months (as agreed by relevant parties) after signing of the definitive agreements; and
- (b) in 2022 and 2023, the Refundable Deposits shall be paid in one lump sum within seven days after signing of the definitive agreements.

With respect to the first-hand properties, no Refundable Deposits were paid in 2021. In 2022 and 2023, the Refundable Deposits shall be paid in one lump sum to the relevant members of the Beijing Tongdao Group within seven days after signing of the definitive agreements.

The aforementioned payment terms are determined with reference to the market conditions of the real estate market in the PRC in the locality and the sales schedule of the first-hand properties and unsold parking spaces of the Beijing Tongdao Group. In 2021, as the sales of parking spaces of the Beijing Tongdao Group was relatively slower due to the downturn of the real estate market in the PRC, the relevant Refundable Deposits were paid in three instalments.

Pursuant to the research reports on interim investment strategy of 2022 in relation to the real estate market in the PRC dated May 31, 2022 and June 9, 2022 issued by Everbright Securities Company Limited and Orient Securities Research Institute respectively, the regulation on real estate market has shifted from focusing on stability maintenance to introducing more active policies, and the real estate industry's supply and demand are expected to be gradually recovered. At the first quarter financial statistics conference of 2022 held by the People's Bank of China at April 14, 2022, it was reported that since March 2022, due to the weakening market demand, banks in more than 100 cities across the PRC have voluntarily lowered mortgage interest rates according to market changes and their own business conditions, with the average interest rate ranging between 20 to 60 basis points. Accordingly, certain provincial market interest rates have also complied with the PRC government's request and lowered the limit of the down payment ratio and interest rates within the prescribed scope of national policies. The Company considers that the implementation of such policies would potentially stimulate housing demand and contributes to the overall recovery of the real estate market in the PRC. Further, in order to facilitate the sale of first-hand properties and parking spaces in 2022 and 2023, Beijing Tongdao Group would consider to offer higher discount rates for those first-hand properties and parking spaces retaining in the last batches of the launched

LETTER FROM THE BOARD

property projects. Despite the overall uncertain property market in the PRC, with the implementation of the policies of stabilizing the real estate market in the PRC in the first half of 2022, the general recovery of the real estate market in the PRC from 2022 and the aforementioned relatively lower selling prices to be offered by the Beijing Tongdao Group to the market, the sales pace of the first-hand properties and unsold parking spaces of the Beijing Tongdao Group in 2022 and 2023 are expected to be faster as compared to 2021. As such, the relevant Refundable Deposits will be paid in one lump sum to members of the Beijing Tongdao Group. In addition, while no Refundable Deposits were made in respect of first-hand properties in 2021, under the arrangements of the Refundable Deposits, the total number of parking spaces sold by the Beijing Tongdao Group for the first five months of 2022 amounted to approximately 240 units, representing a faster sales pace as compared to that of approximately 160 units for the same period of 2021. Having considered (i) the recovery of the overall real estate market in the PRC; (ii) the expected faster sales pace of the Beijing Tongdao Group in 2022 and 2023; (iii) the aforementioned sales pace of parking spaces by the Beijing Tongdao Group under the arrangements of the Refundable Deposits for the first five months of 2022; and (iv) the payment arrangement in one lump sum of the Comparables as disclosed under the sub-section headed “2. Principal Terms of the Supplemental Sales Agency Services Framework Agreement — Pricing Policy” above, notwithstanding the increased credit risk of the Company and the uncertainty in the PRC property market, the Board is of the view that the payment of the Refundable Deposits in one lump sum in 2022 and 2023 is in line with the market practice, fair and reasonable and on normal commercial terms.

The Board will closely monitor the macroeconomic environment of the PRC, the policies and market conditions of the real estate market in the PRC and the sale of first-hand properties and unsold parking spaces of the Beijing Tongdao Group. In the event that there is any material adverse change in the operational and financial conditions of the Beijing Tongdao Group (including but not limited to, the aforementioned sales pace) and the overall real estate market in the PRC, the Company will consider to change the payment term from on lump sum to several installments, make other necessary adjustments to the payment terms of the Refundable Deposits and make proper disclosure as and when required.

Pursuant to the Supplemental Sales Agency Services Framework Agreement, the Company and Beijing Tongdao agreed to ratify the payment of the Historical Refundable Deposits, which shall also be subject to the terms thereunder (including but not limited to those relating to pricing policies and refundable mechanism). Please refer to Part C of the letter from the Board in this circular for further details.

LETTER FROM THE BOARD

3. Historical Transactions Amounts

The table below sets forth the historical transaction amounts of (i) the commission and agency fees charged by the Group to the Beijing Tongdao Group; and (ii) the Historical Refundable Deposits paid by the Group to the Beijing Tongdao Group for the year ended December 31, 2021, pursuant to the Sales Agency Services Framework Agreement (as supplemented by the Supplemental Sales Agency Services Framework Agreement):

| | For the year ended December 31, 2021 (RMB'000) |
|---|---|
| Total commission and agency fees | 132,095 |
| Maximum daily balance of the Historical Refundable Deposits | 68,136 |

4. Proposed Annual Caps and Basis for Determination

The table below sets forth the proposed annual caps for (i) the commission and agency fees to be charged by the Group to the Beijing Tongdao Group; and (ii) the Refundable Deposits to be paid by the Group to the Beijing Tongdao Group for the three years ending December 31, 2023, pursuant to the Sales Agency Services Framework Agreement (as supplemented by the Supplemental Sales Agency Services Framework Agreement):

| | For the year ended December 31, 2021 (RMB'000) | For the year ending December 31, 2022 (RMB'000) | For the year ending December 31, 2023 (RMB'000) |
|---|---|--|--|
| Total commission and agency fees | 133,386 | 193,809 | 277,281 |
| Maximum daily balance of the Refundable Deposits | 70,000 | 200,000 | 200,000 |

In arriving at the abovementioned proposed annual caps for the Refundable Deposits, the Directors have taken into account, among others, (i) the amount of Historical Refundable Deposits during the relevant periods; (ii) the estimated value of first-hand properties and unsold parking spaces of the Beijing Tongdao Group available for sale by the Group as an agent for the three years ending December 31, 2023; (iii) the development and prospect of the property business of the Beijing Tongdao Group; and (iv) the cash flow and working capital of the Group.

LETTER FROM THE BOARD

In particular, with respect to the proposed annual caps for the two years ending December 31, 2023, the Directors have mainly considered:

- (i) the development and prospect of the property business of the Beijing Tongdao Group for the two years. Considering the general recovery of the real estate market in the PRC and the gradual resumption of construction of projects of the Beijing Tongdao Group which were delayed in 2021 due to COVID-19 pandemic, it is expected that more properties and parking spaces will be delivered in 2022 and 2023 by the Beijing Tongdao Group. As such, there will be larger amount of projects of the Beijing Tongdao Group for the Group to select from in 2022 and 2023 as compared to those of 2021; and
- (ii) the liquidity position of the Group. As of December 31, 2021, the Group's cash and cash equivalents amounted to approximately RMB540.8 million. For the purpose of better utilizing the surplus cash of the Group, the Company has decided to further cooperate with the Beijing Tongdao Group in 2022 and 2023 pursuant to the Supplemental Sales Agency Services Framework Agreement. In addition, the Group generally targets to maintain a utilisation of cash and cash equivalents by the maximum daily balance of Refundable Deposits of not more than 60% in order to maintain sufficient working capital of the Group, subject to the prevailing conditions of the market and the Group. The maximum daily balance of the Historical Refundable Deposits for 2021 of RMB68,136,000 represented approximately 20.2% of the average of the opening and closing cash and cash equivalents balances of the Group for 2021; and the proposed annual cap of RMB200,000,000 for each of 2022 and 2023 represents approximately 37.0% of the cash and cash equivalents balance of the Group as of December 31, 2021.

Taking into account the aforementioned factors, the Company is of the view that proposed annual caps for the Refundable Deposits for the two years ending December 31, 2023 are fair and reasonable.

For details of the basis of determination of the proposed annual caps for the commission and agency fees, please refer to the section headed "Continuing Connected Transactions" of the Prospectus.

By way of illustration, based on the historical amount of the commission and agency fees received by the Group from the Beijing Tongdao Group for the year ended December 31, 2021 in respect of provision of sales agency services for the first-hand properties and unsold parking spaces covered under the Supplemental Sales Agency Services Framework Agreement, the commission and agency fees (in terms of percentage) receivable by the Company from the provision of sales agency services for the first-hand properties and unsold parking spaces to the Beijing Tongdao Group were approximately 5% and approximately 25% to 52% of the contract prices of the relevant first-hand properties and unsold parking spaces, respectively. The actual commission and agency fees receivable for provision of the Sales Agency Services in respect of the first-hand properties and unsold parking spaces are subject to the relevant definitive agreements to be entered into

LETTER FROM THE BOARD

between the relevant members of the Group and the Beijing Tongdao Group, and shall be determined after arm's length negotiations between the relevant parties with reference to the then market conditions. As the sales agency fees for the unsold parking spaces would be the difference between the contract prices and the sales reserve prices of subject parking spaces, the sales agency fees receivable for provision of the Sales Agency Services in respect of the unsold parking spaces are also subject to the actual contract prices for sale of the relevant parking spaces.

5. Reasons for and Benefits of the Supplemental Sales Agency Services Framework Agreement

In determining the entering into the Supplemental Sales Agency Services Framework Agreement and the terms thereunder, the Board has primarily considered the following reasons and benefits:

- (i) the Sales Agency Services provided by the Group to the Beijing Tongdao Group contemplated under the Sales Agency Services Framework Agreement are consistent with the business and commercial objectives of the Group. Leveraging the Group's long-term relationship with the Beijing Tongdao Group, the entering into of the Sales Agency Services Framework Agreement enables the Group to continue to diversify its income streams.
- (ii) the Group agreed to, from time to time, pay the Refundable Deposits to the Beijing Tongdao Group and entered into the Supplemental Sales Agency Services Framework Agreement in anticipation of the continuation of such types of services, which is believed to conducive for the Group to ensure a stable income stream and enhance profitability as a whole since the Group would be able to obtain the exclusive right to provide the Sales Agency Services. By making the payment of the Refundable Deposits, members of the Group are able to charge higher commission and agency fees as compared to its previous sales agency services under the Sales Agency Services Framework Agreement, which is in line with the industry practice. The commission and agency fees receivable by the Group from the Beijing Tongdao Group for provision of Sales Agency Services in respect of the first-hand properties after entering into the Supplemental Sales Agency Services Framework Agreement are approximately 5% of the contract prices of the relevant first-hand properties, which is higher than that of approximately 0.9% to approximately 1.15% of the relevant contract prices before entering into the Supplemental Sales Agency Services Framework Agreement. The commission and agency fees receivable by the Group for provision of Sales Agency Services in respect of the unsold parking spaces for the year ended December 31, 2021 under the arrangements of Refundable Deposits was approximately RMB29,900 per unit sold, which were higher than that of approximately RMB18,300 per unit sold before the arrangements of Refundable Deposits.

LETTER FROM THE BOARD

- (iii) the refund mechanism for the Refundable Deposits has been agreed by parties and explicitly provided under the Supplemental Sales Agency Services Framework Agreement.
- (iv) the Group generally adopts a policy under which the maximum daily balance of Refundable Deposits shall not be more than 60% of the cash and cash equivalents balances. In order to monitor the maximum daily balance of the Refundable Deposits, the finance department of the Company shall, on a weekly basis, compare the expected maximum daily balance of the Refundable Deposits payable to the Beijing Tongdao Group for the upcoming week based on the relevant definitive agreements executed with the then prevailing cash and cash equivalents balance of the Group to ensure that the aforesaid 60% threshold is not exceeded. Before entering into each new definitive agreement(s), the management of the Company shall also make reference to the potential amount of the Refundable Deposits payable computed based on the relevant underlying payment terms, and such definitive agreement(s) will be entered into on the condition that the maximum daily balance of the Refundable Deposits represents an utilisation of not more than 60% of the prevailing expected cash and cash equivalents balance of the Group. Taking into account such working capital management policy, the expected stable income stream to be acquired by the Group through the payment of the Refundable Deposits and other steady revenue streams from the Group's principal business, the Directors believes that the Company would have sufficient funding for its operation and consider the payment of the Refundable Deposits to be a fair means to better utilize its surplus cash, as further elaborated below.
- (v) the Board considers that the benefits of the payment of the Refundable Deposits outweigh the relevant cost of capital of the Group. Based on the public information available and to the best knowledge of the Company, the annualised rates of returns on wealth investment products, with a range from approximately 1% to approximately 6%, offered by certain banks in the PRC (including Bank of China, China Construction Bank Corporation and Bank of Qingdao Co., Ltd.). In assessing the benefits of the payment of the Refundable Deposits, as no Sales Agency Services was provided by the Group to the Beijing Tongdao Group in respect of first-hand properties under the arrangements of the Refundable Deposits, for the year ended December 31, 2021, the Company has made reference to the actual revenue generated from the sale of unsold parking spaces of the Beijing Tongdao Group under the arrangement of Refundable Deposits for the year ended December 31, 2021 for analysis purposes only. In 2021, the Company successfully entered into sales contracts for approximately 26.8% of the unsold parking spaces under the arrangement of Refundable Deposits, and estimated the cost associated with such unsold parking spaces only by proportionating with reference to the revenue attributable to such unsold parking spaces. Based on (i) the estimated net profits in respect of the sale of such unsold parking spaces under the arrangement of Refundable Deposits only for 2021 after deducting the associated operating cost and taxation from the revenue generated from the sales of such unsold parking

LETTER FROM THE BOARD

spaces under the arrangement of Refundable Deposits only; and (ii) the annualised balance of the Historical Refundable Deposits for the year ended December 31, 2021, approximate rate of return on the payment of the Refundable Deposits was 37.3%. On the assumptions that the Company successfully entered into sales contracts for all, 50%, 20% and none of the first-hand properties and unsold parking spaces under the arrangement of Refundable Deposits for the year ended December 31, 2021, for reference purposes only, the approximate rate of return on the payment of the Refundable Deposits would be 164.1%, 77.9%, 26.2% and -8.3%, respectively. Accordingly, notwithstanding the negative return rate on the payment of the Refundable Deposits in the event that the Company fails to enter into sales contracts for all of the first-hand properties and unsold parking spaces under the arrangement of the Refundable Deposits, having considered the potential high return rates under the aforementioned different scenarios and the success rate of entering into the sales contracts in respect of the unsold parking spaces under the payment of the Refundable Deposits achieved by the members of the Group in 2021, the Board is of the view that the benefits of the payment of the Refundable Deposits outweigh the relevant cost of capital of the Group.

- (vi) the Company has performed the credit risk assessment in relation to the payment of the Refundable Deposits, including but not limited to evaluating customers' feedback of the sold properties of Beijing Tongdao Group, conducting market research on the business reputation of relevant members of the Beijing Tongdao Group and reviewing the credit report(s) of relevant members of the Beijing Tongdao Group. Based on the corporate credit report of the Beijing Tongdao Group reviewed by the Company as of the Latest Practicable Date, the Company notes no negative record in respect of their credit. As of the Latest Practicable Date, the Beijing Tongdao Group had (i) no concerned or non-performing loans; (ii) no concerned or non-performing guarantees; and (iii) no administrative penalties or enforcements against members of the Beijing Tongdao Group. The Board has also reviewed the unaudited consolidated financial statements of the Beijing Tongdao Group for the year ended December 31, 2021 prepared in accordance with the Accounting Standards for Enterprises of the PRC and notes that the Beijing Tongdao Group has relatively high level of cash balance and net asset value position as at December 31, 2021 as compared to each of the proposed annual caps in respect of the Refundable Deposits for the three years ending December 31, 2023. After performing aforementioned credit risk assessment procedures and reviewing the financial information of the Beijing Tongdao Group and having considered the long-term cooperation of between the Group and the Beijing Tongdao Group, the Board is of the view that members of the Beijing Tongdao Group are with good credit and the Board is not aware of any significant credit risk encountered by Beijing Tongdao Group or anything unusual about the financial capability of the Beijing Tongdao Group. To minimise the credit risk in relation to the payment of the Refundable Deposits, the business operation department and the financial department of the Company will review the refunding status of the Refundable Deposits on a monthly basis. In the event of a delay in the

LETTER FROM THE BOARD

refund of the Refundable Deposits to the Group, the relevant members of the Group will follow up with the relevant members of the Beijing Tongdao Group in a timely manner. Depending on the circumstances of the delay, the Company may issue collection letter(s), file law suit(s) or take other legal measures to collect Refundable Deposits to be refunded to the Group in accordance with the Company's policy on collection of outstanding payments as and when required. As of the Latest Practicable Date, there was no default in refund of the Refundable Deposits by members of the Beijing Tongdao Group. Therefore, the Company believes that the risks in respect of the recoverability of the Refundable Deposits are controllable by the Group.

The terms of the Supplemental Sales Agency Services Framework Agreement have been arrived at after arm's length negotiations between the parties thereto. Taking into account the aforementioned factors, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Supplemental Sales Agency Services Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

6. Implications under the Listing Rules

As of the Latest Practicable Date, Beijing Tongdao was beneficially and wholly-owned by Mr. Song, the ultimate Controlling Shareholder. Therefore, Beijing Tongdao constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Supplemental Sales Agency Services Framework Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the Refundable Deposits contemplated under the Supplemental Sales Agency Services Framework Agreement exceed 5%, such transactions constitute continuing connected transactions of the Company, subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

C. RECTIFICATION OF BREACH OF THE LISTING RULES

1. Reasons for Failure to Identify the Continuing Connected Transactions

As disclosed in the section headed "6. Implications under the Listing Rules" in Part B of this letter from the Board above, the payment of the Refundable Deposits as contemplated under the Supplemental Sales Agency Services Framework Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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As disclosed in Part B above, the Group had paid the Historical Refundable Deposits in an aggregate amount of RMB220,805,000 to the Beijing Tongdao Group during and subsequent to the conclusion of the Reporting Period, all of which had been refunded to the Group as of the Latest Practicable Date. As one or more of the applicable percentage ratios in respect of the Historical Refundable Deposits have exceeded 5%, such payment of the Historical Refundable Deposits constituted continuing connected transactions of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the Company had not complied with such applicable requirements prior to making the payment of the Historical Refundable Deposits, such payment constituted a breach of Chapter 14A of the Listing Rules.

The Board wishes to clarify that the abovementioned breach of the Listing Rules was due to an inadvertent oversight. Since the Group has been involved in a number of continuing connected transactions with the Beijing Tongdao Group (including those contemplated under the Sales Agency Services Framework Agreement), the Company was mistaken of the nature and classification of the Refundable Deposits. The Company regrets such unintentional breach of the Listing Rules and reiterates its belief that continuing compliance with the Listing Rules and other applicable regulatory requirements is of utmost importance.

2. Enhanced Internal Control Measures

To safeguard the interests of the Group, the Group has adopted and will continue to adhere to the following internal control procedures in respect of its continuing connected transactions with the Beijing Tongdao Group:

- (i) maintaining a list of connected persons and circulating such list together with copies of the relevant extracts of the Listing Rules to the relevant personnel and senior management of each member of the Group, and such connected persons list shall be updated by personnel/senior management of the relevant subsidiary from time to time;
- (ii) reporting any potential connected transaction to the relevant personnel and senior management of the Company in advance in order to ascertain whether there will be any implications under the Listing Rules;
- (iii) examining the pricing of continuing connected transactions regularly to ensure such transactions under the relevant framework agreements are conducted in accordance with the pricing terms thereof. The finance department of the Company will, on a quarterly basis, review the prices obtained from or offered to independent third parties and the prevailing market prices for the same type of services, as the case may be, and compare such prices with those of the continuing connected transactions under the framework agreements. The terms of the transactions shall be no less favourable to the Group than prices offered to or received from independent third parties and the prevailing market prices for the same types of products or services. In the event that any revisions to the prices under the continuing connected transactions are needed, a meeting shall

LETTER FROM THE BOARD

be held within the finance department of the Company and the proposed revised price shall be reviewed and approved by the management of the Company. The continuing connected transactions shall be in line with the market pricing principle and shall be carried out on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole; and

- (iv) performing the annual review of the continuing connected transactions by the independent non-executive Directors and the auditors of the Company in accordance with Rules 14A.55 and 14A.56 under the Listing Rules, respectively.

Further, to prevent reoccurrence of similar breaches of the Listing Rules in the future, the Group will put in place the following internal control measures:

- (i) providing continuous internal trainings on connected transaction to all the relevant personnel, accounting staff, internal auditor and senior management in all business departments of members of the Group on a regular basis to reinforce and re-explain the relevant requirements under Chapter 14A of the Listing Rules;
- (ii) regularly reviewing, monitoring and verifying the existing data base relating to continuing connected transactions (including identity of connected persons, annual cap amount, monthly transaction amount and cumulated amount etc.) to ensure accuracy. In particular, the Company has adopted a threshold reporting system to monitor the utilisation of the proposed annual caps in a timely manner. The finance department of the Company will assign designated personnel to closely monitor the actual amount of connected transactions incurred pursuant to the framework agreements and submit to the management of the Company the utilization of the proposed annual caps on a monthly basis to ensure the annual caps would not be exceeded. In the event the actual transaction amount reaches 80% of the relevant annual cap, a re-assessment will be conducted. If it is determined after such re-assessment that the annual cap may be exceeded, the management of the Company would initiate the procedures for a board meeting and/or shareholders meeting (as and when required) to increase the annual cap as soon as practicable; and
- (iii) for any potential transaction(s) which may constitute new connected transaction(s) of the Group, consulting professional advisers and the Stock Exchange (where necessary) in a timely manner prior to entering into of such transaction(s).

LETTER FROM THE BOARD

D. INFORMATION ON THE PARTIES TO THE SUPPLEMENTAL SALES AGENCY SERVICES FRAMEWORK AGREEMENT

The Group

The Company was established as an exempted company with limited liability under the laws of the Cayman Islands on October 8, 2020. The Group is a reputable comprehensive property management service provider in the PRC, with a leading position in Henan Province. The Group generates its revenue mainly from three business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

Beijing Tongdao

Beijing Tongdao was established in the PRC with limited liability on May 10, 2010 and is beneficially and wholly-owned by Mr. Song, the ultimate Controlling Shareholder. Beijing Tongdao is the holding company of a number of subsidiaries, which collectively operate as a leading comprehensive property developer operating in the PRC.

E. DIRECTORS' CONFIRMATION

Mr. Song (the chairman of the Board and a non-executive Director), being the ultimate beneficial owner of Beijing Tongdao, has abstained from voting on the resolution of the Board approving the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits.

Save as disclosed above, none of the Directors has a material interest in respect thereof and was required to abstain from voting on the relevant resolution of the Board.

F. AGM AND PROXY ARRANGEMENT

The AGM will be held at Conference Room, 24F, Huacheng International Center, 80 Daxue Road, Erqi District, Zhengzhou City, Henan Province, the PRC on Thursday, June 30, 2022 at 3:00 p.m. for the Shareholders to consider and, if thought fit, approve resolutions contained in the Original Notice of the AGM and Supplemental Notice of the AGM. The Original Notice of AGM was despatched to the Shareholders on June 9, 2022. The Supplemental Notice of AGM, which contains an additional resolution to be proposed at the AGM, is set out on pages AGM-1 to AGM-3 of this circular.

The book closure periods as disclosed in the AGM circular of the Company dated June 9, 2022 and the Original Notice of AGM remain unchanged. The register of members of the Company will be closed from Monday, June 27, 2022 to Thursday, June 30, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM. In order to be eligible to attend the AGM, all properly completed transfer forms for shares accompanied by the relevant share certificates must be lodged with the Company's

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branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Friday, June 24, 2022.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders to be taken at the AGM shall be taken by poll. An announcement of the poll results will be made by the Company after the AGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As of the Latest Practicable Date, Kangqiaoyue Shenghuo BVI (a company indirectly wholly-owned by Mr. Song) held 498,750,000 issued Shares, representing approximately 71.25% of total issued share capital of the Company. Kangqiaoyue Shenghuo BVI, together with its associates, is therefore considered to have a material interest in the ordinary resolution in respect of the Supplemental Sales Agency Services Framework Agreement and the transactions contemplated thereunder and will abstain from voting on such resolution at the AGM.

Save as disclosed in above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has any material interest in the matters to be approved at the AGM. Accordingly, save as disclosed in above, no other Shareholders is required to abstain from voting on the resolutions to be proposed at the AGM.

A Shareholder who has not yet lodged the Original Form of Proxy in accordance with the instructions printed thereon with Computershare is requested to complete and return the Revised Form of Proxy in accordance with the instructions printed thereon to Computershare not less than 48 hours before the time for holding the AGM or any adjournment thereof, if he or she wishes to appoint proxies to attend the AGM on his or her behalf. In this case, the Original Form of Proxy should not be lodged to Computershare.

A Shareholder who has already lodged the Original Form of Proxy in accordance with the instructions printed thereon with Computershare should note the following:

- (i) If no Revised Form of Proxy is lodged with Computershare, the Original Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed. The proxy appointed under the Original Form of Proxy will be entitled to vote in his or her discretion or abstain from voting on any resolutions properly put to the AGM, other than those referred to in the Original Form of Proxy, including the additional resolution set out in the Supplemental Notice of AGM.
- (ii) If the Revised Form of Proxy is lodged with Computershare in accordance with the instructions printed thereon not less than 48 hours before the time for holding the AGM or any adjournment thereof, the Revised Form of Proxy will revoke and supersede the Original Form of Proxy previously lodged by the Shareholder. The Revised Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed.

LETTER FROM THE BOARD

- (iii) If the Revised Form of Proxy is lodged after 48 hours before the time for holding the AGM or any adjournment thereof, the Revised Form of Proxy will be deemed invalid. It will not revoke the Original Form of Proxy previously lodged by the Shareholder. The Original Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed. The proxy appointed under the Original Form of Proxy will be entitled to vote in his or her discretion or abstain from voting on any resolutions properly put to the AGM, other than those referred to in the Original Form of Proxy, including the additional resolution set out in the Supplemental Notice of AGM.

G. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 27 to 28 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 29 to 46 of this circular in connection with the Supplemental Sales Agency Services Framework Agreement (including its proposed annual caps for the Refundable Deposits) and the transactions contemplated thereunder, and the ratification of the payment of the Historical Refundable Deposits, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having considered the terms of the Supplemental Sales Agency Services Framework Agreement, the ratification of the payment of the Historical Refundable Deposits, and the advice of the Independent Financial Adviser, are of the opinion that: (i) the Supplemental Sales Agency Services Framework Agreement is entered into in the ordinary and usual course of business of the Company on normal commercial terms or better; (ii) the terms of the Supplemental Sales Agency Services Framework Agreement (including the proposed annual caps for the Refundable Deposits thereto) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the ratification of the payment of the Historical Refundable Deposits is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the terms of the Supplemental Sales Agency Services Framework Agreement (including the proposed annual caps for the Refundable Deposits thereto) and the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits.

Based on the information set out in this circular, the Board is of the view that the terms of the Supplemental Sales Agency Services Framework Agreement (including the proposed annual caps for the Refundable Deposits thereto) and the transactions contemplated thereunder, and the ratification of the payment of the Historical Refundable Deposits is fair and reasonable and in the interests of the Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favour of the resolution proposed at the AGM to approve the aforementioned matters.

LETTER FROM THE BOARD

H. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of
Kangqiao Service Group Limited
SONG Gewei
Chairman



Kangqiao Service Group Limited

康橋悅生活集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2205)

June 16, 2022

To the Independent Shareholders

Dear Sir or Madam,

**SUPPLEMENTAL SALES AGENCY SERVICES FRAMEWORK AGREEMENT
AND
RECTIFICATION OF BREACH OF THE LISTING RULES**

We refer to the circular of the Company dated June 16, 2022 (the “**Circular**”) of which this letter forms a part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether (i) the Supplemental Sales Agency Services Framework Agreement was entered into in the ordinary and usual course of business of the Company on normal commercial terms or better; (ii) the terms of the Supplemental Sales Agency Services Framework Agreement (including the proposed annual caps for the Refundable Deposits thereto) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the ratification of the payment of the Historical Refundable Deposits is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having taking into account the following reasons, the Independent Board Committee considers that payment of the Refundable Deposits to the Beijing Tongdao Group is fair and reasonable and on normal commercial terms:

- (i) the potential benefits of the Supplemental Sales Agency Services Framework Agreement to the Group outweigh the cost of capital of the Group, the details of which are set out under the section headed “5. Reasons for and Benefits of the Supplemental Sales Agency Services Framework Agreement” in the letter From the Board in this circular;
- (ii) no available information has indicated that the payment of the Refundable Deposits on an interest free basis under the Supplemental Sales Agency Services Framework Agreement is contradict to the normal market practice or not on normal commercial terms; and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

- (iii) the refund mechanism for the Refundable Deposits has been agreed by parties and explicitly provided under the Supplemental Sales Agency Services Framework Agreement and the risks in respect of the recoverability of the Refundable Deposits are controllable by the Group.

Having considered the terms of the Supplemental Sales Agency Services Framework Agreement, the ratification of the payment of the Historical Refundable Deposits and the advice of the Independent Financial Adviser, we are of the opinion that (i) the Supplemental Sales Agency Services Framework Agreement was entered into in the ordinary and usual course of business of the Company on normal commercial terms or better; (ii) the terms of the Supplemental Sales Agency Services Framework Agreement (including the proposed annual caps for the Refundable Deposits thereto) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the ratification of the payment of the Historical Refundable Deposits is fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the AGM to approve the terms of Supplemental Sales Agency Services Framework Agreement (including the proposed annual caps for the Refundable Deposits for the year ending December 31, 2023) and the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits.

Yours faithfully,

For and on behalf of the Independent Board Committee

Dr. LI Haitao

Dr. FAN Yun

Mr. WONG Yun Pun

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits, which has been prepared for the purpose of inclusion in this Circular.



June 16, 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs and Madams,

**(1) CONTINUING CONNECTED TRANSACTIONS —
SUPPLEMENTAL SALES AGENCY SERVICES
FRAMEWORK AGREEMENT
AND**

(2) RECTIFICATION OF BREACH OF THE LISTING RULES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the Historical Refundable Deposits, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated June 16, 2022 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

On June 17, 2021, the Company (for itself and on behalf of its subsidiaries) entered into the Sales Agency Services Framework Agreement, pursuant to which the Group agreed to provide the Sales Agency Services to the Beijing Tongdao Group on an exclusive and sole basis for some of the property projects developed by the Beijing Tongdao Group. The Group and certain subsidiaries of the Beijing Tongdao Group entered into several sales agency services agreements, pursuant to which the Company had paid the Historical Refundable Deposits to the Beijing Tongdao Group during and subsequent to the Reporting Period in an aggregate amount of RMB220,850,000 during and subsequent to the conclusion of the Reporting Period, all of which had been refunded to the Group as of the Latest Practicable Date.

On April 21, 2022, the Company and Beijing Tongdao entered into the Supplemental Sales Agency Services Framework Agreement, pursuant to which members of the Group shall pay to members of the Beijing Tongdao Group the Refundable Deposits in connection with the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Sales Agency Services contemplated under the Sales Agency Services Framework Agreement. The first-hand properties and unsold parking spaces covered under the Supplemental Sales Agency Services Framework Agreement form only part of the properties and parking spaces covered under the Sales Agency Services Framework Agreement.

According to the Letter from the Board, Beijing Tongdao is beneficially and wholly owned by Mr. Song, the ultimate Controlling Shareholder. Therefore, Beijing Tongdao constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Supplemental Sales Agency Services Framework Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the Refundable Deposits contemplated under the Supplemental Sales Agency Services Framework Agreement exceed 5%, such transactions constitute continuing connected transactions of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. On the other hand, as one or more of the applicable percentage ratios in respect of the Historical Refundable Deposits have exceeded 5%, such payment of the Historical Refundable Deposits constituted continuing connected transactions of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the Company had not complied with such applicable requirements prior to making the payment of the Historical Refundable Deposits, such payment constituted a breach of Chapter 14A of the Listing Rules.

The Company proposed to put forward an ordinary resolution at the AGM for the Independent Shareholders to consider and, if thought fit, to approve the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits. Given Kangqiaoyue Shenghuo BVI (a company indirectly wholly owned by Mr. Song) holds 498,750,000 issued Shares, representing approximately 71.25% of total issued share capital of the Company, Kangqiaoyue Shenghuo BVI, together with its associates, are therefore considered to have a material interest in the ordinary resolution in respect of the Supplemental Sales Agency Services Framework Agreement and the transactions contemplated thereunder and will abstain from voting on such resolution at the AGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Li Haitao, Dr. Fan Yun and Mr. Wong Yun Pun, has been established to advise the Independent Shareholders in connection with the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits.

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits, and to make

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recommendations as to, among others, whether the terms of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the payment of the Historical Refundable Deposits are fair and reasonable, are normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole, and as to voting in respect of the relevant resolution at the AGM. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

During the past two years, save for the engagement in connection with the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits, we had not been engaged by the Company for the provision of other services that would affect our independence. As at the Latest Practicable Date, save for the normal professional fees for our services provided to the Company in relation to the engagements described above, there were no other arrangements whereby we would receive any fees and/or benefits from the Group, therefore we consider such relationship would not affect our independence. We were not aware of any relationships or interests between us and the Group, Beijing Tongdao or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates that could reasonably be regarded as relevant to our independence. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have reviewed, inter alia, the Announcement, the Sales Agency Services Framework Agreement, the Supplemental Sales Agency Services Framework Agreement, the Prospectus, the 2021 Unaudited Annual Results and certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses, market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the terms of the transactions contemplated under the Supplemental Sales Agency Services Framework Agreement and the payment of the Historical Refundable Deposits, and the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes (if any) as soon as possible.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise made to us by the Directors and the Management for which they are solely responsible, were

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true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material respects as at the Latest Practicable Date and Shareholders will be notified of material changes (if any) of the information contained in the Circular. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business, affairs, operations, financial position or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations with respect to the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the ratification of the payment of the Historical Refundable Deposits, we have taken into consideration the following principal factors and reasons:

1. Reasons for and benefit of the entering into the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the payment of the Historical Refundable Deposits

The Group is a reputable comprehensive property management service provider in the PRC, with a leading position in Henan Province. The Group generates its revenue mainly from three business lines: (i) property management services; (ii) value-added services to non-property owners including sales agency services in which the Group mainly facilitates property developers in selling their properties; and (iii) community value-added services including, among others, sales agency services in which the Group mainly assists property developers in selling the rights of parking spaces. The Beijing Tongdao Group is a leading comprehensive property developer in the PRC.

Having accounted for approximately 40% and approximately 15% of the Group's total annual revenue for each of the two years ended December 31, 2021, respectively, the businesses of value-added services to non-property owners and community value-added services including sales agency services have consistently been the major revenue contributors of the Group. In particular, the Group's revenue from the provision of value-

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added services to non-property owners increased by approximately 32.5% from approximately RMB235.4 million for the year ended December 31, 2020 to approximately RMB311.9 million for the year ended December 31, 2021, which was mainly attributable to the increase in revenue from sales agency services, whereas the Group's revenue from the provision of community value-added services increased by approximately 41.5% from approximately RMB85.2 million for the year ended December 31, 2020 to approximately RMB120.9 million for the year ended December 31, 2021. As such, the Sales Agency Services provided by the Group to the Beijing Tongdao Group contemplated under the Sales Agency Services Framework Agreement is in line with the business strategy of the Group.

By making payments of the Historical Refundable Deposits and the Refundable Deposits, the Group has obtained, and shall obtain, the right to provide the Sale Agency Services in respect of some of the first-hand properties and unsold parking spaces of the Beijing Tongdao Group on an exclusive and sole basis. Leveraging on the background and operations of the Beijing Tongdao Group, the entering into of the Supplemental Sales Agency Services Framework Agreement does not only allow the Group to secure a stable income stream of commission and agency fees which shall in turn enhance its profitability and returns to the Shareholders as compared to those under the Sales Agency Services Framework Agreement, the underlying refund mechanism for the Refundable Deposits shall also help reduce the potential risk exposure to the Group in respect of the recoverability of such deposits.

As advised by the Management, the Company did not and will not use its proceeds from the initial public offering for the payment of the Refundable Deposits, and the Refundable Deposits payable by the Group were and will continue to be funded by the Group's internal resources generated from its operations. We have, in this regard, enquired with the Management regarding its policies to maintain sufficient funding for the Group to maintain its operations, and were advised that the Group generally adopts a policy under which the maximum daily balance of Refundable Deposits shall not be more than 60% of the cash and cash equivalents balance. Further, based on our discussions with the Management, the finance department of the Company shall monitor and compare from time to time the prevailing cash and cash equivalents balance of the Group with other factors including, among others, the expected upcoming payment schedule of the Refundable Deposits, the prevailing outstanding balance of the paid Refundable Deposits and the expected required working capital for its business operations in the next 12 months. In particular, the finance department of the Company shall, on a weekly basis, compare the expected maximum daily balance of the Refundable Deposits payable to the Beijing Tongdao Group for the upcoming week based on the definitive agreements executed thus far with the then prevailing cash and cash equivalents balance of the Group in order to ensure that the aforesaid 60% threshold is not exceeded. Before entering into each new definitive agreement, the Management shall also make reference to the potential new maximum daily balance of the Refundable Deposits computed based on the relevant underlying payment terms, and shall only enter into such new agreement if the potential new maximum daily balance of the Refundable Deposits represents an utilisation of not more than 60% of the prevailing expected cash and cash equivalents balance of the Group. With the aforesaid working capital management policy and internal control

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policies in place, as well as the potential income to be generated by the Group through the payment of the Refundable Deposits and other businesses, we concur with the view of the Management that there are sufficient and effective internal control measures in place to monitor that the maximum daily balance of Refundable Deposits shall not be more than the 60% threshold and the Company would have sufficient funding for its operations.

In view of the above, we are of the view that the entering into of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the payment of the Historical Refundable Deposits and the Refundable Deposits are in the interests of the Company and the Independent Shareholders as a whole.

2. Principal terms of the Supplemental Sales Agency Services Framework Agreement, the transactions contemplated thereunder and the Historical Refundable Deposits

The Group and certain subsidiaries of Beijing Tongdao entered into several sales agency services agreements, pursuant to which the Group paid the Historical Refundable Deposits in an aggregate amount of RMB220,850,000 during and subsequent to the conclusion of the Reporting Period, all of which had been refunded to the Group as of the Latest Practicable Date. As disclosed in the Letter from the Board, among others, the commission and agency fees receivable by the Company from the provision of sales agency services for the first-hand properties and the unsold parking spaces to the Beijing Tongdao Group under the Supplemental Sales Agency Services Framework Agreement were approximately 5% and approximately 25% to approximately 52% of the contract prices of the relevant first-hand properties and the unsold parking spaces, respectively. The actual commission and agency fees receivable for the provision of the sales agency services in respect of the first-hand properties and unsold parking spaces are subject to the relevant definitive agreements to be entered into between the relevant members of the Group and the Beijing Tongdao Group, and shall be determined after arm's length negotiations between the relevant parties with reference to the then market conditions. In addition, the sales agency fees receivable for the provision of the sales agency services in respect of the unsold parking spaces are also subject to the actual contract prices for sale of the relevant parking spaces.

According to the Letter from the Board, the commission and agency fees receivable by the Group from the Beijing Tongdao Group for provision of Sales Agency Services in respect of the first-hand properties after entering into the Supplemental Sales Agency Services Framework Agreement are approximately 5% of the contract prices of the relevant first-hand properties, which is higher than that of approximately 0.9% to approximately 1.15% of the relevant contract prices before entering into the Supplemental Sales Agency Services Framework Agreement. The commission and agency fees receivable by the Group for the provision of Sales Agency Services in respect of the unsold parking spaces for the year ended December 31, 2021 under the arrangements of the Refundable Deposits was approximately RMB29,900 per unit sold, which were higher than that of approximately RMB18,300 per unit sold before the arrangements of Refundable Deposits. For further details, please refer to the section headed "4. Proposed Annual Caps and Basis for Determination" of the Letter from the Board.

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Pursuant to the Supplemental Sales Agency Services Framework Agreement, members of the Group shall pay to members of the Beijing Tongdao Group the Refundable Deposits in connection with the Sales Agency Services contemplated under the Sales Agency Services Framework Agreement for a term of three years with retrospective effect from January 1, 2021 and ending on December 31, 2023, subject to renewal of the Sales Agency Services Framework Agreement by mutual agreement of the parties. The Company is not entitled to receive any interest income from the payment of the Refundable Deposits.

The Refundable Deposits shall be in an amount equal to:

- (i) in the case of first-hand properties, a percentage ranging from 20% to 40% of the value of relevant properties (the “**Property Deposit Rate**”), which is determined in line with industry practice; or
- (ii) in the case of the unsold parking spaces, total sales reserve price of the relevant unsold parking spaces (the “**Parking Spaces Deposit Rate**”), which is in line with the industry practice and calculated according to the formula below:

$$\begin{array}{l} \text{Total sales} \\ \text{reserve price} \end{array} = \begin{array}{l} \text{sales reserve price} \\ \text{of each unsold} \\ \text{parking space} \end{array} * \begin{array}{l} \text{number of unsold parking spaces} \\ \text{under the relevant definitive sales} \\ \text{agency services agreement(s)} \end{array}$$

The payment terms of the Refundable Deposits shall be agreed in the definitive agreements to be entered into between the relevant members of the Group and the Beijing Tongdao Group. The payment arrangements of 2022 and 2023 are expected to be generally in line with the following:

With respect to the unsold parking spaces, the Refundable Deposits shall be paid to the Beijing Tongdao Group as follows:

- (i) in 2021, the Refundable Deposits shall be paid in three instalments. 35% of the Refundable Deposits shall be paid within seven days after signing of the definitive agreements, 30% shall be paid within a period of three to six months (as agreed by relevant parties) after signing of the definitive agreements, and the remaining 35% shall be paid within another period of three to six months (as agreed by relevant parties) after signing of the definitive agreements; and
- (ii) in 2022 and 2023, the Refundable Deposits shall be paid in one lump sum within seven days after signing of the definitive agreements.

With respect to the first-hand properties, no Refundable Deposits were paid in 2021. In 2022 and 2023, the Refundable Deposits shall be paid in one lump sum to the relevant members of the Beijing Tongdao Group within seven days after signing of the definitive agreements.

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As set out in the Letter from the Board, the payment terms above are determined with reference to the market conditions of the real estate market in the PRC in the locality and the sales schedule of the first-hand properties and unsold parking spaces of the Beijing Tongdao Group. In 2021, as the sales of parking spaces of the Beijing Tongdao Group was relatively slower due to the downturn of the real estate market in the PRC, the relevant Refundable Deposits were paid in three instalments. Among others, with the implementation of the policies of stabilising the real estate market in the first half of 2022 and the general recovery of the real estate market in the PRC from 2022, the sales pace of the first-hand properties and unsold parking spaces of the Beijing Tongdao Group in 2022 and 2023 are expected to be faster as compared to 2021. As such, the relevant Refundable Deposits will be paid in one lump sum to members of the Beijing Tongdao Group. While no Refundable Deposits were made in respect of first-hand properties in 2021, under the arrangements of the Refundable Deposits, the total number of parking spaces of the Beijing Tongdao Group sold in the first five months of 2022 amounted to approximately 240 units, representing a faster sales pace as compared to that of approximately 160 units in the same corresponding period of 2021. As further enquired with the Management, the Beijing Tongdao Group would consider to offer even higher discount rates for those first-hand properties and parking spaces retaining in the last batches of the launched property projects in order to facilitate the sale. Despite the overall uncertain property market in the PRC, in view of the relatively lower selling prices to be offered to the market, the sales pace of those first-hand properties and parking spaces of the Beijing Tongdao Group to be sold in 2022 and 2023 is expected to be faster than that of 2021.

The Board will closely monitor the macroeconomic environment of the PRC, the policies and market conditions of the real estate market in the PRC and the sale of first-hand properties and unsold parking spaces of the Beijing Tongdao Group. In the event that there is any material adverse change in the operational and financial conditions of the Beijing Tongdao Group (including but not limited to, the aforementioned sales pace) and the overall real estate market in the PRC, the Company will consider to change the payment term from on lump sum to several installments, make other necessary adjustments to the payment terms of the Refundable Deposits and make proposed disclosure as and when required.

For other details of the principal terms of the Supplemental Sales Agency Services Framework Agreement, please refer to the sub-section headed “B2. Principal Terms of the Supplemental Sales Agency Services Framework Agreement” in the Letter from the Board.

In assessing the fairness and reasonableness of the terms of the Supplemental Sales Agency Services Framework Agreement, we have initially attempted to review all comparable agreements previously entered into by the Group and/or the Beijing Tongdao Group in respect of, as the case maybe, payment or receipt of refundable deposits relating to exclusive and sole agency rights for first-hand properties and unsold parking spaces. However, we were given to understand that no such comparable agreement has been previously entered into either by the Group or the Beijing Tongdao Group. Accordingly, we have alternatively made reference to the comparable transactions announced by other companies listed on the Stock Exchange during the 12 months immediately preceding the

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date of the Supplemental Sales Agency Services Framework Agreement that involved payment of refundable deposits in respect of the exclusive sales agency rights for properties and/or parking spaces. Based on the aforesaid criteria, we have, on a best-effort basis, identified an exhaustive list of five comparables in respect of properties and/or parking spaces, among which the underlying terms of four comparables (the “**Comparables**”) have been explicitly disclosed. Summaries of the Comparables are shown in Table 1 below.

Table 1: A summary of the Comparables

| Company name (stock code) | Date of announcement | Deposit rate in respect of properties | Deposit rate in respect of parking spaces | Payment in lump sum | Connected transaction |
|--|-----------------------|---------------------------------------|---|---------------------|-----------------------|
| Poly Property Services Co., Ltd. (6049) | July 16, 2021 | Not applicable | Not more than 50% | Not available | Yes |
| Landsea Green Life Service Company Limited (1965) | September 15, 2021 | 100% | 100% | Yes | Yes |
| Landsea Green Life Service Company Limited (1965) | November 22, 2021 | 100% | Not applicable | Yes | Yes |
| Xinyuan Property Management Service (Cayman) Ltd. (1895) | January 12, 2022 | Not applicable | 100% | No | Yes |
| The Company | April 21, 2022 | 20% to 40% | 100% | Yes | Yes |

Note:

- Sources of information: the official website of the Stock Exchange (<https://www.hkex.com.hk/>)

As shown in Table 1, the relevant deposit rates underlying the applicable Comparables are 100% in respect of properties. Hence, the Properties Deposit Rate, which ranges from 20% to 40% under the Supplemental Sales Agency Services Framework Agreement, is more favourable to the Group than those under the Comparables.

With respect to the parking spaces, the relevant deposit rates underlying the Comparables range from being not more than 50% to 100%, with such rates underlying two out of three applicable Comparables being 100%. Accordingly, the Parking Spaces Deposit Rate of 100% under the Supplemental Sales Agency Services Framework Agreement is in line with those under the majority of the applicable Comparables and is justifiable.

With respect to the payment terms of the Refundable Deposits, it is noted that details of the underlying payment terms of the refundable deposits have been explicitly disclosed in the relevant announcement and circulars of three out of four Comparables, among which two of them require the payments of the refundable deposits to be made in one lump sum within a short period of time after the execution of the relevant agreements.

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Taking into account that a majority of the relevant Comparables require the payments of the refundable deposits to be made in one lump sum within a short period of time after the execution of the relevant agreements, we are of the view that it is not uncommon to make payments in one lump sum in the market.

On the other hand, we have independently conducted research on the overall property market in the PRC. With reference to the news report named 《央行回應百余城自主下調房貸利率並強調 — 對受疫情影響人群合理延後還款期》 (“The People’s Bank of China Responds to the Issue of More Than 100 Cities Voluntarily Lowering the Mortgage Interest Rate and Emphasises That the Repayment Period Is To Be Reasonably Delayed For Those Affected By the Epidemic*”) published on the website of the Central Government of the PRC (<http://www.gov.cn/index.htm>) on April 15, 2022, since March 2022, due to the weakening market demand, banks in more than 100 cities across the PRC have taken the initiative to cut mortgage interest rates, with the average interest rate ranging between 20–60 basis points. Accordingly, certain provincial market interest rates have also complied with the PRC government’s request and lowered the limit of the down payment ratio and interest rates within the prescribed scope of national policies. Despite the overall slump in the PRC property market and liquidity crisis of certain PRC property developers in 2021 and 2022, we are of the view that the various policies introduced by the PRC government would potentially stimulate housing demand and support the stable growth of the property market.

Accordingly, notwithstanding the increased credit risk of the Company and the uncertainty in the PRC property market, the payment terms of the Refundable Deposits, which shall be paid in one lump sum to the relevant members of the Beijing Tongdao Group in 2022 and 2023, are in line with the market practice, fair and reasonable and on normal commercial terms.

Based on the relevant announcements and circulars of the Comparables, no information set out therein has indicated that interest of the refundable deposits shall be paid under the arrangements of the Comparables. Accordingly, having considered, among others, (i) the generally higher commission and agency fees charged to the Beijing Tongdao Group by the Group after entering into the Supplemental Sales Agency Services Framework Agreement, further details of which are set out in the section headed “2. Principal Terms of the Supplemental Sales Agency Services Framework Agreement” in the Letter from the Board; (ii) the potential benefits of the Supplemental Sales Agency Framework Agreement to the Group, which shall outweigh the cost of capital of the Group as further analysed below in this letter; and (iii) the absence of the relevant information made available to us relating to the Comparables, we consider that no available information has indicated that the payment of the Refundable Deposits on an interest free basis under the Supplemental Sales Agency Services Framework Agreement contradicts to the normal market practice or is not on normal commercial terms, and we are of the view that such arrangement is fair and reasonable.

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In assessing the fairness and reasonableness of the principal terms of the Supplemental Sales Agency Services Framework Agreement, we have independently made reference to the benefits to the Group of, and the cost of capital of the Group in relation to, the sales of properties and unsold parking spaces of the Beijing Tongdao Group (the “**Properties**”) under the Supplemental Sales Agency Services Framework Agreement. Based on our research conducted on the latest statistics published by certain established banks in the PRC such as Bank of China (<https://www.boc.cn/index.html>), China Construction Bank Corporation (<https://www.asia.ccb.com/>) and Bank of Qingdao Co., Ltd (<http://en.qdccb.com/index.shtml>), the annualised rates of returns of their wealth investment products generally fall within a range from approximately 1% to approximately 6%. Further, we have enquired with the Management in respect of the implied rate of return on the payment of the Refundable Deposits. The Company has made reference to the actual revenue generated from the sales of the relevant Properties involving Refundable Deposits only for the year ended December 31, 2021, where the Company has successfully entered into sales contracts for approximately 26.8% of the relevant Properties, and estimated the cost associated with the relevant Properties involving Refundable Deposits only by proportionating with reference to the revenue attributable to the relevant Properties involving Refundable Deposits. Based on (i) the estimated net profits in respect of the sales of the relevant Properties involving Refundable Deposits only for the year ended December 31, 2021 after deducting the associated operating cost and taxation from the revenue generated from the sales of the relevant Properties involving Refundable Deposits only; and (ii) the annualised balance of the Historical Refundable Deposits for the year ended 31 December 2021, the implied rate of return on the payment of the Refundable Deposits is approximately 37.3%. Assuming the Company successfully entered into sales contracts for all, 50% and 20% of the relevant Properties involving Refundable Deposits for the year ended December 31, 2021, for reference purposes only, the implied rate of return on the payment of the Refundable Deposits would be approximately 164.1%, 77.9% and 26.2% respectively. Assuming the Company fails to enter into sales contracts for all of the relevant Properties, the implied rate of return on the payment of the Refundable Deposits would be approximately -8.3%. Accordingly, notwithstanding that there will be a negative return rate on the payment of the Refundable Deposits in the event that the Company fails to enter into sales contracts for all of the relevant Properties, given the potentially high return rates under the aforesaid different scenarios and the historical success rate achieved by the Company in 2021, we are of the view that the benefits of the payment of the Refundable Deposits outweigh the relevant cost of capital of the Group.

Taking into account of the above and the reasons for and benefits of entering into the Supplemental Sales Agency Services Framework Agreement and the transactions contemplated thereunder set out in the previous section of this letter, we are of the view that the principal terms of the Supplemental Sales Agency Services Framework Agreement (including the pricing terms) are fair and reasonable and on normal commercial terms.

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On the other hand, in assessing the fairness and reasonableness of the payment of the Historical Refundable Deposits, we have reviewed all relevant individual agreements previously entered into between the Group and the Beijing Tongdao Group, which were entered during the period between February 2021 to February 2022, and noticed that the principal terms of such agreements including but not limited to the pricing terms of the Historical Refundable Deposits are generally consistent with those of the Supplemental Sales Agency Services Framework Agreement which, as analysed above, are considered to be fair and reasonable. Accordingly, we are of the view that the terms of the Historical Refundable Deposits are fair and reasonable.

3. Internal control measures within the Group

The Company has established a series of internal control measures in order to safeguard the interest of the Group and the Shareholders in respect of its continuing connected transactions with the Beijing Tongdao Group.

As set out in the Letter from the Board, the Group shall maintain a list of connected persons and circulate such list together with copies of the relevant extracts of the Listing Rules to the relevant personnel and senior management of each member of the Group, and such connected persons list shall be updated by personnel/senior management of the relevant subsidiary from time to time. Also, the Group shall report any potential connected transaction to the relevant personnel and senior management of the Company in advance in order to ascertain whether there will be any implications under the Listing Rules. In addition, the Group shall examine the pricing of continuing connected transactions regularly to ensure such transactions under the relevant framework agreements are conducted in accordance with the pricing terms thereof. The finance department of the Company will, on a quarterly basis, review the prices obtained from or offered to independent third parties and the prevailing market prices for the same type of services, as the case maybe, and compare such prices with those of the continuing connected transactions under the framework agreements. The terms of the transactions shall be no less favourable to the Group than prices offered to or received from independent third parties and the prevailing market prices for the same types of products or services. In the event that any revisions to the prices under the continuing connected transactions are needed, a meeting shall be held within the finance department of the Company and the proposed revised price shall be reviewed and approved by the Management. The continuing connected transactions shall be in line with the market pricing principle and shall be carried out on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole. Lastly, the Group shall perform the annual review of the continuing connected transactions by the independent non-executive Directors and the auditors of the Company in accordance with Rules 14A.55 and 14A.56 under the Listing Rules, respectively.

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Further, to prevent reoccurrence of similar breaches of the Listing Rules in the future, the Group will put in place the following internal control measures by (i) providing continuous internal trainings on connected transaction to all the relevant personnel, accounting staff, internal auditor and senior management in all business departments of members of the Group on a regular basis to reinforce and re-explain the relevant requirements under Chapter 14A of the Listing Rules; (ii) regularly reviewing, monitoring and verifying the existing data base relating to continuing connected transactions (including identity of connected persons, annual cap amount, monthly transaction amount and cumulated amount etc.) to ensure accuracy. In particular, the Company has adopted a threshold reporting system to monitor the utilisation of the proposed annual caps in a timely manner. The finance department of the Company will assign designated personnel to closely monitor the actual amount of connected transactions incurred pursuant to the framework agreements and submit to the Management the utilization of the proposed annual caps on a monthly basis to ensure the annual caps would not be exceeded. In the event the actual transaction amount reaches 80% of the relevant annual cap, a re-assessment will be conducted. If it is determined after such re-assessment that the annual cap may be exceeded, the Management would initiate the procedures for a board meeting and/or shareholders meeting (as and when required) to increase the annual cap as soon as practicable; and (iii) for any potential transaction(s) which may constitute new connected transaction(s) of the Group, consulting professional advisers and the Stock Exchange (where necessary) in a timely manner prior to entering into of such transaction(s).

On the other hand, we understand that the Company has performed credit risk assessments in relation to the payment of the Refundable Deposits including but not limited to evaluating customers' feedback of the sold properties of Beijing Tongdao Group and conducting market research on the business reputation of the relevant members of the Beijing Tongdao Group. As set out in the Letter from the Board, in order to minimise the credit risks in relation to the payment of the Refundable Deposits, the business operations department and the finance department of the Company has been reviewing and will continue to review the refunding status of the Refundable Deposits on a monthly basis. In the event of a delay in the refund to the Group, follow-up communications will be conducted and legal actions may be taken by the Group against the relevant members of the Beijing Tongdao Group. For our due diligence purpose, we have reviewed relevant documents relating to the selection, approval and monitoring in respect of the sales agency services and the Refundable Deposits provided by the Group to the Beijing Tongdao Group such as the internal management guidance, reporting correspondences of the responsible sales team and the minutes of the relevant meetings convened among the Management. In particular, we noted that different committees/teams such as the bidding decision committee and the due diligence team have been set up to govern and monitor the sales agency projects at different stages. Also, with respect to the management of the credit risks associated with the Beijing Tongdao Group, we understand that the Group acquires credit reports issued by independent entities such as the credit reference center of the People's Bank of China (the "**PBOC Credit Reference Center**") on the relevant members of the Beijing Tongdao Group before entering into each individual sales agency engagement. According to our research conducted on PBOC Credit Reference Center (<http://www.pbccrc.org.cn/>), which was set up since March 2006

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by the People's Bank of China being the sole party supervising and administering the credit investigation industry under the State Council, the credit reports have been widely used during credit approval and post loan management by commercial banks, as well as awarding and recognition by government departments in assessing the credit status of a corporate entity. We have, in this regard, reviewed the independent credit reports on all relevant members of the Beijing Tongdao Group underlying the Historical Refundable Deposits, and no material findings have been obtained which would cause us to raise concerns on the credit status of such parties. In particular, it is noted from such reports that the relevant members of the Beijing Tongdao Group had no records of outstanding claims, concerned or non-performing loans, and as regards those settled loans, no material overdue repayments have been observed, meaning no signs or results indicating that those members shall not score high level of creditworthiness. Also, we noticed that the Company has reviewed the unaudited financial statements of the Beijing Tongdao Group subsequent to the engagement with the Company, noting the solid financial position of the Beijing Tongdao Group as demonstrated by its relatively high level of cash balance and net asset value position as at 31 December 2021, each as compared to (i) that of the Group; and (ii) each of the proposed annual caps in respect of the Refundable Deposits for the three years ending December 31, 2023, respectively. The Company will continue to review the financial statements of the Beijing Tongdao Group during the term of the Supplemental Sales Agency Services Framework Agreement. Further, we have also made reference to the sales capabilities of properties of the Beijing Tongdao Group recognised by the industry, as supported by the consistently high ranking of its operating arm within the industry, further details of which are set out in the section headed "4. The proposed annual caps" below of this letter. Based on the above, we consider that the Company has (i) adopted sufficient internal control procedures/measures to minimise its credit risk in relation to the payment of the Refundable Deposits; (ii) performed credit assessment work which is in line with the market practice and therefore is sufficient on the Beijing Tongdao Group; and (iii) proper measures to manage its credit risks if the Beijing Tongdao Group has defaulted loans.

Having considered the above, in particular, comparison with pricing of those offered to or from independent third parties and the prevailing market for the same type of services will be conducted regularly as well as the adoption of a threshold reporting system in respect of the utilisation of the proposed annual caps with clean lines of responsibilities between the finance department and the Management, we are of the view that sufficient and effective internal control and risk control measures will be in place within the Group to ensure that the terms under the transactions contemplated under the Supplemental Sales Agency Services Framework Agreement are fair and reasonable and on the normal commercial terms, as well as to monitor the utilisation of the proposed annual caps, thereby safeguarding the interests of the Group and the Shareholders as a whole.

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4. The proposed annual caps

Summarised in Table 2 below are (i) the historical maximum daily balance of the Historical Refundable Deposits paid by the Group to the Beijing Tongdao Group for the year ended December 31, 2021; and (ii) the proposed annual caps (i.e. the proposed maximum daily balance) in respect of the Refundable Deposits (the “**Proposed Annual Cap(s)**”) for the three years ending December 31, 2023 pursuant to the Supplemental Sales Agency Services Framework Agreement:

Table 2: A summary of (i) the historical maximum daily balance of the Historical Refundable Deposits paid by the Group to the Beijing Tongdao Group for the year ended December 31, 2021; and (ii) the proposed maximum daily balance of the Refundable Deposits for the three years ending December 31, 2023

| | For the year ended December 31, 2021 RMB'000 | For the year ending December 31, 2022 RMB'000 | 2023 RMB'000 |
|--|---|--|-------------------------|
| Maximum daily balance of the Historical Refundable Deposits | 68,136 | — | — |
| Proposed maximum daily balance of the Refundable Deposits | 70,000 | 200,000 | 200,000 |

As set out in the Letter from the Board, the Proposed Annual Caps for the three years ending December 31, 2023 were determined primarily based on, among others, (i) the amount of Historical Refundable Deposits during the relevant periods; (ii) the estimated value of first-hand properties and unsold parking spaces of the Beijing Tongdao Group available for sale by the Group as an agent for the three years ending December 31, 2023; (iii) the development and prospect of the property business of the Beijing Tongdao Group; and (iv) the cash flow and working capital of the Group.

With respect to the Proposed Annual Cap for the year ended December 31, 2021, we noted that the historical maximum daily balance of the Historical Refundable Deposits paid by the Group to the Beijing Tongdao Group for the relevant year amounted to approximately RMB68.1 million, substantially representing approximately 97.3% of the corresponding Proposed Annual Cap. Accordingly, we are of the view that the determination of the Proposed Annual Cap for the year ended December 31, 2021 is fair and reasonable.

With respect to the Proposed Annual Caps for the two years ending December 31, 2023, in conducting our analysis, we have primarily made reference to (i) the development and prospect of the property business of the Beijing Tongdao Group; and (ii) the liquidity position of the Group.

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According to the Letter from the Board, Beijing Tongdao was established in the PRC with limited liability on May 10, 2010 and collectively with its subsidiaries, is a leading comprehensive property developer in the PRC. We have conducted research from the public domain regarding the background of the Beijing Tongdao Group and noticed that it has been rewarded a number of awards and recognitions within the real estate industry in the PRC. For instance, the Beijing Tongdao Group has been jointly selected by the Chinese Real Estate Industry Association (<https://www.wyzg.org/>) and the Shanghai Federation of Social Science Associations (<http://www.sssa.org.cn/>) as one of the Top 100 Real Estate Developers in China consecutively for 2019, 2020 and 2021. Also, according to the statistics in respect of the property market in Zhengzhou city, being the primary business area of the Beijing Tongdao Group, published on January 9, 2022 and April 9, 2022 by China Real Estate Index System (<https://creis.fang.com/>), a big data information platform owned by Beijing China Index Academy (<http://www.chinaindexacademy.com/>) which in turn is a real estate related research and big data information provider having awarded a number of industrial prizes in the PRC, with the saleable values of approximately RMB13,600 million and approximately RMB670 million, the operating arm of property development segment of the Beijing Tongdao Group respectively ranked 4th and 8th among all property development enterprises in terms of saleable value during the year ended December 31, 2021 and the first quarter of 2022, demonstrating its outstanding property development and sales capabilities. For reference, we have further consulted the Management and reviewed the list of properties of the Beijing Tongdao Group and learnt that as at December 31, 2021, the Beijing Tongdao Group was engaged in a significant number of property development projects with different development stages and accordingly different expected completion dates. It is expected that the Sales Agency Services provided by the Group can cater the demand of the Beijing Tongdao Group in respect of the first-hand properties and unsold parking spaces under those projects in the coming years.

On the other hand, we have conducted research from the public domain regarding the future outlook of the real estate market. Based on the report “Asia Pacific Transaction Volumes Expected to Record Double Digit Volume Growth in 2022 and 2023” published on March 11, 2022 by Cushman & Wakefield (<https://www.cushmanwakefield.com/en>), which is a global commercial real estate firm, the global real estate market has been recovering, with Asia Pacific leading to date with an earlier return of growth and pre-pandemic levels of investment activity in most markets. It is further suggested that the real estate transaction volume in Asia Pacific is expected to record a double-digit volume growth as the economic recovery invigorates in 2022 and 2023.

Accordingly, considering the established operations and extensive property portfolio of the Beijing Tongdao Group as well as the general recovery of the real estate market, it is expected that the Beijing Tongdao Group shall continue to maintain a significant number of first-hand properties and unsold parking spaces which shall demand the Sales Agency Services from the Group in the near future.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our discussions with the Management, we understand that under the same terms and conditions, the Beijing Tongdao Group shall give priority to choosing the Group over other competitors as the exclusive sales agent for its first-hand properties and unsold parking spaces. In view of the extensive property portfolio of the Beijing Tongdao Group, in determining the Proposed Annual Caps for each of 2022 and 2023, the Management has primarily considered the liquidity position of the Group. As set out previously in this letter, the Group generally targets to maintain a utilisation of cash and cash equivalents by the maximum daily balance of Refundable Deposits of not more than 60% in order to maintain sufficient working capital of the Group, subject to the prevailing conditions of the market and the Group. Based on our assessment, the maximum daily balance of the Historical Refundable Deposits for 2021 of approximately RMB68.1 million represented approximately 20.2% of the average of the opening and closing cash and cash equivalents balance of the Group for 2021; and the Proposed Annual Cap of RMB200 million for each of 2022 and 2023 represents approximately 37.0% of the cash and cash equivalents balance of the Group as at December 31, 2021. In addition, we learnt from the Management that the maximum daily balance of the Historical Refundable Deposits paid by the Group for the first three months of 2022 amounted to approximately RMB196 million, representing a significant utilisation of approximately 98% of the Proposed Annual Cap for 2022.

Taking into consideration of (i) the expected significant number of first-hand properties and unsold parking spaces of the Beijing Tongdao Group as supported by, among others, its established operations and the extensive property portfolio, as well as the general recovery of the real estate market; (ii) the historical utilisation of approximately 20.2% of the Group's average cash and cash equivalents balance in 2021 by the corresponding maximum daily balance of the Historical Refundable Deposits, which was within the utilisation range generally acceptable to the Group; and (iii) the significant historical utilisation of the Proposed Annual Cap for 2022 based on the maximum daily balance of the Historical Refundable Deposits paid by the Group to the Beijing Tongdao Group for the first three months of 2022, we are of the view that the Proposed Annual Caps for 2022 and 2023, each of which represents approximately 37.0% of the Group's cash and cash equivalents balance as at December 31, 2021 and hence is within the utilisation range acceptable to the Group, are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the terms of the Supplemental Sales Agency Services Framework Agreement and the transactions contemplated thereunder have been entered into and conducted in the ordinary and usual course of business of the Group based on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Also, the ratification of payment of the Historical Refundable Deposits is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the AGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited

Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the accounting and investment banking industries.

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 OF DIRECTORS AND CHIEF EXECUTIVE

- (a) As of the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

(i) *Interests in the Shares, underlying Shares and debentures of the Company*

| Name of Director | Nature of interest | Number of Shares held | Percentage of total number of issued Shares |
|------------------|--|-----------------------|---|
| Mr. Song | Founder of a discretionary trust, Interest in a controlled corporation | 498,750,000 (L) | 71.25% |

Notes:

- (1) (L) — long position.
- (2) The entire share capital of Kangqiaoyue Shenghuo BVI is wholly owned by Hung Fai Property Limited. Eternity Trust is a discretionary trust established on November 10, 2020 between Mr. Song (as trustee) for the benefit of Kangqiao Taichen Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Song, and members of his family, and Trident Trust Company (South Dakota) Inc. (“**Trident Trust**”) (acting as trustee) to establish a discretionary trust, and Mr. Song (as the founder of Eternity Trust) and Trident Trust are deemed to be interested in the shares held by Kangqiaoyue Shenghuo BVI by virtue of the SFO.

(ii) *Interests in the shares, underlying shares and debentures of associated corporations of the Company*

| Name of associated corporation | Name of Director/ chief executive | Nature of interest | Number of shares held | Percentage of total number of issued shares of the relevant class of the relevant associated corporation |
|--------------------------------|-----------------------------------|--|-----------------------|--|
| Kangqiaoyue Shenghuo BVI | Mr. Song | Founder of a discretionary trust, Interest in a controlled corporation | 100 (L) | 100% |

Note:

(1) (L) — long position.

(b) Directors' interest as a director or employee of a company which has a discloseable interest or short position in the Shares and underlying Shares of the Company

As of the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director was a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Director | Position held in Kangqiaoyue Shenghuo BVI |
|------------------|---|
| Mr. Song | Director |

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling Shareholder of the Company under Rule 8.10 of the Listing Rules.

4. DIRECTORS' INTERESTS IN ASSETS

As of the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since December 31, 2021, being the date to which the latest published audited consolidated financial statements of the Company 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.

5. DIRECTORS' INTERESTS IN CONTRACTS

As of the Latest Practicable Date, so far as the Directors were aware, save for the following agreements which Mr. Song (a non-executive Director who beneficially and wholly owned Beijing Tongdao) had material interests thereunder, none of the Directors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group:

- (i) the pre-delivery property management services framework agreement entered into by the Company (for itself and on behalf of its subsidiaries) with Beijing Tongdao (for itself and on behalf of its associates) on June 17, 2021, in relation to the provision of basic property management services and vacant property maintenance services (for maintenance of vacant properties which have not been sold) for its and its associates' property projects, including but not limited to cleaning, gardening, repair and maintenance of common area and shared facilities, for a term from June 17, 2021 to December 31, 2023;
- (ii) the value-added services master framework agreement entered into by the Company (for itself and on behalf of its subsidiaries) with Beijing Tongdao (for itself and on behalf of its associates) on June 17, 2021, in relation to the provision of a variety of value-added services to the residential property projects of Beijing Tongdao and its associates, including construction site supervision and maintenance services and pre-delivery services (without basic property management services, including but not limited to cleaning, gardening, repair and maintenance of common area and shared facilities), for a term from June 17, 2021 to December 31, 2023; and
- (iii) the Sales Agency Services Framework Agreement (as supplemented by the Supplemental Sales Agency Services Framework Agreement).

6. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular and whose opinion or advice is contained in this circular:

| Name | Qualification |
|--------------------------------|---|
| Lego Corporate Finance Limited | A corporation licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO |

As of the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group, and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As of the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which had been, since December 31, 2021 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and references to its name in the form and context in which they respectively appear.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that, as of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kqysh.com.cn) from the date of this circular up to and including the date of the AGM:

- (a) the Sales Agency Services Framework Agreement;
- (b) the Supplement Sales Agency Services Framework Agreement;
- (c) the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (d) the letter from the Independent Board Committee to Independent Shareholders, the text of which is set out in this circular;

- (e) the written consent from the Independent Financial Adviser referred to in the section headed “7. Expert and Consent” in this Appendix; and
- (f) this circular.

SUPPLEMENTAL NOTICE OF AGM



Kangqiao Service Group Limited

康橋悅生活集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2205)

SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

Reference is made to the notice of the annual general meeting dated June 9, 2022 (the “**Original Notice of AGM**”) which sets out the details of the resolutions to be proposed at the annual general meeting (the “**AGM**”) of Kangqiao Service Group Limited (the “**Company**”) to be held at Conference Room, 24F, Huacheng International Center, 80 Daxue Road, Erqi District, Zhengzhou City, Henan Province, the PRC on Thursday, June 30, 2022 at 3:00 p.m. for the Shareholders’ approval. Unless otherwise defined herein, capitalised terms used in this supplemental notice shall have the same meanings as those defined in the circular of the Company dated June 16, 2022 in relation to the continuing connected transactions of the Company (the “**Circular**”).

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the AGM will be held as originally scheduled, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company, in addition to the resolutions set out in the Original Notice of AGM.

ORDINARY RESOLUTION

1. (a) to consider and approve the terms of the Supplemental Sales Agency Services Framework Agreement (including the proposed annual caps for the Refundable Deposits for the three years ending December 31, 2023) and the transactions contemplated thereunder; and
- (b) to consider and approve the ratification of the payment of the Historical Refundable Deposits.

By order of the Board
Kangqiao Service Group Limited
SONG Gewei
Chairman

Hong Kong, June 16, 2022

SUPPLEMENTAL NOTICE OF AGM

Notes:

1. Save for the inclusion of the additional proposed resolution as set out in this supplemental notice of the AGM, there are no other changes to the resolutions set out in the Original Notice of AGM. For details of the other resolutions to be considered at the AGM, closure of the register of members of the Company, eligibility for attending the AGM, registration procedures for attending the AGM, appointment of proxy, method of voting and other relevant matters, please refer to the Original Notice of AGM.
2. The resolutions at the AGM will be taken by poll pursuant to the Listing Rules. The results of the poll will be published on the designated website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.kqysh.com.cn) in accordance with the Listing Rules.
3. Since the Original Proxy Form does not contain the additional proposed resolution as set out in this supplemental notice of AGM, a revised form of proxy (the “**Revised Form of Proxy**”) has been prepared and is enclosed herewith.
4. Any Shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to attend and vote on behalf of him. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.
5. If you have not lodged the Original Form of Proxy in accordance with the instructions printed thereon, you are requested to lodge the Revised Form of Proxy if you wish to appoint proxies to attend the AGM on your behalf. In this case, the Original Form of Proxy should not be lodged.
6. If you have already lodged the Original Form of Proxy in accordance with the instructions printed thereon, you should note that:
 - (i) If no Revised Form of Proxy is lodged in accordance with the instructions printed thereon, the Original Form of Proxy will be treated as a valid form of proxy lodged by you if duly completed. The proxy appointed under the Original Form of Proxy will also be entitled to vote in accordance with the instructions previously given by you or at his/her discretion (if no such instructions are given) on any resolutions properly put to the AGM, including the additional proposed resolution as set out in this supplemental notice of AGM.
 - (ii) If the Revised Form of Proxy is lodged in accordance with the instructions printed thereon at or before 48 hours before the time appointed for the AGM or any adjournment thereof, the Revised Form of Proxy will revoke and supersede the Original Form of Proxy previously lodged by you. The Revised Form of Proxy will be treated as a valid form of proxy lodged by you if duly completed.
 - (iii) If the Revised Form of Proxy is lodged after 48 hours before the time appointed for the AGM or any adjournment thereof, the Revised Form of Proxy will be deemed invalid. The Revised Form of Proxy will not revoke the Original Form of Proxy previously lodged by you. The Original Form of Proxy will be treated as a valid form of proxy lodged by you if duly completed. The proxy appointed under the Original Form of Proxy will also be entitled to vote in accordance with the instructions previously given by you at your discretion (if no such instructions are given) on any resolution properly put to the AGM, including the additional proposed resolution as set out in this supplemental notice of AGM.
7. Where there are joint holders of any shares of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the AGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint shareholding.

SUPPLEMENTAL NOTICE OF AGM

8. Completion and return of the Original Form of Proxy and/or the Revised Form of Proxy will not preclude a Shareholder from attending in person and voting at the AGM or any adjournment thereof should he/she so wish.
9. In order to facilitate the prevention and control of the spread of Coronavirus Disease 2019 (COVID-19) at the AGM, the Shareholders are encouraged to appoint the chairman of the AGM as their proxy to vote on the relevant resolutions at the AGM, instead of attending the AGM in person.

As of the date of this notice, the Board comprises Mr. SONG Gewei as the chairman and non-executive Director; Mr. DAI Wei, Mr. KANG Weiguo and Ms. WANG Na as executive Directors; and Dr. LI Haitao, Dr. FAN Yun and Mr. WONG Yun Pun as independent non-executive Directors.