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If you have sold or transferred all your shares in **C&D Property Management Group Co., Ltd**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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C&D Property Management Group Co., Ltd

建發物業管理集團有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2156)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF BUSINESS FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



**瓏盛資本有限公司
Draco Capital Limited**

A notice convening the EGM to be held at Room 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Tuesday, 20 December 2022 at 2:00 p.m. is set out on pages N-1 to N-3 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular for despatch to the Shareholders. Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not later than 48 hours before the time specified for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

1 December 2022

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DEFINITIONS

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

“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Framework Agreement”	the business framework agreement dated 23 December 2020 and the supplemental agreement to the Business Framework Agreement dated 4 October 2021 entered into among C&D Real Estate, CDI and the Company, pursuant to which, among other things, the Group shall provide the property management services, the community value-added and synergy services, and the value-added services to non-property owners to (i) the Remaining C&D Real Estate Group and its connected companies; and (ii) the Remaining CDI Group
“BVI”	the British Virgin Islands
“CDI”	C&D International Investment Group Limited (建發國際投資集團有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and a controlling shareholder of the Company
“Company”	C&D Property Management Group Co., Ltd 建發物業管理集團有限公司, a BVI business company incorporated in the BVI with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“C&D Real Estate”	C&D Real Estate Corporation Limited* (建發房地產集團有限公司), a controlling shareholder of each of CDI and the Company as at the Latest Practicable Date
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting to be held by the Company at Room 3517, 35th Floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong on Tuesday, 20 December 2022 at 2:00 p.m. to approve, among other things, the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors formed to advise the Independent Shareholders on the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps
“Independent Financial Adviser”	Draco Capital Limited, a licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps
“Independent Shareholder(s)”	Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolution approving the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps
“Independent Third Party”	a person(s) who, as far as our Directors are aware of, after having made all reasonable enquiries, is/are not a connected person(s) of the Company
“Latest Practicable Date”	24 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
“Listing Document”	the listing document of the Company dated 28 December 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	the proposed maximum annual monetary value of the transactions under the Renewed Business Framework Agreement

DEFINITIONS

“Remaining CDI Group”	CDI and its subsidiaries (excluding the Group) and, where the context so requires, includes its associates and joint ventures
“Remaining C&D Real Estate Group”	C&D Real Estate and its subsidiaries, (excluding the Remaining CDI Group and the Group), and where the context so requires, includes their joint ventures and associates
“Renewed Business Framework Agreement”	the business framework agreement entered into among C&D Real Estate, CDI and the Company on 19 October 2022, pursuant to which, among other things, the Group shall provide the property management services, the community value-added and synergy services, and the value-added services to non-property owners to (i) the Remaining C&D Real Estate Group and its connected companies; and (ii) the Remaining CDI Group
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	the ordinary share(s) with a par value of HK\$0.01 each of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Well Land”	Well Land International Limited (益能國際有限公司), a BVI business company incorporated in the BVI with limited liability and a controlling shareholder of each of CDI and the Company as at the Latest Practicable Date
“Xiamen C&D”	Xiamen C&D Corporation Limited* (廈門建發集團有限公司), a company established in the PRC with limited liability and a controlling shareholder of each of CDI and the Company as at the Latest Practicable Date
“Yibai Centre”	C&D Yibai Elderly Care Centre* (建發溢佰養老中心), an elderly care centre operated by our Group and located within the Haotou Community* (濠頭社區) adjacent to Dongdu Road East* (東渡路東), Huli District* (湖里區), Xiamen, the PRC
“%”	per cent.

* For identification purpose only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.

LETTER FROM THE BOARD

C&D Property Management Group Co., Ltd

建發物業管理集團有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2156)

Executive Directors:

Ms. Qiao Haixia (*Chief Executive Officer*)

Mr. Huang Danghui

Non-executive Directors:

Mr. Lin Weiguo (*Chairman*)

Mr. Xu Yixuan

Independent non-executive Directors:

Mr. Lee Cheuk Yin Dannis

Mr. Li Kwok Tai James

Mr. Wu Yat Wai

Registered office:

2/F, Palm Grove House

P.O. Box 3340

Road Town, Tortola

BVI

Principal place of business

in Hong Kong:

Room 3517, 35/F

Wu Chung House

213 Queen's Road East

Wan Chai, Hong Kong

1 December 2022

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE BUSINESS FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 19 October 2022. The purpose of this circular is (i) to provide the Shareholders with further information on the entering into of the Renewed Business Framework Agreement and the Proposed Annual Caps; (ii) to set out the recommendation from the Independent Board Committee in relation to the Renewed Business Framework Agreement and the Proposed Annual Caps; (iii) to set out the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) to give the Shareholders a notice of the EGM and other information in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

RENEWAL OF BUSINESS FRAMEWORK AGREEMENT

References are made to the Listing Document and the announcement of the Company dated 4 October 2021, in relation to, among other things, the Business Framework Agreement for the provision of property management services, the community value-added and synergy services, and the value-added services to non-property owners to (i) the Remaining C&D Real Estate Group and its connected companies; and (ii) the Remaining CDI Group.

On 19 October 2022 (after trading hours), C&D Real Estate, CDI and the Company entered into the Renewed Business Framework Agreement in order to renew the Business Framework Agreement, which will expire on 31 December 2022, for a term of three years commencing on 1 January 2023 and ending on 31 December 2025. The principal terms of the Renewed Business Framework Agreement are as follows:

Date

19 October 2022 (after trading hours)

Parties

- (1) C&D Real Estate
- (2) CDI
- (3) the Company

Term

1 January 2023 to 31 December 2025

Subject Matter

Pursuant to the Renewed Business Framework Agreement, the Group and its joint ventures shall provide the following services to (i) the Remaining C&D Real Estate Group and its connected companies (which is equivalent to the definition of associates, and shall include (a) C&D Real Estate's subsidiaries or holding companies, or fellow subsidiaries of the holding companies (excluding C&D Real Estate and its subsidiaries) and (b) 30%-controlled company held, directly or indirectly, by C&D Real Estate and/or the companies referred to in (a) above); and (ii) the Remaining CDI Group:

- 1 Property management services, mainly including greening, gardening and order maintenance for public areas, cleaning, security, parking management, repair and maintenance services for public facilities, etc. to unsold commodity housing, sold but undelivered properties and office properties (the "**Property management services**")

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- 2 Community value-added and synergy services, mainly including (i) home living services, such as housekeeping and cleaning services, repair and maintenance services and community group purchasing services; (ii) home beauty services, providing turn-key move-in services (拎包入住服務) with one-stop home beauty solutions for overall design, interior home furnishing and appliances installation and home furniture services, etc.; (iii) real estate brokerage and asset management services, including services for secondary sales or rental transactions of properties and/or car parking spaces, and sales agency services for unsold inventory property units of the property developers; (iv) value-added services for public areas, including leasing out public areas and advertising spots; (v) elderly-care & health value-added services, including the operation of the Yibai Centre providing community elderly-care services, institutional elderly-care services and home respite services; and (vi) smart community and smart construction site services, mainly design and construction services of smart property management services and operation of our mobile application “Huishenghuo* (慧生活)” (the “**Community value-added and synergy services**”); and
- 3 Value-added services to non-property owners, mainly including (i) consultancy services relating to project design and construction materials etc. to property developers during the property development and construction phases; and (ii) reception, order maintenance, cleaning and security and maintenance services, meeting/reception services, pre-inspection before handover, and arrangement of the site and data preparation by property owners’ for handover to property developers during both pre-sales and post-sales phases (the “**Value-added services to non-property owners**”)

Pricing Policy

Pursuant to the Renewed Business Framework Agreement, the pricing basis of each of (i) the property management services; (ii) the community value-added and synergy services; and (iii) value-added services to non-property owners are as follows:

Property management services

In principle, property management fees shall be determined after arm’s length negotiations by the parties based on the unit price of property management fees agreed in the “preliminary property management service contract” signed when obtaining the property management right. Pursuant to the property management services contracts, the property management fees are calculated based on area multiplied by unit price. The specific unit price of property management fees shall take into consideration factors including (i) property type such as residential and non-residential, as well as the project’s location such as the tier of the city; (ii) scope and quality of services provided; (iii) expected operating expenses; (iv) target profit margin of the Group; (v) profile of the owners and residents; (vi) the local government’s guidance price for property management fees (if applicable); and (vii)

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property management fees for similar services and similar property types in the market, and by referring to the charging levels of at least two comparable transactions obtained through market research (if applicable).

Community value-added and synergy services

The service fees are charged for each service. Detailed transaction terms are otherwise stipulated according to the contracts entered into by customers and counterparties. In principle, it shall be determined after arm's length negotiations with reference to the prevailing market prices of similar services in the open market and fees of historical transactions (if any) after going through the following procedures.

- (i) Based on the specific situation of each service, the scope of similar and comparable services will be delineated according to its content and requirements, project scale and locality, etc.;
- (ii) Analyzing the current market price through information in public domain, Internet sales platforms, exchanges with other market participants and peers, and market intelligence obtained through the Group's business network, including the charging profile of at least two comparable transactions where feasible;
- (iii) Combining the information obtained through (ii), the relevant business department will calculate the reasonable price based on the internal projection of the Group and propose the recommended price, which shall be determined after being approved by the Group's relevant personnel in charge.

Value-added services to non-property owners

The service fees shall be determined after arm's length negotiations. In general, fees for provision of reception, order maintenance and cleaning services to developers will be calculated based on the cost plus mechanism, and the service fee receivable (i.e. the Group's tax-inclusive income) shall be calculated using the following formula:

cost (calculated based on the actual costs incurred, such as materials and labour) + indirect management fee (being tax-exclusive income x 10% to 15%) + taxes

The Group's expected gross profit margin under the cost plus mechanism is in line with the overall gross profit margin of the Group for value-added services to non-property owners in the first half of 2022 being approximately 20%, which may be further affected by the tax payables as such sum is subject to adjustment in accordance with relevant rules and regulations. The Group's gross profit margin under the cost plus mechanism is higher than the percentage charged as indirect management fee as the gross profit margin is affected by other factors including tax

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rates, and the gross profit margin was determined with reference to the management fee to be charged by the Group for each type of service provided at the date of the Renewed Business Framework Agreement and comparable market levels.

According to information in the public domain and the Company's research and analysis, the baseline gross profit margin of six listed property management companies with a business scale similar to the Group's for the provision of similar services was about 20% (subject to adjustments to be made due to differences in service scale, service content and locality of service providers). Therefore, the Company believes that the current charging level under the cost-plus mechanism for value-added services to non-property owners does not deviate from the comparable market levels, and given the Group's current business and scale, the charging level is fair and reasonable and in line with market practice.

On the other hand, fees for provision of project design, pre-inspection and other consultancy services to developers; customized services for developers' needs will be based on fixed unit price (especially when the property developers engaged the Group for pre-inspection before handover), and the price will be determined based on the prevailing market price (including various taxes and fees), multiplied by the delivery area.

The prevailing market price is determined after analysing the current market price with reference to exchanges with other market participants and peers, and market intelligence obtained through the Group's business network, including the charging profile of at least two comparable transactions where feasible. According to the aforementioned analysis of the prevailing market price, the recommended price is proposed by the relevant business department after calculating the reasonable price proposal based on the internal projections of the Group, and the price is determined after the approval by the relevant personnel in charge.

Pricing mechanism and internal control

The general pricing policies applicable to the transactions under the Renewed Business Framework Agreement for each of the property management services, community value-added and synergy services and value-added services to non-property owners are as follows:

- (a) the Group will form local pricing survey teams (the "**Local Survey Teams**") headed by local officers of the Group, consisting of project members to be engaged in the services to be provided, to study the local market for the services to be provided, including but not limited to, prevailing market prices of similar services (if applicable), generally accepted scopes and contents, local pricing policies, etc.;
- (b) to ascertain the prevailing pricing of the local market, the Local Survey Teams will investigate on (i) fees charged for services of similar scopes and contents in the local market; and (ii) guidance pricing offered by the local government;

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- (c) when determining the service fee, the Local Survey Teams shall take into account: (i) fees charged for historical transactions of similar natures; (ii) factors that might lead to increases in personnel costs and/or other material costs; and (iii) the profit margins of the specific project as well as the Group's economy of scale in the local market; and
- (d) the Local Survey Teams will compare the prevailing pricing of the local market and the proposed service fee of the relevant services, by making reference to the charging levels of at least two comparable transactions (if applicable), to ensure that the service fee charged to the connected persons should not be more favourable than that charged to Independent Third Parties. If there are insufficient comparable transactions, the Local Survey Teams shall make reference to the average price of similar services gathered through market research, such as obtaining quotations from the business partners, and previous or potential customers. The Local Survey Teams will propose the service fees in accordance with the individual contracts and submit to the Group's senior management for approval.

In addition, to ensure that pricing for each of the property management services, community value-added and synergy services and value-added services to non-property owners are on normal commercial terms or on terms no more favourable than those available to Independent Third Parties, the internal control policies and procedures of the Company in relation to the pricing mechanism are as follow:

- (a) the Group will form a working team consisting of financial and auditing personnel to review the negotiation and decision-making procedures, which determines the service fees charged. The working team shall be led by the chief financial officer of the Company (the "**Chief Financial Officer**"), who will report to the audit committee of the Board (the "**Audit Committee**");
- (b) for property management services, the Group shall maintain a basic pricing database for property management services rendered to all customers by the Group. Such basic pricing database will be used to determine whether the proposed service fee will be on normal commercial terms. The database will be updated from time to time taking into account any material changes in the factors mentioned above;
- (c) for community value-added and synergy services, the Group shall keep records of historical service fees as well as prevailing public quotations for applicable service segments for reference and update the records from time to time in the event of further segmentation of scope and/or content of community value-added and synergy services (if any);
- (d) for community value-added and synergy services and value-added services to non-property owners, the Group will keep track of the costs information for the community value-added and synergy services and value-added services to non-property owners rendered to all customers so as to better formulate and adjust the corresponding pricing models;

LETTER FROM THE BOARD

- (e) To ascertain the prevailing market price, the Local Survey Teams (i) regularly obtains pricing information of comparable companies through information the public domain, such as financial information disclosed by listed companies and government notices; and (ii) obtains relevant market price information through market research from time to time. They will then compare the market price with the fees under individual transactions pursuant to the Renewed Business Framework Agreement, and make relevant evaluation to ensure that the price to be charged by connected persons will be on normal commercial terms and on terms no less favourable than that available from Independent Third Parties;
- (f) the Chief Financial Officer shall report to the Audit Committee at semi-annual basis the status of continuing connected transactions under the Renewed Business Framework Agreement in relation to, including but not limited to, the types, transaction amounts, and the reasons, of the continuing connected transactions happened in the reporting interval. The Audit Committee shall assess the fairness of the continuing connected transactions under the Renewed Business Framework Agreement and report to the Board; and
- (g) if the Audit Committee perceives that the prevailing annual caps might not be sufficient, the relevant continuing connected transactions under the Renewed Business Framework Agreement shall halt immediately (if necessary) and relevant procedures shall be performed to comply with the relevant requirements.

Historical Transaction Amounts

The historical transaction amounts of service fees paid to the Group by each of (i) the Remaining C&D Real Estate Group and its connected companies; and (ii) the Remaining CDI Group under the Business Framework Agreement for each of the two years ended 31 December 2021 and the six months ended 30 June 2022 are as follows:

	For the year ended 31 December		For the six months ended 30 June
	2020	2021	2022
Service fees paid by the Remaining C&D Real Estate Group and its connected companies			
Historical transaction amount (<i>RMB million</i>)	98	119	53
Historical annual cap (<i>RMB million</i>)	100	200	250
Utilisation rate	98%	59.5%	21.2%
Service fees paid by the Remaining CDI Group			
Historical transaction amount (<i>RMB million</i>)	259	491	277
Historical annual cap (<i>RMB million</i>)	270	550	745
Utilisation rate	95.9%	89.3%	37.2%
Total historical transaction amount (<i>RMB million</i>)	357	610	330

Note: Utilisation rate of the annual cap for the six months ended 30 June 2022 was calculated by dividing the historical transaction amount for the six months ended 30 June 2022 by the existing annual cap for the year ending 31 December 2022.

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Based on the latest information available to the management of the Company, for the year ending December 31, 2022, the service fee charged by the Group to the Remaining CDI Group under the Business Framework Agreement is expected to be approximately RMB 600–700 million, and the utilization rate of the existing annual cap is expected to be approximately 80%–94%; whilst the service fee charged by the Group to the Remaining C&D Real Estate Group and its connected companies under the Business Framework Agreement is expected to be approximately RMB 100–150 million, and the utilization rate is expected to be approximately 40%–60%.

Proposed Annual Caps

The proposed annual caps of the service fees payable to the Group by each of (i) the Remaining C&D Real Estate Group and its connected companies; and (ii) the Remaining CDI Group under the Renewed Business Framework Agreement for each of the three years ending 31 December 2025 are as follows:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Service fees payable by the Remaining C&D Real Estate Group and its connected companies	150	158	165
Service fees payable by the Remaining CDI Group	1,050	1,250	1,500
Total	1,200	1,408	1,665

In determining the Proposed Annual Caps under the Renewed Business Framework Agreement, the following factors have been taken into consideration:

- (a) the historical transaction amounts paid to the Group in respect of each of the property management services, the community value-added and synergy services, and the value-added services to non-property owners by the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group for such services;
- (b) the proportion of historical transaction amounts in respect of each of the property management services, the community value-added and synergy services, and the value-added services to non-property owners received by the Group from the relevant parties and the pace of increment of the historical amounts received by the Group from the relevant parties.

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As the Group will also develop new services segments (including improving intelligent service business capabilities, expanding intelligent service business segments, and promoting intelligent applications to be implemented in various service scenarios, including intelligent design, intelligent building and engineering, intelligent community and intelligent home) for its existing community value-added and synergy services in the future, the growth in demand for community value-added and synergy services provided to the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group is expected to be faster than originally expected, which is mainly attributable to the improved intelligent service capability of the Group, hence allowing it to undertake more services in related areas. At the same time, under the general trend of digitalization and intellectualization of properties, the demand for intelligent services of Remaining C&D Real Estate Group and its connected companies and Remaining CDI Group is also increasing;

- (c) the expected fees to be charged by the Group with reference to the historical and comparable market levels.
- (d) any potential increment of the demands for the services to be provided by the Group to the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group based on the expected expansion in geographical coverage and the expected growth in the property development business (as measured by the growth in the contract sales) in the future.

For transactions with the Remaining CDI Group, the Proposed Annual Cap is RMB1,050 million for 2023 (representing an increase of approximately 50%–75% from the expected transaction amount of RMB600–700 million in 2022), and the Proposed Annual Cap for 2024 and 2025 is upward adjusted by approximately 20% each year. Such increments were determined due to the following reasons:-

- (i) The historical transaction amount between the Group and the Remaining CDI Group under the Business Framework Agreement showed a significant increase each year, of which the transaction amount in 2021 represented a year-on-year increase of approximately 90%, and the transaction amount in 2022 is expected to achieve a year-on-year increase of approximately 22%–43%. In other words, the average annual growth rate of historical transaction amount from 2020 to 2022 is about 56%–67%;

LETTER FROM THE BOARD

Set out below is the amount and percentage increase of the Group's revenue generated from the Remaining CDI Group for each type of services for each of the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2021 and 2022:

	For the year ended 31 December			For the six months ended 30 June		
	2020	2021	Growth rate	2021	2022	Growth rate
	<i>RMB million</i>	<i>RMB million</i>		<i>RMB million</i>	<i>RMB million</i>	
Property management services	5.64	34.14	505.32%	7.27	7.28	0.14%
Community value-added and synergy services	3.54	28.13	694.63%	1.04	41.44	3884.62%
Value-added services to non-property owners	<u>249.81</u>	<u>429.00</u>	<u>71.73%</u>	<u>169.95</u>	<u>228.53</u>	<u>34.47%</u>
Total	<u><u>258.99</u></u>	<u><u>491.27</u></u>	<u><u>89.69%</u></u>	<u><u>178.26</u></u>	<u><u>277.25</u></u>	<u><u>55.53%</u></u>

The significant increment of the transaction amount in 2021 was primarily attributable to: (i) the expansion of the Remaining CDI Group's real estate business to Yiyang (益陽), Hefei (合肥), Nantong (南通), Jiangyin (江陰), Suqian (宿遷), Xuzhou (徐州), Yancheng (鹽城), Jinhua (金華), Ningbo (寧波), Taizhou (台州), Wenzhou (溫州), Shangrao (上饒), Jiujiang (九江), Nanchang (南昌), Jiangmen (江門), Liuzhou (柳州), etc. in 2021, where the Group is given to understand that the Remaining CDI Group had never conducted any real estate business before; and (ii) the expansion of the Group's service offering under its smart community services for design and construction of smart building systems, including but not limited to smart management of fire extinguishing system, to property developers for their property developments, hence the growth in demand for community value-added and synergy services provided to the Remaining CDI Group was faster than originally expected, which are non-recurring in nature. Please refer to the circular of the Company dated 9 December 2021 for further details.

In addition, having considered that the Remaining CDI Group will maintain its growth in the future (especially through its increase in delivered area) and the Group's community value-added and synergy services will also continue to mature and expand, the Board considers that adopting the average annual growth rate of the relevant historical transaction amount as one of the basis for determining the Proposed Annual Cap is reasonable and appropriate.

- (ii) The Group's revenue from property management services, community value-added and synergy services and value-added services to non-property owners received from the Remaining CDI Group demonstrated an upward trend;

LETTER FROM THE BOARD

- (iii) The past charging level and the comparable market charging level are expected to be basically the same in the next 2–3 years;
- (iv) The prospect of the Remaining CDI Group's property development business remains positive and is expected to grow rapidly as the number of projects delivered will increase year by year, and the demand for relevant property management services will correspondingly increase in the future.

For transactions between the Group and the Remaining C&D Real Estate Group and its connected companies, the Proposed Annual Cap shall be RMB150 million in 2023, with an annual increase of approximately 5% in 2024 and 2025, were determined due to the following reasons:-

- (i) the historical transaction amount between the Group and the Remaining C&D Real Estate Group and its connected companies under the Business Framework Agreement only increased slightly since 2020 and remained under RMB150 million;
- (ii) The Group's revenue from the Remaining C&D Real Estate Group and its connected companies from property management services, community value-added and synergy services, and value-added services to non-property owners accounted for a decrease in proportion of the Group's total revenue;
- (iii) The past charging level and the comparable market charging level are expected to be basically the same in the next 2–3 years;
- (iv) The future growth of the property development business of the Remaining C&D Real Estate Group and its connected companies is expected to be relatively slow, and the demand for related property management services is not expected to experience significant growth in the future, but the existing demand is expected to remain stable.

After considering the abovementioned factors, especially the increase in historical transaction amount with the Remaining CDI Group, the Board is of the view that the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders.

LETTER FROM THE BOARD

Reliance on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group

The breakdown of revenue (in terms of dollar amount and percentage of total revenue) generated from the Remaining C&D Real Estate Group and its connected companies, the Remaining CDI Group and Independent Third Parties (i.e. the parties mentioned below are the payor) for each of the two years ended 31 December 2021 and the six months ended 30 June 2022 are as follows:

	For the year ended 31 December				For the six months ended 30 June	
	2020		2021		2022	
	<i>RMB</i> <i>million</i>	%	<i>RMB</i> <i>million</i>	%	<i>RMB</i> <i>million</i>	%
	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>
Revenue from:						
— Remaining C&D Real Estate Group and its connected companies	98.25	9.56	118.83	7.63	53.28	5.34
— Remaining CDI Group	258.99	25.17	491.27	31.56	277.25	27.81
— Independent Third Parties	<u>671.33</u>	<u>65.27</u>	<u>946.55</u>	<u>60.81</u>	<u>666.49</u>	<u>66.85</u>
Total	<u>1,028.57</u>	<u>100.00</u>	<u>1,556.65</u>	<u>100.00</u>	<u>997.02</u>	<u>100.00</u>

Note: Percentages of total revenue of the year/period.

The breakdown of revenue (in terms of dollar amount and percentage of total revenue) derived from property projects developed by the Remaining C&D Real Estate Group and its connected companies, the Remaining CDI Group and Independent Third Parties (i.e. property projects which the Group receives income from originated from the parties mentioned below) for each of the two years ended 31 December 2021 and the six months ended 30 June 2022 are as follows:

	For the year ended 31 December				For the six months ended 30 June	
	2020		2021		2022	
	<i>RMB</i> <i>million</i>	%	<i>RMB</i> <i>million</i>	%	<i>RMB</i> <i>million</i>	%
	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>
Revenue from:						
— Remaining C&D Real Estate Group and its connected companies	381.74	37.11	419.85	26.97	238.86	23.96
— Remaining CDI Group	324.75	31.58	627.40	40.31	417.00	41.82
— Independent Third Parties	<u>322.08</u>	<u>31.31</u>	<u>509.40</u>	<u>32.72</u>	<u>341.16</u>	<u>34.22</u>
Total	<u>1,028.57</u>	<u>100.00</u>	<u>1,556.65</u>	<u>100.00</u>	<u>997.02</u>	<u>100.00</u>

Note: Percentages of total revenue of the year/period.

LETTER FROM THE BOARD

Set out below is the amount and percentage increase of the Group's revenue generated by the Independent Third Parties for each type of services for each of the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2021 and 2022:

	For the year ended 31 December			For the six months ended 30 June		
	2020	2021	Percentage increase	2021	2022	Percentage increase
	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>		<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	
Property management services	539.11	687.83	27.59%	325.97	443.21	35.97%
Community value-added and synergy services	112.08	213.3	90.31%	84.32	136.24	61.57%
Value-added services to non-property owners	<u>20.14</u>	<u>45.42</u>	<u>125.52%</u>	<u>19.06</u>	<u>87.04</u>	<u>356.66%</u>
Total	<u><u>671.33</u></u>	<u><u>946.55</u></u>	<u><u>41.00%</u></u>	<u><u>429.35</u></u>	<u><u>666.49</u></u>	<u><u>55.23%</u></u>

The breakdown of the GFA of the properties under the management of the Group developed by (i) the Remaining C&D Real Estate Group and its connected companies; (ii) the Remaining CDI Group; and (iii) Independent Third Parties as at 31 December 2021 and 30 June 2022 are as follows:

	As at 31 December 2021		As at 30 June 2022	
	<i>'000 sq.m.</i>	%	<i>'000 sq.m.</i>	%
Remaining C&D Real Estate Group and its connected companies	10,526	31.86	10,619	28.50
Remaining CDI Group	8,460	25.60	11,183	30.01
Independent Third Parties	<u>14,054</u>	<u>42.54</u>	<u>15,457</u>	<u>41.49</u>
Total	<u><u>33,039</u></u>	<u><u>100.00</u></u>	<u><u>37,259</u></u>	<u><u>100.00</u></u>

The percentage of GFA of properties under the Group's management which were developed by Independent Third Parties remained stable as at 31 December 2021 and 30 June 2022. Nonetheless, the GFA of properties managed which were developed by Independent Third Parties has continuously been on the increase, and the revenue from Independent Third Parties (in terms of dollar amount and percentage of total revenue) has also been increasing. Hence, together with the factors mentioned below, the Board is of the view that the Group has been operating independently from its controlling

LETTER FROM THE BOARD

shareholders. In particular, the Group has made the following progress to reduce its reliance on controlling shareholders and diversify services offered to Independent Third Parties:

- (a) the Group continued to enrich the external expansion channels for its property management services by acquisition of property management companies, market bidding, establishing associates and acquisition of companies with other co-investors.

For acquisition of property management companies, in January 2022, Yijiayuan (Xiamen) Property Management Company Limited* (怡家園(廈門)物業管理有限公司) (a wholly-owned subsidiary of the Company) (“**Yijiayuan**”), acquired 100% equity interest in Xiamen Xinhejia Property Management Co., Ltd.* (廈門新合家物業管理有限公司) from an Independent Third Party, thereby obtaining a property management project located in Anxi County, Fujian Province with a contracted GFA of 121,197.74 sq.m.. In March 2022, Yijiayuan acquired 100% equity interest in Xiamen Haoyi Property Management Co., Ltd.* (廈門豪億物業管理有限公司) from an Independent Third Party, thereby obtaining property management projects located in Xiamen City, Zhangzhou City and other regions in Fujian Province with a contracted GFA of 1,310,760.60 sq.m.. For establishing associates and acquisition of companies with other co-investors, in November 2021, Yijiayuan and Deyang Digital Town Operation Management Co., Ltd.* (德陽市數字小鎮運營管理有限公司) (“**Digital Town**”) formed a joint venture, namely, Deyang Yijiayuan Property Management Co., Ltd.* (德陽怡家園物業管理有限公司), whereby Yijiayuan and Digital Town held 51% and 49% equity interest, respectively. As a result, the Group provided property management services to property projects developed by Digital Town, with a contracted GFA of 542,190.28 sq.m.. For the avoidance of doubt, each of the transactions mentioned above in relation to the acquisitions and formation of joint venture did not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules.

For market bidding and tender, by establishing a database for the bidding and tender of government procurement property projects, the Group identified potential projects in the opportunity pool, contacted the owners in advance, so as to accurately carry out investment and expansion as well as improve its successful building success rate. For the nine months ended 30 September 2022, the Group obtained 23 property management projects from Independent Third Parties by way of bidding, with estimated contract area of approximately 3,495,314.62 sq.m., covering Fujian, Jiangsu, Hunan, Sichuan and Henan province.

LETTER FROM THE BOARD

In future, the Group will continue to enrich its external expansion channels for its property management services by acquisition of property management companies, market bidding, establishing associates and acquisition of companies with other co-investors.

Meanwhile, the Group will continue to actively develop its relationship with Independent Third Party property developers and, through various intermediate parties and/or potential customers, such as property sales agencies, construction companies, property owners' associations and relevant building authorities, explore and secure more business opportunities. The Group has been developing and will develop new business opportunities actively with Independent Third Party customers through a combination of various channels. For the nine months ended 30 September 2022, the Group obtained 19 property management projects from Independent Third Parties by way of negotiation, with estimated contract area of approximately 2,018,845.29 sq.m., covering Fujian, Henan, Anhui, Sichuan and Zhejiang province;

- (b) the Group further developed its community value-added and synergy services with the Independent Third Parties in the following ways:
 - (i) the Group promoted its online shopping platform “C&D Property Zhenxuan* (建發物業臻選)” and actively cooperated with different kinds of brand partners to satisfy the demands of different property owners and residents, bringing property owners and residents more affordable quality and services. Since the launch of “C&D Property Zhenxuan* (建發物業臻選)” in August 2020, the product offerings have exceeded 1000; and
 - (ii) the Group expanded its elderly-care & health value-added services where the occupancy rate of C&D Yibai Elderly Care Centre* (建發溢佰養老中心) as at 30 September 2022 has increased by 46.2% as compared to that as at 31 December 2021.

In future, the Group will (1) explore customers' in-depth service needs, and consolidate the penetration and satisfaction of value-added services such as home living services and home beauty services through the integration of supply chain advantageous resources; (2) continue to promote smart community services, expand the scope of services and upgrade technology; (3) improve the occupancy rate and satisfaction rate of elderly-care & health value-added services and will actively prepare the opening of the new elderly care centre in Haicang; and (4) innovatively use intelligent tools and means to continuously improve service quality and customer experience and promote the application of relevant intelligent scenarios. The abovementioned measures will diversify its service offering to the Independent Third Parties;

LETTER FROM THE BOARD

- (c) the Group obtained new business opportunities with Independent Third Parties for its value-added services to non-property owners through new engagement with Independent Third Party property developers for its property management services. For the nine months ended 30 September 2022, the Group newly acquired a total of 43 contracted projects regarding its value-added services to non-property owners, six of which were from Independent Third Parties and were contracted separately and the contract sums of such six contracts amounted to approximately RMB19 million;
- (d) leveraging its state-owned background, the Group will endeavour to further expand the Independent Third Party clientele, such as local government departments, education and public healthcare departments, for provision of its services. By continuing to strengthen cooperative relationships with government authorities, state-owned enterprises and leading regional developers, the Group will seek more strategic cooperation opportunities and conduct extensive business layout through multi-channel and multi-industry strategic joint ventures. The multi-dimensional cooperation would not only help the Company to develop the local market, but also provide a strong guarantee for the sustainable growth of its scale in the future;
- (e) the Group participated in and will continue to participate in marketing events to promote its brand, including but not limited to attending industry forum and exhibition and cooperating with property management industry association. In 2022, the Group participated in industry forums, such as Selection of 2022 Top 100 Property Management Companies in China by China Index Academy* (中國指數研究院), Selection of 2021 Top 100 of Most Valuable Brand of China Property Management Service by Shanghai Yiju Real Estate Research Institute* (上海易居房地產研究院) and China Real Estate Assessment Centre* (中國房地產測評中心) etc. and won several awards. Such participation and awards can promote its brand to Independent Third Parties;
- (f) the Group has implemented the incentive mechanism for marketing personnel to introduce new Independent Third Party customers and improving the external expansion momentum and capabilities through the introduction and incentives of market-oriented personnel. For the nine months ended 30 September 2022, the contracted sum through market expansion amounted to approximately RMB492 million. The market incentive ratio currently adopted is higher than the industry average standard, and the multiple incentive mechanism of quarterly and annual over-target incentive is implemented. By motivating the market expansion personnel to accelerate the pace of expansion and exceed the progress to complete the market expansion target tasks, more Independent Third Party customers can be referred or introduced to the Group for business opportunities;

LETTER FROM THE BOARD

- (g) the Group adopted the following measures to evaluate the effectiveness of such measures:
 - (i) the Group formed a special committee to perform the evaluation work;
 - (ii) the Group examines what and how such measures are taken on a regular basis; and assess if the measures taken have achieved the designated purpose, and if not, adjustment(s) or alternative(s) will be proposed; and
 - (iii) the Group established regular communication with the Remaining CDI Group and the Remaining C&D Real Estate Group and its connected companies to better monitor the existing and/or upcoming continuing connected transactions.

However, due to challenging operating conditions in the property sector, impact of COVID-19 and uncertainty of the overall economy, the Group's efforts to diversify its source of revenue from Independent Third Parties has been less effective in 2022. Contracted GFA obtained (i) from Independent Third Parties by way of bidding for the nine months ended 30 September 2022 decreased slightly from 3,700,000 sq.m. for the nine months ended 30 September 2021 ("9M2021"); (ii) from Independent Third Parties by way of negotiation continued to increase from 1,430,000 sq.m. for 9M2021; and (iii) through acquisitions decreased from 2,449,318 sq.m. for 9M2021.

Having considered the factors as described below, the Directors (including the independent non-executive Directors) are of the view that the Proposed Annual Caps is consistent with the Company's plan in reducing its reliance on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group:

- (a) the rapid expansion of the Remaining CDI Group's business in recent years. For the six months ended 30 June 2022, the Remaining CDI Group acquired a total of 33 land parcels in the PRC. As at 30 June 2022, the number of the Remaining CDI Group's property projects in the PRC reached 244, with a total saleable GFA for land reserve of approximately 19 million sq.m.. Given the industry norm that property developers usually prefer their own affiliated property management companies for property management services, the Remaining CDI Group intends to continue its business relationship with the Remaining CDI Group and thus increasing its demand for the services provided by the Group;

LETTER FROM THE BOARD

- (b) in addition, the Group intends to further enrich and expand the service offerings and scope of community value-added and synergy services to property developers. Through the integration of advantageous resources, the Group will build a one-stop value-added service platform that combines online and offline elements focusing on people, housing and public resources, and open up a full chain of value-added services covering three categories of living services, space management and asset services with multiple scenarios, in order to meet the diversified needs of different customer groups in all aspects; and
- (c) the Group has been diversifying its services to Independent Third Parties and taking active measures (as specified above) to reduce reliance from connected persons, and the Group will continue to take active measures to reduce reliance from connected persons. As a result of above mentioned measures, (i) the revenue generated from the Independent Third Parties in relation to property management services increased for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020. The percentage of revenue generated from the Independent Third Parties in relation to property management services increased for the six months ended 30 June 2022 as compared to that for the year ended 31 December 2021; and (ii) revenue generated from the Independent Third Parties in relation to community value-added and synergy services increased for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020. The percentage of revenue generated from the Independent Third Parties in relation to community value-added and synergy services remained stable for the two years ended 31 December 2021 and the six months ended 30 June 2022.

The total revenue generated from Independent Third Parties increased for the year ended 31 December 2021 and the six months ended 30 June 2022 by 41% and 55%, respectively (as compared to the previous period) shows that the Company's measures in reducing its reliance on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group as described in the Listing Document was effective.

Having considered the factors described below, the Directors (including the independent non-executive Directors) are of the view that there is no material reliance on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group under the Renewed Business Framework Agreement:

- (a) the Remaining C&D Real Estate Group and its connected companies is principally engaged in businesses of real estate development, commercial operation, property management and investment, etc.. The Remaining CDI Group is principally engaged in the businesses of real estate development, real estate industry chain investment services and investment in emerging industries in the PRC;

LETTER FROM THE BOARD

- (b) as Xiamen C&D, C&D Real Estate and CDI are the controlling shareholders of the Company, the Company maintained a close relationship with Xiamen C&D, C&D Real Estate and CDI. Given the industry norm that property developers usually prefer their own affiliated property management companies for property management services, the Group has been providing the property management services, community value-added and synergy services and value-added services to non-property owners to the Remaining C&D Real Estate Group and its connected companies for more than 19 years and to the Remaining CDI Group for more than 6 years;
- (c) Xiamen C&D is a state-owned enterprise under the supervision of Xiamen SASAC and the largest state-owned conglomerate in Fujian Province. Both the Group and the Remaining CDI Group are state-owned holding companies under the control of Xiamen C&D. The Group has been providing various services under the Business Framework Agreement to the Remaining CDI Group and the Remaining C&D Real Estate Group and its connected companies, and the quality of services has been highly recognized by the Remaining CDI Group and the Remaining C&D Real Estate Group and its connected companies. The Directors confirm that there has not been any significant disagreement, complaint, interruption or material adverse change in its business relationship with the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group during the term of the Business Framework Agreement. As such, the likelihood that the relationship with the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group will materially adversely change or terminate is low;
- (d) although it is expected that the revenue generated from the Remaining C&D Real Estate Group and its connected companies and Remaining CDI Group for property management services provided by the Group will increase in the future, the Group has, according to the industry practice, obtained the initial property management services contracts through the standard tender process under the applicable PRC laws and regulations. It reflects the experience and ability of the Group enabling itself to win the tender, instead of the over reliance on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group. At the post-delivery stage of the property projects where the property units have been wholly or partially sold and fit for occupation by individual owners, the property owners' associations or the owners of such property units have the right to select or replace the property management services provider. The Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group do not have any influence over the selection or replacement of the property management services provider by individual owners. As such, there is no over reliance by the Group on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group for generation of revenue at the post-delivery stage; and

LETTER FROM THE BOARD

- (e) in light of the measures which have been and will be taken by the Group to reduce the reliance on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group and diversify its services to Independent Third Parties as mentioned above, it is expected that the Group is and will be able to effectively mitigate its exposure to any material adverse changes to or termination of the relationship with the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group.

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in property management services, community value-added and synergy services and value-added services to non-property owners in the PRC.

C&D Real Estate is a company established with limited liability in the PRC, and is a controlling shareholder of the Company. It is principally engaged in the businesses of real estate development, commercial operation, property management and investment, etc.. As at the Latest Practicable Date, C&D Real Estate was owned by Xiamen C&D Inc.* (廈門建發股份有限公司) (“**C&D Inc.**”), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153) and Xiamen C&D as to 54.65% and 45.35% respectively. C&D Inc. was owned by its public shareholders and Xiamen C&D as to 54.87% and 45.13%, respectively. The State-owned Assets Supervision and Administration Commission of Xiamen Municipal People’s Government (廈門市人民政府國有資產監督管理委員會) is the ultimate shareholder of C&D Real Estate. C&D Inc. is principally engaged in supply chain operation, real estate development and industrial investment, etc..

CDI is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and is a controlling Shareholder of the Company. The Remaining CDI Group is principally engaged in the businesses of real estate development, real estate industry chain investment services and investment in emerging industries in the PRC. CDI is the controlling shareholder of the Company holding 494,040,388 issued Shares, representing approximately 36.97% of the issued Shares as at the Latest Practicable Date, and has the right to exercise the voting rights in respect of 213,801,777 issued Shares directly held by Well Land. As at the Latest Practicable Date, (i) Well Land held 975,025,548 issued shares of CDI, representing approximately 61.21% of the issued share capital of CDI; (ii) Well Land is wholly-owned by Well Honour International Limited (益鴻國際有限公司) (“**Well Honour**”); and (iii) Well Honour is wholly-owned by C&D Real Estate.

LETTER FROM THE BOARD

REASONS FOR AND BENEFIT OF THE ENTERING INTO OF THE RENEWED BUSINESS FRAMEWORK AGREEMENT

Based on that: (i) the Group has been continuously providing property management services, community value-added and synergy services and value-added services to non-property owners to the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group; (ii) the Remaining CDI Group has been growing rapidly in terms of operation sizes and therefore the demand of the Remaining CDI Group for the relevant services grows simultaneously; (iii) there has been long and good cooperation between the Group and each of the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group which helps to develop better synergies between the brands of the property development and property management arm, enhance brand influence and improve the operational efficiency of their respective businesses based on long-term cooperative relationships; and (iv) the Group extends its business contents for the services provided to the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group (including home beauty services and pre-inspection services before delivery etc.), the Directors (including the independent non-executive Directors) consider that the terms of the Renewed Business Framework Agreement are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

C&D Real Estate and CDI are the controlling shareholders of the Company, and therefore, connected persons of the Company. Accordingly, the transactions contemplated under the Renewed Business Framework Agreement with C&D Real Estate and CDI will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the proposed annual caps under the Renewed Business Framework Agreement are expected to be more than 5% on an annual basis, the entering into of the Renewed Business Framework Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. An EGM will be held to seek approval from the Independent Shareholders for the transactions contemplated under the Renewed Business Framework Agreement.

Since Mr. Lin Weiguo is a director of CDI, he is required to abstain from voting on the Board resolutions for considering and approving the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps. Save as to the above and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Directors were required to abstain from voting on the Board resolutions for considering and approving the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps.

LETTER FROM THE BOARD

CDI (which holds 494,040,388 issued Shares and controls the voting rights of 213,801,777 issued Shares, representing an aggregate of approximately 52.97% of issued Shares as at the Latest Practicable Date) and Well Land (which holds 85,697,941 issued Shares (excluding 213,801,777 issued Shares, the voting rights of which has been entrusted to CDI), representing approximately 6.41% of issued Shares as at the Latest Practicable Date), each being a subsidiary of C&D Real Estate, shall abstain from voting on the proposed resolution to approve the transactions contemplated under the Renewed Business Framework Agreement at the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is interested in the transactions contemplated under the Renewed Business Framework Agreement.

The Independent Board Committee consisting of all the independent non-executive Directors has been established to consider and advise the Independent Shareholders on the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Renewed Business Framework Agreement are fair and reasonable, and the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps are on normal commercial terms or better, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

EXTRAORDINARY GENERAL MEETING

The EGM will be held by the Company at Room 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Tuesday, 20 December 2022 at 2:00 p.m., to consider and if thought fit, to approve, among other things, the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps. A form of proxy for use at the EGM is enclosed with this circular.

Any Shareholder and his or her or its associates with a material interest in the resolution will abstain from voting on the resolution to be proposed at the EGM. Save for the aforesaid and to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholders were required to abstain from voting on the relevant resolution in relation to the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps.

The notice convening the EGM is set out on pages N-1 to N-3 of this circular.

LETTER FROM THE BOARD

For those who intend to direct a proxy to attend the EGM, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the EGM or any adjournment thereof. The register of members of the Company will be closed from Thursday, 15 December 2022 to Tuesday, 20 December 2022 (both days inclusive), during which time no share transfers will be effected. In order to qualify for attending the EGM or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong at the above address by no later than 4:30 p.m. on Wednesday, 14 December 2022. The holders of the Shares whose names appear on the register of members of the Company on Tuesday, 20 December 2022 are entitled to attend and vote in respect of the resolution to be proposed at the EGM.

You are urged to complete and return the form of proxy whether or not you will attend the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any subsequent meetings following the adjournments thereof) should you wish to do so.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps. Draco Capital Limited, the Independent Financial Adviser, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the above issues. The text of the letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages IFA-1 to IFA-19 of this circular.

RECOMMENDATION

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As such, the Directors recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

LETTER FROM THE BOARD

VOTE BY POLL

In accordance with the articles of association of the Company, all votes in the EGM must be taken by poll. The methods of Shareholders' votes at the EGM will be conducted by the combination of on-site voting and online voting.

FURTHER INFORMATION

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
C&D Property Management Group Co., Ltd
建發物業管理集團有限公司
Lin Weiguo
Chairman and Non-executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the entering into of the Renewed Business Framework Agreement for inclusion in this circular.

C&D Property Management Group Co., Ltd

建發物業管理集團有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2156)

1 December 2022

To the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF BUSINESS FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to our opinion on the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps, the details of which are set out in the circular issued by the Company to the Shareholders dated 1 December 2022 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Draco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages IFA-1 to IFA-19 of the Circular.

Having taken into account (i) the reasons as disclosed in the paragraph headed “Reasons for and benefit of the entering into of the Renewed Business Framework Agreement” of the Circular; and (ii) the principal factors and reasons considered by the Independent Financial Adviser, and its conclusion and advice, we are of the view and concur with the opinion of the Independent Financial Adviser that the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps are fair and reasonable, on normal commercial terms or better and in the ordinary course of business of the Group; and in the interests of the Shareholders as a whole. Accordingly, we recommend the Independent

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the transactions contemplated under the Renewed Business Framework Agreement and the Proposed Annual Caps.

Yours faithfully,
Independent Board Committee of
C&D Property Management Group Co., Ltd
建發物業管理集團有限公司
Mr. Lee Cheuk Yin Dannis
Mr. Li Kwok Tai James
Mr. Wu Yat Wai
(Independent non-executive Directors)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Draco Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of revision of annual caps under the business framework agreement and inventory property underwriting agreement, and the transactions contemplated thereunder for the purpose of inclusion in this circular.



Draco Capital Limited
4/F Connaught Harbourfront House
35 Connaught Road West,
Sheung Wan, Hong Kong

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1 December 2022

*To: The independent board committee and the independent shareholders of
C&D Property Management Group Co., Ltd*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF BUSINESS FRAMEWORK AGREEMENT

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of renewal of Business Framework Agreement. References are made to the Listing Document and the announcement of the Company dated 4 October 2021, in relation to, among other things, the Business Framework Agreement for the provision of property management services, the community value-added and synergy services, and the value-added services to non-property owners to (i) the Remaining C&D Real Estate Group and its connected companies; and (ii) the Remaining CDI Group. Details of the Renewed Business Framework Agreement are set out in the Letter From the Board (the “**Board Letter**”) contained in the circular dated 1 December 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 19 October 2022 (after trading hours), C&D Real Estate, CDI and the Company entered into the Renewed Business Framework Agreement in order to renew the Business Framework Agreement, which will expire on 31 December 2022, for a term of three years commencing on 1 January 2023 and ending on 31 December 2025.

With reference to the Board Letter, the transaction constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the transactions are on normal commercial terms and are fair and reasonable; (ii) whether the transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the transactions at the EGM. We, Draco Capital Limited (“**Draco Capital**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We, Draco Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Draco Capital is a licensed corporation licensed under the Securities and Futures Ordinance to conduct type 6 (advising on corporate finance) regulated activities, and participated in and completed various independent financial advisory transactions.

As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Draco Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Draco Capital’s independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the transactions.

We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. During the past two years, we have been appointed as the independent financial adviser to the Company regarding (i) revision of annual caps under the business framework agreement; and (ii) inventory property underwriting agreement; and we have been appointed as independent financial adviser to CDI, a subsidiary of Well Land, the controlling shareholder of the Company, and thus an associate of the Company, regarding (i) connected transactions — proposed issue of new shares under 2021 restricted share incentive scheme to connected persons pursuant to the specific mandate, of which the circular was dated 20 May 2021; and (ii) discloseable and connected transaction in relation to the acquisition of 100% equity interests in Zhuzhou Yuefa, of which the circular was dated 30 July 2021. The professional fees in connections with the above appointments have been fully settled and we are not aware of or change in any circumstance that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on (i) revision of annual caps under the Business Framework Agreement and (ii) Inventory Property Underwriting Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The 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 as contained in the circular or the circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Draco Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the transactions

Information on the Group

With reference to the Board Letter, the Company is principally engaged in property management services, community value-added and synergy services and value-added services to non-property owners in the PRC.

Information about the parties

C&D Real Estate is a company established with limited liability in the PRC, and is a controlling shareholder of the Company. It is principally engaged in the businesses of real estate development, commercial operation, property management and investment, etc.. As at the Latest Practicable Date, C&D Real Estate was owned by Xiamen C&D Inc.* (廈門建發股份有限公司) (“**C&D Inc.**”), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153) and Xiamen C&D as to 54.65% and 45.35% respectively. C&D Inc. was owned by its public shareholders and Xiamen C&D as to 54.87% and 45.13%, respectively. The State-owned Assets Supervision and Administration Commission of Xiamen Municipal People’s Government (廈門市人民政府國有資產監督管理委員會) is the ultimate shareholder of C&D Real Estate. C&D Inc. is principally engaged in supply chain operation, real estate development and industrial investment, etc..

CDI is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Remaining CDI Group is principally engaged in the businesses of real estate development, real estate industry chain investment services and investment in emerging industries in the PRC. CDI is the controlling shareholder of the Company holding 494,040,388 issued Shares, representing approximately 36.97% of the issued Shares as at the Latest Practicable Date, and has the right to exercise the voting rights in respect of 213,801,777 issued Shares directly held by Well Land. As at the Latest Practicable Date, (i) Well Land held 975,025,548 issued shares of CDI, representing approximately 61.21% of the issued share capital of CDI; (ii) Well Land is wholly-owned by Well Honour International Limited (益鴻國際有限公司) (“**Well Honour**”); and (iii) Well Honour is wholly-owned by C&D Real Estate.

Reasons for and benefits of the transaction

The Group is principally engaged in property management services, community value-added and synergy services and value-added services to non-property owners in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on that: (i) the Group has been continuously providing property management services, community value-added and synergy services and value-added services to non-property owners to the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group; (ii) the Remaining CDI Group has been growing rapidly in terms of operation sizes and therefore the demand of the Remaining CDI Group for the relevant services grows simultaneously; (iii) there has been long and good cooperation between the Group and each of (a) the Remaining C&D Real Estate Group and its connected companies and (b) the Remaining CDI Group which helps to develop better synergies; and (iv) the Group extends its business contents for the services provided to the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group, the Directors (including the independent non-executive directors) consider that the terms of the Renewed Business Framework Agreement are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

As mentioned above, as C&D Real Estate and CDI Group are controlling shareholders of the Company and the transactions between the Group and the Remaining CDI Group or the Remaining C&D Real Estate Group and its connected companies will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the transactions are entered into in the ordinary and usual course of business of the Group and on a frequent and regular basis in the future, it would be costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules (if necessary). Accordingly, the Directors are of the view that the transactions will be beneficial to the Company and the Shareholders as a whole. We concur with the Directors in this regard.

Having considered the above and that (i) the transactions are conducted in the ordinary and usual course of business of the Group and on a frequent and regular basis in the future; (ii) the Group has been continuously providing to the Remaining CDI Group and the Remaining C&D Real Estate Group and its connected companies the property management services, the community value-added and synergy services and the value-added services to non-property owners; (iii) the CDI Group has been growing rapidly in terms of operation sizes and therefore the Remaining CDI Group's demand for our services grows simultaneously; (iv) there has been long and good cooperation between the Group and (a) the Remaining CDI Group and (b) the Remaining C&D Real Estate Group and its connected companies which helps to develop better synergies; and (v) the Group extends its business contents for the services provided to the Remaining CDI Group and the Remaining C&D Real Estate Group and its connected companies, we concur with the Directors that the transactions are conducted in the ordinary and usual course of business of the Group and on a frequent and regular basis in the future and the transactions are in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the transaction

Renewal of Business Framework Agreement

Set out below are the key terms of the Renewed Business Framework Agreement, details of which are set out under the section headed “Renewal of Business Framework Agreement” of the Board Letter.

References are made to the Listing Document and the announcement of the Company dated 4 October 2021, in relation to, among other things, the Business Framework Agreement for the provision of property management services, the community value-added and synergy services, and the value-added services to non-property owners to (i) the Remaining C&D Real Estate Group and its connected companies; and (ii) the Remaining CDI Group.

On 19 October 2022 (after trading hours), C&D Real Estate, CDI and the Company entered into the Renewed Business Framework Agreement in order to renew the Business Framework Agreement, which will expire on 31 December 2022, for a term of three years commencing on 1 January 2023 and ending on 31 December 2025. The principal terms of the Renewed Business Framework Agreement are as follows:

Date

19 October 2022 (after trading hours)

Parties

- (1) C&D Real Estate
- (2) CDI
- (3) The Company

Term

1 January 2023 to 31 December 2025

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical Transaction Amounts

The historical transaction amounts of service fees paid to the Group by each of (i) the Remaining C&D Real Estate Group and its connected companies; and (ii) the Remaining CDI Group under the Business Framework Agreement for each of the two years ended 31 December 2021 and the six months ended 30 June 2022 are as follows:

	For the year ended 31 December		For the six months ended 30 June
	2020	2021	2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Service fees paid by the Remaining C&D Real Estate Group and its connected companies	98	119	53
Service fees paid by the Remaining CDI Group	259	491	277
Total	357	610	330

Proposed annual caps

The proposed annual caps of the service fees payable to the Group by each of (i) the Remaining C&D Real Estate Group and its connected companies; and (ii) the Remaining CDI Group under the Renewed Business Framework Agreement for each of the three years ending 31 December 2025 are as follows:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Service fees payable by the Remaining C&D Real Estate Group and its connected companies	150	158	165
Service fees payable by the Remaining CDI Group	1,050	1,250	1,500
Total	1,200	1,408	1,665

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In determining the proposed revised annual caps under the Renewed Business Framework Agreement the following factors have been taken into consideration:

- (i) the historical transaction amounts paid to the C&D Property Group in respect of each of the property management services, the community value-added and synergy services, and the value-added services to non-property owners by the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group for such services;
- (ii) the proportion of historical transaction amounts in respect of each of the property management services, the community value-added and synergy services, and the value-added services to non-property owners received by the C&D Property Group from the relevant parties and the pace of increment of the historical amounts received by the C&D Property Group from the relevant parties. As the C&D Property Group will also develop new services segments for the existing community value-added and synergy services in the future, the growth in demand for community value-added and synergy services provided to the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group is expected to be faster than originally expected;
- (iii) the expected fees to be charged by the Group with reference to the historical and comparable market levels; and
- (iv) any potential increment of the demands for the services to be provided to each of (a) the Remaining C&D Real Estate Group and its connected companies and (b) the Remaining CDI Group based on the expected expansion in geographical coverage and the expected growth in the property development business (as measured by the growth in the contract sales) in the future.

To assess reasonableness of service fee in respect of each of the property management services, the community value-added and synergy services, and the value-added services to non-property owners, we obtained and compared 20 samples of the existing contracts of the Group with (i) the Remaining C&D Real Estate Group and its connected companies (4 samples, including 2 sample(s) of community value-added and synergy services and 2 sample(s) of value-added services to non-property owners), per our understanding with the Company, within the past one year there is no new contract related to property management service entered into with the Remaining C&D Real Estate Group and its connected companies, we understand that the Group has basically the same internal control and pricing policy in place for (i) other services with the Remaining C&D Real Estate Group and (ii) services with the Remaining CDI Group and independent third parties. We have reviewed relevant samples and that the relevant internal control and pricing policy are in place; (ii) the Remaining CDI Group (9 samples, including 2 samples of the property management services, 3 sample(s) of community value-added and synergy services and 4 sample(s) of value-added services to non-property owners); and (iii) independent

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third parties (7 samples, including 2 samples of the property management services, 3 sample(s) of community value-added and synergy services and 2 sample(s) of value-added services to non-property owners), we have performed random sampling for contracts entered into within the past one year and we have reviewed the principal terms of the contracts including the service contents, service periods, rights and obligation of each party and service fee details etc, and those contract terms (i) with the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group are comparable and similar to those (ii) with independent third parties, we are of the view that the service fee of the existing contracts with (i) the Remaining C&D Real Estate Group and its connected companies and (ii) the Remaining CDI Group are on normal commercial terms and are fair and reasonable and having considered the internal control and pricing policy of the Group (as detailed on page 10 of this letter), the Group has internal control policies and procedures in relation to the pricing mechanism and has standard contract terms and templates for each type of service, the contracts entered into within the past one year are recent cases, we are of the view that the sample size, sample basis and review period are appropriate, fair and representative..

Per Board Letter and the management of the Company, the Company adopted various internal control procedures to ensure that the price of each of the transactions are in accordance with the pricing policies as set out under the section headed “Pricing mechanism and internal control” of the Board Letter.

Having considered the followings:

- (i) for property management fees, the fees shall be determined after arm’s length negotiations by the parties after taking into account a number of factors, including: (i) type of the property, such as residential and non-residential, and the location of the property development such as the tier of city where the property development is located; (ii) positioning of the property development (such as, high-end properties, mid-end properties and ordinary rigid-demand housings); (iii) the classification of service requirement to be provided; (iv) profile of property owners and residents; (v) unit price of similar property development in the surrounding area for similar services in the market; and (vi) guidance price on property management fees promulgated by local government (where applicable). The property management fees will be further determined with reference to the expected operational costs (including, among other things, staff costs, material costs, subcontracting costs and operational administrative expenses) and the target profit margins of the Company. The final property management fee shall be determined by relevant departments (including quality, human resources, engineering, finance and operation departments) of the Group;
- (ii) for community value-added and synergy services, the service fees shall be determined after arm’s length negotiations with reference to the prevailing market prices of similar services in the open market and historical charges.

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When determining the service fees for community value-added and synergy services, the following guide lines are employed: (a) for services of similar natures to be provided to the same customer(s), the service fee should not be lower than the corresponding historical charges; (b) for services of similar natures where a fair price could be readily accessible to the public in an active and open market, the service fee should not be lower than such fair price; and (c) for services of similar natures with highly customised scopes and contents with no open quotations, the service fee should cover the expected cost for personnel and materials plus a reasonable profit margin;

- (iii) for value-added services to non-property owners, the service fees shall be determined after arm's length negotiations based on the calculation of "cost (calculated in accordance with the actual costs incurred, such as materials and labour) + indirect management fee (calculated by tax-exclusive income x 10–15%) + taxes". The abovementioned tax will be subject to adjustment in accordance with relevant rules and regulations;
- (iv) the Group has a specialist team with members selected from the departments of finance, audit and operation for managing and monitoring the specific transactions under the Renewed Business Framework Agreement and the fees receivable for such transactions;
- (v) the Group shall review each specific service contract to see if the conditions therein have properly followed the principles established under the Renewed Business Framework Agreement;
- (vi) the Group shall review the transactions for compliance of the annual caps at a regular basis;
- (vii) should the Group perceive with reasonable basis any potential breach of the annual caps, the Group will immediately stop all the outstanding transactions in relation to the Renewed Business Framework Agreement, propose revision of annual caps, consult the independent non-executive directors for their opinion, and convene an extraordinary general meeting to seek independent shareholders' approval;
- (viii) the Group's general pricing policies applicable to the transactions under the Renewed Business Framework Agreement for each of the property management services, community value-added and synergy services and value added services to non-property owners are as follows:
 - (a) the Group has local pricing survey teams (the "**Local Survey Teams**") headed by the local officers of the Group, consisting of project members to be engaged in the services to be provided, to study the local market for the services to be provided, including but not limited to, prevailing market pricing (if applicable), generally accepted scopes and contents, local pricing policies, etc.;

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- (b) to ascertain the prevailing pricing of the local market, the Local Survey Teams investigate on (i) fees charged for services of similar scopes and contents in the local market; and (ii) guidance pricing offered by the local government; and
 - (c) the Local Survey Teams compare the prevailing pricing of the local market and the proposed service fee of the relevant services to ensure that the service fee charged to the connected persons should not be more favourable than that charged to Independent Third Parties. The Local Survey Teams propose the service fees in accordance with the individual contracts and submit to the Group's senior management for approval;
- (ix) the internal control policies and procedures of the Company in relation to the pricing mechanism are as follow:
- (a) the Group has a working team consisting of financial and auditing personnel to review the negotiation and decision-making procedures, based on which the service fees are determined. The working team shall be led by the chief financial officer of the Company (the "**Chief Financial Officer**"), who reports to the audit committee of the Board (the "**Audit Committee**");
 - (b) for property management services, the Group shall maintain a basic pricing database for property management services rendered to all customers by the Group. Such basic pricing database is used to determine whether the proposed service fee is on normal commercial terms. The database is updated from time to time taking into the account any material changes in the factors mentioned above;
 - (c) for community value-added and synergy services, the Group shall keep records of historical service fees as well as prevailing public quotations for applicable service segments for reference and update the records from time to time in the event of further segmentation of scope and/or content of community value-added and synergy services (if any);
 - (d) for community value-added and synergy services and value added services to non-property owners, the Group will keep track of the cost information for the applicable community value-added and synergy services and value-added services to non-property owners rendered to all customers so as to better formulate and adjust the corresponding pricing models;
 - (e) the Chief Financial Officer shall report to the Audit Committee at semi-annual basis the status of continuing connected transactions under the Renewed Business Framework Agreement in relation to, including but not limited to, the types, the transaction amounts, and

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the reasons, of the continuing connected transactions happened in the reporting interval. The Audit Committee shall assess the fairness of the continuing connected transactions under the Renewed Business Framework Agreement and report to the Board; and

- (f) in the event where the Audit Committee perceives breach or likelihood to breach the prevailing/existing annual caps, the relevant continuing connected transactions under the Renewed Business Framework Agreement (if necessary) shall stop immediately and relevant procedures shall be performed on the matter.

We have reviewed the Group's pricing basis and internal control on pricing mechanism and have reviewed contracts of the Group as mentioned above that we obtained and compared 20 samples of the existing contracts of the Group with (i) the Remaining C&D Real Estate Group and its connected companies (4 samples); (ii) the Remaining CDI Group (9 samples); and (iii) independent third parties (7 samples), we have performed random sampling for contracts entered into within the past one year and we have reviewed the principal terms of the contracts including the service contents, service periods, rights and obligation of each party and service fee details etc., there are segregation of duties with proper expertise and procedures on regular basis by the Group to monitor, assess and ensure that pricing for each of the property management services, community value-added and synergy services and value added services to non-property owners are on normal commercial terms or on terms no more favorable than those available to Independent Third Parties. We consider that the internal controls are sufficient for the Company to monitor the Renewed Business Framework Agreement transactions and having considered the internal control and pricing policy of the Group (as detailed on page 10 of this letter), we are of the view that the pricing basis and contracts reviewed are appropriate, fair and representative.

Having also considered our findings on Renewed Business Framework Agreement transactions including our review of the written internal control and pricing policy of the Company, representation and confirmation by management of the Company and review of sample contracts as mentioned above, we do not doubt the effectiveness of implementation of the above measures and the Group's internal control and pricing policies were in place when determining the fees charged under the Renewed Business Framework Agreement.

Under the Renewed Business Framework Agreement, the service fee is paid half-yearly in principle (under the Business Framework Agreement, the service fee is paid quarterly in principle), and can be specifically: (i) C&D Real Estate and CDI who receive the service will settle and pay with the Company respectively; (ii) The payment terms will be determined through negotiation between the companies that have business transactions between the parties based on the actual situation. We noted that except for the revised caps, the service fee is still paid in short term in principle and there is no other change of payment terms under the Renewed Business Framework Agreement and were in line with the existing payment arrangement of the transactions among the Company, C&D Real Estate and CDI (i.e. property

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management services, the community value-added and synergy services and the value-added services to non-property owners). As such, we consider that the payment terms are acceptable. Per management of the Company and per review of 20 samples of the existing contracts of the Group with (i) the Remaining C&D Real Estate Group and its connected companies (4 samples); (ii) the Remaining CDI Group (9 samples); and (iii) independent third parties (7 samples), we have performed random sampling for contracts entered into within the past one year, the service fee of property management services is settled and payable on a monthly or quarterly basis in general and the community value-added and synergy services and the value-added services to non-property owners is settled and payable right after the relevant service is incurred. We consider that the settlement process is on a timely manner and the payment terms is fair and reasonable.

The Group has taken the measures as described in the Board Letter and made progress to reduce its reliance on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group and diversify services to independent third parties as stated in the section “Reliance on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group” of the Board Letter. Having considered the factors as described in the section “Reliance on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group” of the Board Letter and we have reviewed that the total revenue generated from Independent Third Parties increased for the year ended 31 December 2021 and the six months ended 30 June 2022 which demonstrate certain reduction on the reliance over time, we concur with the Directors that the revision of annual caps is consistent with the Company’s plan in reducing its reliance on the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group as described in the Board Letter.

In light of the above factors and our review of the written internal control and pricing policy of the Company, representation and confirmation by management of the Company and review of sample contracts as mentioned above and those contract terms (i) with the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group are comparable and similar to those (ii) with independent third parties, we are of the view that the terms of the Renewed Business Framework Agreement are on normal commercial terms and are fair and reasonable and the pricing policies under the Renewed Business Framework Agreement are fair and reasonable.

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Annual caps of the service fees payable to the Group by the Remaining C&D Real Estate Group and its connected companies

The table below demonstrates (i) the historical transactions amounts of the service fees payable to the Group by the Remaining C&D Real Estate Group and its connected companies for the years ended 31 December 2020, 31 December 2021 and six months ended 30 June 2022 with existing annual caps; and (ii) the proposed annual caps for the three years ending 31 December 2025:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Existing annual caps	100	200	250
Historical transaction amounts	98.2	119	53 ^(Note)
Utilisation rate	98.2%	59.5%	N/A
	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed annual caps	150	158	165

Note: the figure was for the six months ended 30 June 2022.

Annual caps of the service fees payable to the Group by the Remaining CDI Group

The table below demonstrates (i) the historical transactions amounts of the service fees payable to the Group by the Remaining CDI Group for the year ended 31 December 2020, 31 December 2021 and six months ended 30 June 2022 with existing annual caps; and (ii) the proposed annual caps for the three years ending 31 December 2025:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Existing annual caps	270	550	745
Historical transaction amounts	259	491	277 ^(Note)
Utilisation rate	95.9%	89.3%	N/A

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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	For the year ending 31 December 2023 <i>RMB million</i>	For the year ending 31 December 2024 <i>RMB million</i>	For the year ending 31 December 2025 <i>RMB million</i>
Proposed annual caps	1,050	1,250	1,500

Note: the figure was for the six months ended 30 June 2022.

As advised by the Directors, in arriving at the proposed annual caps of the service fees payable to the Group by the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group (the “**Proposed Annual Caps**”) for the three years ending 31 December 2025, the Directors considered factors set out under the section headed “Proposed annual caps” of the Board Letter.

Upon our request, we obtained the detailed calculation for the Proposed Annual Caps for the three years ending 31 December 2025 (the “**Proposed Annual Cap Calculation**”). The Proposed Annual Cap Calculation was prepared based on the possible demand of services under the Renewed Business Framework Agreement by each of the members of the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group with reference to the respective historical demand.

According to the Renewed Annual Cap Calculation, the estimation on services as demanded by the Remaining C&D Real Estate Group and its connected companies for the years ended 31 December 2023 (“**FY2023**”), 31 December 2024 (“**FY2024**”) and for the year ended 31 December 2025 (“**FY2025**”) are set out mainly as follows:

- (i) the Remaining C&D Real Estate Group and its connected companies’ estimated demand on service from the Group for FY2023 to FY2025 increased by approximately 5.0% per year on average; transaction amounts on the Remaining C&D Real Estate Group and its connected companies’ estimated demand on service from the Group for FY2022 represented an estimated average increment per year of approximately 4.1% as compared to that for FY2020 and FY2021.
- (ii) the CDI Group’s estimated demand on service from the Group for FY2023 to FY2025 increased by approximately 21.4% per year on average; transaction amounts on the Remaining CDI Group’s estimated demand on service from the Group for FY2022 represented increment of approximately 55.0% as compared to that for FY2020 and FY2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the estimated demand of property management services, the community value-added and synergy services and the value-added services to non-property owners provided by the Group for FY2022 represented an overall increase as compared to those for FY2021; and for FY2023 to FY2025 also represented an overall increase as compared to those for FY2022.

We consider the estimated demand on service provided by the Group to be reasonable after taking into account of following factors:

- (i) The historical transaction amounts paid to the Group in respect of each of the property management services, the community value-added and synergy services, and the value-added services to non-property owners by the Remaining Xiamen C&D Group and the CDI Group for such services;
- (ii) The existing contracts of the Group with (i) the Remaining C&D Real Estate Group and its connected companies; (ii) the Remaining CDI Group; and (iii) independent third parties in relation to provision of each of (i) the property management service; (ii) the community value-added and synergy services; and (iii) value-added services to non-property owners;
- (iii) For the property management services and value-added services to non-property owners, the pace of increment of the historical amounts received by the Group from the relevant parties for each of the two years ending 31 December 2022;
- (iv) As the Group will also develop new services segments for the existing community value-added and synergy services in the future, the growth in demand for community value-added and synergy services provided to the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group is expected to be faster than originally expected;
- (v) The expected fees to be charged by the Group is with reference to the historical and comparable market levels. According to the Board Letter and per our review of PRC core consumer price index which shows a minimal growth rate of less than 1% in recent period and the price index of PRC property sector shows an overall flattening or a mild decreasing trend in recent period, we concurred with the management's current view that the past charging level and the comparable market charging level are expected to be basically the same in the next 2-3 years; and
- (vi) Any potential increment of the demands for the services to be provided to each of (a) the Remaining C&D Real Estate Group and its connected companies and (b) the Remaining CDI Group based on the expected expansion in geographical coverage and the abovementioned expected growth in the property development services business (as measured by the growth in the contract sales) in the future, and there are factors as stated in item (vii) below in support of proposed annual caps for FY2023 to FY2025 for such potential increment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (vii) According to the current known situation, it is estimated by the management of the Company that for the twelve months ended December 31, 2022, the service fee charged by the Group to the Remaining CDI Group for the Business Framework Agreement is approximately RMB600–700 million. The utilization rate of the annual cap is expected to be approximately 80%–94%; for the 12 months ended December 31, 2022, the service fee charged by the Group to the Remaining C&D Real Estate Group and its connected companies for the Business Framework Agreement is approximately RMB100–150 million, the utilization rate of the annual cap in 2022 is expected to be about 40%–60%.

In terms of the proposed annual cap for the Group and the Remaining CDI Group, the proposed cap for 2023 is RMB1,050 million (an increase of approximately 50% from the total transaction amount expected to occur in 2022 of RMB600–700 million), the annual cap will increase by about 20% in the same amount from 2024 to 2025, mainly based on the following:

- (a) The historical transaction amount between the Group and the Remaining CDI Group under the business framework agreement shows a significant increase each year, of which the transaction amount in 2021 will increase by approximately 90% compared with 2020, and the transaction amount in 2022 will increase by approximately 22%–43% compared with 2021 according to the current estimate, according to which, the average annual growth rate of historical transaction amount from 2020 to 2022 is about 56%–67%; and
- (b) The Group's revenue from property management services, community value-added and synergy services and value-added services to non-property owners received from the Remaining CDI Group respectively accounted for an upward trend in the Group's revenue; and
- (c) According to the Board Letter, the future property development business of the Remaining CDI Group will grow rapidly, the number of projects delivered will increase year by year, and the demand for relevant services will increase in the future; and
- (d) we have reviewed that the estimated growth of the transaction with Remaining CDI Group is further supported by the recent increase of revenue by 90.8% as stated in the interim results of CDI Group for the six months ended 30 June 2022 as compared to same period of prior year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In terms of the proposed annual caps between the Group and the Remaining C&D Real Estate Group and its connected companies, the proposed 2023–2025 annual caps are based on RMB150 million, with room for an annual increase of approximately 5% in 2024–2025. The main basis is as follows:

- (a) the historical transaction amount between the Group and the remaining C&D Real Estate Group and its connected companies under the business framework agreement has only increased slightly since 2020 and has never exceeded RMB150 million;
- (b) The Group's revenue from the remaining C&D Real Estate Group and its connected companies from property management services, community value-added and synergy services, and value-added services to non-property owners accounted for a decrease in proportion of the Group's total revenue from the corresponding businesses; and
- (c) According to the Board Letter, the future growth of the property development business of the remaining C&D Real Estate Group and its connected companies is expected to be relatively slow, and the demand for related services will not grow much in the future, but the existing demand is expected to remain stable.

Based on the above analysis in respect of the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group's estimated demand on services from the Group, we consider that the Remaining C&D Real Estate Group and its connected companies and the Remaining CDI Group's Demand on the Group's services and that the increment of the proposed annual caps to be fair and reasonable.

In light of the above factors, we consider that the Proposed Annual Caps for the three years ending 31 December 2025 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue/expenses/costs to be recorded/incurred from the transactions. Consequently, we express no opinion as to how closely the actual revenue/expenses to be incurred from the transactions will correspond with the proposed annual caps.

3. Listing Rules implication regarding the continuing connected transactions

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the continuing connected transactions must be restricted by their respective proposed annual cap for the period; (ii) the terms of the continuing connected transactions (including their respective annual caps) must be reviewed by the independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

annually; (iii) details of independent non-executive Directors' annual review on the terms of the continuing connected transactions of the Company must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the continuing connected transactions of the Company (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded their respective annual caps.

In the event that the total amounts of the continuing connected transactions of the Company are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of their relevant agreements, as confirmed by the Directors, the Company shall re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the continuing connected transactions of the Company and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the transactions are on normal commercial terms and are fair and reasonable; and (ii) the transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Draco Capital Limited
Kevin Choi **Ivan Chan**
Managing Director *Director*

Mr. Kevin Choi and Mr. Ivan Chan are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Ivan Chan have over 11 and 6 years of experience in corporate finance industry, respectively.

** For identification purposes only*

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

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

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Shares

Name of Director	Capacity/ Nature of interest	Number of issued Shares/ underlying Shares held	Approximate percentage of interest in the Company (Note 1)
Mr. Lin Weiguo	Interest of controlled corporation	52,412,000 (Note 2)	3.92%
Mr. Xu Yixuan	Beneficiary of a trust	1,541,070 (Note 2)	0.12%
Ms. Qiao Haixia	Beneficiary of a trust	770,561 (Note 2)	0.06%
	Beneficiary owner	32,000	0.002%
	Beneficiary of a trust (other than a discretionary interests)	600,000 (Note 3)	0.04%
Mr. Huang Danghui	Beneficiary of a trust	513,690 (Note 2)	0.04%
	Beneficiary of a trust (other than a discretionary interests)	600,000 (Note 3)	0.04%

Notes:

- (1) The percentage of shareholding was calculated based on the 1,336,261,106 Shares in issue as at the Latest Practicable Date.
- (2) These Shares were registered in the name of Diamond Firetail Limited (“**Diamond Firetail**”), a company incorporated in the BVI. Diamond Firetail is a wholly-owned subsidiary of Tricor Equity Trustee Limited (formerly known as Equity Trustee Limited) (“**Tricor Equity Trustee**”). Tricor Equity Trustee is a trustee of a discretionary trust and Mr. Lin Weiguo is one of the protectors of the said discretionary trust. Ms. Qiao Haixia, Mr. Xu Yixuan and Mr. Huang Danghui are beneficiaries of the said discretionary trust. Therefore, Mr. Lin Weiguo, Mr. Xu Yixuan, Ms. Qiao Haixia and Mr. Huang Danghui are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO.
- (3) The 2021 restricted share incentive scheme (the “**Incentive Scheme**”) was approved at the extraordinary general meeting of the Company on 27 September 2021 and 28,250,000 Shares were allotted and issued to the trustee of the Incentive Scheme, who held the Shares on behalf of the incentive recipients of the Incentive Scheme. Being the incentive recipients of the Incentive Scheme, each of Ms. Qiao Haixia and Mr. Huang Danghui is interested in 600,000 Shares and 600,000 Shares held on trust by the trustee under the Incentive Scheme, respectively, which are subject to vesting.

Long positions in the shares of the Company’s associated corporations

Name of Director	Name of the Company’s associated corporation	Capacity/ Nature of interest	Number of issued shares/ underlying shares held	Approximate percentage of shareholding in issued share capital <i>(Note 1)</i>
Mr. Lin Weiguo	CDI	Interest of controlled corporation	51,484,506 <i>(Note 2)</i>	3.23%
	CDI	Beneficiary of a trust (other than a discretionary interests)	290,000 <i>(Note 3)</i>	0.02%
Ms. Qiao Haixia	CDI	Beneficiary of a trust	756,924 <i>(Note 2)</i>	0.05%
	CDI	Beneficial owner	32,000	0.002%
Mr. Xu Yixuan	CDI	Beneficiary of a trust	1,513,798 <i>(Note 2)</i>	0.10%
	CDI	Beneficiary of a trust (other than a discretionary interests)	280,000 <i>(Note 3)</i>	0.02%
Mr. Huang Danghui	CDI	Beneficiary of a trust	504,599 <i>(Note 2)</i>	0.03%

Notes:

- (1) The percentage of shareholding was calculated based on CDI's total number of 1,593,020,891 ordinary shares in issue as at the Latest Practicable Date.
- (2) These ordinary shares of CDI were registered in the name of Diamond Firetail, a company incorporated in the BVI and a wholly-owned subsidiary of Tricor Equity Trustee. Tricor Equity Trustee is a trustee of a discretionary trust and Mr. Lin Weiguo is one of the protectors of the said discretionary trust. Ms. Qiao Haixia, Mr. Xu Yixuan and Mr. Huang Danghui are beneficiaries of the said discretionary trust. Therefore, Mr. Lin Weiguo, Mr. Xu Yixuan, Ms. Qiao Haixia and Mr. Huang Danghui are deemed to be interested in the ordinary shares of CDI held by Diamond Firetail by virtue of the SFO.
- (3) The 2021 restricted share incentive scheme of CDI was approved at the extraordinary general meeting of CDI on 9 June 2021 and 35,300,000 ordinary shares of CDI were allotted and issued to the trustee of such incentive scheme, who held the ordinary shares of CDI on behalf of the incentive recipients of such incentive scheme. Being the incentive recipients of such incentive scheme, Mr. Lin Weiguo and Mr. Xu Yixuan are deemed to be interested in 290,000 and 280,000 ordinary shares of CDI held on trust by the trustee under such incentive scheme, respectively, which are subject to vesting.

(ii) Directors' positions in substantial Shareholders

As at the Latest Practicable Date, the following Directors were in the employment of those companies which had interests or short positions in the Shares or underlying Shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of Shareholder	Position held
Mr. Lin Weiguo	C&D Real Estate	Director, deputy general manager and member of the party committee
Ms. Qiao Haixia	C&D Real Estate	Member of the party committee
Mr. Xu Yixuan	C&D Real Estate	General manager of Southeast Regional Branch

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company:

- (a) was a director or employee of a company which had 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;
- (b) had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the executive Director or the Company may terminate the agreement by giving the other party not less than two month's notice in writing. Each of the executive Directors is entitled to a director's emolument of RMB600,000 per annum (which was determined by the Board with reference to his/her experience, knowledge, qualification, duties and responsibilities within the Group and the prevailing market conditions), and such management bonus and other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the non-executive Directors has entered into a service agreement with the Company for an initial term of three years, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either the non-executive Directors or the Company may terminate the agreement by giving the other party not less than two month's notice in writing. Each of the non-executive Directors does not receive any director's emolument but he may be entitled to such discretionary bonus and/or other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either the independent non-executive Directors or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the independent non-executive Directors is entitled to a director's emolument of HK\$100,000 per annum.

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

4. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinions or advice which is contained in this circular:

Name	Qualification
Draco Capital Limited	a licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with its letter included or references to its name in the form and context in which it is included.

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

As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2021 (the date to which the latest published audited combined financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

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

6. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. LITIGATION

As of the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

9. GENERAL

- (a) The company secretary of the Company is Ms. Kam Mei Ha Wendy. Ms. Kam is a Chartered Secretary and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.
- (b) The registered office of the Company is at 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, BVI.
- (c) The principal place of business in Hong Kong of the Company is at Room 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.
- (d) The address of the Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cndservice.com>) from the date of this circular up to 14 days (inclusive) thereafter:

- (a) the Renewed Business Framework Agreement;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this circular;
- (c) the letter issued by the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-19 of this circular;
- (d) the written consent referred to in the paragraph headed "Expert's qualification and consent" in this appendix; and
- (e) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

C&D Property Management Group Co., Ltd

建發物業管理集團有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2156)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of C&D Property Management Group Co., Ltd (the “**Company**”) will be held at Room 3517, 35th Floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong on Tuesday, 20 December 2022 at 2:00 p.m., to consider, if thought fit, transact the following resolution of the Company by way of ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (1) (a) the business framework agreement dated 19 October 2022 entered into among C&D Real Estate Corporation Limited* (建發房地產集團有限公司), C&D International Investment Group Limited (建發國際投資集團有限公司) and the Company (the “**Renewed Business Framework Agreement**”) (a copy of which has been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose), the transactions contemplated thereunder and all other transactions in connection therewith and any other ancillary documents, be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any director(s) of the Company (the “**Director(s)**”) may consider necessary, desirable or appropriate;
- (b) the proposed annual caps in relation to the transactions contemplated under the Renewed Business Framework Agreement for the three years ending 31 December 2025 be and are hereby approved;
- (c) any Director(s) be and are hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Renewed Business Framework Agreement and any ancillary documentation and transactions thereof.”

Yours faithfully,

By Order of the Board

C&D Property Management Group Co., Ltd

建發物業管理集團有限公司

Lin Weiguo

Chairman and Non-executive Director

Hong Kong, 1 December 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:
2/F, Palm Grove House
P.O. Box 3340
Road Town, Tortola
BVI

Principal place of business in Hong Kong:
Room 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Notes:

1. A shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A Shareholder who is the holder of two or more shares in the Company (the “**Shares**”) may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting. A proxy need not be a Shareholder.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his/her attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorized, and must be deposited with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (or any adjournment thereof).
4. The register of members of the Company will be closed from Thursday, 15 December 2022 to Tuesday, 20 December 2022 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the Meeting or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch share registrar and transfer office at the above address for registration by no later than 4:30 p.m. on Wednesday, 14 December 2022.
5. Delivery of an instrument appointing a proxy should not preclude a Shareholder from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Due to the recent development of the COVID-19 epidemic, the Company will implement additional precautionary measures at the Meeting including, without limitation:
 - compulsory body temperature screening;
 - mandatory use of surgical face masks;
 - anyone subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the Meeting (“**recent travel history**”), or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the Meeting; and
 - anyone attending the Meeting is reminded to observe good personal hygiene at all times.
7. The Company reminds all Shareholders that physical attendance in person at the Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the Meeting as their proxy to vote on the relevant resolution(s) at the Meeting instead of attending the Meeting in person, by completing and return the form of proxy.

NOTICE OF EXTRAORDINARY GENERAL MEETING

8. If any Shareholder chooses not to attend the Meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to the head office and principal place of business in Hong Kong of the Company or by fax at (852) 2525 7890. If any Shareholder has any question relating to the Meeting, please contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office as follows:

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

9. Shareholders are advised to read the "PRECAUTIONARY MEASURES FOR THE EGM" section in the circular for further detail and monitor the development of the COVID-19 epidemic. Subject to the development of the COVID19 epidemic, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.
10. In view of the travelling restrictions imposed by various jurisdictions to prevent the spread of the COVID-19 epidemic, certain director(s) of the Company may attend the Meeting through video conference or similar electronic means.

As at the date of this notice, the executive Directors are Ms. Qiao Haixia (Chief Executive Officer) and Mr. Huang Danghui; the non-executive Directors are Mr. Lin Weiguo (Chairman) and Mr. Xu Yixuan; and the independent non-executive Directors are Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai.

This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.

PRECAUTIONARY MEASURES FOR THE EGM

Due to the recent development of the COVID-19 epidemic, the Company will implement additional precautionary measures at the EGM in the interests of the health and safety of our Shareholders, investors, Directors, staffs and other participants of the EGM which include without limitation:

- (1) All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the EGM. Attendees are advised to maintain appropriate social distance with each other at all times when attending the EGM.
- (2) There will be compulsory body temperature screening for all persons before entering the EGM venue. Any person with a body temperature of 37.8 degrees Celsius or above will not be given access to the EGM venue. Denied entry to the EGM venue also means the person will not be allowed to attend the EGM.
- (3) Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the EGM (“**recent travel history**”); (ii) he/she is subject to any Hong Kong government prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be denied entry into the EGM venue or be required to promptly leave the EGM venue.
- (4) Anyone attending the EGM is always reminded to observe good personal hygiene.
- (5) Shareholders who prefer not to attend or are restricted from attending the EGM, may still vote by proxy or appoint the chairman of the EGM as their proxy to vote on the relevant resolutions and are advised to take note of the last date and time for the lodgement of the form of proxy.
- (6) The Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM instead of attending the EGM in person, by completing and return the form of proxy attached to the notice of EGM.

PRECAUTIONARY MEASURES FOR THE EGM

- (7) If any Shareholder chooses not to attend the EGM in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to the head office and principal place of business in Hong Kong of the Company or by fax at (852) 2525 7890. If any Shareholder has any question relating to the EGM, please contact Tricor Investor Services Limited, the Company's Branch Share Registrar as follows:

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

- (8) Shareholders are advised to read this section carefully and monitor the development of COVID-19 epidemic. Subject to the development of COVID-19 epidemic, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.
- (9) In view of the travelling restrictions imposed by various jurisdictions to prevent the spread of COVID-19 epidemic, certain Director(s) may attend the EGM through video conference or similar electronic means.