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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Huafa Property Services Group Company Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 982)

**(1) CONTINUING CONNECTED TRANSACTION –
2022 PROPERTY MANAGEMENT SERVICES
COOPERATION FRAMEWORK AGREEMENT;
(2) PROPOSED AMENDMENTS TO THE BYE-LAWS
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

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

 **SOMERLEY CAPITAL LIMITED**

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 35 to 36 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 37 to 60 of this circular.

A notice convening the SGM to be held at 3:00 p.m. on Thursday, 29 December 2022 at Unit 3605, 36/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to 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 possible and in any event not later than 48 hours (i.e. Tuesday, 27 December 2022 at 3:00 p.m.) before the time appointed for holding the SGM 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 SGM or any adjournment thereof (as the case may be), if you so wish.

7 December 2022

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DEFINITIONS

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

“2022 Property Management Services Cooperation Framework Agreement”	the framework agreement dated 31 October 2022 entered into between Huafa Property and Zhuhai Huafa in respect of Huafa Property Group’s provision of the Property Management Services to Zhuhai Huafa Group
“Amended Bye-laws”	the amended Bye-laws incorporating and consolidating all the Proposed Amendments, with effect from the passing of the relevant special resolution at the SGM
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the memorandum of association and bye-laws of the Company as amended, modified or supplemented from time to time
“Company”	Huafa Property Services Group Company Limited (華發物業服務集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 982)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Property Management Services Cooperation Framework Agreement”	the property management services cooperation framework agreement dated 20 December 2019 and entered into between Huafa Property and Zhuhai Huafa
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Guang Jie”	Guang Jie Investment Limited (光傑投資有限公司), a company incorporated under the laws of Hong Kong with limited liability, holding approximately 1.9% of the total issued Shares, and indirect non-wholly owned subsidiary of Zhuhai Huafa

DEFINITIONS

“HK Huafa”	Hong Kong Huafa Investment Holdings Limited (香港華發投資控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Zhuhai Huafa, and is an indirect controlling shareholder of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Huafa Property”	Huafa Property Services Company Limited* (華發物業服務有限公司)(formerly known as Zhuhai Huafa Property Management Services Co., Ltd.* (珠海華發物業管理服務有限公司)), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Huafa Property Group”	Huafa Property and its subsidiaries
“Huajin Investment”	Huajin Investment Company Limited (鏹金投資有限公司), a company incorporated under the laws of Samoa with limited liability, holding approximately 36.88% of the total issued Shares, and a direct wholly-owned subsidiary of HK Huafa as at the Latest Practicable Date
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors, namely Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai, established to give recommendation to the Independent Shareholders in relation to the 2022 Property Management Services Cooperation Framework Agreement
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Shareholders”	Shareholder(s) other than Huajin Investment and Guang Jie

DEFINITIONS

“Latest Practicable Date”	2 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“PRC”	The People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Management Services”	the property management services as detailed in the section headed “2022 Property Management Services Cooperation Framework Agreement”
“Proposed Amendments”	the proposed amendments to the existing Bye-laws as set out in Appendix I to this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder and for the Shareholders to consider and, if thought fit, to approve the Proposed Amendments
“Shares”	ordinary share(s) of HK\$0.00025 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Zhuhai Huafa”	Zhuhai Huafa Group Co., Ltd* (珠海華發集團有限公司), a state-owned enterprise owned by the State-Owned Assets Supervision and Administration Commission of the Zhuhai Municipal Government* (珠海市國有資產監督管理委員會) and Department of Finance of Guangdong (廣東省財政廳) as to 93.51% and 6.49%, respectively, and an indirect controlling shareholder of the Company
“Zhuhai Huafa Properties”	Zhuhai Huafa Properties Co., Ltd.* (珠海華發實業股份有限公司), a company established with limited liability in the PRC and listed on the Shanghai Stock Exchange (stock code: 600325) and a direct non-wholly owned subsidiary of Zhuhai Huafa
“Zhuhai Huafa Group”	Zhuhai Huafa and its subsidiaries and associates, and for the purpose of this circular, excluding the Group
“%”	per cent

* For identification purpose only

LETTER FROM THE BOARD



Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 982)

Executive Directors:

Mr. Zhou Wenbin *(Chairman and Chief Executive Officer)*

Mr. Li Guangning

Mr. Xie Wei

Mr. Xie Hui

Mr. Gu Yuanping

Non-executive Director:

Mr. Zou Chaoyong

Independent Non-executive Directors:

Dr. Chen Jieping

Mr. Pu Yonghao

Mr. Guo Shihai

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal place of business

in Hong Kong:

Room 3605, 36/F

Cheung Kong Center

2 Queen's Road Central

Central, Hong Kong

7 December 2022

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION –
2022 PROPERTY MANAGEMENT SERVICES
COOPERATION FRAMEWORK AGREEMENT;
(2) PROPOSED AMENDMENTS TO THE BYE-LAWS
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

I. INTRODUCTION

References are made to the announcement dated 20 December 2019 and the circular dated 27 December 2019 of the Company in relation to, *inter alia*, the Existing Property Management Services Cooperation Framework Agreement dated 20 December 2019 entered into between Huafa Property and Zhuhai Huafa. References are also made to the announcements of the

LETTER FROM THE BOARD

Company dated 31 October 2022, in relation to (i) the continuing connected transaction relating to the 2022 Property Management Services Cooperation Framework Agreement; and (ii) the Proposed Amendments to the Bye-laws.

As the Existing Property Management Services Cooperation Framework Agreement will expire on 31 December 2022 and the Group expects to continue to carry on the transactions and expand the scope of value-added services contemplated thereunder, on 31 October 2022 (after trading hours), Huafa Property entered into the 2022 Property Management Services Cooperation Framework Agreement with Zhuhai Huafa in relation to the provision of the Property Management Services to Zhuhai Huafa Group for a term of three years from 1 January 2023 and ending on 31 December 2025.

Reference is made to the announcement of the Company dated 31 October 2022 in relation to the Proposed Amendments to the Bye-laws. As set out in the said announcement, the Board proposes to seek approval from the Shareholders at the Special General Meeting for the Proposed Amendments in order to (i) bring the Bye-laws in line with the relevant requirements of the Listing Rules; and (ii) make some other housekeeping improvements.

The purpose of this circular is to provide you with (i) details of the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder, (ii) the details of the Proposed Amendments as set out in Appendix I to this circular; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement, (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement and (v) the notice of SGM.

II. 2022 PROPERTY MANAGEMENT SERVICES COOPERATION FRAMEWORK AGREEMENT

Date:	31 October 2022
Parties:	(i) Huafa Property; and (ii) Zhuhai Huafa (together, the “ Parties ”)
Services to be provided:	Pursuant to the 2022 Property Management Services Cooperation Framework Agreement, Huafa Property Group agrees to provide to Zhuhai Huafa Group the Property Management Services.

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Term of Service: Subject to all the conditions precedent set out in the section titled “Conditions precedent of the 2022 Property Management Services Cooperation Framework Agreement” below being fulfilled (or waived, where applicable), the 2022 Property Management Services Cooperation Framework Agreement is entered into for a term commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive) (the “**Term**”).

Property Management Services: According to the requirements of Zhuhai Huafa, Huafa Property Group agrees to provide the following property management related services to Zhuhai Huafa Group:

- (a) the property management services (which include but not limited to customer reception services, security, cleaning, greening and gardening, repair and maintenance services) for the properties developed by Zhuhai Huafa Group from the commencement of construction up to the delivery of the properties, the municipal projects, as well as the property sales centres, sample flats, unsold properties, investment properties, car parks and other related areas held by Zhuhai Huafa Group; and
- (b) the related value-added services (which include but not limited to the provision of catering services, engineering services, community media, new community retailing and sales agency) for the properties and the community common areas developed or held by Zhuhai Huafa Group.

(collectively, the “**Property Management Services**”).

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Individual Services
Agreements:

As the 2022 Property Management Services Cooperation Framework Agreement only sets out the framework of the Property Management Services required generally, in respect of the specific services to be provided by Huafa Property Group, Huafa Property Group shall enter into separate services agreements to set out matters such as the scope of services, service fee charging standard, timeline and payment methods (the “**Individual Services Agreements**”) with the individual companies of Zhuhai Huafa Group requiring such Property Management Services in accordance with market practice. The service scope shall not exceed the Property Management Services and the aggregate service fees received by Huafa Property Group in respect of all Individual Services Agreements per year shall not be higher than the proposed annual cap for the respective years.

In the event of conflicts between the terms of the Individual Services Agreements and the 2022 Property Management Services Cooperation Framework Agreement, the terms of the 2022 Property Management Services Cooperation Framework Agreement shall prevail.

Payment:

The payment arrangement of the service fees is made with reference to market practice and the payment arrangement of similar transactions between the Parties and independent third parties to ensure that the payment arrangement is no less favourable to Huafa Property Group than that available to independent third parties.

Pricing policies:

The general pricing policies for the provision of the Property Management Services are as follows:

- (i) each Individual Services Agreement shall be negotiated on an arm’s-length basis to ensure that the relevant pricing terms are fair and reasonable and in accordance with normal commercial terms; and

LETTER FROM THE BOARD

- (ii) the service fees are determined after the Parties have negotiated the terms and conditions of the respective Individual Services Agreements with reference to the prevailing market price and the service fees of similar transactions between Huafa Property Group and the independent third parties to ensure that the service fees offered by Huafa Property Group to Zhuhai Huafa Group are no less favourable to Huafa Property Group than those available to the independent third parties.

The specific pricing policies for the provision of the Property Management Services are as follows:

- (i) In respect of the provision of property management services (including but not limited to security, cleaning, greening and gardening, repair and maintenance services) and related value-added services (including but not limited to the provision of catering services, engineering services, community media, new community retailing and sales agency) for the properties developed by Zhuhai Huafa Group from the commencement of construction up to the delivery of the properties, the unsold properties, investment properties, car parks and other related areas held by Zhuhai Huafa Group, as well as the community common areas and municipal projects developed or held by Zhuhai Huafa Group, the service fees will be generally determined by reference to, amongst others, the formula of the unit of measurement in respect of the relevant services multiplied by unit price as follows:

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(a) *Provision of property management services*

The service fees for the provision of the property management services shall generally be determined with reference to the following formula: floor area x service fee per sq.m. (unit price). For residential projects, the unit price shall be based on (i) the “pre-property management service agreement” (《前期物業管理服務合同》) signed between Huafa Property as the property management services provider and the companies of Zhuhai Huafa Group as the property developer, pursuant to which, the unit price shall not be higher than the relevant service price as set by the relevant PRC authorities (“**Guided Price**”); and (ii) in the absence of the Guided Price, the unit price shall be determined with reference to the “market reference price” which takes into account the comparable market price of at least three independent third party service providers in the provision of similar property management services to residential projects in the vicinity area. For non-residential projects, the unit price shall be based on the Guided Price, and in the absence of the Guided Price, the unit price shall be determined based on the comparable market price of at least three independent third party service providers in the provision of similar property management services to the non-residential projects in the vicinity area and the estimated total costs for provision of property management services to the projects. Market price of providing similar property management services to property projects in the vicinity areas is in general obtainable through public channels such as websites of and enquiry with third party property management companies and real estate agencies.

The aforesaid service fees are determined in accordance with mutual agreement with reference to market unit price of similar property projects, the service area and the quality and workload of the required property management services.

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As advised by the Company's PRC legal adviser, NDRC is responsible for setting out the general guidance on how the price of various services and products should be formulated. Provincial or city level of NDRC and/or the Administration for Market Regulation* (市場監督管理局) and/or the Housing and Urban-Rural development Bureau* (住房和城鄉建設局) (“**provincial or city level government authorities**”) published the Guided Price of the relevant provinces and cities on their respective websites. The Guided Price is determined according to (i) the Price Law of the PRC (《中華人民共和國價格法》), which sets out the principles and procedures for the provincial or city level government authorities to follow when formulating the Guided Price; (ii) the Property Management Regulations of the PRC* (《中華人民共和國物業管理條例》)(the “**Regulations**”); and (iii) the Administrative Measures for Property Service Charges (《物業服務收費管理辦法》)(the “**Measures**”). The Regulations and Measures set out the principal scopes and benchmark ranges of the Guided Price. Respective provincial or city level government authorities together with respective real estate administrative departments then assess the economic conditions and real estate industry conditions of those provinces and cities and formulate the applicable range of the Guided Price according to the assessment. The specific property management fee is agreed between the contractual parties within the applicable range of the Guided Price. The Guided Price is updated periodically according to the situation of various regions. For instance, the Guided Price in Zhuhai is updated once every three years.

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(b) *Provision of related value-added services*

The service fees shall generally be determined with reference to the formula of the unit of measurement in respect of the relevant services multiplied by unit price.

For the provision of catering services, the service fees shall be determined with reference to the following formula: standard price of catering (unit price) x number of persons x number of days. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to the services fees charged by Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by at least three independent third party service providers for providing similar services obtained through market research (if any), the estimated labour cost for the provision of services and the estimated cost for the catering supply.

For the provision of engineering services, the service fees shall be determined with reference to the following formula = consolidated unit price (unit price) x quantity of engineering work. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to the services fees charged by Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by at least three independent third party service providers for providing similar services obtained through market research (if any) and the skills, expertise and estimated engineering costs required for the provision of the services (including but not limited to the estimated equipment and material cost and labour cost).

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For the provision of community media, the service fees shall be determined with reference to the following formula: the standard price for advertising (unit price) x number of billboards x number of days. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to the services fees charged by Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by at least three independent third party service providers for providing similar services obtained through market research (if any) and the estimated cost of services provided by Huafa Property Group (including but not limited to the estimated material cost and labour cost).

For the provision of the new community retailing, the service fees shall be determined with reference to the following formula: unit price of goods sold x quantity of sales. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to the services fees charged by Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by at least three independent third party service providers for providing similar services obtained through market research (if any) and the estimated cost and expenses of the goods purchased by Huafa Property Group from the suppliers.

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For the provision of the sales agency services, the agency commission fee in general will be either in fixed fee or with reference to the following formula: sales revenue of the sales agency service provided by Huafa Property Group x rate of agency fee based on performance indicators of the sales revenue accrued over the period. The sales revenue shall be determined by the total value of car parking spaces and other assets successfully sold by Huafa Property Group. The agency commission fees shall be determined based on arm's length negotiation between the Parties and having regard to the factors including, among others, (i) the rate of agency fee charged by Huafa Property Group in providing similar agency services to independent third parties; and (ii) the rate of agency fee charged by at least three independent third party service providers for providing similar agency services obtained through market research (if any).

- (ii) In respect of the provision of property management services for the property sales centres, sample flats, etc held by Zhuhai Huafa Group (including but not limited to customer reception services, on-site security, cleaning, greening and gardening, repair and maintenance services), when determining the services fees, Huafa Property also takes into account factors such as total labour allocation and estimated total expenses, as well as the target net profit margin which can be represented by the formula: $\text{cost} \times (1 + \text{target net profit margin})$. The target net profit margin ranging from 8% to 12% (subject to adjustment depending on market conditions) shall be determined based on arm's length negotiation between the Parties and having regard to the factors including, among others, (i) net profit margin achieved by Huafa Property Group in providing similar property management services to independent third parties; and (ii) net profit margin charged by at least three independent property management companies for providing similar property management services obtained through market research (if any).

LETTER FROM THE BOARD

- Termination: The Parties may terminate the 2022 Property Management Services Cooperation Framework Agreement prior to the expiration of the Term by mutual written consent of Huafa Property and Zhuhai Huafa. Upon termination of the 2022 Property Management Services Cooperation Framework Agreement, the relevant Individual Services Agreements shall also terminate accordingly.
- Conditions precedent of the 2022 Property Management Services Cooperation Framework Agreement: The provision of the Property Management Services pursuant to the 2022 Property Management Services Cooperation Framework Agreement is conditional upon fulfilment or waiver in writing (as the case may be) of the following conditions precedent:
- (a) the Company having obtained its Independent Shareholders' approval of the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps);
 - (b) Huafa Property has not breached any of the material representations and warranties under the 2022 Property Management Services Cooperation Framework Agreement and such representations and warranties remaining true, accurate, complete and not misleading;
 - (c) all necessary authorisations, registrations, filings, confirmations, permits, consents and approvals for the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement having been obtained by Huafa Property; and
 - (d) all necessary authorisations, registrations, filings, confirmations, permits, consents and approvals for the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement having been obtained by Zhuhai Huafa.

LETTER FROM THE BOARD

Zhuhai Huafa may, in writing, relinquish or waive the fulfilment of conditions precedent set out in (b) and (c) above. Huafa Property may, in writing, relinquish or waive the fulfilment of condition precedent set out in (d) above. The condition precedent set out in (a) above cannot be relinquished or waived by any Party to the 2022 Property Management Services Cooperation Framework Agreement.

If any of the conditions precedent cannot be fulfilled (or relinquished or waived under any circumstances, where applicable) on or before 31 December 2022 (or such other date as agreed in writing between the Parties), the 2022 Property Management Services Cooperation Framework Agreement and the transactions as contemplated thereunder shall be forthwith terminated and be of no effect.

As at the Latest Practicable Date, apart from the Independent Shareholders' approval as described in paragraph (a) above, all other conditions precedent have been fulfilled.

III. ANNUAL CAPS AND BASIS OF ANNUAL CAPS

Actual historical transaction amount

The following table summarises (i) the existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 and (ii) the historical transaction amounts for the two years ended 31 December 2021 and nine months ended 30 September 2022 under the Existing Property Management Services Cooperation Framework Agreement:

	For the year ended 31 December 2020 (RMB millions)	For the year ended 31 December 2021 (RMB millions)	For the year ending 31 December 2022 (RMB millions)
Existing annual caps for the property management services and related value-added services	<u>374.48</u>	<u>482.26</u>	<u>619.90</u>

LETTER FROM THE BOARD

	For the year ended 31 December 2020 <i>(RMB millions)</i>	For the year ended 31 December 2021 <i>(RMB millions)</i>	For the nine months ended 30 September 2022 <i>(RMB millions)</i>
Total service fees for the property management services and related value- added services	<u>320.0</u>	<u>422.5</u>	<u>356.0</u> <i>(Note)</i>

Note:

Based on the information currently available to the Company's management and the historical trend in the services fees for the property management services and related value-added services received by the Huafa Property Group, the transaction amount for the nine months ended 30 September 2022 was approximately RMB356 million, whereas the estimated transaction amount for the year ending 31 December 2022 will be approximately RMB539.3 million.

Proposed annual caps and basis of determination

The proposed annual caps for the total service fees payable by Zhuhai Huafa Group to Huafa Property Group for the Property Management Services for the three years ending on 31 December 2023, 2024 and 2025 are set out below:

	For the years ending 31 December		
	2023 <i>(RMB millions)</i>	2024 <i>(RMB millions)</i>	2025 <i>(RMB millions)</i>
Total service fees for the Property Management Services	<u>971.28</u>	<u>1,373.11</u>	<u>1,752.81</u>

In arriving at the above proposed annual caps for the Property Management Services under the 2022 Property Management Services Cooperation Framework Agreement, the Directors have considered a number of factors including:

- (i) the historical service fees received by Huafa Property Group in respect of the provision of property management services and the related value-added services for the two years ended 31 December 2021 and the nine months ended 30 September 2022;

LETTER FROM THE BOARD

- (ii) the estimated service fees^(Note 1) payable by Zhuhai Huafa Group in respect of the provision of the Property Management Services by Huafa Property Group during the Term which are expected to increase on a year-on-year basis;
- (iii) the number of existing projects^(Note 1) which involves provision of the Property Management Services by Huafa Property Group to Zhuhai Huafa Group which is expected to be renewed and continued for the Term;
- (iv) the estimated increase in the number of property management projects^(Note 1) and the GFA^(Note 1) in respect of the property projects to be developed or held by Zhuhai Huafa Group which may require the provision of the Property Management Services by Huafa Property Group;
- (v) the indicative time of completion and delivery of the property management projects and the scope of Property Management Services required in respect of each property management project based on the projects development plan of Zhuhai Huafa;
- (vi) the development potential of the business of Huafa Property Group, and the anticipated diversified value-added services which can be provided by Huafa Property Group to Zhuhai Huafa Group. As the scope of value-added services is expected to increase over the Term, the estimated service fees^(Note 2) to be charged by the Huafa Property Group in respect of the related value-added services shall increase correspondingly; and
- (vii) the inclusion of a buffer of approximately 15% to accommodate for any unexpected increase in the demand for the provision of the Property Management Services taking into account the expected increase in the labour cost, inflation rate and the expansion of the business between the Huafa Property Group and Zhuhai Huafa Group, considering the new property projects to be developed by Zhuhai Huafa Group which may require the provision of the Property Management Services by Huafa Property Group during the Term.

Note:

- (1) As disclosed in the paragraph headed “Pricing Policies” above, the estimated service fees for the provision of the property management services are generally determined with reference to two categories of formula for the pricing policies, namely (i) cost x (1+ target net profit margin) (“**Category 1 of Pricing Policy**”) and (ii) floor area x service fee per sq.m. (unit price) (“**Category 2 of Pricing Policy**”).

LETTER FROM THE BOARD

The increase in the service fees proposed to be charged by Huafa Property Group in respect of the provision of the property management services is owing to: (i) the increase in the number of new property projects to be developed or held by Zhuhai Huafa Group which may require the property management services under Category 1 of Pricing Policy that is expected to experience a net increase of approximately 7% for year 2023, 10% for year 2024 and 10% for year 2025 as compared to that of the nine months ended 30 September 2022, year 2023 and year 2024, respectively; (ii) the total GFA in respect of the property management services under Category 2 of Pricing Policy was approximately 2,130,000 square metres as at 30 September 2022, and the estimated total GFA to be delivered by Zhuhai Huafa Group which may require the property management services under Category 2 of Pricing Policy is expected to experience a net increase of approximately 100% for year 2023, 115% for year 2024 and 24% for year 2025 as compared to that of the nine months ended 30 September 2022, year 2023 and year 2024, respectively. Such significant increase of the estimated total GFA for year 2023 and year 2024 is primarily attributable to the expected number of 6 and 7 new property management services projects for industrial parks located in Zhuhai which may require the provision of property management services by Huafa Property Group to Zhuhai Huafa Group for year 2023 and year 2024, respectively. These new projects are expected to contribute to over 80% of such significant increase for year 2023 and year 2024; and (iii) the expected increase in labour costs for providing property management services to the property projects of Zhuhai Huafa Group as a result of the expected increase in property projects to be developed or delivered by the Zhuhai Huafa Group.

To estimate the aforesaid expected increase in the number of property management projects and the total GFA under management during the Term, the Directors have considered the development plan of the property projects and information provided by Zhuhai Huafa Group, including but not limited to the name and location of the property projects, and the schedule of the expected time for commencement of construction, pre-sale, completion and delivery of the relevant projects.

For new property management projects under Category 1 of Pricing Policy, the estimated service fees to be charged by Huafa Property Group are based on the average historical monthly services fees of similar property management projects for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, being approximately RMB200,000 per project. For new property management projects under Category 2 of Pricing Policy, the unit price of the aforesaid property management services for the residential properties located in Zhuhai is expected to be no more than RMB3 per square meter with reference to the Guided Price; the unit price of the aforesaid property management services for the residential properties located in cities or provinces other than Zhuhai will be generally determined with reference to the relevant service price as set by the relevant PRC authorities as the guided price; and the unit price of the aforesaid property management services for the non-residential properties (which mainly include the serviced apartments, office buildings, industrial parks, etc.) is expected to be within the range of approximately RMB3 to RMB25 per square meter, depending on the location and type of properties and the nature of services to be provided, with reference to (i) comparable market price of at least three independent third party service providers in the provision of similar property management services to the property projects in the vicinity area (if any); and (ii) the latest market price research carried out by the business development department of Huafa Property.

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As at 30 September 2022, there were 149 projects relating to provision of the property management services to the property projects developed or held by Zhuhai Huafa Group, and it is estimated that such number of projects will be increased by 10, 16 and 18 in 2023, 2024 and 2025, respectively, out of which 6 and 7 projects are related to the new industrial parks located in Zhuhai in 2023 and 2024, respectively. Based on the long-term and stable business relationship between Zhuhai Huafa Group and Huafa Property Group, it is expected that most of the existing projects which involves provision of the property management services by Huafa Property Group to Zhuhai Huafa Group will be renewed and continued for the Term to the extent that the property projects developed or held by Zhuhai Huafa Group remain unsold or held by Zhuhai Huafa Group.

- (2) The reason for the increase in the service fees proposed to be charged by Huafa Property Group in respect of the related value-added services is that in respect of the provision of engineering services, community media, new community retailing, sales agency and catering services, the Company has adopted an estimated year-on-year growth rate of approximately 30%. The estimated year-on-year growth rate adopted was made with reference to (i) the average historical annual growth rate of approximately 27% relating to the service fees received from the connected persons of the Company in respect of the property management services and related value-added services from year 2019 to 2021, and (ii) the reasonable estimate of future revenue growth for the relevant business from year 2023 to 2025 made by the Company's management.

Based on the projects development plan of Zhuhai Huafa Group, the Company expects that there will be further rapid growth in the demand for property management services and related value-added services to be provided by Huafa Property Group to Zhuhai Huafa Group for the next three years. Therefore, the Company expects that the transaction amounts under the 2022 Property Management Services Cooperation Framework Agreement for the three years ending 31 December 2025 will be higher than those under the Existing Property Management Services Cooperation Framework Agreement.

In particular, the Board is of the view that the year-on-year increment of the proposed annual caps under the 2022 Property Management Services Cooperation Framework Agreement is fair and reasonable, taking into account the factors including:

- (a) the estimated year-on-year increment of the number of new property projects and the estimated GFA to be developed or held by Zhuhai Huafa Group which may require the property management services by Huafa Property Group as disclosed above;
- (b) the estimated year-on-year increment of the number of relevant projects or customers in respect of the related value-added services (as the case may be) and the service fees proposed to be charged by Huafa Property Group in respect of the provision of related value-added services as disclosed above;
- (c) the historical growth rate in the revenue of the Group in respect of the property management services segment for the latest financial year ended 31 December 2021, where a year-on-year increase of approximately 49% as compared to that of the year ended 31 December 2020 (“**2021 Growth Rate**”) was observed;

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- (d) if the buffer of approximately 15% which is used to accommodate for any unexpected increase in the demand for the Property Management Services would not be taken into account of when determining the proposed annual caps under the 2022 Property Management Services Cooperation Framework Agreement and on the assumption that the Group's business remain as usual and the conversion of RMB to HK\$ is made with reference to the exchange rate of RMB1 to HK\$1.1, the rate of year-on-year increment of the proposed annual caps for the year ending 31 December 2023, 2024 and 2025 as compared to the annual cap for the respective preceding year are lower than the 2021 Growth Rate:-
- i. the year-on-year increment of the proposed annual cap (excluding the buffer of approximately 15%) for the year ending 31 December 2023 under the 2022 Property Management Services Cooperation Framework Agreement as compared to the existing annual cap of the Existing Property Management Services Cooperation Framework Agreement for the year ending 31 December 2022 will be approximately 36%, which is lower than the 2021 Growth Rate;
 - ii. the year-on-year increment of the proposed annual cap (excluding the buffer of approximately 15%) for the year ending 31 December 2024 under the 2022 Property Management Services Cooperation Framework Agreement as compared to that of the year ending 31 December 2023 will be approximately 41%, which is lower than the 2021 Growth Rate; and
 - iii. the year-on-year increment of the proposed annual cap (excluding the buffer of approximately 15%) for the year ending 31 December 2025 under the 2022 Property Management Services Cooperation Framework Agreement as compared to that of the year ending 31 December 2024 will be approximately 28%, which is lower than the 2021 Growth Rate.

In view of the above, the Board is of the view the proposed annual caps under the 2022 Property Management Services Cooperation Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Also, the Board is of the view that the 2022 Property Management Services Cooperation Framework Agreement would not result in the Group having material reliance on its connected persons (including Zhuhai Huafa Group) after having considered the following reasons:

- (a) The business relationship between Huafa Property Group and Zhuhai Huafa Group will unlikely be materially adversely changed or terminated.

Huafa Property Group is a leading national community operator and comprehensive facility service provider headquartered in Zhuhai. On the other hand, Zhuhai Huafa is a state-owned conglomerate based in Zhuhai which is principally engaged in four core business sectors, including but not limited to the real estate development sector. Huafa Property Group has established a stable and long-term business relationship with Zhuhai Huafa Group in the provision of the property management services to Zhuhai Huafa Group since 1985. The development of Huafa Property Group matches that of Zhuhai Huafa Group. Leveraging on the stable cooperation with Zhuhai Huafa Group, Huafa Property Group has successfully tendered and has been engaged as a major property management service provider for a majority of the projects developed or jointly developed by Zhuhai Huafa Group for the past few years.

Benefiting from the capabilities of Huafa Property Group in providing high-quality property management services for over 35 years, the long-term business cooperation equips Huafa Property Group with an in-depth understanding of Zhuhai Huafa Group's demands, standards and requirements for property management services, thereby enabling Huafa Property Group to constantly provide high-quality and tailored services to Zhuhai Huafa Group in order to meet their specific needs. Despite the presence of other choices of property management service providers that provide similar services in the market, the Board is of the view that it would not be in the best interest of Zhuhai Huafa Group to select and engage other property management service providers, considering the location and expertise of other property management service providers, the amount of time and relevant experience required for such other property management service providers to provide equally satisfying services that are comparable to that of Huafa Property Group. Over many years of cooperation, the relationships between Huafa Property Group and Zhuhai Huafa Group have become mutually beneficial and complementary. Therefore, the Board is of the view that the close and long-term cooperative relationship between Huafa Property Group and Zhuhai Huafa Group is instrumental to the respective success in establishing a well-recognized brand image, while enabling Huafa Property Group to reinforce its existing market position and enhance its

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competitiveness in the PRC property management industry. As such, it is commercially beneficial for both Huafa Property Group and Zhuhai Huafa Group to maintain a stable and on-going business relationship.

In light of the above, the Board is of the view that the business relationship between Huafa Property Group and Zhuhai Huafa Group is unlikely to be terminated or materially adversely changed in the foreseeable future.

- (b) The historical contribution of revenue in the Property Management Services Segment from Zhuhai Huafa Group has demonstrated that there has been no material reliance on Zhuhai Huafa Group by Huafa Property Group and the Group.

During the past three years, the revenue of the Group in respect of the property management services segment (the “**Property Management Services Segment**”) which was derived from Zhuhai Huafa Group amounted to approximately HK\$332.5 million, HK\$360.0 million and HK\$509.5 million for year 2019, year 2020 and year 2021, respectively, representing approximately 38%, 35% and 33% of the total revenue of the Group in respect of the Property Management Services Segment of approximately HK\$864.9 million, HK\$1.0 billion and HK\$1.5 billion during the same period. This showed that the total revenue of the Group derived from the Property Management Services Segment has experienced a growing trend for the three years ended 31 December 2021, while the contribution of Property Management Services Segment revenue derived from Zhuhai Huafa Group to the total revenue of the Group in this segment has experienced a gradual decreasing trend.

On the other hand, the revenue of the Group in respect of the Property Management Services Segment which was derived from independent property developers and parties independent from Zhuhai Huafa Group amounted to approximately HK\$532.4 million, HK\$664.9 million and HK\$1.0 billion for year 2019, year 2020 and year 2021, representing a year-on-year increase of approximately 25% from year 2019 to year 2020 and approximately 53% from year 2020 to year 2021. The GFA under management for properties developed or held by independent property developers and parties independent from Zhuhai Huafa Group as at 30 September 2022 was approximately 30.45 million square meters, representing an increase of approximately 16% as compared to that of approximately 26.26 million square meters as at 31 December 2021. This has showed that whilst the revenue from Zhuhai Huafa Group in respect of the Property Management Services Segment has increased over the past three years, the revenue from independent third parties has also increased during the same period. The higher percentage of revenue contribution derived from independent

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third parties than that from Zhuhai Huafa Group in respect of the Property Management Services Segment has indicated that there has been no material reliance on Zhuhai Huafa Group by Huafa Property Group and the Group.

- (c) The expected contribution of revenue in the Property Management Services Segment from Zhuhai Huafa Group after the entering into the 2022 Property Management Services Cooperation Framework Agreement is expected to be in line with the historical range of contribution percentage.

Although the revenue from Zhuhai Huafa Group is expected to increase as shown by the proposed annual caps under the 2022 Property Management Services Cooperation Framework Agreement, it is expected that the total revenue derived from the Property Management Services Segment is also expected to increase for the three years ending 31 December 2025. Assuming that the Group's business remains as usual, it is expected that the trend of the revenue growth in respect of the Property Management Services Segment will continue and remain stable for each of three years ending 31 December 2025 at a year-on-year growth rate of approximately 34%, which represents the average historical annual growth rate of the revenue generated from Huafa Property Group in respect of the Property Management Services Segment for the three years ended 31 December 2021. Based on this trend, the expected revenue contribution of the 2022 Property Management Services Cooperation Framework Agreement for year 2023, year 2024 and year 2025 over the total revenue of the Group in respect of the Property Management Services Segment for year 2023, year 2024 and year 2025 will be approximately 39%, 41% and 39%, respectively.

In view of the above, the Board considers that the proportion of the expected revenue contribution of the 2022 Property Management Services Cooperation Framework Agreement to the expected revenue of the Group in respect of the Property Management Services Segment for year 2023, year 2024 and year 2025 is in line with the industry norm and not substantial, considering that the business relationship between the Zhuhai Huafa Group and Huafa Property Group is common among PRC property management companies and their parent group companies and has been mutually beneficial and complementary as discussed above.

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- (d) Huafa Property Group has been operating independently from Zhuhai Huafa Group whether before or after the entering of the 2022 Property Management Services Cooperation Framework Agreement.

The business operations of Huafa Property Group have been carried out separately from the businesses operated by Zhuhai Huafa Group. Huafa Property Group has full rights, hold and enjoy the benefit of all relevant licenses, have sufficient capital and employees necessary to make all decisions on, and to carry out, own business operation independent from Zhuhai Huafa Group and their respective close associates and will continue to do so after the entering of the 2022 Property Management Services Cooperation Framework Agreement. In addition, Huafa Property Group has its own independent team of quality personnel, among whom have rich industry experience in property management and are qualified with property management related certificates. Huafa Property Group recruits employees independently and primarily through various channels, such as universities, third-party recruitment agency and other companies. Huafa Property Group does not rely on Zhuhai Huafa Group in sourcing independent third party projects and procuring labour and materials for its property management services.

- (e) Measures to be taken by the Group to expand business cooperation with independent property developers and parties independent from Zhuhai Huafa Group and reduce reliance on its connected persons.

Leveraging on its proven track record and reputable credentials in the provision of the property management services and related value-added services, Huafa Property Group will continue its efforts in increasing its business cooperation and securing engagement from the independent property developers, governmental authorities, independent business enterprises and parties independent from Zhuhai Huafa Group to obtain property management service projects. The pursuit of external projects from independent third parties will continue to be one of the major parts of the Group in the future development strategy and Huafa Property Group has been exploring business opportunities for properties developed by independent third parties.

For year 2020, year 2021 and the nine months ended 30 September 2022, Huafa Property Group has become more active in participating in the tendering of independent third party projects. Huafa Property Group participated in 9, 23 and 49 tenders for the provision of property management services for the property projects developed or held by parties independent from Zhuhai Huafa Group respectively, and successfully tendered for 8, 17 and 26 projects respectively. Riding on this trend, Huafa Property Group has been actively seeking high-quality tenders put up by independent property developers and parties

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independent from Zhuhai Huafa Group. For example, in 2022, Huafa Property Group successfully won the bid in the provision of property management services for Zhuhai Intermediate People's Court for the period from April 2022 to March 2025, Guangfa Bank (Zhuhai Branch)* (廣發銀行珠海分行) for the period from 1 February 2022 to 30 January 2024 and Qianhai Life Guangzhou General Hospital* (前海人壽廣州總醫院) for the period from 25 July 2022 to 24 July 2023.

Furthermore, Huafa Property Group will continue to increase its marketing efforts to obtain more information regarding tender and bidding put up by independent property developers and parties independent from Zhuhai Huafa Group so as to increase engagements in the market and broaden its revenue source. Going forward, Huafa Property Group plans to further increase the revenue-bearing GFA and the number of properties under its management through actively participating in quality tenders, industry forums, commercial negotiations and arranging business visits to large scale third-party developers, property owners' associations and governmental authorities, who are target customers of the Group in addition to Zhuhai Huafa Group. Huafa Property Group further plans to increase the headcount in the current business development department who will be responsible for (a) promoting its service offerings to third party developers and property owners' associations; and (b) seeking quality tenders for Huafa Property Group to participate in. In addition, Huafa Property Group will continue to implement incentive measures to encourage its employees to obtain property management contracts developed or held by third-party developers and parties independent from Zhuhai Huafa Group through investigation and analysis of and communication with target customers in the real estate industry and taking advantage of its resources, including its brands, capital and expertise.

Given the revenue of the Property Management Services Segment of the Group derived from independent third parties is expected to increase substantially for the three years ending 31 December 2025, even in the unlikely event that the relationship with Zhuhai Huafa Group deteriorates, the revenue of the Property Management Services Segment of the Group derived from independent third parties is expected to be able to sustain the business of the Group.

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IV. INTERNAL CONTROL MEASURES

The Group has adopted the following internal control procedures and corporate governance measures in relation to the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement:

- (a) The pricing policies of all continuing connected transactions of the Group will be overseen and monitored by the management and relevant personnel of Huafa Property Group to ensure that the relevant continuing connected transactions are conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders as a whole;
- (b) prior to entering into any Individual Services Agreement, the business department of Huafa Property Group will be responsible for collecting information from independent third parties and making reference to the guided price set by the relevant PRC authority (where applicable) or, in the absence of the guided price, (i) at least three quotations offered by independent third parties in the provision of similar property management services (if any), and (ii) the market prices obtained through public channels such as websites of and enquiries made to third party property management companies and property agents for comparable services, and the aforesaid pricing policies to provide preliminary quotations. Such information will be subsequently reviewed and approved by the relevant personnel of the finance department, legal department and management of Huafa Property Group to ensure that the terms of Individual Service Agreements are fair and reasonable and in compliance with the pricing policies and principal terms of the 2022 Property Management Services Cooperation Framework Agreement, in particular the service fee and payment terms shall be no less favourable than those available to independent third parties;
- (c) after entering into any Individual Service Agreement, the relevant senior management of Huafa Property Group shall be responsible for monitoring the Individual Service Agreements. The general manager or the deputy general manager of Huafa Property Group will review the Individual Service Agreements regularly to ensure that the transactions have been carried out in compliance with the terms of such agreements and the 2022 Property Management Services Cooperation Framework Agreement, and if there is any non-compliance or potential non-compliance, the responsible personnel will report the matter to the senior management of the Company for their consideration in order to find ways to resolve the matter;

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- (d) the finance department of the Group is responsible for monitoring the service fees for the respective transactions contemplated under each of the Individual Services Agreement to ensure that they are in accordance with the 2022 Property Management Services Cooperation Framework Agreement and the annual caps are not exceeded. In addition, the finance department will also conduct overall review on a regular basis. Where the finance department is aware of any potential non-compliance with the pricing policies or that the aggregate service fees for the transactions contemplated under the Individual Services Agreements have reached the threshold of 90% of the proposed annual caps, the finance department will escalate the matter to the senior management of the Company who will co-ordinate at the Group level to take remedial action and ensure the basis of annual caps are followed and are not exceeded;
- (e) the senior management of the Company will escalate the matter to the independent non-executive Directors if they consider that there are any non-compliance incidents. The independent non-executive Directors will further review the incidents and make recommendations to ensure that such transactions are conducted within the terms of the 2022 Property Management Services Cooperation Framework Agreement, on normal commercial terms, fair and reasonable, in accordance with the pricing policies of the 2022 Property Management Services Cooperation Framework Agreement and in the interests of the Company and its Shareholders as a whole; and
- (f) the independent non-executive Directors and the auditors of the Company will conduct annual review on the transactions contemplated by the 2022 Property Management Services Cooperation Framework Agreement and Individual Services Agreements and provide their view to the Board.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control procedures to ensure that any service fees to be agreed pursuant to the 2022 Property Management Services Cooperation Framework Agreement will be on normal commercial terms and the terms are fair and reasonable and no less favourable to Huafa Property Group than those available to independent third parties.

V. GENERAL INFORMATION ON THE PARTIES TO 2022 PROPERTY MANAGEMENT SERVICES COOPERATION FRAMEWORK AGREEMENT

The Group

The Company is an investment holding company incorporated under the laws of Bermuda with limited liability and the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 982). The principal business activities of the Group are the provision of (i) property management services in the PRC; and (ii) hotel advisory and exhibition services in the PRC.

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Huafa Property

Huafa Property has become an indirect wholly-owned subsidiary of the Company since January 2020. Huafa Property Group has been providing property management services in the PRC for more than 30 years. Huafa Property Group is principally engaged in three main business lines, namely, (i) property management services, which primarily consists of the provision of security, cleaning, greening, gardening and repair and maintenance services; (ii) value-added services to property owners, which mainly include home living services, office building customised services and common area value-added services; and (iii) other value-added services, which mainly involves support services for municipal projects, cleaning, greening, repair and maintenance services to property developers at the pre-delivery stage, and consultancy services to property developers for the management of their pre-sale activities and the provision of catering services etc..

Zhuhai Huafa

Zhuhai Huafa is a state-owned conglomerate based in Zhuhai and is owned by the State-Owned Assets Supervision and Administration Commission of the Zhuhai Municipal Government* (珠海市國有資產監督管理委員會) and Department of Finance of Guangdong Province (廣東省財政廳) as to 93.51% and 6.49%, respectively. Zhuhai Huafa, through its subsidiaries, is principally engaged in four core business sectors of urban operations, real estate development, financial industry, and industrial investment, as well as two comprehensive supplementary businesses commerce and trade services and modern services.

VI. REASONS FOR ENTERING INTO THE 2022 PROPERTY MANAGEMENT SERVICES COOPERATION FRAMEWORK AGREEMENT

Since the acquisition of the Group's property management subsidiaries, including Huafa Property in January 2020, the Group has developed its business based on the strategy of "One Core, Two Wings" with property management services as the core supplemented by hotel advisory and exhibition services. The Company has been enhancing the scale and competitiveness of its core business while seeking to diversify the business of the Group and exploring new business opportunities.

After 37 years of development, Huafa Property has formed a business pattern foothold in the Greater Bay Area and covering the whole PRC, with a full-chain of services including residential properties, commercial and office properties, asset management, urban and municipal services, elevator engineering, building intelligence, security services, real estate broker and catering services. As part of the property management services provided by the Group, Huafa Property and its subsidiaries are also committed to providing the diversified value-added services to property owners.

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Huafa Property Group has been supplying property management services to Zhuhai Huafa Group since 1985. As the property management services is the core business of the Group and in view of the long-term relationship between Huafa Property Group and Zhuhai Huafa Group, the Group intends to continue supplying the Property Management Services through Huafa Property Group to Zhuhai Huafa Group in order to generate favourable business synergies with Zhuhai Huafa Group. In addition, by continuing to supply property management services to Zhuhai Huafa Group, the Group is expected to enhance its income stream and improve its overall operational performance which is in line with the development strategy of the Group. The 2022 Property Management Services Cooperation Framework Agreement has been entered into in the ordinary and usual course of business of the Group and the transactions contemplated thereunder are made on normal commercial terms and the terms of the 2022 Property Management Services Cooperation Framework Agreement and the proposed annual caps set out above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

VII. LISTING RULES IMPLICATIONS

As Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into of the 2022 Property Management Services Cooperation Framework Agreement constitutes a continuing connected transaction of the Company. Since one or more of the applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the 2022 Property Management Services Cooperation Framework Agreement is more than 5%, the entering into of the 2022 Property Management Services Cooperation Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since all executive Directors and Ms. Zhou Youfen, a former non-executive Director who has resigned on 18 November 2022, are also directors or senior management members of Zhuhai Huafa or its subsidiaries and therefore are deemed to have material interests in the 2022 Property Management Services Cooperation Framework Agreement, each of them has abstained from voting on the Board resolutions approving the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). Other than those Directors mentioned above, none of the other Directors has or is deemed to have a material interest in the transactions under the 2022 Property Management Services Cooperation Framework Agreement.

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VIII. PROPOSED AMENDMENTS TO THE BYE-LAWS

Reference is made to the announcement of the Company dated 31 October 2022. As set out in the said announcement, the Board proposes to seek approval from the Shareholders at the Special General Meeting for the Proposed Amendments in order to (i) bring the Bye-laws in line with the relevant requirements of the Listing Rules; and (ii) make some other housekeeping improvements. The major changes brought about by the Proposed Amendments are set out below:

1. to provide that all or any of the rights attached to the shares or any class of shares for the time being in issue may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be altered, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the total voting rights of the issued shares of that class or with the approval of a resolution passed by not less than three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting, and all the provisions of the Bye-laws relating to the general meetings of the Company shall, mutatis mutandis, apply to every such meeting, but so that (a) the quorum thereof shall be two members of the Company (the “**Members**”) present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy holding at least one-third of the total voting rights of holders of the issued shares of that class; and (b) every holder of shares of the class shall be entitled to one vote for every such share held by them;
2. to provide that the principal and branch register of Members (the “**Register**”), as the case may be, shall be open to inspection between 10 a.m. and 12 noon during business hours by members of the public without charge at the registered office of the Company or such other place at which the Register is kept in accordance with the Companies Act 1981 of Bermuda (the “**Act**”), except when the Register is closed in accordance with the rules of any designated stock exchange or any other applicable laws and regulations (including but not limited to the relevant section of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time);
3. to provide that an annual general meeting of the Company shall be held for each financial year within a period of six (6) months after the end of its financial year;
4. to provide that the Board may whenever it thinks fit call special general meetings, and one or more Members (including a clearing house (or its nominee(s))) holding as at the date of deposit of the requisition in aggregate not less than one-tenth of the total voting rights (on a one vote per share basis) in the share capital of the Company shall at all times have the rights, by requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction specified in such requisition and/or add resolutions to the agenda of a meeting;

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5. to provide that an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and any special general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days, and all other special general meetings may be called by notice of not less than fourteen (14) clear days;
6. to provide that all Members (including a Member which is a clearing house (or its nominee(s))) shall be entitled to (a) speak at any general meeting and (b) vote at any general meeting except where a Member is required by the rules of the designated stock exchange to abstain from voting to approve the matter under the consideration;
7. to provide that where a Member is a clearing house (or its nominee(s) and, in each case, being a corporation), it may appoint proxies or authorise such persons as it thinks fit to act as its representatives, who shall enjoy rights equivalent to the rights of other Members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised;
8. to provide that at the annual general meeting or at a subsequent special general meeting in each year, the Members shall appoint an auditor by ordinary resolution to audit the accounts of the Company and such auditor shall hold office until the Members appoint another auditor;
9. to provide that the Members may, at any general meeting convened and held in accordance with the Bye-laws, by resolution passed by a majority of not less than two-thirds of votes cast by such Members remove the auditor at any time before the expiration of his term of office;
10. to provide that the remuneration of the auditor shall be fixed by or on the authority of the Members by ordinary resolution in general meeting at which he is appointed;
11. to provide that unless the Board otherwise determines, the financial year of the Company shall end on 31 December each year and shall begin on 1 January each year; and
12. to make other miscellaneous amendments to update, modernise or clarify provisions of the Bye-laws where it is considered desirable and to better align the wording with the Listing Rules and the Act.

The Company has been advised by its legal advisers that the Proposed Amendments are not inconsistent with the requirements of the Listing Rules and the laws of Bermuda respectively. The Company also confirms that there is nothing unusual about the Proposed Amendments for a company listed on the Stock Exchange.

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Details of the Proposed Amendments are set out in Appendix I to this circular and the Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the SGM. A copy of the Amended By-laws showing all changes made to the existing Bye-laws will be available for inspection during normal business hours on any weekday (except public holidays) at the head office of the Company in Hong Kong at Unit 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including the date of the SGM and at the SGM.

IX. SGM

The SGM will be convened and held at 3:00 p.m. on Thursday, 29 December 2022 at Unit 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, approving the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Proposed Amendments. The notice of SGM is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to 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 possible and in any event not later than 48 hours (i.e. Tuesday, 27 December 2022 at 3:00 p.m.) before the time appointed for holding the SGM 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 SGM or any adjournment thereof (as the case may be), if you so wish.

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 22 December 2022 to Thursday, 29 December 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with 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 for registration not later than 4:30 p.m. on Wednesday, 21 December 2022.

Votes on the resolution to be considered at the SGM shall be taken by poll. As at the Latest Practicable Date, Huajin Investment, an indirect wholly owned subsidiary of Zhuhai Huafa, held 3,710,750,000 Shares, representing approximately 36.88% of the entire issued share capital of the Company; and Guang Jie, an indirect subsidiary of Zhuhai Huafa, held 191,157,480 Shares, representing approximately 1.90% of the entire issued share capital of the Company, and thus they are entitled to control voting rights of such shareholding. Hence, Huajin Investment and Guang Jie will abstain from voting on the resolution in relation to the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the SGM. To the best knowledge, information

LETTER FROM THE BOARD

and belief of the Directors, having made all reasonable enquiries, save as Huajin Investment, Guang Jie and their associates, no Shareholder has a material interest in the resolution in respect of the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement or should be required to abstain from voting on the resolution to be proposed at the SGM.

X. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 35 to 36 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder, and (ii) the letter from the Independent Financial Adviser set out on pages 37 to 60 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice.

The Board (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) consider that the terms of the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; and (iv) are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder.

In addition, the Directors are of the view that the Proposed Amendments are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM approving the Proposed Amendments.

XI. ADDITIONAL INFORMATION

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

Yours faithfully
By Order of the Board
Huafa Property Services Group Company Limited
Zhou Wenbin
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 982)

Independent Board Committee:

Dr. Chen Jieping

Mr. Pu Yonghao

Mr. Guo Shihai

7 December 2022

To the Independent Shareholders:

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION –
2022 PROPERTY MANAGEMENT SERVICES
COOPERATION FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 7 December 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to give you recommendation in respect of the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder. Somerley has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons they have taken into account, are contained in their letter set out on pages 37 to 60 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

RECOMMENDATION

Having considered (i) the terms of the 2022 Property Management Services Cooperation Framework Agreement, (ii) the reasons for the proposed annual caps and the basis upon which the proposed annual caps have been determined, and (iii) the advice given by the Independent Financial Adviser, we are of the view that the terms of the 2022 Property Management Services

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Cooperation Framework Agreement (including the proposed annual caps) are on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions, and are fair and reasonable so far as the Independent Shareholders are concerned; and the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement are conducted in the ordinary and usual course of business of the Group and in the interests of Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in relation to the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee

Dr. Chen Jieping

*Independent Non-executive
Director*

Mr. Pu Yonghao

*Independent Non-executive
Director*

Mr. Guo Shihai

*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor, China Building

29 Queen's Road Central

Hong Kong

7 December 2022

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION – 2022 PROPERTY MANAGEMENT SERVICES COOPERATION FRAMEWORK AGREEMENT

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (the “**Continuing Connected Transactions**”), and the proposed annual caps regarding the provision of the Property Management Services by the Huafa Property Group to the Zhuhai Huafa Group for the three years ending 31 December 2023, 2024 and 2025 (the “**Proposed Annual Cap(s)**”). Details of the 2022 Property Management Services Cooperation Framework Agreement and the Proposed Annual Caps are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated 7 December 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company as at the Latest Practicable Date, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into of the 2022 Property Management Services Cooperation Framework Agreement constitutes a continuing connected transaction of the Company. Since one or more of the applicable percentage ratios (other than the profits ratio) in respect of the Proposed Annual Caps is more than 5%, the entering into of the 2022 Property Management Services Cooperation Framework Agreement is subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all three independent non-executive Directors, namely Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai, has been established to consider the 2022 Property Management Services Cooperation Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps), and to advise and make recommendation to the Independent Shareholders as to how to vote at the SGM on the resolution in relation to the 2022 Property Management Services Cooperation Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps). We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, there have been no engagements between the Company and Somerley. As at the Latest Practicable Date, there have been no relationships or interests existing between (a) Somerley and (b) the Group and the Zhuhai Huafa Group that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2022 Property Management Services Cooperation Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) as detailed in the Circular.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the SGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group and the Zhuhai Huafa Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the 2022 Property Management Services Cooperation Framework Agreement

Since the acquisition of the Group's property management subsidiaries, including Huafa Property in January 2020, the Group has developed its business based on the strategy of "One Core, Two Wings" with property management services as the core supplemented by hotel advisory and exhibition services. The Huafa Property Group has been providing property management services in the PRC for more than 30 years and has formed a business pattern foothold in the Greater Bay Area and covering the whole PRC. The Huafa Property Group is principally engaged in three main business lines, namely, (i) property management services, which primarily consists of the provision of security, cleaning, greening, gardening, and repair and maintenance services; (ii) value-added services to property owners, which mainly include home living services, office building customised services and common area value-added services; and (iii) other value-added services, which mainly involve support services for municipal projects, cleaning, greening, and repair and maintenance services to property developers at the pre-delivery stage, consultancy services to property developers for the management of their pre-sale activities and the provision of catering services, etc.. According to the Company's 2022 interim report, the Group aims to build a high-end service platform providing property management services and related value-added services, and strives to improve the Group's overall operational performance in the future.

Zhuhai Huafa, an indirect controlling shareholder of the Company, is a state-owned conglomerate based in Zhuhai, the PRC, and is principally engaged in four core business sectors of urban operations, real estate development, financial industry, and industrial investment, as well as two comprehensive supplementary businesses, namely commerce and trade services and modern services. The Huafa Property Group has been supplying property management services to the Zhuhai Huafa Group since 1985, and Huafa Property and Zhuhai Huafa (collectively, the "**Parties**") have entered into the Existing Property Management Services Cooperation Framework Agreement on 20 December 2019, pursuant to which the Huafa Property Group shall provide property management services and related value-added services to the Zhuhai Huafa Group up to 31 December 2022. The Company considers the Zhuhai Huafa Group to be a reliable partner, and the Group has not encountered any difficulties in collecting services fees from the Zhuhai Huafa Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the sound long-term relationship and ongoing cooperation between the Huafa Property Group and the Zhuhai Huafa Group, the Group would like to continue the cooperation with the Zhuhai Huafa Group. The Group's management is of the view that by continuing to provide property management services to the Zhuhai Huafa Group, which holds a leading position in the property development market in Zhuhai, the PRC, and with footprint all over the PRC, the Group is expected to secure a reliable partner for its core business of provision of property management services, continue to achieve greater business synergies with the Zhuhai Huafa Group, broaden its income stream, and improve its overall operational performance which is in line with the development strategy of the Group. As the Existing Property Management Services Cooperation Framework Agreement will expire on 31 December 2022, Huafa Property has therefore decided to enter into the 2022 Property Management Services Cooperation Framework Agreement with Zhuhai Huafa in relation to the provision of the Property Management Services to the Zhuhai Huafa Group for a term of three years from 1 January 2023 to 31 December 2025. Further details of the 2022 Property Management Services Cooperation Framework Agreement are set out in the section headed "2022 Property Management Services Cooperation Framework Agreement" in the "Letter from the Board" contained in the Circular.

As stated in the "Letter from the Board" contained in the Circular, the Board is of the view that the 2022 Property Management Services Cooperation Framework Agreement would not result in the Group having material reliance on its connected persons (including the Zhuhai Huafa Group). We consider that the basis for the Board in forming its view that the 2022 Property Management Services Cooperation Framework Agreement would not give rise to the reliance issue of the Company with the Zhuhai Huafa Group to be acceptable; and we concur with the Board that the Company has sufficient measures in place to prevent undue reliance on the Zhuhai Huafa Group, after taking into consideration the following key factors:

(1) Revenue contribution by the Zhuhai Huafa Group in the past and under the 2022 Property Management Services Cooperation Framework Agreement

As advised by the management of the Company, for the years ended 31 December 2019, 2020 and 2021, the revenue contribution by the Zhuhai Huafa Group in respect of the property management services segment represented approximately 38%, 35% and 33% of the total revenue of the Group in respect of the property management services segment respectively.

As stated in the 2021 annual report of the Company, the 14th Five-Year Plan has repeatedly mentioned the property management service industry. Over the years, the central and local governments of the PRC have promulgated various policies, for example, the Opinions on Promoting Property Management Companies to Accelerate the Development of Online and Offline Living Services (《關於推動物業服務企業加快發展線上線下生活服務的意見》) in 2020, to promote the high-quality and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

diversified development of the industry. With the successive introduction of relevant favorable policies for the property management service industry and the historical revenue growing trend in respect of the property management services segment of the Group, the Board expects that the trend of revenue growth in respect of the property management services segment will continue.

For the four years ending 31 December 2025, the Board expects that the trend of year-on-year revenue growth in respect of the property management services segment will continue and consistent with the historical average growth rate of approximately 34%. On this basis, the Proposed Annual Caps under the 2022 Property Management Services Cooperation Framework Agreement represent approximately 39%, 41% and 39% of the estimated total revenue of the Group in respect of its property management services segment for the years ending 31 December 2023, 2024 and 2025, respectively.

For illustrative purpose, if the buffer of 15% to allow for flexibility in the event of any unexpected increase in transaction amount is not applied when estimating the Proposed Annual Caps, expected revenue contribution by the Zhuhai Huafa Group under the 2022 Property Management Services Cooperation Framework Agreement represent approximately 34%, 36% and 34% of the estimated total revenue of the Group in respect of its property management services segment for the years ending 31 December 2023, 2024 and 2025, respectively, in line with the historical range of revenue contribution of approximately 33% to 38% from the Zhuhai Huafa Group as mentioned above.

We have obtained a schedule from the Company and performed a checking on the calculation. We noted that the figures contained in such schedule are consistent with those described in this paragraph.

(2) The Huafa Property Group has been operating independently from the Zhuhai Huafa Group

We understand from the Company that the Huafa Property Group has full rights to hold and enjoy the benefits of all relevant licenses, and has sufficient capital and employees necessary to make all decisions on, and to carry out, own business operation independent from the Zhuhai Huafa Group and their respective close associates, and will continue to do so after the entering of the 2022 Property Management Services Cooperation Framework Agreement. The Huafa Property Group does not rely on the Zhuhai Huafa Group in sourcing independent third party projects and procuring labour and materials for its property management services. In addition, the Huafa Property Group has its own independent team of personnel with rich industry experience in property management and are all qualified with property management related certificates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) Measures to be taken by the Group to expand business cooperation with independent property developers and parties independent from the Zhuhai Huafa Group

As advised by the management of the Company, the Huafa Property Group has become more active in participating in the tendering of independent third party projects. The Huafa Property Group participated in 9, 23 and 49 tenders for the provision of property management services for the property projects developed or held by parties independent from the Zhuhai Huafa Group in the two years ended 31 December 2020 and 2021, and the nine months ended 30 September 2022 respectively, and successfully tendered for 8, 17 and 26 projects in the respective period.

According to the 2022 interim report of the Company and as advised by the management of the Company, while maintaining the steady growth of existing property management projects, the Group has successively undertaken a series of non-residential property projects from parties independent from the Zhuhai Huafa Group. For example, in 2022, the Huafa Property Group successfully won the bid in the provision of property management services for Zhuhai Intermediate People's Court for the period from April 2022 to March 2025, Guangfa Bank (Zhuhai Branch)* (廣發銀行珠海分行) for the period from 1 February 2022 to 30 January 2024 and Qianhai Life Guangzhou General Hospital* (前海人壽廣州總醫院) for the period from 25 July 2022 to 24 July 2023. The Huafa Property Group also undertook other non-residential property projects such as Nyingchi Bayi District Building Components Industrial Park, Zhuhai Human Resources and Employment Service Centre (珠海市人才資源與就業服務中心), Zhuhai Doumen District Health Bureau (珠海市斗門區衛生健康局), Shenyang Longfor Tianyao Site (沈陽龍湖天曜案場) and other service contracts such as industrial parks, government waste classification and taxation bureau logistics support. Riding on this trend, the Huafa Property Group has been actively seeking high-quality tenders put up by independent property developers and parties independent from the Zhuhai Huafa Group.

We understand from the management of the Company that the Huafa Property Group will continue to increase its marketing efforts to obtain more information regarding tender and bidding put up by independent property developers and parties independent from the Zhuhai Huafa Group trying to broaden its revenue source, and will try to further increase the revenue-bearing gross floor area and the number of properties under its management through actively participating in quality tenders, industry forums, commercial negotiations and arranging business visits to large-scale third-party developers, property owners' associations and governmental authorities, who are target customers of the Huafa Property Group in addition to the Zhuhai Huafa Group. The Huafa Property Group further plans to increase the headcount in the current business development department who will be responsible for (a) promoting its

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service offerings to third party developers and property owners' associations; and (b) seeking quality tenders for the Huafa Property Group to participate in. In addition, the Huafa Property Group will continue to implement incentive measures to encourage its employees to obtain property management contracts developed or held by third-party developers and parties independent from the Zhuhai Huafa Group through investigation and analysis of and communication with target customers in the real estate industry and taking advantage of its resources, including its brands, capital and expertise.

In light of the above, we understand that the Huafa Property Group will continue to undertake different measures to expand business cooperation with independent property developers and parties independent from the Zhuhai Huafa Group with the aim to increase the ratio of revenue contribution from independent third parties.

Considering the above and given that the Continuing Connected Transactions under the 2022 Property Management Services Cooperation Framework Agreement will be conducted on normal commercial terms (as more particularly discussed in the section headed "Principal terms of the 2022 Property Management Services Cooperation Framework Agreement" of this letter below), the executive Directors consider, and we concur, that the entering into of the 2022 Property Management Services Cooperation Framework Agreement is in the ordinary and usual course of business of the Group and in line with the Group's development strategy, and will benefit the Group's long-term development.

2. Principal terms of the 2022 Property Management Services Cooperation Framework Agreement

On 31 October 2022, Huafa Property entered into the 2022 Property Management Services Cooperation Framework Agreement with Zhuhai Huafa. Principal terms of the 2022 Property Management Services Cooperation Framework Agreement are summarised below. Further details of the 2022 Property Management Services Cooperation Framework Agreement are set out in the section headed "2022 Property Management Services Cooperation Framework Agreement" in the "Letter from the Board" contained in the Circular.

(i) Term of Service

Subject to all the conditions precedent set out in the 2022 Property Management Services Cooperation Framework Agreement being fulfilled (or waived, where applicable), the 2022 Property Management Services Cooperation Framework Agreement is entered into for a term commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive) (the "**Term**").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Services to be provided

The Huafa Property Group agrees to provide to the Zhuhai Huafa Group the Property Management Services. According to the requirements of Zhuhai Huafa, the Huafa Property Group agrees to provide the following property management related services to the Zhuhai Huafa Group:

- (a) the property management services (which include but not limited to customer reception services, security, cleaning, greening and gardening, repair and maintenance services) for the properties developed by the Zhuhai Huafa Group from the commencement of construction up to the delivery of the properties (the “**Pre-delivery Property Management Services**”), the municipal projects, as well as the property sales centres, sample flats, unsold properties, investment properties, car parks and other related areas held by the Zhuhai Huafa Group; and
- (b) the related value-added services (which include but not limited to the provision of catering services, engineering services, community media, new community retailing and sales agency) for the properties and the community common areas developed or held by the Zhuhai Huafa Group

(collectively, the “**Property Management Services**”).

In respect of the specific services to be provided by the Huafa Property Group, the Huafa Property Group shall enter into separate services agreements to set out matters such as the scope of services, service fee charging standard, timeline and payment methods (the “**Individual Services Agreement(s)**”) with the individual companies of the Zhuhai Huafa Group requiring such Property Management Services in accordance with market practice. The service scope shall not exceed the Property Management Services and the aggregate service fees (the “**Service Fees**”) received by the Huafa Property Group in respect of all Individual Services Agreements per year shall not be higher than the Proposed Annual Cap for the respective year.

In the event of conflicts between the terms of the Individual Services Agreements and the 2022 Property Management Services Cooperation Framework Agreement, the terms of the 2022 Property Management Services Cooperation Framework Agreement shall prevail.

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(iii) Pricing Policies

The general pricing policies for the provision of the Property Management Services are as follows:

- (i) each Individual Services Agreement shall be negotiated on an arm's length basis to ensure that the relevant pricing terms are fair and reasonable and in accordance with normal commercial terms; and
- (ii) the Service Fees are determined after the Parties have negotiated the terms and conditions of the respective Individual Services Agreements with reference to the prevailing market price and the service fees of similar transactions between the Huafa Property Group and the independent third parties to ensure that the Service Fees offered by the Huafa Property Group to the Zhuhai Huafa Group are no less favourable to the Huafa Property Group than those available to independent third parties.

The specific pricing policies for the provision of the Property Management Services are as follows:

- (i) In respect of the provision of (a) property management services (including but not limited to security, cleaning, greening and gardening, and repair and maintenance services); and (b) related value-added services (including but not limited to the provision of catering services, engineering services, community media, new community retailing and sales agency) for the properties developed by the Zhuhai Huafa Group from the commencement of construction up to the delivery of the properties, the unsold properties, investment properties, car parks and other related areas held by the Zhuhai Huafa Group, as well as the community common areas and municipal projects developed or held by the Zhuhai Huafa Group, the Service Fees will be generally determined by reference to, amongst others, the formula of the unit of measurement in respect of the relevant services multiplied by unit price as follows:

(a) Provision of the property management services

The Service Fees for the provision of the property management services shall generally be determined with reference to floor area and service fee per square metre (“**sq.m.**”) (unit price). For residential projects, the unit price shall be based on (i) the “pre-property management service agreement” (《前期物業管理服務合同》) signed between Huafa Property as the property management services provider and the companies of the Zhuhai Huafa Group as the property developer, pursuant to which, the unit price shall not be higher than the relevant service price as set by

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the relevant PRC authorities (the “**Guided Price**”); and (ii) in the absence of the Guided Price, the unit price shall be determined with reference to the “market reference price” which takes into account the comparable market price of at least three independent third party service providers in the provision of similar property management services to residential projects in the vicinity area. For non-residential projects, the unit price shall be based on the Guided Price, and in the absence of the Guided Price, the unit price shall be determined based on the comparable market price of at least three independent third party service providers in the provision of similar property management services to the non-residential projects in the vicinity area and the estimated total costs for provision of property management services to the projects. Market price of providing similar property management services to property projects in the vicinity areas is in general obtainable through public channels such as websites of and enquiry with third party property management companies and real estate agencies.

The Service Fees are determined in accordance with mutual agreement with reference to market unit price of similar property projects, the service area and the quality and workload of the required Property Management Services.

Further details of the Guided Price are set out in the section headed “2022 Property Management Services Cooperation Framework Agreement” in the “Letter from the Board” contained in the Circular.

(b) Provision of related value-added services

For the provision of catering services, the Service Fees shall be determined with reference to standard price of catering (unit price), number of persons and number of days. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to, the services fees charged by the Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by at least three independent third party service providers for providing similar services obtained through market research, the estimated labour cost for the provision of services and the estimated cost for the catering supply.

For the provision of engineering services, the Service Fees shall be determined with reference to the consolidated unit price (unit price) and quantity of engineering work. The unit price shall be determined with reference to the “market reference price”, and having regard to the

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following factors, including but not limited to, the services fees charged by the Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by at least three independent third party service providers for providing similar services obtained through market research and the skills, expertise and estimated engineering costs required for the provision of the services (including but not limited to the estimated equipment and material cost and labour cost).

For the provision of community media services, the Service Fees shall be determined with reference to the standard price for advertising (unit price), number of billboards and number of days. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to, the services fees charged by the Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by at least three independent third party service providers for providing similar services obtained through market research and the estimated cost of services provided by the Huafa Property Group (including but not limited to the estimated material cost and labour cost).

For the provision of the new community retailing services, the Service Fees shall be determined with reference to unit price of goods sold and quantity of sales. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to, the services fees charged by the Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by at least three independent third party service providers for providing similar services obtained through market research and the estimated cost and expenses of the goods purchased by the Huafa Property Group from the suppliers.

For the provision of the sales agency services, the agency commission fee in general will be either in fixed fee or determined with reference to sales revenue of the sales agency services provided by the Huafa Property Group and rate of agency fee based on performance indicators of the sales revenue accrued over the period. The sales revenue shall be determined by the total value of car parking spaces and other assets successfully sold by the Huafa Property Group. The agency commission fees shall be determined based on arm’s length negotiation between the Parties and having regard to the factors including, among others, (i) the rate of agency fee charged by the Huafa Property Group in providing similar agency

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services to independent third parties; and (ii) the rate of agency fee charged by at least three independent third party service providers for providing similar agency services obtained through market research.

- (ii) In respect of the provision of property management services (including but not limited to customer reception services, on-site security, cleaning, greening and gardening, and repair and maintenance services) for the property sales centres, sample flats, etc. held by the Zhuhai Huafa Group (the “**Sales-related Property Management Services**”), when determining the Services Fees, Huafa Property takes into account factors such as total labour allocation and estimated total expenses, as well as the target net profit margin which can be represented by the formula: $\text{cost} \times (1 + \text{target net profit margin})$. The target net profit margin ranging from 8% to 12% (subject to adjustment depending on market conditions) shall be determined based on arm’s length negotiation between the Parties and having regard to the factors including, among others, (i) net profit margin achieved by the Huafa Property Group in providing similar property management services to independent third parties; and (ii) net profit margin charged by at least three independent property management companies for providing similar property management services obtained through market research.

We understand from the management of the Company that, in performing market research to obtain the market prices of the Property Management Services, the business development department of Huafa Property would collect information on service fees charged by independent third party service providers for providing similar property management services in vicinity area. We have obtained and reviewed three effective contracts in 2022 relating to the Property Management Services entered into between the Huafa Property Group and the Zhuhai Huafa Group in respect of the largest projects in terms of the services fees in January to September 2022, with relevant transaction documents (such as invoices and pricing documents) (the “**Reviewed Connected Contract(s)**”), and the contracts and transaction documents in relation to comparable transactions with independent third parties for provision of similar property management services (collectively, the “**Reviewed Contract(s)**”). The Reviewed Connected Contracts were obtained from the Company which we consider representative in terms of services fees, and sufficient for the purpose of our analysis. We noted that two of the Reviewed Connected Contracts are related to provision of the Sales-related Property Management Services and the other is related to provision of the catering services.

With respect to the Sales-related Property Management Services, we understand from the management of the Company and note from the relevant Reviewed Contracts that the service fees of the Reviewed Connected Contracts entered into between the Huafa Property Group and the Zhuhai Huafa Group are calculated based on the

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estimated cost and a net profit margin with reference to market information which is no less favourable to the Huafa Property Group than that charged to independent third parties. With respect to the catering services, we note from the relevant Reviewed Contracts that, the meal cost per person charged by the Huafa Property Group to the Zhuhai Huafa Group was determined with reference to the market information which is no less favourable to the Huafa Property Group than those charged to the independent third parties. We consider the pricing of the Reviewed Connected Contracts are consistent with the relevant pricing policies mentioned above. We also note from the Reviewed Contracts that the payment terms for the service fees offered by the Huafa Property Group to the Zhuhai Huafa Group were shorter than those payment terms offered to the independent third parties.

Taking into account of the above, we note that the terms under the Reviewed Connected Contracts entered into between the Huafa Property Group and the Zhuhai Huafa Group are no less favourable to the Huafa Property Group than those of the Reviewed Contracts entered into between the Huafa Property Group and the independent third parties.

In view of the above and (i) each Individual Services Agreement shall be negotiated on an arm's length basis to ensure that the relevant pricing terms are fair and reasonable and in accordance with normal commercial terms; (ii) the Service Fees will be determined with reference to the Guided Price (where applicable), and prevailing market price which is no less favourable to the Group than those offered to independent third parties; and (iii) the internal control measures as set out in the section headed "Internal control measures" in the "Letter from the Board" contained in the Circular, we concur with the executive Directors that the pricing basis of the Continuing Connected Transactions to be reasonable.

(iv) Payment

The payment arrangement of the Service Fees is made with reference to market practice and the payment arrangement of similar transactions between the Parties and independent third parties to ensure that the payment arrangement is no less favourable to the Huafa Property Group than those available to independent third parties.

(v) Conditions precedent

The provision of the Property Management Services pursuant to the 2022 Property Management Services Cooperation Framework Agreement is conditional upon fulfilment or waiver in writing (as the case may be) of the following conditions precedent, among others:

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- (a) the Company having obtained its Independent Shareholders' approval of the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps); and
- (b) all necessary authorisations, registrations, filings, confirmations, permits, consents and approvals for the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement having been obtained by Huafa Property and Zhuhai Huafa.

If any of the conditions precedent cannot be fulfilled (or relinquished or waived under any circumstances, where applicable) on or before 31 December 2022 (or such other date as agreed in writing between the Parties), the 2022 Property Management Services Cooperation Framework Agreement and the transactions as contemplated thereunder shall be forthwith terminated and be of no effect.

As at the Latest Practicable Date, apart from the Independent Shareholders' approval as described in paragraph (a) above, all other conditions precedent have been fulfilled.

3. Proposed Annual Caps under the 2022 Property Management Services Cooperation Framework Agreement

The following table sets out the historical transaction amounts for the property management services and related valued-added services provided by the Huafa Property Group to the Zhuhai Huafa Group under the Existing Property Management Services Cooperation Framework Agreement for the two years ended 31 December 2021 and nine months ended 30 September 2022.

	For the year ended 31 December		For the nine months ended
	2020	2021	30 September 2022
	(RMB millions)	(RMB millions)	(RMB millions)
Historical transaction amounts under the Existing Property Management Services Cooperation Framework Agreement	320.0	422.5	356.0

The historical transaction amounts for the property management services and related value-added services under the Existing Property Management Services Cooperation Framework Agreement were approximately RMB320.0 million and RMB422.5 million for

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the year ended 31 December 2020 and 2021 respectively, representing a year-on-year growth of approximately 21.1% and 32.0% respectively. The average historical growth rate was approximately 26.6% for the two years ended 31 December 2021. We have reviewed copies of assurance reports on continuing connected transactions issued by the Company's auditors for the two years ended 31 December 2020 and 2021 in respect of the historical transaction amounts under the Existing Property Management Services Cooperation Framework Agreement. We have discussed with the management of the Company and understood that such increase was mainly attributable to, among others, increase in the number of new property management projects with respect to the Sales-related Property Management Services and the Pre-delivery Property Management Services, such as the newly developed Zhuhai Jinwan Huafa International Business Centre (珠海金灣華發國際商務中心), Hengqin International Finance Center Building (橫琴國際金融中心大廈) and Zhuhai International Exhibition Centre (珠海國際會展中心). For each of the two years ended 31 December 2020 and 2021, over 90% of the Service Fees received by the Huafa Property Group were attributable to the Sales-related Property Management Services and Pre-delivery Property Management Services.

For the nine months ended 30 September 2022, the historical transaction amount of the property management services and related value-added services was approximately RMB356.0 million. As advised by the management of the Company, based on the information currently available and the historical trend in the service fees received by the Huafa Property Group, the estimated transaction amount under the Existing Property Management Services Cooperation Framework Agreement is expected to reach approximately RMB539.3 million for the year ending 31 December 2022, representing an increase of approximately 27.6% as compared to the historical transaction amount for the year ended 31 December 2021.

As set out in the section headed "Annual caps and basis of annual caps" in the "Letter from the Board" contained in the Circular, in arriving at the Proposed Annual Caps, the Directors have considered a number of factors including (i) the historical service fees received by the Huafa Property Group in respect of the provision of property management services and the related value-added services for the two years ended 31 December 2021 and nine months ended 30 September 2022; (ii) the estimated Service Fees payable by the Zhuhai Huafa Group in respect of the provision of the Property Management Services by the Huafa Property Group during the Term, which are expected to increase on a year-on-year basis; (iii) the number of existing projects which involves provision of the Property Management Services by the Huafa Property Group to the Zhuhai Huafa Group which is expected to be renewed and continued for the Term; (iv) the estimated increase in the number of property management projects and the GFA in respect of the property projects to be developed or held by the Zhuhai Huafa Group which may require the provision of the Property Management Services by the Huafa Property Group; (v) the indicative time of completion and delivery of the property management projects and the scope of the Property Management Services required in respect of each property

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management project based on the projects development plan of Zhuhai Huafa; (vi) the development potential of the business of the Huafa Property Group, and the anticipated diversified value-added services which can be provided by the Huafa Property Group to the Zhuhai Huafa Group, such that the service fees to be charged by the Huafa Property Group in respect of the related value-added services shall increase as the scope of value-added services is expected to increase over the Term; and (vii) the inclusion of a buffer of approximately 15% to accommodate for any unexpected increase in the demand for the provision of the Property Management Services taking into account the expected increase in the labour cost, inflation rate and the expansion of the business between the Huafa Property Group and the Zhuhai Huafa Group, considering the new property projects to be developed by the Zhuhai Huafa Group which may require the provision of the Property Management Services by the Huafa Property Group during the Term.

As advised by the management of the Company, discussions have been held with the Zhuhai Huafa Group in connection with the details of the property management projects which are currently undertaken or proposed to be undertaken by the Huafa Property Group for the Term. It is expected that the Zhuhai Huafa Group will continue to procure the Property Management Services from the Huafa Property Group, while the Huafa Property Group is capable to provide such services. As set out in the sub-section headed “Proposed annual caps and basis of determination” in the “Letter from the Board” contained in the Circular, based on the projects development plan of the Zhuhai Huafa Group, the Company expects that there will be further rapid growth in the demand for the Property Management Services to be provided by the Huafa Property Group to the Zhuhai Huafa Group for the next three years. Therefore, the Company expects that the transaction amounts under the 2022 Property Management Services Cooperation Framework Agreement for the three years ending 31 December 2025 will be higher than those under the Existing Property Management Services Cooperation Framework Agreement.

In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Company on the basis and underlying assumptions for the purpose of setting the Proposed Annual Caps. Further, we have obtained and reviewed relevant information and calculations in determining the Proposed Annual Caps provided by the Company. Based on the above, we understand that, the Proposed Annual Caps are determined mainly with reference to the estimated transaction amounts of (i) the Sales-related Property Management Services; (ii) the Pre-delivery Property Management Services; (iii) the Property Management Services other than the Sales-related Property Management Services and the Pre-delivery Property Management Services (the “**Other Property Management Services**”) during the Term; and (iv) a flexibility to accommodate for any unexpected increase in the demand from the Zhuhai Huafa Group for the provision of the Property Management Services.

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In estimating the transaction amounts of the Sales-related Property Management Services and the Pre-delivery Property Management Services (collectively, the “**Major Property Management Services**”) for the Term, the management of the Company made reference to, among others, (i) the number of existing property management projects in relation to the Major Property Management Services to be continued during the Term; (ii) the number of the new property management projects in relation to the Major Property Management Services during the Term; (iii) the estimated Service Fees to be received by the Huafa Property Group for each of the property management projects during the Term; and (iv) the indicative time schedule of the new property management projects. The estimated Service Fees to be received by the Huafa Property Group in respect of the Major Property Management Services accounted for over 75% of the total estimated Services Fees of the Property Management Services for each year during the Term.

As advised by the management of the Company, based on their understanding from the Zhuhai Huafa Group, the existing projects in relation to the Major Property Management Services are expected to continue during the Term. When estimating the number of the new property management projects in relation to the Major Property Management Services during the Term, the management of the Company made reference to the indicative time schedule of the new property management projects (including the expected time for commencement of construction, pre-sale, completion and delivery of relevant projects) prepared based on the Company’s discussions with the Zhuhai Huafa Group. As at 30 September 2022, there were 149 existing projects relating to provision of the property management services to the property projects developed or held by Zhuhai Huafa Group, and it is estimated that such number of projects will be increased by 10, 16 and 18 in 2023, 2024 and 2025 respectively. We have obtained and reviewed a schedule provided by the Company which sets out all new property management projects involving the Major Property Management Services during the Term, which is prepared by the Company based on its understanding from the Zhuhai Huafa Group regarding the development plan of its property projects. The schedule contains, among others, the name, location and indicative time schedule of such property management projects during the Term. We understand from the discussions with the management of the Company that the provision of the Sales-related Property Management Services, in general, begins two years prior to the earliest delivery timetable of the properties and continues until all the properties are delivered under the project while the provision of the Pre-delivery Property Management Services begins from the construction and development stage of the property projects and ends upon delivery of all properties under the project.

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The estimated Service Fees receivable by the Huafa Property Group for new property management projects involving the Sales-related Property Management Services are estimated based on the average historical monthly Service Fees of similar property management projects for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, being approximately RMB200,000 per project. For the estimated Service Fees receivable by the Huafa Property Group for new property management projects involving the Pre-delivery Property Management Services, the management of the Company estimated the Service Fees for each new property project with reference to the estimated GFA based on information provided by the Zhuhai Huafa Group, and the estimated Service Fees per sq.m.. The total GFA in respect of the Pre-delivery Property Management Services was approximately 2,130,000 sq.m. as at 30 September 2022, and the management of the Company estimated that such total GFA will be increased by approximately 100%, 115% and 24% year-on-year. The estimated Service Fees per sq.m. for the Pre-delivery Property Management Services is expected to be within the range of approximately RMB3 to RMB25 per sq.m, with reference to (i) the Guided Price (where applicable); (ii) comparable market price of similar property management services provided to property projects in the vicinity area; and (iii) the latest market price research carried out by the business development department of Huafa Property, depending on the type of property and the nature of services to be provided. We obtained a summary from the Company showing the total GFA in respect of the Pre-delivery Property Management Services and noted from a schedule provided by the Company that the basis for estimating the Service Fees to be received by the Huafa Property Group adopted in determining the Proposed Annual Caps for the Term are in line with the information contained in the abovementioned schedule.

In estimating the Service Fees of the Other Property Management Services (other than catering services) for the Term, the management of the Company made reference to, among others, (i) the estimated transaction amount of the Other Property Management Services (other than catering services) for the year ending 31 December 2022 based on the existing and new property management projects in 2022; (ii) historical annual growth rate in the Service Fees received by the Huafa Property Group under the Existing Property Management Services Cooperation Framework Agreement; and (iii) the estimated Service Fees receivable by the Huafa Property Group for the new property management projects involving the Other Property Management Services (other than catering services) during the Term. Based on our discussions with the management of the Company, we understood that the Company estimated the growth rate of approximately 30% with reference to the average historical annual growth rate of approximately 27% relating to the service fees received by the Huafa Property Group in respect of provision of the property management services and the related value-added services for the two years ended 31 December 2021 and the estimated future revenue growth, and it is expected the trend will continue in 2023 to 2025. In estimating the Service Fees receivable by the Huafa Property Group in respect of the catering services during the Term, the management of the Company made reference to (i) market price of food and beverage; (ii) estimated number of persons based on the scale of

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the projects; (iii) number of days of provision of catering services in each calendar month; and (iv) total estimated cost for the canteen operation and management services, under the catering services projects during the Term. We have received a schedule from the Company which lists out the abovementioned information including, among others, (i) the estimated price of food and beverage; (ii) the expected number of customers or number of meal box required in the projects; and (iii) the estimated number of days of provision of the services per month.

The executive Directors have also considered the uncertainties in factors such as property development and selling schedule, inflation, increase in labour cost and the necessity to allow flexibility for the Group to capture more business opportunities when determining the Proposed Annual Caps. We are of the view that it is not uncommon for companies to include a buffer on the estimated transaction amount to allow for flexibility in the event of any unexpected increase in transaction amount which in turn will increase the revenue of the Group.

The Proposed Annual Caps for the Continuing Connected Transactions are set as follows:

	For the year ending 31 December		
	2023	2024	2025
Total Service Fees for the Property			
Management Services (<i>RMB millions</i>)	971.28	1,373.11	1,752.81
Year-on-year increase (<i>approximate %</i>)	57% (<i>note 1</i>)	41%	28%

Note: As compared to the existing annual cap of the Existing Property Management Services Cooperation Framework Agreement for the year ending 31 December 2022.

Taking into account the aforesaid factors, we consider that the basis adopted by the Board in estimating the Proposed Annual Caps to be reasonable.

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4. Internal control measures regarding the 2022 Property Management Services Cooperation Framework Agreement

As set out in the section headed “Internal control measures” in the “Letter from the Board” contained in the Circular, the Group has adopted the following internal control procedures and corporate governance measures in relation to the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement:

- (a) the pricing policies of all continuing connected transactions of the Group will be overseen and monitored by the management and relevant personnel of the Huafa Property Group to ensure that the relevant continuing connected transactions are conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders as a whole;
- (b) prior to entering into any Individual Services Agreement, the business department of the Huafa Property Group will be responsible for collecting information from independent third parties and making reference to the guided price set by the relevant PRC authority (where applicable) or, in the absence of the guided price, (i) at least three quotations offered by independent third parties in the provision of similar property management services (if any), and (ii) the market prices obtained through public channels such as websites of and enquiries made to third party property management companies and property agents for comparable services, and the aforesaid pricing policies to provide preliminary quotations. Such information will be subsequently reviewed and approved by the relevant personnel of the finance department, legal department and management of the Huafa Property Group to ensure that the terms of Individual Services Agreements are fair and reasonable and in compliance with the pricing policies and principal terms of the 2022 Property Management Services Cooperation Framework Agreement, in particular the service fee and payment terms shall be no less favourable than those available to independent third parties;
- (c) after entering into any Individual Services Agreement, the relevant senior management of the Huafa Property Group shall be responsible for monitoring the Individual Services Agreements. The general manager or the deputy general manager of the Huafa Property Group will review the Individual Services Agreements regularly to ensure that the transactions have been carried out in compliance with the terms of such agreements and the 2022 Property Management Services Cooperation Framework Agreement, and if there is any non-compliance or potential non-compliance, the responsible personnel will report the matter to the senior management of the Company for their consideration in order to find ways to resolve the matter;

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- (d) the finance department of the Group is responsible for monitoring the service fees for the respective transactions contemplated under each of the Individual Services Agreement to ensure that they are in accordance with the 2022 Property Management Services Cooperation Framework Agreement and the annual caps are not exceeded. In addition, the finance department will also conduct overall review on a regular basis. Where the finance department is aware of any potential non-compliance with the pricing policies or that the aggregate service fees for the respective transactions contemplated under each of the Individual Services Agreement have reached the threshold of 90% of the proposed annual caps, the finance department will escalate the matter to the senior management of the Company who will co-ordinate at the Group level to take remedial action and ensure the basis of annual caps are followed and are not exceeded;
- (e) the senior management of the Company will escalate the matter to the independent non-executive Directors if they consider that there are any non-compliance incidents. The independent non-executive Directors will further review the incidents and make recommendations to ensure that such transactions are conducted within the terms of the 2022 Property Management Services Cooperation Framework Agreement, on normal commercial terms, fair and reasonable, in accordance with the pricing policies of the 2022 Property Management Services Cooperation Framework Agreement and in the interests of the Company and its Shareholders as a whole; and
- (f) the independent non-executive Directors and the auditors of the Company will conduct annual review on the transactions contemplated by the 2022 Property Management Services Cooperation Framework Agreement and Individual Services Agreements and provide their view to the Board.

We consider that the abovementioned measures are in the interests of the Independent Shareholders as their interests are safeguarded by (a) performing market research and comparing service fees charged to independent third parties; and (b) the monitoring and reviewing processes to be carried out (including those to be carried out by the senior management (including independent non-executive Directors)) to ensure the terms of the Continuing Connected Transactions are in accordance with the 2022 Property Management Services Cooperation Framework Agreement and no less favourable to the Group than those available to the Group from independent third parties.

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5. Review of the continuing connected transactions by auditors

The auditors of the Company were engaged to report on the Group's continuing connected transactions as set out in the 2020 and 2021 annual reports of the Company (the "Past Transactions") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. We understood from the executive Directors that the auditors were of the conclusion that (a) nothing had come to their attention that caused them to believe that the Past Transactions had not been approved by the Board; (b) for the Past Transactions involving the provision of goods or services by the Group, nothing had come to their attention that caused them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (c) nothing had come to their attention that caused them to believe that the Past Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) with respect to the aggregate amount of the Past Transactions, nothing had come to their attention that caused them to believe that the Past Transactions had exceeded the annual cap as set by the Company.

Based on the obligations of the Directors to comply with the Listing Rules to conduct the continuing connected transactions on normal commercial terms, we consider that the Continuing Connected Transactions will be conducted on normal commercial terms.

6. Conditions of the Continuing Connected Transactions

In compliance with the Listing Rules, the Continuing Connected Transactions are subject to a number of conditions which include, among other things:

- (i) the Proposed Annual Caps for each of the year under the Term will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Continuing Connected Transactions and confirm in the Company's annual report whether the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

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- (iii) the auditors of the Company must, in accordance with the Listing Rules, review annually the Continuing Connected Transactions and they must confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company) whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the Continuing Connected Transactions; and
 - (d) have exceeded the Proposed Annual Caps;
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required;
- (v) the Company must allow, and ensure that the Zhuhai Huafa Group allows, the auditors of the Company sufficient access to their records of the Continuing Connected Transactions for the purpose of the auditors' reporting on the Continuing Connected Transactions. The Board must state in the annual report whether the auditors of the Company have confirmed the matters set out in Rule 14A.56 of the Listing Rules; and
- (vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Continuing Connected Transactions exceeds the relevant Proposed Annual Caps, or that there is any material amendment to the terms of the 2022 Property Management Services Cooperation Framework Agreement.

In light of the conditions imposed on the Continuing Connected Transactions, in particular, (1) the limit of the value of the Continuing Connected Transactions by way of the Proposed Annual Caps; (2) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the Continuing Connected Transactions; and (3) the on-going review by the auditors of the Company confirming the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that (1) the Continuing Connected Transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement are conducted in the ordinary and usual course of business of the Group; (2) the terms of the 2022 Property Management Services Cooperation Framework Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (3) the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned; and (4) the entering into of the 2022 Property Management Services Cooperation Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the 2022 Property Management Services Cooperation Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type I (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over thirteen years' experience in the corporate finance industry.

* *For identification purpose only*

The following are the Proposed Amendments. Unless otherwise specified, clauses and paragraphs numbers referred to herein are clauses and paragraphs numbers of the Amended Bye-laws. If the serial numbering of the clauses of the Bye-laws is changed due to the addition, deletion or re-arrangement of certain clauses made in these amendments, the serial numbering of the clauses of the Bye-laws as so amended shall be changed accordingly, including cross-references.

Note: The Amended Bye-laws is prepared in English with no official Chinese version. Chinese translation is for reference only. In the event of any inconsistency, the English version shall prevail.

Clause No. under the existing Bye-laws	Clause No. under the Amended Bye-laws	Provisions in the Amended Bye-laws (showing changes to the existing Bye-laws)
10	10	<p>Subject to the Act and without prejudice to Bye-law 8, all or any of the special rights for the time being attached to the shares or any class of shares <u>for the time being in issue</u> may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied<u>altered</u>, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the <u>total voting rights of the</u> issued shares of that class or with the sanction<u>approval</u> of a special resolution passed at a separate general meeting by not less than three-fourths of the <u>votes cast by the</u> holders of the shares of that class <u>present and voting in person or by proxy at a separate meeting, and</u>. To every such separate general meeting all the provisions of these Bye-laws relating to general meetings of the Company shall, mutatis mutandis, apply <u>to every such meeting</u>, but so that:</p> <p>(a) the necessary quorum thereof (other than at an adjourned meeting) shall be two <u>Members present in</u> persons (or in the case of a Member being a corporation, its duly authorised representative) holding or representing by proxy <u>holding at least not less than</u> one-third in nominal value of the total voting rights of the holders of the issued shares of that class and at any adjourned meeting of such holders, two holders present in person (or in the case of a Member being a corporation, its duly authorised representative) or by proxy (whatever the number of shares held by them) shall be a quorum;</p> <p>(b) every holder of shares of the class shall be entitled to one vote for every such share held by him;</p> <p>(c) [Intentionally deleted].</p>

44	44	<p>The Register and branch register of Members, as the case may be, shall be open to inspection between 10 a.m. and 12 noon during business hours by members of the public without charge at the Office or such other place at which the Register is kept in accordance with the Act, <u>except when the Register is closed in accordance with the rules of any Designated Stock Exchange or any other applicable laws and regulations (including but not limited to the relevant section of the Companies Ordinance).</u> The Register including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper and where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any means in such manner as ay be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.</p>
56	56	<p>An annual general meeting of the Company shall be held infor each <u>financial</u> year other than the year in which its statutory meeting is convened at such time (within a period of not more than fifteen (15) <u>six (6)</u> months after the end of its financial year holding of the last preceding annual general meeting unless a longer period would not infringe the rules of the Designated Stock Exchange, if any) and place as may be determined by the Board.</p>
58	58	<p>The Board may whenever it thinks fit call special general meetings, and one or more <u>Members (including a clearing house (or its nominee(s)))</u> holding as at the date of deposit of the requisition in aggregate <u>not less than one-tenth of the paid-up total voting rights (on a one vote per share basis) in the share</u> capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition <u>and/or add resolutions to the agenda of a meeting;</u> and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Act.</p>

59(1)	59(1)	<p>An annual general meeting shall be called by Notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which the passing of a special resolution is to be considered shall be called by Notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings may be called by Notice of not less than fourteen (14) clear days and not less than ten (10) clear business days but i If permitted by the rules of the Designated Stock Exchange, a general meeting may be called by shorter notice if it is so agreed:</p> <p>(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and</p> <p>(b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.</p>
76(1)	76(1)	<p>NoAll Members <u>(including a Member which is a clearing house (or its nominee(s)))</u> shall, unless the Board otherwise determines, be entitled to attend<u>(a) speak and vote and to be reckoned in a quorum</u> at any general meeting <u>and (b) vote at any general meeting except where a Member is required by the rules of the Designated Stock Exchange to abstain from voting to approve the matter under consideration</u>unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.</p>
78	78	<p>Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him<u>such Member</u>. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers <u>(including the right to vote and speak)</u> on behalf of the Member which he or they represent as such Member could exercise.</p>
84(1)	84(1)	<p>Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise <u>as</u> if it were an individual Member <u>(including the right to vote and speak)</u> and such corporation shall for the purposes of these Bye-laws be deemed to be present in person at any such meeting if a person so authorised is present thereat.</p>

84(2)	84(2)	<p>Where a Member is a clearing house (or its nominee(s) and, in each case, being a corporation), it may appoint proxies or authorise such persons as it thinks fit to act as its representatives, who shall enjoy rights equivalent to the rights of other Members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Bye-law shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to speak and vote individually on a show of hands or on a poll, as the case may be.</p>
86(2)	86(2)	<p>The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the Members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Members in general meeting. Any Director appointed by the Board to fill a casual vacancy or shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next followingfirst annual general meeting of the Company after his/her employment and shall then be eligible for re-election at that meeting.</p>
86(4)	86(4)	<p>The Members may, at any general meeting convened and held in accordance with these Bye-laws, by ordinary resolution remove a Director (including a managing or other executive director) at any time before the expiration of his period of office notwithstanding anything to the contrary in these Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the Notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director fourteen (14) days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.</p>

APPENDIX I

DETAILS OF THE PROPOSED AMENDMENTS

155(1)	155(1)	Subject to Section 88 of the Act, at the annual general meeting or at a subsequent special general meeting in each year, the Members shall appoint an auditor by ordinary resolution to audit the accounts of the Company and such auditor shall hold office until the Members appoint another auditor. Such auditor may be a Member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company.
155(3)	155(3)	The Members may, at any general meeting convened and held in accordance with these Bye-laws, by special resolution passed by a majority of not less than two-thirds of votes cast by such Members remove the Auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another Auditor in his stead for the remainder of his term
157	157	The remuneration of the Auditor shall be fixed by or on the authority of the Members by ordinary resolution Company in general meeting at which he is appointed or in such manner as the Members may determine.
158	158	If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, subject to compliance with the rules of the Designated Stock Exchange , the Directors shall fill the vacancy and fix the remuneration of the Auditor so appointed.
–	170	Unless the Board otherwise determines, the financial year of the Company shall end on 31 December each year and shall begin on 1 January each year.

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 Group. 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. DIRECTORS' INTERESTS**(i) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations**

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

(ii) Interests of substantial Shareholders

Long Position in Shares

Name	Capacity/nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company
Zhuhai Huafa (<i>Note 1</i>)	Interest in controlled corporations	3,901,907,480	38.78
Zhuhai Huafa Properties (<i>Note 1</i>)	Interest in controlled corporations	3,901,907,480	38.78%
Ho Chi Sing (<i>Note 2</i>)	Interest in controlled corporations	669,762,520	6.66
IDG Light Solutions Limited (<i>Note 2</i>)	Beneficial owner	669,762,520	6.66

Notes:

- As at the Latest Practicable Date, Zhuhai Huafa holds 100% of the issued share capital of HK Huafa which in turn holds 100% of the issued share capital of Huajin Investment, which in turn directly holds 3,710,750,000 shares of the Company. Zhuhai Huafa's non-wholly-owned direct subsidiary, Zhuhai Huafa Properties, indirectly wholly owns Guang Jie which directly holds 191,157,480 shares of the Company. On 25 November 2022, Guang Jie as the purchaser, and HK Huafa as the vendor, entered into a conditional share purchase agreement for the transfer of the entire issued shares of Huajin Investment from HK Huafa to Guang Jie (the "**Share Transfer**"). Upon completion of the Share Transfer, Huajin Investment will become a wholly-owned subsidiary of Guang Jie, and Huafa Properties will, through Guang Jie and Huajin Investment, hold 3,901,907,480 shares of the Company in aggregate, representing 38.78% of the entire issued shares of the Company. As at the Latest Practicable Date, the Share Transfer has not been completed. As such, each of Zhuhai Huafa and Zhuhai Huafa Properties is deemed to be interested in 3,901,907,480 shares of the Company by virtue of its shareholding in Huajin Investment and Guang Jie.
- Mr. Ho Chi Sing directly holds 100% of the issued share capital of IDG Light Solutions Limited (incorporated in the British Virgin Islands), which holds 669,762,520 shares of the Company. Therefore, Mr. Ho Chi Sing is deemed to be interested in a total of 669,762,520 shares of the Company by virtue of his shareholding in IDG Light Solutions Limited.

So far as to the Directors are aware, as at the Latest Practicable Date, save as disclosed above, no other persons had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. DIRECTORS' INTERESTS

(i) Interests in competing business

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective close associates had an interest in any business which competes, or are likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under the Listing Rules.

(ii) Interests in assets

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or had been 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 consolidated financial results of the Company were made up) and up to the Latest Practicable Date.

(iii) Interests in contract or arrangement

Save as disclosed herein, 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 which was significant in relation to the business of the Group.

4. SERVICE CONTRACTS

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there had been no 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 results of the Company were made up.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, the Company is not engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened against any member of the Group.

7. EXPERT'S QUALIFICATIONS AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which is contained or referred to in this circular:

Name	Qualification
Somerley Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

As at the Latest Practicable Date, the above expert did not have any shareholding, direct or indirect, 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. In addition, the above expert did not have any interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to 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 consolidated financial statements of the Company were made up).

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://en.huafapropertyservices.com>) for a period of 14 days from the date of this circular:

- (i) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 37 to 60 of this circular;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 35 to 36 of this circular;
- (iii) the written consent of the Independent Financial Adviser referred to in the section headed "Expert's Qualifications and Consent" in this appendix;

- (iv) the 2022 Property Management Services Cooperation Framework Agreement; and
- (v) this circular.

9. GENERAL

- (i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is at Unit 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.
- (ii) 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.
- (iii) In the event of any inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text of the same.

NOTICE OF SGM



Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 982)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of the Shareholders of Huafa Property Services Group Company Limited (the “**Company**”) will be held at 3:00 p.m. on Thursday, 29 December 2022 at Unit 3605, 36/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions of the Company. Words and expressions that are not expressly defined in this notice of special general meeting shall bear the same meanings as defined in the circular of the Company dated 7 December 2022 (the “**Circular**”).

ORDINARY RESOLUTION

1. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT**

- (a) the entering into of the 2022 Property Management Services Cooperation Framework Agreement, a copy of which has been produced to the SGM and marked “A” and initialled by the chairman of the SGM for identification purpose, and the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, approved, authorised and ratified; and
- (b) any one director or duly authorised signatory of the Company or any two directors or duly authorised signatories of the Company, if the affixing of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be incidental to, ancillary to or in connection with the matters contemplated in the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder, and the implementation thereof.”

NOTICE OF SGM

SPECIAL RESOLUTION

2. To consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

“**THAT**

- (a) the proposed amendments to the existing memorandum of association and bye-laws of the Company (the “**Proposed Amendments**”), the details of which are set out in Appendix I to the circular of the Company dated 7 December 2022, be and are hereby approved; and
- (b) the directors of the Company be and are hereby authorised to do all things necessary to implement and give effect to the Proposed Amendments.”

By Order of the Board

Huafa Property Services Group Company Limited

Zhou Wenbin

Chairman and Chief Executive Officer

Hong Kong, 7 December 2022

Notes:

1. All resolutions at the SGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy, or if a shareholder who is the holder of two or more shares may appoint more than one proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at 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 holding of the SGM (i.e. not later than 3:00 p.m. on Tuesday, 27 December 2022) or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the SGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF SGM

4. For determining the entitlement to attend and vote at the SGM, the Register of Members of the Company will be closed from Thursday, 22 December 2022 to Thursday, 29 December 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with 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 for registration not later than 4:30 p.m. on Wednesday, 21 December 2022.
5. If tropical cyclone warning signal no. 8 or above is hoisted or "extreme conditions" caused by super typhoons or a black rainstorm warning signal is in force at 7:00 a.m. on Thursday, 29 December 2022, the meeting will be postponed and further announcement for details of alternative meeting arrangements will be made. The meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.
6. References to time and dates in this notice are to Hong Kong time and dates.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

The health of our shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the Special General Meeting to protect attending shareholders, staff and stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) The Company encourages each attendee to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- (iii) No refreshment will be served, and there will be no corporate gift.

In addition, 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 proxy form attached to this document.

NOTICE OF SGM

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 our registered office or to our email at ir982@huafagroup.com. 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

As at the date of this notice, the Board of the Company comprises Mr. Zhou Wenbin (Executive Director, Chairman and Chief Executive Officer), Mr. Li Guangning, Mr. Xie Wei, Mr. Xie Hui and Mr. Gu Yuanping (all being Executive Directors); Mr. Zou Chaoyong (Non-Executive Director); Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai (all being Independent Non-Executive Directors).