THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Ever Reach Group (Holdings) Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Ever Reach Group (Holdings) Company Limited
恒達集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3616)

(1) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2022 MASTER PROPERTY MANAGEMENT SERVICE AGREEMENT AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

邁時資本
MAXA CAPITAL

A notice convening an extraordinary general meeting of Ever Reach Group (Holdings) Company Limited (the "**Company**") to be held at Java Room II to III, 2/F, Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong on Monday, 6 February 2023 at 11 a.m. is set out on pages 67 to 69 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.everreachgroup.com). Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time of the meeting to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

Please see page ii of this circular for measures being taken to prevent and control the spread of Coronavirus Disease 2019 ("**COVID-19**") at the Extraordinary General Meeting, including:

(1) compulsory temperature checks and health declaration;

(2) compulsory wearing of surgical face masks; and

(3) no provision of refreshments or drinks.

Any person who does not comply with the precautionary measures may be denied entry into the Extraordinary General Meeting venue. The Company reminds the Shareholders that they may appoint the chairman of the Extraordinary General Meeting as their proxy to vote on the relevant resolutions at the Extraordinary General Meeting as an alternative to attending the Extraordinary General Meeting in person.

6 January 2023

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing COVID-19 pandemic, the Company will implement necessary preventive measures at the Extraordinary General Meeting to protect the attending Shareholders and other attendees from the risk of infection, including the following:

(i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the Extraordinary General Meeting venue. Any person with a body temperature of 37.5 degrees Celsius or over may be denied entry into the Extraordinary General Meeting venue or be required to leave the Extraordinary General Meeting venue.

(ii) All Shareholders, proxies and other attendees are required to complete and submit a health declaration form before entering the Extraordinary General Meeting venue. Any person who has any flu-like symptoms or has travelled overseas within 14 days immediately before the Extraordinary General Meeting, or has close contact with any person under quarantine or with recent overseas travel history, may be denied entry into the Extraordinary General Meeting venue or be required to leave the Extraordinary General Meeting venue.

(iii) All Shareholders, proxies and other attendees are required to wear surgical face masks before they are permitted to enter into the Extraordinary General Meeting venue and during the Extraordinary General Meeting at all times, and to maintain a safe distance between seats.

(iv) No refreshments or drinks will be served.

Any person who does not comply with the precautionary measures may be denied entry into the Extraordinary General Meeting venue or be required to leave the Extraordinary General Meeting venue. In addition, the Company reminds all Shareholders that physical attendance in person at the Extraordinary General Meeting is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may appoint the chairman of the Extraordinary General Meeting as their proxy to vote on the relevant resolutions at the Extraordinary General Meeting instead of attending the Extraordinary General Meeting in person by using the form of proxy enclosed.

If any Shareholder has any question relating to the meeting, please contact Tricor Investor Services Limited, the Company's branch share registrar as follows:

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Email: is-enquiries@hk.tricorglobal.com
Tel No.: (852) 2980 1333
Fax No.: (852) 2810 8185

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

"2022 Master Property Management Service Agreement"	the master property management service agreement dated 2 December 2022 entered into between Hengda Property Management and the Company in relation to provision of property management and related services by Hengda Property Management to the Group;
"Articles"	the articles of association of the Company currently in force;
"Board"	the board of Directors;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Company"	Ever Reach Group (Holdings) Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
"Director(s)"	the director(s) of the Company;
"EGM"	an extraordinary general meeting of the Company to be held at Java Room II to III, 2/F, Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong on Monday, 6 February 2023 at 11:00 a.m. (Hong Kong time), to consider and, if appropriate, to approve the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder, or any adjournment thereof;
"EGM Notice"	The notice convening the EGM set out on pages 67 to 69 of this circular;
"GFA"	gross floor area;
"Group"	the Company and its subsidiaries from time to time;

"Henan Hengda Investment"	Henan Hengda Investment Company Limited* (河南恒達投資有限公司), a limited liability company established in the PRC on 17 October 2007 owned approximately by Mr. LI Xiaobing as to 67.1833%, Mr. WANG Zhenfeng as to 3.3833%, Ms. QI Chunfeng as to 18.65%, Mr. LI Shixun as to 2.3833% and Ms. CHUN Xiaojun as to 1.15% and two independent third parties as to the remaining 7.25%, and hence a connected person of our Company;
"Hengda Property Management"	Xuchang Hengda Property Management Company Limited* (許昌恒達物業管理有限公司), a limited liability company established in the PRC on 5 July 1999 wholly owned by Henan Hengda Investment, and hence a connected person of our Company;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent committee of the Board, comprising all the independent non-executive Directors namely Mr. LEE Kwok Lun, Mr. WEI Jian and Mr. FANG Cheng, to advise the Independent Shareholders in respect of the 2022 Master Property Management Service Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder;
"Independent Financial Adviser"	Maxa Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and appointed by the Company as the independent financial adviser to advise the independent Board Committee and the Independent Shareholders in respect of the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder;
"Independent Shareholders"	Shareholders who are not required to abstain from voting at the EGM for the relevant resolutions with respect to the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder;

"Latest Practicable Date"	3 January 2023, being the latest practicable date for ascertaining certain information in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Model Code"	The Model Code of Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
"MOHURD"	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, Ministry of Construction of the PRC (中華人民共和國建設部), as appropriate to the context;
"PRC"	The People's Republic of China;
"Revised Master Property Management Service Agreement"	the revised master property management service agreement dated 30 June 2020 entered into between Hengda Property Management and the Company in relation to provision of property management and related services by Hengda Property Management to the Group;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Cap. 571);
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company or if there has been a subsequent subdivision, consolidation, reclassification, or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
"Shareholder(s)"	holder(s) of Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"%"	per cent.

* *For identification purposes only*

Ever Reach Group (Holdings) Company Limited
恒達集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3616)

Executive Directors:
Mr. LI Xiaobing
Mr. WANG Zhenfeng
Ms. QI Chunfeng
Mr. WANG Quan

Independent Non-executive Directors:
Mr. LEE Kwok Lun
Mr. WEI Jian
Mr. FANG Cheng

Registered Office:
Cricket Square Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Headquarters in the PRC:
266 Bayi Road
Xuchang City
Henan Province
The PRC

Principal Place of Business in Hong Kong:
Room 1409, Floor 14, Leighton Centre
77 Leighton Road, Causeway Bay
Hong Kong

6 January 2023

To the Shareholders

Dear Sir/Madam,

(1) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2022 MASTER PROPERTY MANAGEMENT SERVICE AGREEMENT AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the Revised Master Property Management Service Agreement as disclosed in the announcement dated 30 June 2020 in relation to, among other things, the provision of a variety of property management and related services to our Group by Hengda Property Management.

The Revised Master Property Management Service Agreement will expire on 31 December 2022. To continue the management of future connected transactions in respect of the provision of property management and related services by Hengda Property Management to our Group and taking into account the expected increase in the amount of the property management and related services which may be required from Hengda Property Management, the Company and Hengda Property Management entered into the 2022 Master Property Management Service Agreement on 2 December 2022 for a term from 1 January 2023 to 31 December 2025 (both days inclusive).

2. 2022 MASTER PROPERTY MANAGEMENT SERVICE AGREEMENT

On 2 December 2022, the Company entered into the 2022 Master Property Management Service Agreement. The principal terms of the 2022 Master Property Management Service Agreement and the factors taken into account by the Board for the proposed annual caps thereunder are set out below:

Date:	2 December 2022
Parties:	(a) Hengda Property Management (as services provider)
	(b) the Company (as services recipient)
Term:	from 1 January 2023 to 31 December 2025, subject to renewal by mutual agreement of the parties thereto and compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
Scope of services:	(i) Sales centres and display units property management and related services

Hengda Property Management shall provide property management and related services to the sales centres and display units of the property projects of the Group (including car parking spaces), including but not limited to cleaning, gardening, repair and maintenance of public order, provision of security services, arranging payment of utilities fee on behalf of the Group. In respect of sale or pre-sale of new property projects of the Group, a start-up fee for the commencement the property management and services operations at the aforesaid venue will be incurred and billed to the Group accordingly.

(ii) Pre-delivery property management and related services for unsold properties

Hengda Property Management shall provide pre-delivery property management and related services to the Group for unsold properties (including car parking spaces), including but not limited to security, cleaning, gardening, repair and maintenance services in the phases of completion and delivery period;

(iii) Self-used premises property management and related services

Hengda Property Management shall provide property management and related services to our self-used premises owned or operated by the Group and relevant common areas (including car parking spaces), including but not limited to cleaning, gardening, repair and maintenance of public order and security services to the aforesaid venues.

(iv) Property management fee rebate or discount to the property owners

In an effort to market and promote the sale of the Group's properties, the Group will from time to time offer such property management fee rebate or discount to the property buyers (for a fixed services period or a fixed monetary sum) as an incentive for the sale. Hengda Property Management shall provide the post-delivery property management and related services to the property owners, including but not limited to security, cleaning, gardening, repair and maintenance services, the cost of such services incurred by Hengda Property Management shall be borne by the relevant members of the Group. Respective service agreements will be entered into between the members of the Group and Hengda Property Management for the provision of the property management and related services.

Respective agreements will set out the relevant services to be provided by Hengda Property Management to the members of the Group and the service fees. The respective service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the 2022 Master Property Management Service Agreement.

Pricing policy: The fees to be charged for the property management services under the 2022 Master Property Management Service Agreement shall be determined on arm's length basis with reference to the pricing policy set out in the paragraph headed "PRICING POLICY" below.

Historical annual caps and transaction amounts:

The historical annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 are RMB14,338,000, RMB16,546,000 and RMB17,097,000, respectively. For each of the two years ended 31 December 2021 and as at 21 December 2022, the service fees paid by the Group under the Revised Master Property Management Service Agreement amounted to RMB10,313,000, RMB16,437,000 and RMB16,621,498, respectively.

Proposed annual caps:

The proposed annual caps for the transactions contemplated under the 2022 Master Property Management Service Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as below:

	2023	**2024**	**2025**
	RMB	*RMB*	*RMB*
	('000)	*('000)*	*('000)*
Annual caps	31,092	32,474	30,158

The annual caps under the 2022 Master Property Management Service Agreement are determined with reference to, among other things:

(i) the historical transaction amounts in respect of the property management services between the Group and Hengda Property Management;

(ii) the projected increase in the level of property management and related services required by the Group from Hengda Property Management, in each of the financial years 2023 to 2025 as compared to the financial years 2020 to 2022, having taken into account;

(a) the increase in the number of new real estate development projects of the Group that are either under construction or pending to commence construction from financial year 2023 owing to (1) the increase of the Group's land reserves from approximately 3.6 million sq.m. as at 31 December 2020 to approximately 4.3 million sq.m. as at 30 June 2022; (2) the expected increase in the planned floor area by approximately 1.13 million sq.m. for eight new real estate projects of the Group which are expected to be completed in financial years 2023 to 2025; and (3) the expected increase in the planned floor area by approximately 600,000 sq.m. as the Group expects to obtain the land use right of four plots of land occupying a total land size of approximately 240,000 sq.m. for commercial and residential use purpose in financial years 2023 and 2024, and the Group intends to develop the said plots of land and proceed to the pre-sale stage by financial year 2025. All the factors above would result in the Group's increased demand for the property management and related services;

(b) the lengthened sales cycle for the Group's property units as projected by the Group in financial years 2023 to 2025 due to COVID-19 pandemic and its related impact on the local economic conditions, evidenced by the Group's decrease in contracted sales of 50.8% from RMB1,809.6 million in 1H2021 to RMB890.1 million in 1H2022, as such property management and related services will be required by the Group for the unsold property units. For financial year 2023, the management of the Group expects that such management fees for the unsold property units will reach approximately RMB5.5 million, an increase of about 130% when compared to the management fees for the unsold property units recorded for the financial year 2021 which amounted to RMB2.36 million; and

(c) for the financial years 2023 to 2025, it is expected that a total of 23 real estate projects of the Group are expected to be on the real estate market for sale as compared with 11 real estate projects that are currently for sale, representing an increase in the total planned floor area of approximately 1.7 million sq.m.. Accordingly, additional start-up fees for the commencement of the property management and services operations in respect of the sales centres and display units are expected to be incurred. For financial year 2023, it is expected that approximately RMB1.95 million in start-up fees will be incurred and paid to Hengda Property Management. Further, the scaling up of the Group's projects will also require Hengda Property Management to expand its workforce considerably to meet the Group's strong demand and it is estimated that an increase of approximately RMB6.8 million will be incurred to pay the expanded workforce of Hengda Property Management in financial year 2023. A corresponding increase in utilities expenses is also expected. Therefore, it is the management's estimation that more commercial and residential units will be delivered to their owners as compared to financial years 2020 to 2022, and accordingly additional property management and related services fees in respect of unit deliveries are expected to incur;

(d) the utilisation rate of the existing annual caps has increased from approximately 71.9% for financial year 2020 to approximately 99.3% for financial year 2021. As at 21 December 2022, the accumulative utilisation rate has reached approximately 97.2%. Pursuant to management estimation, the annualised utilisation rate for the financial year 2022 is expected to be similar to that of financial year 2021 indicating the Group's strong demand for the property management services and the trend is expected to continue in financial years 2023 to 2025. As such, the management of the Group is of the view that an increase in the annual caps for each of the financial years 2023 to 2025 will enable the Group to meet its strong demand for the property management services; and

(e) property management fee discount or rebate is expected to be recorded for the financial years 2023 to 2025. The Group started offering the said property management fee discount or rebate to property buyers as part of a sales promotion during the COVID-19 pandemic when the flats were pre-sold to the buyers in financial years 2021 and 2022, in which the discount or fee would only be incurred after the buyers take delivery of the relevant flats in financial year 2023 onwards. The Group will reimburse such property management fee rebate or discount to Hengda Property Management on a dollar-for-dollar basis. It is estimated by the management of the Group that an amount of RMB2.27 million will be paid to Hengda Property Management as reimbursement of property management fee discount or rebate for the financial year 2023.

(iii) the total GFA of properties developed by our Group under the property management of Hengda Property Management and the properties under development held by the Group to be managed by Hengda Property Management based on historical amount and the management estimation;

(iv) the latest land reserve held by the Group as at the date of the 2022 Master Property Management Service Agreement and its expected increase for the next three years based on the Group's business plan;

(v) the estimated service fee to be charged by Hengda Property Management in respect of sales centres and display units property management and related services, pre-delivery property management and related services for unsold properties and self-used premises property management and related services based on historical amount and existing contracts;

(vi) the expected unoccupied rate for property under the property management of Hengda Property Management based on historical amount and the management estimation; and

(vii) the expected number of contracts in respect of the self-used properties owned or operated by the Group for which Hengda Property Management had been or was expected to be engaged to provide property management and related services.

The year-on-year fluctuation of the proposed annual caps, in particular the proposed annual caps for the financial year 2024 being higher than each of the financial years 2023 and 2025, arises due to the management's commercial estimation that more property management services provided by Hengda Property Management may be required by the Group especially for financial year 2024 following the expected completion and sale of several new real estate projects of the Group in financial year 2024. In particular, an additional property management fee discount or rebate in the aggregate sum of approximately RMB2.4 million is expected to be recorded for the financial year 2024 in comparison with the management's estimation for the financial year 2023 due to the expected overall increase in construction completion and delivery of residential flats to the buyers in financial year 2024. The said property management fee discount or rebate was offered to the buyers when the flats were pre-sold to the relevant buyers in financial years 2021 and 2022 and would only be incurred after the buyers take delivery of the relevant flats in financial year 2023 onwards.

The Company and Hengda Property Management agree that, prior to the Independent Shareholders' approval at the EGM in respect of the proposed annual caps under the 2022 Master Property Management Service Agreement, all applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules in respect of the aggregate amount of services fees to be incurred by the Group to Hengda Property Management will not exceed 5%, if applicable.

3. PRICING POLICY

a. General pricing policies for the property management service agreements

In general and as part of the services procurement procedure of the Group, the relevant member of the Group may, in their sole and absolute discretion, engage service providers to provide the required property management services. Save as certain particular categories of services which will be charged on a predetermined basis as set out below in this section in items b to e, the relevant member of the Group will utilise the Group's standard tender selection process for services procurement and determination of pricing terms in respect of such service scopes including (i) sales centres and display units property management and related services; (ii) pre-delivery property management and related services for unsold properties; and (iii) self-used premises property management and related services. If Hengda Property Management is invited to tender, the relevant member of the Group will endeavour to invite quotations or tenders from at least two other independent third-party service providers for such property management services. The management will ensure that a minimum of three quotations or tenders shall be obtained by the Group before proceeding to the evaluation stage. The management of the relevant member of the Group will then compare the available quotations offered by the respective bidders and conduct an assessment, considering factors such as their background and reputation, industry track records, any existing business relationship with such bidders, the price, scope, and quality of services offered by the bidders. After considering the abovementioned factors, the management of the relevant member of the Group will then decide on which bidder to engage and enter into a service agreement with the bidder for the provision of the property management services.

As a general principle, the prices and terms of the property management service agreements shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favorable to Group by following the standard tender selection procedures of the Group.

The Group adopts the following standard tender selection procedures:

(i) Preparation of tender invitation documents: the relevant subsidiary of the Group will be responsible for preparing specifications and requirements for the invitation to tender, based on the Group's standardized tender invitation template and the specific requirements for each development project. At this stage, the Group will make enquiries to no less than three property management service providers which must be independent third-parties of the Company and its connected persons to collect information about the terms and conditions of the relevant transactions and in relation to the rates offered by them and other market participants under normal commercial conditions.

(ii) Issue of tender invitation: the tender invitation is sent to at least three potential services providers for submission of tender.

(iii) Tender submission: the number of tender documents submitted by the bidders containing all the specifications and pricing terms as detailed in the tender invitation must not be less than three sets, two of which must be tender submitted by independent third parties of the Group. The Group will not proceed with the transaction if Hengda Property Management is the only bidder. If the Group obtains less than three quotations or tenders for the property management service agreements, the Group shall invite tenders again. If there are still less than three quotations or tenders in the rebidding, the Group will make reference to the price charged by at least two independent third-party service providers providing similar property management services at a comparable scale at that time under normal trading conditions. This ensures that the price to be entered into will not be higher than the average price obtained by the Group from making inquiries with independent third-party service providers, and that the property management service agreements are on normal commercial terms that are no less favourable to the Group than those provided by comparable independent third party service providers.

(iv) Tender evaluation: the tender evaluation process and the compositions of the tender evaluation committee of each subsidiary of the Group shall comply with the relevant requirements under the applicable PRC laws and regulations. The tender evaluation will be done by the tender evaluation committee by aggregating all metrics side by side in a document capturing comparison analysis with reference to selection criteria including but not limited to the bidders' background and reputation, industry track records, any existing business relationship with such bidders, the price, scope, and quality of services offered by the bidders.

(v) Tender award: the tender evaluation committee of each subsidiary of the Group shall evaluate the tenders based on the specifications and requirements of each tender invitation. The wining tender will usually be the one with suitable service quality and minimum price offered. The award letter will be issued to the winning bidder once the final decision is made in the meeting of the tender evaluation committee. If the Group identifies that the price offered by the winning tender or bidder is higher than the rates offered by the independent third party service providers as enquired in the preparation of tender invitation documents stage, the price shall be adjusted correspondingly after arm's length negotiation between the Group and the winning bidder to ensure that the price to be entered into pursuant to the property management service agreement shall be on most competitive terms and equivalent to or be no less favourable than those offered by comparable independent third party service providers.

(vi) Agreement signing: the services agreement following winning of the tender is expected to be signed within 30 days of the award.

Hengda Property Management shall, where they are selected following the standard tender selection procedures and other quotation procedures for selection of services providers so conducted and subject to the terms and conditions of the 2022 Master Property Management Service Agreement, provide management and related services to the Group according to the tender and quotation documents and respective property management service agreements to be entered into between Hengda Property Management and the Group from time to time.

In view of the above, the property management fees payable by the Group shall be determined utilising the standard tender selection procedures and based on arm's length negotiation between the members of the Group and Hengda Property Management, with reference to a wide range of factors including but not limited to (i) nature, age, infrastructure features, geographical location and neighbourhood profile of the relevant properties; (ii) prevailing market price of the similar services of a comparable scale in the PRC; and (iii) any applicable rates recommended by the relevant government authorities. In addition, by utilising the standardized tender selection procedures, the Group can ensure that the final prices to be charged by Hengda Property Management will be competitively priced and are on normal commercial terms and no less favourable than prices charged by independent third party service providers to the Group for similar property management services.

b. utilities expenses to be incurred by the service providers in respect of the sales centres and display units property management and related services

In respect of the utilities expenses to be incurred by the service providers in respect of the sales centres and display units property management and related services, the Group's existing pricing policy is that all services providers to the Group including Hengda Property Management shall charge the Group on a cost basis, which the management of the Group is of the view that such pricing policy on a dollar-for-dollar cost basis is fair and reasonable and not less favourable to the Group.

c. staff costs to be incurred by the service providers in respect of the sales centres and display units property management and related services

In respect of the staff cost to be incurred by the service providers to the Group, the Group will be charged at a mark-up margin of approximately 6.0% on top of the staff costs incurred by the service providers including Hengda Property Management. The management of the Group, after extensive market research and conducting enquiries with three sizable property management service providers in the Henan province who are independent third parties of the Company and its connected persons, is of the view that the 6.0% mark up margin is at the low end of the profit margin spectrum and is fair and reasonable as comparable services providers in the region usually charge similar or higher mark up margin. Further, other staff related costs for instance, insurance premium, medical expenditure, living and food allowances will have to be incurred by Hengda Property Management in provisions of the services to the Group.

d. ***start-up fee for the commencement of the property management and services operations in respect of the sales centres and display units***

In respect of the start-up fee charged by Hengda Property Management for the commencement of its operations at the sales centres and display units, the Group will be charged on a dollar-for-dollar basis subject to a capped amount determined with reference to the floor area ratio of the relevant real estate projects. The start-up fee is used to cover the rental cost, contractor's cost, decoration cost, materials cost and other miscellaneous out-of-pocket fees and charges necessary for the commencement of property management services at new sales centres and display units. The management of the Group is of the view that the pricing policies for the start-up fee on a dollar-for-dollar reimbursement basis is fair and reasonable and not less favourable to the Group given that it is a common practice in the industry to incentivise the property management service providers and for the better service quality which will promote and improve the sale of the Group's real estate properties. Hence, such costs are considered for the revenue generating purpose of the Group.

e. ***Property management fee rebate or discount to the property owner***

In respect of the property management fee rebate or discount to the property owner, the Group will reimburse such property management fee rebate or discount to Hengda Property Management on a dollar-for-dollar basis. The management of the Group is of the view that such pricing policies for the property management fee rebate or discount on a dollar-for-dollar reimbursement basis is fair and reasonable and not less favourable to the Group.

Taking into account the pricing polices above, the Board is of the view that the transactions contemplated under the 2022 Master Property Management Service Agreement will be on normal commercial terms, on terms no less favourable to the Group than those offered by independent third-party services providers in respect of comparable services and on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

4. INTERNAL CONTROL MEASURES

The Company has implemented the following internal control measures for monitoring the pricing and other terms of the continuing connected transactions, including the transactions contemplated under the 2022 Master Property Management Service Agreement, and for ensuring that the transactions conducted under such agreement will be entered into based on normal commercial terms:

(1) Before entering into the continuing connected transactions of the Company, the procurement department of the relevant member of the Group will review and verify whether the price is fair and reasonable.

(2) If the pricing terms in respect of the relevant agreement are applied for the first time or the pricing terms are different from those applied previously, the cost management department of the relevant member of the Group reviews the above work conducted by the procurement department.

(3) The internal audit department conducts monthly internal assessments on the internal control measures of the Company to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective.

(4) The audit committee of the Company regularly reviews the Group's internal control systems for the connected transactions, offers proposals for modification, and periodically conducts supervision and inspection of the connected transactions on a quarterly basis. The audit committee of the Company shall also be responsible for supervising the adoption of internal control procedures by the above-mentioned departments, so as to ensure compliance with the pricing policies of the Group and that the actual transaction amounts of the continuing connected transactions are controlled within annual caps.

(5) The account department of the relevant member of the Group is responsible for reviewing and monitoring the continuing connected transactions to ensure that the annual caps of the relevant continuing connected transactions would not be exceeded and are implemented pursuant to the pricing policy or mechanism under the respective agreements. The account department of the relevant group companies will consult the listing matter department and external lawyers regarding compliance issues of the continuing connected transactions. The account department will monitor and review the balance amount of the annual cap for the continuing connected transactions on a monthly basis as a threshold reporting mechanism. If the annual cap for the continuing

connected transactions is expected to be exceeded for a particular year, it will report to the senior management and appropriate measures will be taken in accordance with the relevant requirements of the Listing Rules.

(6) The listing matter department of the Group will prepare an annual report to the audit committee of the Company and submit a confirmation letter to the audit committee, confirming the continuing connected transactions of the Group (which are subject to the annual review and disclosure requirements under the Listing Rules) are all (a) entered into in the ordinary and usual course of business of the Group; (b) entered into on normal commercial terms or better; (c) pursuant to the relevant agreements governing such transactions, entered into on the basis that the terms are fair and reasonable and are in the interests of the shareholders of the Company as a whole; and (d) the internal monitoring procedures of the Group regarding continuing connected transactions are adequate and effective in ensuring such transactions are conducted in such manner stated above. The audit committee will consider on such basis and opine on the continuing connected transactions during the relevant periods on matters mainly including the fairness of the continuing connected transactions and whether the actual transaction amount incurred are within the annual caps.

The Board is of the view that the above internal control measures can ensure that the continuing connected transactions of the Company under the 2022 Master Property Management Service Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

5. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2022 MASTER PROPERTY MANAGEMENT SERVICE AGREEMENT AND THE PROPOSED ANNUAL CAPS THEREUNDER

As our major business will continue to focus on the development of properties, it will require Hengda Property Management to provide property management and related services (covering, among other aspects, security, cleaning and other related services) for sales/pre-sales centres of our developing or to be developed residential and commercial properties, unsold properties as well as self-used premises so that it is in a better position to concentrate its resources on the standing property development business. In addition, the skills and expertise required for property management are different from those for property development, and hence it will be more cost-effective to our Group to outsource the work regarding management of properties to Hengda Property Management.

Hengda Property Management was granted with the "Level II Qualification Certificate for Property Management Enterprise in the PRC" by the MOHURD on 15 December 2016. To the understanding of our Directors, Hengda Property Management had (i) been capable of demonstrating a consistent adherence to the quality, safety and promptness in delivering its property management and related services; (ii) not committed any incidents of material default or breach of contractual obligations on its part; and (iii) better and more efficient communications with the Group and more thorough understanding of the conditions of our property projects and the Group's requirements of the services needed, as compared to other services providers who are independent third parties of the Company.

In addition, as the size and number of property projects developed and to be developed by the Group has increased significantly as compared to the time when the Revised Master Property Management Service Agreement were entered into, the demand in various property management services of the Company has grown significantly accordingly. Taking into account the above factors, the entering into of the 2022 Master Property Management Service Agreement and the terms and conditions thereof are in line with the business needs and commercial objectives of the Group.

The increase in the proposed annual caps under the 2022 Master Property Management Service Agreement is in line with the projected increase in the size and number of property projects developed and to be developed by the Group and the projected significant increase in the demand of various property management services by our Group for financial years 2023 to 2025. In particular, in determining the proposed annual caps in view of the increase in the level of property management and related services required by the Group from Hengda Property Management, the Board had taken into account the factors, including without limitation, (a) the increase in the number of new real estate development projects of the Group that are either under construction or pending to commence construction from financial year 2023 which would result in the Group's increased demand for the property management and related services; (b) the lengthened sales cycle for the Group's property units as projected by the Group in financial years 2023 to 2025 due to COVID-19 pandemic and its related impact on the local economic conditions, as such property management and related services will be required by the Group for the unsold property units; (c) an expected total of 23 real estate projects to be on the real estate market for sale for the financial years 2023 to 2025 as compared with 11 real estate projects that are currently for sale, which would result in additional start-up fees for the commencement of the property management and services operations in respect of the sales centres and display units, an increase in the labour cost of Hengda Property Management and other property management and related services fees in respect of unit deliveries that are expected to be incurred; (d) the increase in the utilisation rate of the existing annual caps from approximately 71.9% for financial year 2020 to approximately 99.3% for financial year 2021, reaching approximately 97.2% for financial year 2022 as at 21 December 2022. As such the management of the Group is of the view that an increase in the annual caps for each of the financial years 2023 to 2025 will enable the Group to meet its strong demand for the property management services; and (e) expected property management fee discount or rebate to be recorded for the financial years 2023 to 2025 for those flats pre-sold to buyers in financial years 2021 and 2022 as part of a sales promotion during the COVID-19 pandemic, in which the discount or fee would only be incurred after the buyers take delivery of the relevant flats in financial year 2023 onwards. Details of the factors considered by the Board are disclosed in this circular.

On account of the factors above and their combined effect, the Board assesses that a proportionate increase in the proposed annual caps under the 2022 Master Property Management Service Agreement as compared with the historical annual caps under the Revised Master Property Management Service Agreement will enable the Group to meet its growing demand for the related property management services required as a result of the continuing growth in development of the Group's real estate projects in financial years 2023 to 2025. The increase in the proposed annual caps is determined by the Board on the basis of the Group's practical demand for the related property management services from Hengda Property Management in financial years 2023 to 2025. The Board therefore considers that the 2022 Master Property Management Service Agreement is on normal commercial term, fair and reasonable and the proposed annual caps thereunder are fair and reasonable in the interest of the Company and its Shareholders as a whole.

6. INFORMATION ON THE GROUP AND HENGDA PROPERTY MANAGEMENT

The Group is principally engaged in the property development and property investment businesses in the PRC.

Hengda Property Management is a limited liability company established in the PRC on 5 July 1999 wholly owned by Henan Hengda Investment. Henan Hengda Investment is approximately owned by Mr. LI Xiaobing (an executive Director and controlling shareholder of the Company) as to 67.1833%, Mr. WANG Zhenfeng (an executive Director) as to 3.3833%, Ms. QI Chunfeng (an executive Director) as to 18.65%, Mr. LI Shixun as to 2.3833% and Ms. CHUN Xiaojun (all of whom being connected persons) as to 1.15%. According to the business scope as stated in the latest business license of Hengda Property Management, Hengda Property Management primarily engages in the business of, among other aspects, property management (物業管理), implementation of security and surveillance preventive projects (安防技術防範工程施工), property services evaluation (物業服務評估), housekeeping services (家政服務), housing rental (住房租賃), conference and exhibition services (會議及展覽服務), city garden management (城市公園管理), hotel management (酒店管理), municipal facilities management (市政設施管理), building cleaning services (建築物清潔服務), and carpark management service (停車場管理服務).

7. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the entire registered share capital of Hengda Property Management is wholly owned by Henan Hengda Investment. Henan Hengda Investment is approximately owned by Mr. LI Xiaobing (an executive Director and controlling shareholder of the Company) as to 67.1833%, Mr. WANG Zhenfeng (an executive Director) as to 3.3833%, Ms. QI Chunfeng (an executive Director) as to 18.65%, Mr. LI Shixun as to 2.3833% and Ms. CHUN Xiaojun (all of whom being connected persons) as to 1.15% and two independent third parties as to the remaining 7.25%, hence Henan Hengda Investment and Hengda Property Management are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2022 Master Property Management Service Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratio in respect of the annual caps for the transactions contemplated under the 2022 Master Property Management Service Agreement for the three years ending 31 December 2025 is expected to exceed 5% on an annual basis, the entering into of the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder will be subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Rule 14A.76(2) of the Listing Rules. An EGM will be convened for the Independent Shareholders to approve the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder and the proposed annual caps in relation thereto by poll.

At the Board meeting held to approve the 2022 Master Property Management Service Agreement, Mr. LI Xiaobing, Mr. WANG Zhenfeng and Ms. QI Chunfeng who also hold management positions and shareholding interests in Henan Hengda Investment and indirect shareholding interests in Hengda Property Management, have abstained from voting on the relevant Board resolutions. Apart from the Directors mentioned above, none of the Directors has or is deemed to have a material interest in the 2022 Master Property Management Service Agreement or is required to abstain from voting on the relevant Board resolutions approving the 2022 Master Property Management Service Agreement.

8. RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, has been established and considers that the 2022 Master Property Management Service Agreement, (a) the terms thereunder (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (b) the entering into of the 2022 Master Property Management Service Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution in relation to the 2022 Master Property Management Service Agreement (including the proposed annual caps under the 2022 Master Property Management Service Agreement) proposed at the EGM. The text of the letter from the Independent Board Committee is set out on page 30 to 31 of this circular.

9. EGM AND PROXY ARRANGEMENT

The EGM will be held at Java Room II to III, 2/F, Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong on Monday, 6 February 2023 at 11:00 a.m. (Hong Kong time). The EGM Notice is set out on pages 67 to 69 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.everreachgroup.com). Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, 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, to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than 11:00 a.m. on Saturday, 4 February 2023 (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish, and in such event, your proxy form shall be deemed to be revoked.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, Mr. LI Xiaobing (including entities controlled by him), has a material interest in the transaction, thus shall abstain from voting on the proposed resolution approving the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder at the EGM. Furthermore, Ever Enhancement Enterprise Company Limited is a corporate controlling shareholder which is legally and beneficially wholly-owned by Ever Commitment (PTC) Limited. Ever Commitment (PTC) Limited is the trustee of the family trust, established by Mr. LI Xiaobing as the sole settlor for the benefit of a list of discretionary beneficiaries including Mr. LI Xiaobing himself and any persons or classes of person (save for Mr. LI Xiaobing's father and mother) to be appointed by and at the sole discretion of Ever Commitment (PTC) Limited (as trustee) from time to time. Given that Mr. LI Xiaobing is the sole settlor of the family trust, he is therefore deemed to be interested in any shares in which Ever Enhancement Enterprise Company Limited is interested by virtue of the SFO. As such, Ever Enhancement Enterprise Company Limited, holding 855,000,000 shares in the Company, representing approximately 71.25% of the issued share capital of the Company shall abstain from voting on the proposed resolution approving the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder at the EGM. Further, Ever Enrichment Enterprise Company Limited, a corporate shareholder legally and beneficially wholly-owned by Mr. LI Xiaobing and holding 45,000,000 shares in the Company, representing approximately 3.75% of the issued share capital of the Company, shall also abstain from voting on the proposed resolution approving the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder at the EGM.

Each of Mr. WANG Zhenfeng, Ms. QI Chunfeng, Mr. LI Shixun and Ms. CHUN Xiaojun has confirmed to the Company that they do not hold, legally and beneficially, any shares in the Company as at the date of this announcement and will not vote on the proposed resolution approving the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder at the EGM.

10. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the meeting, the Register of Members of the Company will be closed from Wednesday, 1 February 2023 to Monday, 6 February 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, 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 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 Tuesday, 31 January 2023.

11. RECOMMENDATION

The Shareholders' attention are drawn to (i) the letter from Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the 2022 Master Property Management Service Agreement and the proposed annual caps under the 2022 Master Property Management Service Agreement; and (ii) the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2022 Master Property Management Service Agreement and the proposed annual caps under the 2022 Master Property Management Service Agreement, as well as the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice. Having taken into account the terms of the 2022 Master Property Management Service Agreement, the information provided in the letter from the Board and the letter from the Independent Financial Adviser, the Independent Board Committee considers that (i) the terms of the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2022 Master Property Management Service Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution for approving the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM.

Yours faithfully,
For and on behalf of the Board of
Ever Reach Group (Holdings) Company Limited
LI Xiaobing
Chairman and Executive Director

Ever Reach Group (Holdings) Company Limited
恒達集團（控股）有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3616)

6 January 2023

To the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTION IN RELATION TO 2022 MASTER PROPERTY MANAGEMENT SERVICE AGREEMENT

We refer to the circular issued by the Company to the Shareholders dated 6 January 2023 (the "**Circular**") which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the 2022 Master Property Management Service Agreement and to advise you in respect of the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder and the proposed annual caps under the 2022 Master Property Management Service Agreement, details of which are set out in the "Letter from the Board" on pages 6 to 29 of the Circular. Maxa Capital Limited has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the "Letter from the Board" and the "Letter from Independent Financial Adviser" as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in their letter of advice, we are of the view that in respect of the 2022 Master Property Management Service Agreement, (i) the terms thereunder (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2022 Master Property Management Service Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolution for approving the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Ever Reach Group (Holdings) Company Limited

LEE Kwok Lun	**WEI Jian**	**FANG Cheng**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the 2022 Master Property Management Service Agreement, the transactions contemplated thereunder and the proposed annual caps, which has been prepared for the purpose of inclusion in this circular.

邁時資本
MAXA CAPITAL

Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

6 January 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2022 MASTER PROPERTY MANAGEMENT SERVICE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2022 Master Property Management Service Agreement, the transactions contemplated thereunder and the proposed annual caps, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 6 January 2023 (the "**Circular**"), of which this letter forms parts. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 2 December 2022 (the "**Announcement**"). As set out in the Announcement, the Revised Master Property Management Service Agreement will expire on 31 December 2022. To continue the management of future connected transactions in respect of the provision of property management and related services by Hengda Property Management to the Group and taking into account the expected increase in the amount of the property management and related services which may be required from Hengda Property Management, the Company and Hengda Property Management entered into the 2022 Master Property Management Service Agreement on 2 December 2022 for a term from 1 January 2023 to 31 December 2025 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the entire registered share capital of Hengda Property Management is wholly owned by the Henan Hengda Investment. Henan Hengda Investment is approximately owned by Mr. LI Xiaobing (an executive Director and controlling shareholder of the Company) as to 67.1833%, Mr. WANG Zhenfeng (an executive Director) as to 3.3833%, Ms. QI Chunfeng (an executive Director) as to 18.65%, Mr. LI Shixun as to 2.3833% and Ms. CHUN Xiaojun (all of whom being connected persons) as to 1.15% and two independent third parties as to the remaining 7.25%, hence both Henan Hengda Investment and Hengda Property Management are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2022 Master Property Management Service Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratio in respect of the annual caps for the transactions contemplated under the 2022 Master Property Management Service Agreement for the three years ending 31 December 2025 is expected to exceed 5% on an annual basis, the entering into of the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder will be subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Rule 14A.76(2) of the Listing Rules. An EGM will be convened for the Independent Shareholders to approve the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder and the proposed annual caps in relation thereto by poll.

The Independent Board Committee comprising Mr. LEE Kwok Lun, Mr. WEI Jian and Mr. FANG Cheng, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, and on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the EGM to approve the entering into of the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps). We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder. During the past two years immediately preceding and up to the Latest Practicable Date, save for this appointment as the Independent Financial Adviser, there were no other engagements between Maxa Capital Limited and the Company. Apart from the normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the 2022 Master Property Management Service Agreement; (ii) the annual reports of the Company for the year ended 31 December 2020 (the "**2020 AR**") and for the year ended 31 December 2021 (the "**2021 AR**"); (iii) the interim reports of the Company for the six months ended 30 June 2021 (the "**2021 IR**") and for the six months ended 30 June 2022 (the "**2022 IR**"); and (iv) the basis and assumption adopted in determining the proposed annual caps. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the "**Management**"). We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Company is an investment holding company. The Group is principally engaged in property development and property investment businesses in the PRC.

Set out below is a summary of the consolidated financial information of the Group for the year ended 31 December 2020 ("**FY2020**") and 31 December 2021 ("**FY2021**"), and for the six months ended 30 June 2021 ("**1H2021**") and 30 June 2022 ("**1H2022**") as extracted from the 2020 AR, the 2021 AR, the 2021 IR and the 2022 IR:

	For the year ended 31 December		**For the six months ended 30 June**	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	**2,422,051**	**2,767,678**	**742,536**	**473,261**
Sales of properties	2,417,639	2,753,389	739,417	468,002
Rental income	4,412	5,305	3,119	3,797
Others	—	8,984	—	1,462
Gross profit	**778,961**	**851,487**	**259,896**	**108,968**
Profit/(Loss) for the year/period	**282,591**	**303,169**	**44,947**	**(22,443)**

We note that the revenue of the Group for the second half of each year is significantly higher than that of the first half of each year (i.e., the revenue of the Group amounted to approximately RMB742.5 million for 1H2021; whereas the revenue of the Group amounted to approximately RMB2,767.7 million for FY2021, such implies that the revenue of the Group during the second half of 2021 was significantly higher than that of 1H2021). Based on our discussion with the Management, we were given to understand that most of the Group's properties are delivered to the customers in the second half of each year as the construction work of the Group's properties is primarily focused in the mid of each year.

As disclosed in the 2021 AR, the total revenue of the Group was approximately RMB2,767.7 million for FY2021, representing an increase of approximately RMB345.6 million or 14.3% as compared to approximately RMB2,422.1 million for FY2020. Revenue derived from sales of properties is the major component of the Group's revenue which accounted for approximately 99.8% and 99.5% of the Group's total revenue for FY2020 and FY2021, respectively. The increase in sales of properties by approximately RMB335.8 million, or approximately 13.9%, to approximately RMB2,753.4 million for FY2021 was mainly due to the combined effects of (i) increase in sales of residential properties by approximately RMB359.7 million to approximately RMB2,379.1 million; (ii) increase in sales of commercial properties by approximately RMB46.4 million to approximately RMB292.8 million; and (iii) decrease in sales of car parking spaces by approximately RMB72.6 million to approximately RMB69.0 million. The total GFA recognised by the Group increased by 90,592 square metres ("**sq.m.**"), or approximately 26.1%, to 438,021 sq.m. for FY2021, while the recognised average selling price ("**ASP**") decreased from approximately

RMB6,551 per sq.m. for FY2020 to approximately RMB6,128 per sq.m. for FY2021. The Group recorded profit for the year of approximately RMB303.2 million for FY2021 as compared to profit for the year of approximately RMB282.6 million for FY2020. Such increase was primarily attributable to increase in gross profit by approximately RMB72.5 million as a result of the increase in revenue derived from the sales of properties as mentioned above; and was partially offset by the increase in selling and marketing expenses by approximately RMB37.6 million mainly due to additional promotion activities and campaign for brand building during FY2021.

As disclosed in the 2022 IR, the total revenue of the Group was approximately RMB473.3 million for 1H2022, representing a decrease of approximately RMB269.3 million or 36.3% as compared to approximately RMB742.5 million for 1H2021. Revenue derived from sales of properties is the major component of the Group's revenue which accounted for approximately 99.6% and 98.9% of the Group's total revenue for 1H2021 and 1H2022, respectively. The decrease in sales of properties by approximately RMB271.4 million, or approximately 36.7%, to approximately RMB468.0 million for 1H2022 was mainly due to (i) decrease in sales of residential properties by approximately RMB225.0 million to approximately RMB344.2 million which was broadly in line with the decrease in the total construction area of completed residential projects in the Henan Province by approximately 30.7% and the decrease in residential sales in the Henan Province by approximately 18.6%, as compared to the corresponding period last year; and (ii) the decrease in sales of commercial properties by approximately RMB43.9 million to approximately RMB102.5 million which was generally in line with the decrease in the total sales area of commodity properties in the Henan Province by approximately 8.9% and the decrease in sales of commodity properties in the Henan Province by approximately 17.3%, as compared to the corresponding period last year. In addition, we note from the report, namely, "Development, Investment and Sales of Real Estate in the PRC from January to June 2022" published by the National Bureau of Statistics as contained in the 2022 IR, that there was an decrease in (i) the real estate development and investment by approximately 0.4% in the Henan Province; and (ii) the decrease in total construction area of new properties in the Henan Province by approximately 23.1%, such reflect that the property market in the Henan Province was generally in a decreasing trend during 1H2022 resulting from the continual outbreak of the COVID-19 Pandemic and the tightened anti-pandemic measures being imposed by the local government. The total GFA recognised by the Group decreased by 48,339 sq.m., or approximately 44.4%, to 60,502 sq.m. for 1H2022, while the recognised ASP increased from approximately RMB6,618 per sq.m. for 1H2021 to approximately RMB7,440 per sq.m. for 1H2022. As a result of the significant decrease in sales of properties and decrease in gross profit by approximately RMB150.9 million for 1H2022, the Group recorded loss for the period of approximately RMB22.4 million for 1H2022 as compared to profit for the period of approximately RMB44.9 million for 1H2021.

	As at 31 December		As at 30 June
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Non-current assets	324,850	359,180	378,323
Current assets	8,183,717	9,940,806	10,460,921
Total assets	**8,508,567**	**10,299,986**	**10,839,244**
Non-current liabilities	276,412	439,268	323,601
Current liabilities	6,702,065	8,015,258	8,735,604
Total liabilities	**6,978,477**	**8,454,526**	**9,059,205**
Net current assets	**1,481,652**	**1,925,548**	**1,725,317**
Net assets	**1,530,090**	**1,845,460**	**1,780,039**

The Group had total assets of approximately RMB8,508.6 million as at 31 December 2020, which mainly comprised of (i) cash and cash equivalents (including restricted cash) of approximately RMB673.5 million; (ii) properties held or under development for sale of approximately RMB6,961.1 million; and (iii) trade and other receivables and prepayments of approximately RMB275.9 million. The Group had total assets of approximately RMB10,300.0 million as at 31 December 2021, which mainly comprised of (i) cash and cash equivalents (including restricted cash) of approximately RMB428.3 million; (ii) properties held or under development for sale of approximately RMB8,915.1 million; and (iii) trade and other receivables and prepayments of approximately RMB399.8 million. The Group had total assets of approximately RMB10,839.2 million as at 30 June 2022, which mainly comprised of (i) cash and cash equivalents (including restricted cash) of approximately RMB351.2 million; (ii) properties held or under development for sale of approximately RMB9,366.4 million; and (iii) trade and other receivables and prepayments of approximately RMB565.3 million

The Group had total liabilities of approximately RMB6,978.5 million as at 31 December 2020, which mainly comprised of (i) contract liabilities of approximately RMB3,877.5 million; (ii) trade and other payables of approximately RMB2,081.1 million; (iii) current income tax liabilities of approximately RMB426.7 million; and (iv) bank and other borrowings (current and long term) of approximately RMB552.0 million. The Group had total liabilities of approximately RMB8,454.5 million as at 31 December 2021, which mainly comprised of (i) contract liabilities of approximately RMB5,212.6 million; (ii) trade and other payables of approximately RMB2,064.5 million; (iii) current income tax liabilities of approximately RMB444.7 million; and (iv) bank and other borrowings (current and long term) of approximately RMB693.0 million. The Group had total liabilities of approximately RMB9,059.2 million as at 30 June 2022, which mainly comprised of (i) contract liabilities of approximately RMB5,882.7 million; (ii) trade and other payables of approximately RMB2,060.5 million; (iii) current income tax liabilities of approximately RMB322.4 million; and (iv) bank and other borrowings (current and long term) of approximately RMB753.7 million.

The increase in the total assets by approximately RMB1,791.4 million to approximately RMB10,300.0 million as at 31 December 2021 as compared to 31 December 2020 was mainly due to the combined effects of (i) the increase in properties held or under development for sale by approximately RMB1,954.1 million; (ii) the increase in trade and other receivables and prepayments by approximately RMB123.9 million; and (iii) the decrease in cash and cash equivalents (including restricted cash) by approximately RMB245.2 million. The increase in the total liabilities by approximately RMB1,476.0 million to approximately RMB8,454.5 million as at 31 December 2021 as compared to 31 December 2020 was mainly attributable to (i) the increase in contract liabilities by approximately RMB1,335.1 million; and (ii) the increase in bank and other borrowings (current and long term) by approximately RMB140.9 million.

The increase in the total assets by approximately RMB539.3 million to approximately RMB10,839.2 million as at 30 June 2022 as compared to 31 December 2021 was mainly due to the combined effects of (i) the increase in properties held or under development for sale by approximately RMB451.3 million; (ii) the increase in trade and other receivables and prepayments by approximately RMB165.6 million; and (iii) the decrease in cash and cash equivalents (including restricted cash) by approximately RMB77.2 million. The increase in the total liabilities by approximately RMB604.7 million to approximately RMB9,059.2 million as at 30 June 2022 as compared to 31 December 2021 was mainly attributable to the increase in contract liabilities by approximately RMB670.2 million; and was partially offset by the decrease in current income tax liabilities by approximately RMB122.3 million.

2. Information about Hengda Property Management

Hengda Property Management, a limited liability company established in the PRC on 5 July 1999 wholly owned by Henan Hengda Investment. Henan Hengda Investment is approximately owned by Mr. LI Xiaobing (an executive Director and controlling shareholder of the Company) as to 67.1833%, Mr. WANG Zhenfeng (an executive Director) as to 3.3833%, Ms. QI Chunfeng (an executive Director) as to 18.65%, Mr. LI Shixun as to 2.3833% and Ms. CHUN Xiaojun as to 1.15% (all of whom being connected persons). According to the business scope as stated in the latest business license of Hengda Property Management, Hengda Property Management primarily engages in the business of, among other aspects, property management (物業管理), implementation of security and surveillance preventive projects (安防技術防範工程施工), property services evaluation (物業服務評估), housekeeping services (家政服務), housing rental (住房租賃),

conference and exhibition services (會議及展覽服務), city garden management (城市公園管理), hotel management (酒店管理), municipal facilities management (市政設施管理), building cleaning services (建築物清潔服務), and carpark management service (停車場管理服務).

3. Reasons for and benefits of entering into the 2022 Master Property Management Service Agreement and the proposed annual caps thereunder

As stated in the Letter from the Board, the Group's major business will continue to focus on the development of properties, it will require Hengda Property Management to provide property management and related services (covering, among other aspects, security, cleaning and other related services) for sales/pre-sales centres of the Group's developing or to be developed residential and commercial properties, unsold properties as well as self-used premises so that it is in a better position to concentrate its resources on the standing property development business. In addition, the skills and expertise required for property management are different from those for property development, and hence it will be more cost-effective to the Group to outsource the work regarding management of properties to Hengda Property Management.

Hengda Property Management was granted with the "Level II Qualification Certificate for Property Management Enterprise in the PRC" by the MOHURD on 15 December 2016. To the understanding of the Directors, Hengda Property Management had (i) been capable of demonstrating a consistent adherence to the quality, safety and promptness in delivering its property management and related services; (ii) not committed any incidents of material default or breach of contractual obligations on its part; and (iii) better and more efficient communications with the Group and more thorough understanding of the conditions of the Group's property projects and requirements of the services needed, as compared to other services providers who are independent third parties of the Company.

In addition, as the size and number of property projects developed and to be developed by the Group has increased as compared to the time when the Revised Master Property Management Service Agreement were entered into, the demand in various property management services of the Company has grown significantly accordingly. Taking into accounts the above factors, the entering into of the 2022 Master Property Management Service Agreement and the terms and conditions thereof are in line with the business needs and commercial objectives of the Group.

The increase in the proposed annual caps under the 2022 Master Property Management Service Agreement is in line with the projected increase in the size and number of property projects developed and to be developed by the Group and the projected significant increase in the demand of various property management services by our Group for financial years 2023 to 2025. In particular, in determining the proposed annual caps in view of the increase in the level of property management and related services required by the Group from Hengda Property

Management, the Board had taken into account the factors, including without limitation, (a) the increase in the number of new real estate development projects of the Group that are either under construction or pending to commence construction from financial year 2023 which would result in the Group's increased demand for the property management and related services; (b) the lengthened sales cycle for the Group's property units as projected by the Group in financial years 2023 to 2025 due to COVID-19 pandemic and its related impact on the local economic conditions, as such property management and related services will be required by the Group for the unsold property units; (c) an expected total of 23 real estate projects to be on the real estate market for sale for the financial years 2023 to 2025 as compared with 11 real estate projects that are currently for sale, which would result in additional start-up fees for the commencement of the property management and services operations in respect of the sales centres and display units, an increase in the labour cost of Hengda Property Management and other property management and related services fees in respect of unit deliveries that are expected to be incurred; (d) the increase in the utilisation rate of the existing annual caps from approximately 71.9% for financial year 2020 to approximately 99.3% for financial year 2021, reaching approximately 97.2% for financial year 2022 as at 21 December 2022. As such the Management is of the view that an increase in the annual caps for each of the financial years 2023 to 2025 will enable the Group to meet its strong demand for the property management services; and (e) expected property management fee discount or rebate to be recorded for the financial years 2023 to 2025 for those flats pre-sold to buyers in financial years 2021 and 2022 as part of a sales promotion during the COVID-19 pandemic, in which the discount or fee would only be incurred after the buyers take delivery of the relevant flats in financial year 2023 onwards.

On account of the factors above and their combined effects, the Board assesses that a proportionate increase in the proposed annual caps under the 2022 Master Property Management Service Agreement as compared with the historical annual caps under the Revised Master Property Management Service Agreement will enable the Group to meet its growing demand for the related property management services required as a result of the continuing growth in development of the Group's real estate projects in financial years 2023 to 2025. The increase in the proposed annual caps is determined by the Board on the basis of the Group's practical demand for the related property management services from Hengda Property Management in financial years 2023 to 2025. The Board therefore considers that the 2022 Master Property Management Service Agreement is on normal commercial term, fair and reasonable and the proposed annual caps thereunder are fair and reasonable in the interest of the Company and its Shareholders as a whole.

Based on our review of the prospectus of the Company dated 30 October 2018, we note that the Group has maintained a long-standing strategic business relationship with Hengda Property Management. Hengda Property Management has been providing property management and related services to the Group since 2015. Given the long history of cooperation, the Group and Hengda Property Management have developed a well-established mutual understanding of the business needs of each other. Benefiting from such long-standing relationship, Hengda Property Management is able to provide tailored services to the Group to meet its specific needs and Hengda Property Management is familiar with the standards and requirements of the Group. As disclosed in the Letter from the Board, the total fees payable to Hengda Property Management under the Revised Master Property Management Service Agreement amounted to approximately RMB10.3 million, RMB16.4 million and RMB10.1 million with utilization rates of the annual caps of approximately 71.9%, 99.3% and 97.2% during FY2020, FY2021 as at 21 December 2022, respectively. We consider that the provision of property management and related services demonstrates that (i) Hengda Property Management has the capability and experience in providing similar property management services to the Group; and (ii) the Group has already developed a mature cooperation model with the Hengda Property Management.

As disclosed in the 2022 IR, the Group had total land reserves of approximately 4.3 million sq.m. as at 30 June 2022, increased by approximately 0.7 million sq.m. as compared to approximately 3.6 million sq.m. as at 31 December 2020. We have discussed with the Management and understand that the property market in Xu Chang City has gradually recovered from the COVID-19 Pandemic, therefore the Group has strategically acquired more lands for future development.

Having taken into accounts that (i) the Group has maintained a long-standing strategic business relationship with Hengda Property Management; (ii) the historical utilisation rate of the existing annual caps for FY2020, FY2021 and as at 21 December 2022 under the Revised Master Property Management Service Agreement; and (iii) the increase in land reserves of the Group, we concur with the Directors' view that of entering into the 2022 Master Property Management Service Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. The 2022 Master Property Management Service Agreement

The principal terms of the 2022 Master Property Management Service Agreement are set out below:

Date	:	2 December 2022
Parties	:	(a) Hengda Property Management (as services provider); and
		(b) the Company (as services recipient)

Term	:	From 1 January 2023 to 31 December 2025, subject to renewal by mutual agreement of the parties thereto and compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
Scope of services	:	(i) Sales centres and display units property management and related services Hengda Property Management shall provide property management and related services to the sales centres and display units of the property projects of the Group (including car parking spaces), including but not limited to cleaning, gardening, repair and maintenance of public order, provision of security services, arranging payment of utilities fee on behalf of the Group. In respect of sale or pre-sale of new property projects of the Group, a start-up fee for the commencement of the property management and services operations at the aforesaid venue will be incurred and billed to the Group accordingly. (ii) Pre-delivery property management and related services for unsold properties Hengda Property Management shall provide pre-delivery property management and related services to the Group for unsold properties (including car parking spaces), including but not limited to security, cleaning, gardening, repair and maintenance services in the phases of completion and delivery period. (iii) Self-used premises property management and related services Hengda Property Management shall provide property management and related services to our self-used premises owned or operated by the Group and relevant common areas (including car parking spaces), including but not limited to cleaning, gardening, repair and maintenance of public order and security services to the aforesaid venues.

(iv) Property management fee rebate or discount to the property owners

In an effort to market and promote the sale of the Group's properties, the Group will from time to time offer such property management fee rebate or discount to the property buyers (for a fixed services period or a fixed monetary sum) as an incentive for the sale. Hengda Property Management shall provide the post-delivery property management and related services to the property owners, including but not limited to security, cleaning, gardening, repair and maintenance services, the cost of such services incurred by Hengda Property Management shall be borne by the relevant members of the Group.

Respective service agreements will be entered into between the members of the Group and Hengda Property Management for the provision of the property management and related services. Respective service agreements will set out the relevant services to be provided by Hengda Property Management to the members of the Group and the service fees. The respective service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the 2022 Master Property Management Service Agreement.

Pricing Policy

a. General pricing policies for the property management service agreements

In general and as part of the services procurement procedure of the Group, the relevant member of the Group may, in their sole and absolute discretion, engage service providers to provide the required property management services. Save as certain particular categories of services which will be charged on a predetermined basis as set out below in this section, the relevant member of the Group will utilise the Group's standard tender selection process for services procurement and determination of pricing terms in respect of such service scopes including (i) sales centres and display units property management and related services; (ii) pre-delivery property management and related services for unsold properties; and (iii) self-used premises property management and related services. If Hengda Property Management is invited to tender, the relevant member of the Group will endeavour to invite quotations or tenders from at least two other independent third-party service providers for such property management services. The Management will ensure that a minimum of three quotations or tenders shall be obtained by the Group before proceeding to the evaluation stage. The management of the relevant members of the Group will then compare the available quotations offered by the respective bidders and conduct an assessment, considering factors such as their background and reputation, industry track records, any existing business relationship with such bidders, the price, scope, and quality of services offered by the bidders. After considering the abovementioned factors, the management of the relevant members of the Group will then decide on which bidder to engage and enter into a service agreement with the bidder for the provision of the property management services.

As a general principle, the prices and terms of the property management service agreements shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to Group by following the standard tender selection procedures of the Group.

The Group adopts the following standard tender selection procedures:

(i) Preparation of tender invitation documents: the relevant subsidiary of the Group will be responsible for preparing specifications and requirements for the invitation to tender, based on the Group's standardized tender invitation template and the specific requirements for each development project. At this stage, the Group will make enquiries to no less than three property management service providers which must be independent third-parties of the Company and its connected persons to collect information about the terms and conditions of the relevant transactions and in relation to the rates offered by them and other market participant under normal commercial conditions.

(ii) Issue of tender invitation: the tender invitation is sent to at least three potential services providers for submission of tender.

(iii) Tender submission: the number of tender documents submitted by the bidders containing all the specifications and pricing terms as detailed in the tender invitation must not be less than three sets, two of which must be tender submitted by independent third parties of the Group. The Group will not proceed with the transaction if Hengda Property Management is the only bidder. If the Group obtains less than three quotations or tenders for the property management service agreements, the Group shall invite tenders again. If there are still less than three quotations or tenders in the rebidding, the Group will make reference to the price charged by at least two independent third-party service providers providing similar property management services at a comparable scale at that time under normal trading conditions. This ensures that the price to be entered into will not be higher than the average price obtained by the Group from making inquiries with independent third-party service providers, and that the property management service agreements are on normal commercial terms that are no less favourable to the Group than those provided by comparable independent third-party service providers.

(iv) Tender evaluation: the tender evaluation process and the compositions of the tender evaluation committee of each subsidiary of the Group shall comply with the relevant requirements under the applicable PRC laws and regulations. The tender evaluation will be done by the tender evaluation committee by aggregating all metrics side by side in a document capturing comparison analysis with reference to selection criteria including but not limited to the bidders' background and reputation, industry track records, any existing business relationship with such bidders, the price, scope, and quality of services offered by the bidders.

(v) Tender award: the tender evaluation committee of each subsidiary of the Group shall evaluate the tenders based on the specifications and requirements of each tender invitation. The wining tender will usually be the one with suitable service quality and minimum price offered. The award letter will be issued to the winning bidder once the final decision is made in the meeting of the tender evaluation committee. If the Group identifies that the price offered by the winning tender or bidder is higher than the rates offered by the independent third party service providers as enquired in the preparation of tender invitation documents stage, the price shall be adjusted correspondingly after arm's length negotiation between the Group and the winning bidder to ensure that the price to be entered into pursuant to the property management service agreement shall be on most competitive terms and equivalent to or be no less favourable than those offered by comparable independent third party service providers.

(vi) Agreement signing: the services agreement following winning of the tender is expected to be signed within 30 days of the award.

Hengda Property Management shall, where they are selected following the standard tender selection procedures and other quotation procedures for selection of services providers so conducted and subject to the terms and conditions of the 2022 Master Property Management Service Agreement, provide property management and related services to the Group according to the tender and quotation documents and respective property management service agreements to be entered into between Hengda Property Management and the members of the Group from time to time.

In view of the above, the property management fees payable by the Group shall be determined utilising the standard tender selection procedures and based on arm's length negotiation between the members of the Group and Hengda Property Management, with reference to a wide range of factors including but not limited to (i) nature, age, infrastructure features, geographical location and neighbourhood profile of the relevant properties; (ii) prevailing market price of the similar services of a comparable scale in the PRC; and (iii) any applicable rates recommended by the relevant local government authorities. In addition, by utilising the standardized tender selection procedures, the Group can ensure that the final prices to be charged by Hengda Property Management will be competitively priced and are on normal commercial terms and no less favourable than prices charged by independent third party service providers to the Group for similar property management services.

b. Utilities expenses to be incurred by the service providers in respect of the sales centres and display units property management and related services

In respect of the utilities expenses to be incurred by the service providers in respect of the sales centres and display units property management and related services, the Group's existing pricing policy is that all services providers to the Group including Hengda Property Management shall charge the Group on a cost basis, which the Management is of the view that such pricing policy on a dollar-for-dollar cost basis is fair and reasonable and not less favourable to the Group.

c. Staff costs to be incurred by the service providers in respect of the sales centres and display units property management and related services

In respect of the staff cost to be incurred by the service providers to the Group, the Group will be charged at a mark-up margin of approximately 6.0% on top of the staff costs incurred by the service providers including Hengda Property Management. The Management, after extensive market research and conducting enquiries with three sizable property management service providers in the Henan province who are independent third parties of the Company and its connected persons, is of the view that the 6.0% mark up margin is at the low end of the profit margin spectrum and is fair and reasonable as comparable services providers in the region usually charge similar or higher mark up margin. Further, other staff related costs for instances, insurance premium, medical expenditure, living and food allowances will have to be incurred by Hengda Property Management in provisions of the services to the Group.

d. Start-up fee for the commencement of the property management and services operations in respect of the sales centres and display units

In respect of the start-up fee charged by Hengda Property Management for the commencement of its operations at the sales centres and display units, the Group will be charged on a dollar-for-dollar basis subject to a capped amount determined with reference to the floor area ratio of the relevant real estate projects. The start-up fee is used to cover the rental cost, contractor's cost, decoration cost, materials cost and other miscellaneous out-of -pocket fees and charges necessary for the commencement of property management services at new sales centres and display units. The Management is of the view that the pricing policies for the start-up fee on a dollar-for-dollar reimbursement basis is fair and reasonable and not less favourable to the Group given that it is a common practice in the industry to incentivise the property management service providers and for the better service quality which will promote and improve the sale of the Group's real estate properties. Hence, such costs are considered for the revenue generating purpose of the Group.

e. Property management fee rebate or discount to the property owner

In respect of the property management fee rebate or discount to the property owner, the Group will reimburse such property management fee rebate or discount to Hengda Property Management on a dollar-for-dollar basis. The Management is of the view that such pricing policies for the property management fee rebate or discount on a dollar-for-dollar reimbursement basis is fair and reasonable and not less favourable to the Group.

In respect of the sales centres and display units property management and related services, we have discussed with the Management and understand that the aforesaid services fees primarily comprise of (i) utilities expenses; and (ii) staff costs. As advised by the Management, the utilities expenses were charged by Hengda Property Management on a cost basis, whereas the staff costs were charged at a mark-up margin of approximately 6.0% on top of the staff costs incurred by Hengda Property Management.

In order to assess the fairness and reasonableness of the aforesaid markup margin of approximately 6.0%, we have conducted independent research on the Wind database to analyse the profit margins of property management companies which are similar to Hengda Property Management. As advised by the Management, the revenue of Hengda Property Management for FY2021 amounted to approximately RMB100.0 million. We have identified, on a best effort basis, an exhaustive list of five comparable companies from Wind based on the following selection criteria: (i) listed on the Stock Exchange with similar industry as Hengda Property Management; (ii) with over 50% of the total revenue generated from the provision of property management services in the PRC for the latest financial year based on information available on Wind; and (iii) with revenue less than RMB500.0 million (the "**Comparable Companies**"). As illustrated in the following table, the mark-up margin of 6.0% of the staff costs charged by Hengda Property Management is within the range of net profit margins of the Comparable Companies of approximately 5.3% to 19.4%, and is lower than the average net profit margin of the Comparable Companies of approximately 12.7%.

Stock code	**Company name**	**Net profit margin (as disclosed in the latest financial year)**
2370	Redco Healthy Living Company Limited	11.3
8170	China All Nation International Holdings Group Limited	10.2
8426	Modern Living Investments Holdings Limited	5.3
9608	Sundy Service Group Co. Ltd	17.3
9916	Xingye Wulian Service Group Co. Ltd.	19.4
	Min	**5.3%**
	Max	**19.4%**
	Average	**12.7%**

Source: Wind

In respect of the pre-delivery property management and related services for unsold properties and self-used premises property management and related services, we have discussed with the Management and understand that the property management fee rates charged by Hengda Property Management are based on the pre-determined property management fee rates of the relevant properties by way of tendering process. In assessing whether the Group has been adhering to the tendering process, we have randomly obtained a total of three tendering documents together with their results from the Management in relation to the engagement of Hengda Property Management as the property management company for the Group's properties. We note from the aforementioned tendering documents that (i) the background of the suppliers were vetted internally first and then invitations were sent to suppliers for submitting tender bid for the Group's properties; (ii) at least three suppliers were invited for each tender; (iii) the Group will then aggregate all metrics side by side in a document capturing comparison analysis with reference to selection criteria including but not limited to their background and reputation, industry track records, any existing business relationship with such bidders, the price, scope, and quality of services offered by the bidders; (iv) the decision on the tender winner will be voted internally and signed by the members of the tendering committee within the Group; and (v) formal contract will be entered into between the tender winner and the Group. In light of the above, we are of the view that the steps performed above were sufficient to provide us with a wholistic view about the Group's standard vetting procedures and governance in engaging Hendga Property Management as the property management service provider for the Group's properties.

In respect of the start-up fee charged by Hengda Property Management for the commencement of its operations at the sales centres and display units, we have obtained and reviewed (i) the breakdown of start-up fees for certain projects; and (ii) the pricing policies in determining the start-up fee. We note from the aforesaid documents that the start-up fee primarily comprises of rental cost, contractor's cost, materials costs and miscellaneous costs such as procurement of office supplies and furniture, and the start-up fee was determined on a dollar-for-dollar reimbursement basis subject to a capped amount determined with reference to the floor area ratio of the relevant real estate projects, therefore we concur with the Director's view that the pricing policies for the start-up fee are fair and reasonable.

In respect of the property management fee rebate or discount to the property owners, we have discussed with the Management and understand that the above fee rebate or discount will be reimbursed to Hengda Property Management on a dollar-for-dollar basis.

Based on the above, in particular the property management service fees charged by Hengda Property Management on will be determined either (i) on cost basis; (ii) with a cost plus mark-up of approximately 6.0% which is generally in line with the Comparable Companies; or (iii) by way of tendering process, we consider the terms of the 2022 Master Property Management Service Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concern.

5. Proposed annual caps

The following table sets forth (i) the historical amounts and existing annual caps for the two years ended 31 December 2021 and as at 21 December 2022; and (ii) the proposed annual caps for each of the three years ending 31 December 2025.

RMB'000		Existing annual caps for the years ended/ending 31 December 2020	2021	Existing annual cap as at 21 December 2022	Proposed annual caps for the years ending 31 December 2023	2024	2025
Service fees paid by the Group to Hengda Property Management	Annual caps	14,338	16,546	17,097	31,092	32,474	30,158
	Actual amounts	10,313	16,437	16,621			
	Utilisation rates	71.9%	99.3%	97.2%			

As set out in the Letter from the Board, the proposed annual caps are determined with reference to, among other things:

(i) the historical transaction amounts in respect of the property management services between the Group and Hengda Property Management;

(ii) the projected increase in the level of property management and related services required by the Group from Hengda Property Management, in each of the financial years 2023 to 2025 as compared to the financial years 2020 to 2022, having taken into account:

(a) the increase in the number of new real estate development projects of the Group that are either under construction or pending to commence construction from the financial year 2023 owing to (1) the increase of the Group's land reserves from approximately 3.6 million sq.m. as at 31 December 2020 to approximately 4.3 million sq.m. as at 30 June 2022; (2) the expected increase in the planned floor area by approximately 1.13 million sq.m. for eight new real estate projects of the Group which are expected to be completed in financial years 2023 to 2025; and (3) the expected increase in the planned floor area by approximately 600,000 sq.m. as the Group expects to obtain the land use right of four plots of land occupying a total land size of approximately 240,000 sq.m. for commercial and residential use purpose in financial years 2023 and 2024, and the Group intends to develop the said plots of land and proceed to the pre-sale stage by financial year 2025. All the factors above would result in the Group's increased demand for the property management and related services;

(b) the lengthened sales cycle for the Group's property units as projected by the Group in the financial years 2023 to 2025 due to the COVID-19 pandemic and its related impact on the local economic conditions, evidenced by the Group's decrease in contracted sales of 50.8% from RMB1,809.6 million in 1H2021 to RMB890.1 million in 1H2022, as such property management and related services will be required by the Group for the unsold property units. For financial year 2023, the Management expects that such management fees for the unsold property units will reach approximately RMB5.5 million, an increase of about 130% when compared to the management fees for the unsold property units recorded for the financial year 2021 which amounted to RMB2.36 million;

(c) for the financial years 2023 to 2025, it is expected that a total of 23 real estate projects of the Group are expected to be on the real estate market for sale as compared with 11 real estate projects that are currently for sale, representing an increase in the total planned floor area of approximately 1.7 million sq.m.. Accordingly, additional start-up fees for the commencement of the property management and services operations in respect of the sales centres and display units are expected to be incurred. For financial year 2023, it is expected that approximately RMB1.95 million in start-up fees will be incurred and paid to Hengda Property Management. Further, the scaling up of the Group's projects will also require Hengda Property Management to expand its workforce considerably to meet the Group's strong demand and it is estimated that an increase of approximately RMB6.8 million will be incurred to pay the expanded workforce of Hengda Property Management in financial year 2023. A corresponding increase in utilities expenses is also expected. Therefore, it is the Management's estimation that more commercial and residential units will be delivered to their owners as compared to the financial years 2020 to 2022, and accordingly additional property management and related services fees in respect of unit deliveries are expected to incur; and

(d) the utilisation rate of the existing annual caps has increased from approximately 71.9% for financial year 2020 to approximately 99.3% for financial year 2021. As at 21 December 2022, the accumulative utilisation rate has reached approximately 97.2%. Pursuant to the Management's estimation, the annualised utilisation rate for the financial year 2022 is expected to be similar to that of financial year 2021 indicating the Group's strong demand for the property management services and the trend is expected to continue in financial years 2023 to 2025. As such, the Management is of the view that an increase in the annual caps for each of the financial years 2023 to 2025 will enable the Group to meet its strong demand for the property management services;

(e) property management fee discount or rebate is expected to be recorded for the financial years 2023 to 2025. The Group started offering the said property management fee discount or rebate to property buyers as part of a sales promotion during the COVID-19 pandemic when the flats were pre-sold to the buyers in financial years 2021 and 2022, in which the discount or fee would only be incurred after the buyers take delivery of the relevant flats in financial year 2023 onwards. The Group will reimburse such property management fee rebate or discount to Hengda Property Management on a dollar-for-dollar basis. It is estimated by the Management that an amount of RMB2.27 million will be paid to Hengda Property Management as reimbursement of property management fee discount or rebate for the financial year 2023.

(iii) the total GFA of properties developed by the Group under the property management of Hengda Property Management and the properties under development held by the Group to be managed by Hengda Property Management based on historical amount and the Management estimation;

(iv) the latest land reserve held by the Group as at the date of the 2022 Master Property Management Service Agreement and its expected increase for the next three years based on the Group's business plan;

(v) the estimated service fee to be charged by Hengda Property Management in respect of sales centres and display units property management and related services, pre-delivery property management and related services for unsold properties and self-used premises property management and related services based on historical amount and existing contracts;

(vi) the expected unoccupied rate for property under the property management of Hengda Property Management based on historical amount and the management estimation; and

(vii) the expected number of contracts in respect of the self-used properties owned or operated by the Group for which Hengda Property Management had been or was expected to be engaged to provide property management and related services.

The year-on-year fluctuation of the proposed annual caps, in particular, the proposed annual caps for the financial year 2024 is higher than each of the financial years 2023 and 2025, arises due to the Management's commercial estimation that more property management services provided by Hengda Property Management may be required by the Group especially for financial year 2024 following the expected completion and sale of several new real estate projects of the Group in financial year 2024. In particular, an additional property management fee discount or rebate in the aggregate sum of approximately RMB2.4 million is expected to be recorded for the financial year 2024 in comparison with the management's estimation for the financial year 2023 due to the expected overall increase in construction completion and delivery of residential flats to the buyers in financial year 2024. The said property management fee discount or rebate was offered to the buyers when the flats were pre-sold to the relevant buyers in financial years 2021 and 2022 and would only be incurred after the buyers take delivery of the relevant flats in financial year 2023 onwards.

We note that the proposed annual caps under the 2022 Master Property Management Service Agreement increase to approximately RMB31.1 million, RMB32.5 million and RMB30.2 million for the years ending 31 December 2023, 2024 and 2025 as compared to the existing annual caps of approximately RMB14.3 million, RMB16.5 million and RMB17.1 million for the two years ended 31 December 2020 and 2021 and year ending 31 December 2022. In order to assess the reasonableness of the proposed annual caps, we have obtained and reviewed (i) the list of properties developed by the Group under the property management of Hengda Property Management and the properties under development held by the Group to be managed by Hengda Property Management based on historical amount and the Management's estimation; and (ii) the breakdown of costs for providing property management service and related services by Hengda Property Management along with the underlying calculations of the proposed annual caps for the three years ending 31 December 2023, 2024 and 2025, and discussed with the Management on the bases and assumptions adopted in the calculations.

Based on our review of the aforesaid supporting documents, we note that (i) the properties developed by the Group under the property management of Hengda Property Management and the properties under development held by the Group to be managed by Hengda Property Management during financial years 2023 to 2025 will be increased to 23 (three of them are currently for sale, 14 of them are for pre-sale and six of them are expected to be on the real estate market for sale) from 11 during financial years 2020-2022, representing an increase in the total planned floor area of approximately 1.7 million sq.m.; (ii) the expected increase in the planned floor area by approximately 1.13 million sq.m. for eight new real estate projects of the Group which are expected to be completed in financial years 2023 to 2025; (iii) the Group intends to develop the four newly obtained plots of land with land size of approximately 240,000 sq.m. and proceed to the pre-sale stage by financial year 2025, where the planned floor area for the new real estate projects will be approximately 600,000 sq.m.; (iv) additional costs will be incurred for the provision of property management and related services to the sales centres and display units as the Management expects that the sales cycle of the properties developed by/under development held by the Group will be lengthened as the sales of properties has been slowing down since the beginning of 2022. The Management estimates that the GFA of unsold properties, in particular, commercial properties which generally have longer sales cycle, are expected to be increased and carried forward to year 2023, as evidenced by the Group's contracted sales for 1H2022 decreased by approximately 50.8% to approximately RMB890.1 million as compared to approximately RMB1,809.6 million for 1H2021; and (v) the fee for pre-delivery property management and related services for unsold properties are also expected to be increased as a result of the slowdown in sales of properties since beginning of 2022 as mentioned above. Besides, we note that the utilization rate of the existing annual caps has increased from approximately 71.9% for FY2020 to approximately 99.3% for FY2021, subsequently reached to approximately 97.2% as at 21 December 2022. We understood from the Management's estimation that the utilization rates for the years ending 31 December 2022, 2023, 2024 and 2025 are expected to be similar to that of FY2021 given the Group's continual strong demand from Hengda Property Management's property management services as evidenced by the Group's increasing real estate projects and the relevant costs incurred.

As part of our due diligence work, we have obtained and reviewed various property management agreements entered into between the Group and Hengda Property Management to cross check the property management fees and terms of services to the calculation of the proposed annual caps and are not aware of any material discrepancy.

In light of the above and the Group's internal control policies (please refer to the section headed "6. Internal Control Policies" below for reference) in place to safeguard the interests of the Shareholders, we consider that the proposed annual caps for each of the three years ending 31 December 2023, 2024 and 2025 to be fair and reasonable.

6. Internal Control Measures

As disclosed in the Letter from the Board, the Company has implemented the following internal control measures for monitoring the pricing and other terms of the continuing connected transactions, including the transactions contemplated under the 2022 Master Property Management Service Agreement, and for ensuring that the transactions conducted under such agreement will be entered into based on normal commercial terms:

(1) Before entering into the continuing connected transactions of the Company, the procurement department of the relevant member of the Group will review and verify whether the price is fair and reasonable.

(2) If the pricing terms in respect of the relevant agreement are applied for the first time or the pricing terms are different from those applied previously, the cost management department of the relevant member of the Group reviews the above work conducted by the procurement department.

(3) The internal audit department conducts monthly internal assessments on the internal control measures of the Company to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective.

(4) The audit committee of the Company regularly reviews the Group's internal control systems for the connected transactions, offers proposals for modification, and periodically conducts supervision and inspection of the connected transactions on a quarterly basis. The audit committee of the Company shall also be responsible for supervising the adoption of internal control procedures by the above-mentioned departments, so as to ensure compliance with the pricing policies of the Group and that the actual transaction amounts of the continuing connected transactions are controlled within annual caps.

(5) The account department of the relevant member of the Group is responsible for reviewing and monitoring the continuing connected transactions to ensure that the annual caps of the relevant continuing connected transactions would not be exceeded and are implemented pursuant to the pricing policy or mechanism under the respective agreements. The account department of the relevant group companies will consult the listing matter department and external lawyers regarding compliance issues of the continuing connected transactions. The account department will monitor and review the balance amount of the annual cap for the continuing connected transactions on a monthly basis as a threshold reporting mechanism. If the annual cap for the continuing connected transactions is expected to be exceeded for a particular year, it will report to the senior management and appropriate measures will be taken in accordance with the relevant requirements of the Listing Rules.

(6) The listing matter department of the Group will prepare an annual report to the audit committee of the Company and submit a confirmation letter to the audit committee, confirming the continuing connected transactions of the Group (which are subject to the annual review and disclosure requirements under the Listing Rules) are all (a) entered into in the ordinary and usual course of business of the Group; (b) entered into on normal commercial terms or better; (c) pursuant to the relevant agreements governing such transactions, entered into on the basis that the terms are fair and reasonable and are in the interests of the shareholders of the Company as a whole; and (d) the internal monitoring procedures of the Group regarding continuing connected transactions are adequate and effective in ensuring such transactions are conducted in such manner stated above. The audit committee will consider on such basis and opine on the continuing connected transactions during the relevant periods on matters mainly including the fairness of the continuing connected transactions and whether the actual transaction amount incurred are within the annual caps.

As advised by the Management, the account department will regularly monitor and review the amount of continuing connected transactions on a monthly basis as a threshold mechanism and report to the senior management should the amount of fees payable to Hengda Property Management is closed to or expected to exceed the proposed annual caps; the procurement department will conduct regular reviews to keep abreast of the prevailing fee level in the market and the market conditions for the purpose of considering if the final prices charged by Hengda Property Management are fair and reasonable and are in accordance with the pricing policies; the cost management department, under the circumstance that the pricing terms in respect of the relevant agreement are applied for the first time or different from those applied previously, will conduct further review on the work performed by the procurement department.

As part of our due diligence work, we have obtained continuing connected transaction reports (the "**CCT Reports**") from the Management regarding the continuing connected transactions with Hengda Property Management which will be submitted internally to dedicated team for consideration, and note that (i) the content of the CCT Reports include, amongst others: (a) the contract sum; (b) the service fees payable to Hengda Property Management within the relevant reporting period; and (c) the status of compliance with the proposed annual caps and utilisation of the proposed annual caps; and (ii) the transactions contemplated under the Revised Master Property Management Service Agreement did not exceed the respective annual caps for both FY2020 and FY2021.

Furthermore, based on our review of the 2021 AR, we note that the Company has been in compliance with the annual caps requirement under the Listing Rules as the Company's auditors had issued unqualified letters containing the findings and conclusions in respect of the Company's continuing connected transactions and nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions (i) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transaction; and (ii) have exceeded the maximum aggregate annual caps in respect of the disclosed continuing connected transactions. As confirmed with the Management, the Company will continue to comply with the relevant annual review requirement under the Listing Rules on an ongoing basis.

Having considered that (i) the above-mentioned departments are responsible for overseeing the different aspects of the transactions contemplated under the 2022 Master Property Management Service Agreement; (ii) the audit committee of the Company will also be responsible for supervising the adoption of internal control procedures by the above-mentioned departments; (iii) our due diligence work as performed above in respect of the annual caps; and (iv) the Company's independent non-executive Directors and the auditor will conduct an annual review of the transactions contemplated under the 2022 Master Property Management Service Agreement to ensure that the Company has complied with its internal control measures, we concur with the

Directors' view that there are effective internal control policies in monitoring the pricing methods and procedures under the 2022 Master Property Management Service Agreement and the usage of the proposed annual caps and ensure that the proposed annual caps would not be exceeded.

RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the view that (i) the terms of the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2022 Master Property Management Service Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM for approving the 2022 Master Property Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps).

For and on behalf of
Maxa Capital Limited
Sammy Leung
Managing Director

Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 11 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' and chief executives' interests in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests or short position of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO) that were recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Interest in shares of the Company

Name of Director	Capacity/nature of interest	Number and class of securities [Note 1]	Approximate percentage shareholding
Mr. LI Xiaobing	Settlor of a discretionary trust	855,000,000 ordinary shares (L) [Note 2]	71.25%
	Interest of a controlled corporation	45,000,000 ordinary shares (L) [Note 3]	3.75%

[Note 1] The letter "L" denotes the person's long position in the shares.

Note 2 These shares were legally and beneficially held by Ever Enhancement Enterprise Company Limited as at the Latest Practicable Date. Ever Enhancement Enterprise Company Limited is a corporate controlling shareholder which is legally and beneficially wholly-owned by Ever Commitment (PTC) Limited. Ever Commitment (PTC) Limited is the trustee of the family trust, established by Mr. LI Xiaobing as the sole settlor for the benefit of a list of discretionary beneficiaries including Mr. LI Xiaobing himself and any persons or classes of person (save for Mr. LI Xiaobing's father and mother) to be appointed by and at the sole discretion of Ever Commitment (PTC) Limited (as trustee) from time to time. Given that Mr. LI Xiaobing is the sole settlor of the family trust, he is therefore deemed to be interested in any shares in which Ever Enhancement Enterprise Company Limited is interested by virtue of the SFO.

Note 3 As at the Latest Practicable Date, these shares were legally and beneficially held by Ever Enrichment Enterprise Company Limited of which the entire issued share capital was, in turn, legally and beneficially held by Mr. LI Xiaobing. Mr. LI Xiaobing is therefore deemed to be interested in any shares in which Ever Enrichment Enterprise Limited is interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save that Mr. LI Xiaobing is a director of Ever Commitment (PTC) Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO, and save as disclosed above, none of the Directors is a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Substantial shareholders' interests in Shares and underlying Shares of the Company

As at the Latest Practicable Date, Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions 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 were as follows:

Name of shareholder	Capacity/nature of interest	Number and class of securities [Note 1]	Approximate percentage shareholding
Ever Enhancement Enterprise Company Limited	Beneficial owner	855,000,000 ordinary shares (L)	71.25%
Ever Commitment (PTC) Limited [Note 2]	Interest of a controlled corporation	855,000,000 ordinary shares (L)	71.25%
Ms. LIN Wei [Note 3]	Interest of spouse	900,000,000 ordinary shares (L)	75.00%

Note 1 The letter "L" denotes the person's long position in the shares.

Note 2 As at the Latest Practicable Date, Ever Enhancement Enterprise Company Limited was one of the controlling shareholders and was wholly-owned by Ever Commitment (PTC) Limited. Ever Commitment (PTC) Limited is deemed to be interested in any shares in which Ever Enhancement Enterprise Company Limited is interested pursuant to the SFO. Ever Commitment (PTC) Limited is the trustee of the family trust established by Mr. LI Xiaobing as the sole settlor for the benefit of a list of discretionary beneficiaries including Mr. LI Xiaobing himself and any other person or classes of person (save for Mr. LI Xiaobing's father and mother) to be appointed by and at the sole discretion of Ever Commitment (PTC) Limited (as trustee) from time to time.

Note 3 Ms. LIN Wei is the spouse of Mr. LI Xiaobing. Given that Mr. LI Xiaobing is deemed to be interested in the shares held by Ever Enhancement Enterprise Company Limited and Ever Enrichment Enterprise Company Limited by virtue of the SFO, she will likewise be deemed to be interested in any shares held by both Ever Enhancement Enterprise Company Limited and Ever Enrichment Enterprise Company Limited by virtue of the SFO.

3. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors had any interest in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group that were required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, each of the executive Directors has entered into a service agreement with the Company for a term of three years; and is subject to termination by either party in the manner as set out in the service agreement. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years; and is subject to termination by either party in the manner as set out in the letter of appointment.

5. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date:

(a) save as disclosed in this section below, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group:

(i) Acquisition of properties from Directors or their associates

As at the Latest Practicable Date, the following properties in the PRC had been sold by the Group to the Directors or their associates.

	Address	Purchaser	Property type	GFA	Consideration
1.	Unit 4-2013, Hengda Jinhui Commercial Block, Xuchang, Henan	WANG Zhenfeng	Commercial Apartment	43.63m^2	RMB217,714
2.	Unit 17-201, Dongcheng Park, Xuchang, Henan	WANG Zhenfeng	Storage	12.34m^2	RMB35,292
3.	B363, Dongcheng Park, Xuchang, Henan	WANG Zhenfeng	Carpark	—	RMB50,000

	Address	Purchaser	Property type	GFA	Consideration
4.	Unit 101, Level 1, Building 1, Yi Yuan, King of the North, Xuchang, Henan	LIN Wei (an associate of LI Xiaobing)	Residential	$410.29m^2$	RMB4,102,900
5.	Unit 102, Level 1, Building 1, Yi Yuan, King of the North, Xuchang, Henan	LIN Wei (an associate of LI Xiaobing)	Residential	$775.11m^2$	RMB7,751,100
6.	Unit 4-1901, Hengda Jinhui Commercial Block, Xuchang, Henan	ZHANG Fan (an associate of QI Chunfeng)	Commercial Apartment	$97.32m^2$	RMB505,091
7.	Unit 2601, Level 26, Building 11, Hengda Mingzhu, Xuchang, Henan	LIN Wei and LI Xinyao (both an associate of LI Xiaobing)	Residential	$126.24m^2$	RMB706,944
8.	Unit 2602, Level 26, Building 11, Hengda Mingzhu, Xuchang, Henan	LIN Wei and LI Xinyao (both an associate of LI Xiaobing)	Residential	$113.82m^2$	RMB637,392
9.	Unit 2603, Level 26, Building 11, Hengda Mingzhu, Xuchang, Henan	LIN Wei and LI Xinyao (both an associate of LI Xiaobing)	Residential	$113.82m^2$	RMB637,392

	Address	Purchaser	Property type	GFA	Consideration
10.	Unit 2604, Level 26, Building 11, Hengda Mingzhu, Xuchang, Henan	LIN Wei and LI Xinyao (both an associate of LI Xiaobing)	Residential	$126.24m^2$	RMB706,944

(ii) Lease of properties

As at the Latest Practicable Date, the following properties in the PRC were leased to or from parties related to the Directors.

	Address	Lessor	Lessee	Main use	Lease term	GFA	Rent per month
1.	S05 and S06, Building No.3, Jinhui Plaza, Xuchang, Henan	LIN Wei (an associate of LI Xiaobing)	Xuchang Hengda Real Estate Group Co., Ltd	Commercial	1 Dec 2021 to 30 Nov 2023	$479.87m^2$	RMB31,192
2.	No. 563, West Avenue, Weidu District, Xuchang, Henan	Xuchang Hengda Real Estate Group Co., Ltd	Hengda Property Management	Office use	1 Mar 2022 to 28 Feb 2025	$2349.82m^2$	RMB52,500

(iii) Acquisition by the Group of 100% shareholding interest in a PRC company

In September 2022, Xuchang Hengda Real Estate Group Co., Ltd, a subsidiary of the Company in the PRC, acquired 100% shareholding interest in Xuchang Jian'an District Hengyu Industrial Co., Ltd ("**Xuchang Hengyu**") from LI Man (as to 99%), who is a sister of Mr. LI Xiaobing therefore a connected person of the Company, and Liu Jia (as to 1%), an independent third party. The consideration paid by the Group to LI Man and Liu Jia is nil. Xuchang Hengyu holds a land use right certificate for a parcel of industrial use land occupying a total area of 16,192m^2.

(b) save as disclosed in the section headed "Letter from the Board — 7. Listing Rule Implications" in this Circular and the section headed "Continuing Connected Transactions" in the 2021 Annual Report of the Company published on 28 April 2022, none of the Directors had a material beneficial interest, either direct or indirect, in any transaction, arrangement or contract subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group; and

(c) save for Mr. LI Xiaobing, none of the other Directors is also an employee or director of any substantial shareholder of the Company.

6. QUALIFICATION OF EXPERT AND CONSENT

The qualification of the expert who has given an opinion or advice in this circular is as follows:

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

As at the Latest Practicable Date, the expert mentioned above (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and the references to its names included herein in the form and context in which it is respectively included; (ii) has no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and (iii) has no direct or indirect interests in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors have confirmed that there is no material adverse change in the financial or trading position of the Company since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be available on display online on the Stock Exchange's website and on the Company's website (http://www.everreachgroup.com) for the period of 14 days from the date of this circular:

(a) the 2022 Master Property Management Service Agreement;

(b) the letter from the Board;

(c) the letter from the Independent Board Committee;

(d) the letter from the Independent Financial Adviser; and

(e) the written consent of the Independent Financial Adviser, which was referred to in the section headed "Qualification of Expert and Consent" in this appendix.

Ever Reach Group (Holdings) Company Limited
恒達集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3616)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Ever Reach Group (Holdings) Company Limited (the "**Company**") will be held at Java Room II to III, 2/F, Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong on Monday, 6 February 2023 at 11:00 a.m. (Hong Kong time) to consider and, if thought fit, pass the resolution set out below as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

(a) the master property management service agreement entered into between the Company and Hengda Property Management on 2 December 2022 (the "**2022 Master Property Management Service Agreement**"), a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose, the terms thereof and the continuing connected transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the proposed annual caps set out in the 2022 Master Property Management Service Agreement be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the 2022 Master Property Management Service Agreement."

By Order of the Board
Ever Reach Group (Holdings) Company Limited
LI Xiaobing
Chairman and Executive Director

Hong Kong, 6 January 2023

Notes:

1. All resolutions at the meeting 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 meeting is entitled to appoint more than one proxy to attend and on a poll 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. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him

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 in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the meeting (i.e. not later than 11:00 a.m. on Saturday, 4 February 2023 (Hong Kong time)) 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 meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. For determining the entitlement to attend and vote at the meeting, the Register of Members of the Company will be closed from Wednesday, 1 February 2023 to Monday, 6 February 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, 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 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 Tuesday, 31 January 2023.

5. References to time and dates in this notice are to Hong Kong time and dates.

6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. (Hong Kong time) on the date of the above meeting, the meeting will be postponed. The Company will publish an announcement on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.everreachgroup.com) to notify members of the Company of the date, time and venue of the rescheduled meeting.

As at the date of this circular, the executive Directors are Mr. LI Xiaobing, Mr. WANG Zhenfeng, Ms. QI Chunfeng and Mr. WANG Quan; and the independent non- executive Directors are Mr. LEE Kwok Lun, Mr. WEI Jian and Mr. FANG Cheng.