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

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

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**Kangqiao Service Group Limited**

**康橋悅生活集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2205)**

**CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF FRAMEWORK AGREEMENTS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

**AmCap**  
*Ample Capital Limited*  
豐盛融資有限公司

A notice convening an EGM of Kangqiao Service Group Limited to be held at Conference Room, 24F, Huacheng International Center, 80 Daxue Road, Erqi District, Zhengzhou City, Henan Province, the PRC on Friday, December 29, 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kqysh.com.cn](http://www.kqysh.com.cn)). Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than 10:00 a.m. on Wednesday, December 27, 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

December 14, 2023

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## DEFINITIONS

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

“2024 Framework Agreements”	the 2024 Pre-delivery Property Management Services Framework Agreement, the 2024 Value-added Services Master Framework Agreement, and the 2024 Sales Agency Services Framework Agreement
“2024 Pre-delivery Property Management Services Framework Agreement”	the pre-delivery property management services framework agreement dated November 13, 2023 entered into between the Company and Beijing Tongdao, pursuant to which the Group agreed to provide the Pre-delivery Property Management Services to the Beijing Tongdao Group, from January 1, 2024 to December 31, 2026
“2024 Sales Agency Services Framework Agreement”	the sales agency services framework agreement dated November 13, 2023 entered into between the Company and Beijing Tongdao, pursuant to which the Group agreed to provide the Sales Agency Services to the Beijing Tongdao Group, and pay the Refundable Deposits in connection with the Sales Agency Services, from January 1, 2024 to December 31, 2026
“2024 Value-added Services Master Framework Agreement”	the value-added services master framework agreement dated November 13, 2023 entered into between the Company and Beijing Tongdao, pursuant to which the Group agreed to provide the Value-added Services to the Beijing Tongdao Group, from January 1, 2024 to December 31, 2026
“Ample Capital”	Ample Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2024 Framework Agreements (including the respective proposed annual caps thereunder) and the respective transactions contemplated thereunder
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Tongdao”	Beijing Tongdao Shenghe Investment Co., Ltd. (北京同道聖合投資有限公司) (currently known as Beijing Kangqiao Tongdao Shenghe Consulting Group Co., Ltd. (北京康橋同道聖合諮詢集團有限責任公司)), a company established in the PRC with limited liability on May 10, 2010 which is beneficially and wholly-owned by Mr. Song

## DEFINITIONS

“Beijing Tongdao Group”	Beijing Tongdao, its subsidiaries and associates
“Board”	the board of Directors
“Company”	Kangqiao Service Group Limited (康橋悦生活集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on October 8, 2020
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Conference Room, 24F, Huacheng International Center, 80 Daxue Road, Erqi District, Zhengzhou City, Henan Province, the PRC on Friday, December 29, 2023 at 10:00 a.m. or any adjournment thereof and notice of which is set out on pages EGM-1 to EGM-2 of this circular
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board consisting of all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the 2024 Framework Agreements (including the respective proposed annual caps) and the respective transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) who are not required by the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM to approve the entering into of the 2024 Framework Agreements and the respective transactions contemplated thereunder
“Kangqiaoyue Shenghuo BVI”	Kangqiaoyue Shenghuo Holdings Limited (康橋悦生活控股有限公司), a company established in the British Virgin Islands with limited liability on September 29, 2020 and a wholly-owned subsidiary of Hung Fai Property Limited (one of the controlling Shareholders)
“Latest Practicable Date”	December 11, 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

## DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Song”	Mr. SONG Gewei (宋革委), the chairman of the Board, a non-executive Director and the ultimate controlling Shareholder
“Naming Period”	a one-time free right granted by the Beijing Tongdao Group to the Group to request any party designated by the Company to be named as the registered owner of the Offset Assets within two years commencing from the effective date of the property transfer agreement
“Offset Asset(s)”	selected the Beijing Tongdao Group’s unsold assets (including but not limited to office buildings, shops, commercial housing, and car parking space, etc.) to which Beijing Tongdao Group’s ownership is uncontested and unencumbered, to settle the service fees payable by the Beijing Tongdao Group to the Group under each of the 2024 Framework Agreements
“Outstanding Payables”	service fees under the relevant agreements under the 2024 Framework Agreements which have become due and payable
“PRC”	the People’s Republic of China
“Pre-delivery Property Management Services Framework Agreement”	the pre-delivery property management services framework agreement dated June 17, 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates), the details of which are set out in the section headed “Continuing Connected Transactions” of the Prospectus
“Pre-delivery Property Management Services”	as defined under the paragraph headed “Letter from the Board — B. Continuing Connected Transactions — The 2024 Pre-delivery Property Management Services Framework Agreement — 2. Principal Terms of the 2024 Pre-delivery Property Management Services Framework Agreement — Subject Matter” in this circular
“Prospectus”	the prospectus of the Company dated June 29, 2021

## DEFINITIONS

“Refundable Deposits”	the refundable deposits to be paid by relevant members of the Group to relevant members of the Beijing Tongdao Group pursuant to the Supplemental Sales Agency Services Framework Agreement in connection with the Sales Agency Services
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sales Agency Services Framework Agreement”	the sales agency services framework agreement dated June 17, 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates), the details of which are set out in the section headed “Continuing Connected Transactions” of the Prospectus
“Sales Agency Services”	the sales agency services for first-hand properties and unsold parking spaces, including but not limited to consulting services and sales events organization services, to be provided by the Group to members of the Beijing Tongdao Group as contemplated under the 2024 Sales Agency Services Framework Agreement
“Share(s)”	ordinary share(s) in the share capital of the Company, currently with a par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the share(s) of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Sales Agency Services Framework Agreement”	the supplemental sales agency services framework agreement dated April 21, 2022 and entered into between the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) in relation to, among other things, the payment of Refundable Deposits in connection with the Sales Agency Services
“Value-added Services Master Framework Agreement”	the value-added services master framework agreement dated June 17, 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates), the details of which are set out in the section headed “Continuing Connected Transactions” of the Prospectus

## DEFINITIONS

“Value-added Services”	as defined under the paragraph headed “Letter from the Board — C. Continuing Connected Transactions — The 2024 Value-added Services Master Framework Agreement — 2. Principal Terms of the 2024 Value-added Services Master Framework Agreement — Subject Matter” in this circular
“%”	per cent

LETTER FROM THE BOARD



**Kangqiao Service Group Limited**

**康橋悅生活集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2205)**

*Non-executive Director:*

Mr. SONG Gewei (*Chairman*)

*Executive Directors:*

Mr. DAI Wei

Mr. KANG Weiguo

Ms. WANG Na

*Independent non-executive Directors:*

Dr. LI Haitao

Dr. FAN Yun

Mr. WONG Yun Pun

*Registered Office:*

Campbells Corporate Services Limited

Floor 4, Willow House

Cricket Square

Grand Cayman

KY1-9010

Cayman Islands

*Principal Place of Business*

*and Head Office in the PRC:*

24F, Huacheng International Center

Daxue Road, Erqi District

Zhengzhou City

Henan Province

the PRC

*Principal Place of Business*

*in Hong Kong:*

31/F, Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

December 14, 2023

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF FRAMEWORK AGREEMENTS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**A. INTRODUCTION**

Reference is made to the announcement of the Company dated November 14, 2023 in relation to the 2024 Framework Agreements and the respective transactions contemplated thereunder entered into between the Company and Beijing Tongdao.



## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details in relation to the terms of the 2024 Framework Agreements (including the respective proposed annual caps thereunder) and the respective transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee in relation to the 2024 Framework Agreements (including the respective proposed annual caps thereunder); (iii) a letter of advice from Ample Capital in relation to the 2024 Framework Agreements (including the respective proposed annual caps thereunder); (iv) the notice of EGM; and (v) other information as required under the Listing Rules.

### **B. CONTINUING CONNECTED TRANSACTIONS — THE 2024 PRE-DELIVERY PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT**

#### **1. The Pre-delivery Property Management Services Framework Agreement**

As disclosed in the section headed “Continuing Connected Transactions — (D) Continuing Connected Transactions subject to Reporting, Annual Review, Announcement, Circular and Independent Shareholders’ Approval Requirements — 1. Provision of Pre-delivery Property Management Services to Beijing Tongdao and its Associates” of the Prospectus, on June 17, 2021, the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) entered into the Pre-delivery Property Management Services Framework Agreement, pursuant to which members of the Group agreed to provide the Pre-delivery Property Management Services to member of the Beijing Tongdao Group, being basic property management services and vacant property management services (for maintenance of vacant properties which have not been sold) for Beijing Tongdao Group’s property projects, including but not limited to cleaning, gardening, repair and maintenance of common area and shared facilities. The Pre-delivery Property Management Services Framework Agreement became effective on July 16, 2021 (being the date of the listing of the Shares on the Main Board of the Stock Exchange) and shall be valid until December 31, 2023, renewable by mutual agreement of the parties, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations.

#### **2. Principal Terms of the 2024 Pre-delivery Property Management Services Framework Agreement**

The principal terms of the 2024 Pre-delivery Property Management Services Framework Agreement are set out as follows:

<b>Date:</b>	November 13, 2023
<b>Parties:</b>	(1) The Company (for itself and on behalf of its subsidiaries); and (2) Beijing Tongdao (for itself and on behalf of its subsidiaries).
<b>Term:</b>	The 2024 Pre-delivery Property Management Services Framework Agreement will be effective from January 1, 2024 until December 31, 2026 (inclusive).

## LETTER FROM THE BOARD

**Subject Matter:** The Group shall provide the Pre-delivery Property Management Services to members of the Beijing Tongdao Group in consideration of service fees. The definitive property management agreements to be entered into between members of the Beijing Tongdao Group and members of the Group shall only contain provisions that are consistent in all material respects with the legally binding principles, guidelines, terms and conditions contained in the 2024 Pre-delivery Property Management Services Framework Agreement.

Pre-delivery Property Management Services refers to the basic property management services and vacant property maintenance services (for maintenance of vacant properties which have not been sold) for the Beijing Tongdao Group's property projects, including but not limited to cleaning, gardening, repair and maintenance of common area and shared facilities, to be provided by members of the Group to members of the Beijing Tongdao Group. Their purpose is to uphold the condition of the property prior to its delivery to the eventual property owners.

**Pricing Policy:** The service fees payable under the 2024 Pre-delivery Property Management Services Framework Agreement shall be determined through arm's length negotiations between the parties with reference to the staff cost, equipment cost and administrative expenses as specified in the tender documents to be submitted by the Group under the relevant tender process in compliance with the laws and regulations in the PRC, with reference to (i) the relevant guidance rates set by the Ministry of Housing and Urban-Rural Development of the PRC; (ii) the prevailing market rate for similar services provided; and (iii) the pre-delivery property management fees the Group charged to other independent third parties for comparable services. The Group shall have the right to adopt the terms and conditions of the transaction that are most favorable to the Group after taking into account and comparing the terms and conditions proposed by Beijing Tongdao and other independent third parties.

**Alternative Settlement Mechanism for the Service Fees:** The Company and Beijing Tongdao agreed to the following mechanism as an additional means to settle the service fees due and payable by the Beijing Tongdao Group to the Group under the 2024 Pre-delivery Property Management Services Framework Agreement:

## LETTER FROM THE BOARD

- (i) in the event that the Beijing Tongdao Group is unable to pay any Outstanding Payables, the Group may elect to accept assets from the Beijing Tongdao Group's unsold property assets (including but not limited to office buildings, shops, commercial housing and car parking space), of which the Beijing Tongdao Group have the right to transfer or dispose of such assets free from all encumbrances, as partial or full settlement of the Outstanding Payables.

Valuation of such assets shall be conducted by an independent property valuer appointed by the Group. For the avoidance of doubt, the fees of the engagement of the independent property valuer shall be borne by the Beijing Tongdao Group. The reference date for the purpose of valuating the Offset Assets shall be no longer than three months from the date of the intended transfer. The valuation shall adopt the market approach, by making reference to the comparable properties in the relevant locality with similar size, character and location. The value of such Offset Assets, as assessed by the independent property valuer, shall not exceed the value of the Outstanding Payables.

The list of such Offset Assets shall be finalised and confirmed by the Company and Beijing Tongdao;. Once the Group elects to accept such Offset Assets to settle the Outstanding Payables (whether in part or in full), the Beijing Tongdao Group may not dispose of, create encumbrances or otherwise deal with the Offset Assets;

- (ii) if the Group elects to accept such Offset Assets to settle the Outstanding Payables (whether in part or in full), the Group and the Beijing Tongdao Group shall enter into a transfer agreement in respect of the Offset Assets, under which the consideration for the transfer of the Offset Assets by the Beijing Tongdao Group to the Group shall be offset against the Outstanding Payables;
- (iii) the Beijing Tongdao Group agreed to grant the Group a one-time free right to request any party designated by the Company to be named as the registered owner of the Offset Assets within two years commencing from the effective date of the property transfer agreement;

## LETTER FROM THE BOARD

- (iv) the Beijing Tongdao Group agreed that during the Naming Period, the Group may request to exchange any Offset Asset initially identified and subject to the property transfer agreement for one or more other property asset(s) held by the Beijing Tongdao Group of equal value, including but not limited to office buildings, shops, commercial housing and car parking space; and
- (v) the transaction fees and expenses (including the independent property valuer's fees and property tax) shall be borne by the Beijing Tongdao Group.

In considering whether to accept certain assets as the Offset Assets to settle the Outstanding Payables (whether in part or in full), the Group considers the following key factors:

1. the Beijing Tongdao Group must have the right to transfer or dispose of such assets free from all encumbrances;
2. whether the asset is a property development project which is already under the Group's management or has been contracted to the Group to manage. The Group prioritizes assets tied to the projects where the Group serves as a property management service provider, as the Group will be able to (a) continue being its property management service provider; and (b) sell the property units to new owners at a higher price and maximize potential profits. Further, the Group's familiarity with the property projects shall facilitate efficient and timely asset liquidation in the future;
3. value of the property tax, repair and refurbishment costs and other expenses to be borne by the Group after completion of the transfer; and
4. the resale value and any potential for appreciation of value of the Offset Assets, to ascertain potential challenges the Group may encounter when selling the Offset Assets in the future.

## LETTER FROM THE BOARD

### 3. Historical Transaction Amounts

Set out below are the historical transaction amounts under the Pre-delivery Property Management Services Framework Agreement for the three years ended/ending December 31, 2021, 2022 and 2023:

	<b>For the year ended December 31, 2021 (RMB'000)</b>	<b>For the year ended December 31, 2022 (RMB'000)</b>	<b>For the year ending December 31, 2023 (RMB'000)</b>
<b>Provision of Pre-delivery Property Management Services</b>			
Historical annual caps	17,775	20,441	23,712
	(Audited)	(Audited)	<b>For the nine months ended September 30, 2023 (Unaudited)</b>
Actual transaction amounts	15,802	18,902	16,690
Utilization rate	88.90%	92.47%	70.39%

It is expected that the utilization rate of the proposed annual caps for the year ending December 31, 2023 will reach 90% or more by December 31, 2023. Taking into account the ongoing impact of the 2019 novel Coronavirus disease (the “COVID-19”) in 2023, which has caused project delays, as well as the project delivery plans of the Beijing Tongdao Group for 2024, 2025, and 2026, and the current real estate market conditions, it is anticipated that the demand for the Pre-delivery Property Management Services for newly completed projects in the next three years will increase.

### 4. Proposed Annual Caps

Set out below are the proposed annual caps under the 2024 Pre-delivery Property Management Services Framework Agreement for the three years ending December 31, 2024, 2025 and 2026:

	<b>For the year ending December 31, 2024 (RMB'000)</b>	<b>For the year ending December 31, 2025 (RMB'000)</b>	<b>For the year ending December 31, 2026 (RMB'000)</b>
Provision of Pre-delivery Property Management Services	29,196	40,405	54,370

## LETTER FROM THE BOARD

The proposed annual caps under the 2024 Pre-delivery Property Management Services Framework Agreement for the three years ending December 31, 2024, 2025 and 2026 are determined based on (inter alia) the following factors:

- (i) the historical transactions and transaction amounts for the provision of Pre-delivery Property Management Services, such as the 49 existing pre-delivery property management projects that the Group has been engaged by the Beijing Tongdao Group as a service provider;
- (ii) the projected growth of the Beijing Tongdao Group's property portfolio and the corresponding increase in demand for property management services, based on the number of property projects under construction and development by the Beijing Tongdao Group, the land acquisition information of the Beijing Tongdao Group from publicly available sources, and enquiries with the Beijing Tongdao Group as to the development plans of these land acquisitions;
- (iii) the estimated volume of Pre-delivery Property Management Services from 2024 to 2026 (based on the existing volume of Pre-delivery Property Management Services and estimated increase in volume of Pre-delivery Property Management Services), including approximately 9, 10 and 12 new projects that the Group expects to be engaged by the Beijing Tongdao Group for the year ending December 31, 2024, 2025 and 2026 respectively. The Group has successfully won the bid for the aforementioned new projects with the Beijing Tongdao Group and signed preliminary agreements for them, subject to the approval of the Independent Shareholders at the EGM. The expected contract sums for the new projects are approximately RMB5.7 million, RMB11.2 million and RMB14 million for the year ending December 31, 2024, 2025 and 2026 respectively; and
- (iv) the aforementioned pricing basis.

## LETTER FROM THE BOARD

### C. CONTINUING CONNECTED TRANSACTIONS — THE 2024 VALUE-ADDED SERVICES MASTER FRAMEWORK AGREEMENT

#### 1. The Value-added Services Master Framework Agreement 2024

As disclosed in the section headed “Continuing Connected Transactions — (D) Continuing Connected Transactions subject to Reporting, Annual Review, Announcement, Circular and Independent Shareholders’ Approval Requirements — 2. Provision of Value-added Services to Beijing Tongdao and its Associates” of the Prospectus, on June 17, 2021, the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) entered into the Value-added Services Master Framework Agreement, pursuant to which the Group agreed to provide the Value-added Services to members of the Beijing Tongdao Group, being the value-added services to the Beijing Tongdao Group’s residential property projects, display units and sales venues, as well as other value-added services such as construction site supervision and maintenance services, and pre-delivery services (save for basic property management services). The Value-added Services Master Framework Agreement became effective on July 16, 2021 (being the date of the listing of the Shares on the Main Board of the Stock Exchange) and shall be valid until December 31, 2023, renewable by mutual agreement of the parties, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations.

#### 2. Principal Terms of the 2024 Value-added Services Master Framework Agreement

The principal terms of the 2024 Value-added Services Master Framework Agreement are set out as follows:

<b>Date:</b>	November 13, 2023
<b>Parties:</b>	(1) The Company (for itself and on behalf of its subsidiaries); and (2) Beijing Tongdao (for itself and on behalf of its subsidiaries).
<b>Term:</b>	The 2024 Value-added Services Master Framework Agreement will be effective from January 1, 2024 until December 31, 2026 (inclusive).

## LETTER FROM THE BOARD

**Subject Matter:** The Group shall provide the Value-added Services to members of the Beijing Tongdao Group in consideration of service fees. The definitive value-added service agreements to be entered into between members of the Beijing Tongdao Group and members of the Group shall only contain provisions that are consistent in all material respects with the legally binding principles, guidelines, terms and conditions contained in the 2024 Value-added Services Master Framework Agreement.

Value-added Services refer to the value-added services to the residential property projects, display units and sales venues of the Beijing Tongdao Group to be provided by the Group to members of the Beijing Tongdao Group but excluding the Pre-delivery Property Management Services. Value-added Services encompass the following aspects:

(a) Pre-delivery services

The Group shall provide (i) pre-delivery consulting services during the project construction development, including but not limited to provision of consulting services on design and planning stage, construction stage, sales stage, inspection stage and delivery stage; and (ii) inspection services for newly constructed properties to the Beijing Tongdao Group.

(b) Sales venues management services

The Group shall provide overall management services to the sales venues for the sales and promotion of the property projects of the Beijing Tongdao Group, including but not limited to operation and administration services, order maintenance, intelligent technologies, maintenance, cleaning, gardening and other ancillary services to the aforesaid venue.

(c) Property management services to self-owned properties by the Beijing Tongdao Group

The Group shall provide property management services to the offices and other properties owned by the Beijing Tongdao Group for their operation.



## LETTER FROM THE BOARD

(d) Construction site supervision and maintenance services

The Group shall provide video surveillance, crisis management, vehicles and visitor management services to the Beijing Tongdao Group in the construction sites of their property projects.

**Pricing Policy:**

The relevant members of the Group shall, where they are selected following the relevant quotation procedures for selection of service providers, provide the Value-added Services to members of the Beijing Tongdao Group according to the quotation documents and definitive value-added services agreements to be entered into between relevant members of the Group and members of the Beijing Tongdao Group from time to time.

The value-added service fees payable under the 2024 Value-added Services Master Framework Agreement shall be determined through arm's length negotiations between the parties with reference to a wide range of factors, including but not limited to, (i) cost analysis on the Value-added Services, particularly the labor and material cost; (ii) nature, age, infrastructure features, geographical location and neighborhood profile of the relevant properties; (iii) prevailing market price charged by other independent third party service providers to Beijing Tongdao and its associates in respect of comparable services and locations, in order to ensure competitive pricing; and (iv) the service fees charged by the Group to independent third party customers. The Group shall have the right to adopt the terms and conditions of the transaction that are most favorable to the Group after taking into account and comparing the terms and conditions proposed by members of the Beijing Tongdao Group and other independent third parties.

## LETTER FROM THE BOARD

**Alternative  
Settlement  
Mechanism  
for the  
Service Fees:**

The Company and Beijing Tongdao agreed to the following mechanism as an additional means to settle the service fees due and payable by the Beijing Tongdao Group to the Group under the 2024 Value-added Services Master Framework Agreement:

- (i) in the event that the Beijing Tongdao Group is unable to pay any Outstanding Payables, the Group may elect to accept assets from the Beijing Tongdao Group's unsold property assets (including but not limited to office buildings, shops, commercial housing and car parking space), of which the Beijing Tongdao Group have the right to transfer or dispose of such assets free from all encumbrances, as partial or full settlement of the Outstanding Payables. Valuation of such assets shall be conducted by an independent property valuer appointed by the Group. For the avoidance of doubt, the fees of the engagement of the independent property valuer shall be borne by the Beijing Tongdao Group. The reference date for the purpose of valuating the Offset Assets shall be no longer than three months from the date of the intended transfer. The valuation shall adopt the market approach, by making reference to the comparable properties in the relevant locality with similar size, character and location. The value of such Offset Assets, as assessed by the independent property valuer, shall not exceed the value of the Outstanding Payables. The list of such Offset Assets shall be finalised and confirmed by the Company and Beijing Tongdao. Once the Group elects to accept such Offset Assets to settle the Outstanding Payables (whether in part or in full), the Beijing Tongdao Group may not dispose of, create encumbrances or otherwise deal with the Offset Assets;
- (ii) if the Group elects to accept such Offset Assets to settle Outstanding Payables (whether in part or in full), the Group and the Beijing Tongdao Group shall enter into a transfer agreement in respect of the Offset Assets, under which the consideration for the transfer of the Offset Assets by the Beijing Tongdao Group to the Group shall be offset against the Outstanding Payables;
- (iii) the Beijing Tongdao Group agreed to grant the Group a one-time free right to request any party designated by the Company to be named as the registered owner of the Offset Assets within two years commencing from the effective date of the property transfer agreement;

## LETTER FROM THE BOARD

- (iv) the Beijing Tongdao Group agreed that during the Naming Period, the Group may request to exchange any Offset Asset initially identified and subject to the property transfer agreement for one or more other property asset(s) held by the Beijing Tongdao Group of equal value, including but not limited to office buildings, shops, commercial housing and car parking space; and
- (v) the transaction fees and expenses (including the independent property valuer's fees and property tax) shall be borne by the Beijing Tongdao Group.

In considering whether to accept certain assets as the Offset Assets to settle the Outstanding Payables (whether in part or in full), the Group considers the following key factors:

1. the Beijing Tongdao Group must have the right to transfer or dispose of such assets free from all encumbrances;
2. whether the asset is a property development project which is already under the Group's management or has been contracted to the Group to manage. The Group prioritizes assets tied to the projects where the Group serves as a property management service provider, as the Group will be able to (a) continue being its property management service provider; and (b) sell the property units to new owners at a higher price and maximize potential profits. Further, the Group's familiarity with the property projects shall facilitate efficient and timely asset liquidation in the future;
3. value of the property tax, repair and refurbishment costs and other expenses to be borne by the Group after completion of the transfer; and
4. the resale value and any potential for appreciation of value of the Offset Assets, to ascertain potential challenges the Group may encounter when selling the Offset Assets in the future.

## LETTER FROM THE BOARD

### 3. Historical Transaction Amounts

Set out below are the historical transaction amounts under the Value-added Services Master Framework Agreement for the three years ended/ending December 31, 2021, 2022 and 2023:

	<b>For the year ended December 31, 2021</b>	<b>For the year ended December 31, 2022</b>	<b>For the year ending December 31, 2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Provision of Value-added Services</b>			
Historical annual caps	115,732	179,137	238,947
	(Audited)	(Audited)	<b>For the nine months ended September 30, 2023</b> (Unaudited)
Actual transaction amounts	99,321	41,626	18,061
Utilization rate	85.82%	23.24%	7.56%

The utilization of the proposed annual caps for 2022 and 2023 is relatively low, primarily due to the continued impact of the COVID-19 (especially its social mobility restrictions) and the general negative downturn of the Chinese real estate industry. These factors have resulted in a delay or a decrease in the number of property projects launched by the Beijing Tongdao Group in 2022 and 2023. Policies implemented in recent years to contain the outbreak of the COVID-19 have directly slowed down the construction of new properties and have also directly affected the progress of construction, thereby affecting the demand for pre-delivery services, construction site management services and sales venues management services. Taking into account the low utilization rate, the Board has decided to lower the proposed annual caps for the coming three years ending on December 31, 2026.

## LETTER FROM THE BOARD

### 4. Proposed Annual Caps

Set out below are the proposed annual caps under the 2024 Value-added Services Master Framework Agreement for the three years ending December 31, 2024, 2025 and 2026:

	<b>For the year ending December 31, 2024</b>	<b>For the year ending December 31, 2025</b>	<b>For the year ending December 31, 2026</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Provision of Value-added Services	30,193	37,142	35,964

The proposed annual caps under the 2024 Value-added Services Master Framework Agreement for the three years ending December 31, 2024, 2025 and 2026 are determined based on (inter alia) the following factors:

- (i) the historical transactions and transaction amounts for the provision of Value-added Services;
- (ii) the estimated volume of Value-added Services from 2024 to 2026, based on the existing volume of Value-added Services and the anticipated volume of Value-added Services, including the 39 existing contracts as of the Latest Practicable Date, with a contracted of 473,000,000 sq.m.;
- (iii) the expected completion date of the properties by the Beijing Tongdao Group, which shows a steady demand for Value-added Services; and
- (iv) the number of pipeline projects of the Beijing Tongdao Group, based on direct enquiry with the Beijing Tongdao Group.

The proposed annual caps for the year ending December 31, 2025 is higher than that for the year ending December 31, 2024. This is primarily due to the delayed commencement of construction projects due to the COVID-19. These projects are now expected to be commence construction in 2025, leading to an anticipated increase in the demand for pre-delivery services under Value-added Services for the year 2025. Further, the Beijing Tongdao Group is expected to reduce the budget for sales venue in 2026 given the increasing familiarity of the property projects. Thus, expected revenue from Value-added Services for the year 2026 reflects a slight decline from that of 2025.

**D. CONTINUING CONNECTED TRANSACTIONS — THE 2024 SALES AGENCY SERVICES FRAMEWORK AGREEMENT**

**1. The Sales Agency Services Framework Agreement 2024**

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

Further, as disclosed in the announcement of the Company dated April 21, 2022, the Company (for itself and on behalf of its subsidiaries) and Beijing Tongdao (for itself and on behalf of its subsidiaries and associates) entered into the Supplemental Sales Agency Services Framework Agreement on April 21, 2022, pursuant to which members of the Group shall pay to members of the Beijing Tongdao Group the Refundable Deposits in connection with the Sales Agency Services contemplated under the Sales Agency Services Framework Agreement. The Refundable Deposits payable by the Group will continue to be funded by the Group’s internal resources generated from its operations. The Company did not and will not use its proceeds from its initial public offering for the payment of the Refundable Deposits. The Company is not entitled to receive any interest income from the payment of the Refundable Deposits. The Supplemental Sales Agency Services Framework Agreement is valid until December 31, 2023, renewable by mutual agreement of the parties, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations.

**2. Principal Terms of the 2024 Sales Agency Services Framework Agreement**

The principal terms of the 2024 Sales Agency Services Framework Agreement are set out as follows:

**Date:** November 13, 2023

**Parties:** (1) The Company (for itself and on behalf of its subsidiaries);  
and  
(2) Beijing Tongdao (for itself and on behalf of its subsidiaries).

## LETTER FROM THE BOARD

**Term:** The 2024 Sales Agency Services Framework Agreement will be effective from January 1, 2024 until December 31, 2026 (inclusive).

**Subject Matter:** *Commission for the Sales Agency Services*

The Group shall provide the Sales Agency Services to members of the Beijing Tongdao Group in consideration of commission.

### *Refundable Deposits*

The Group shall first pay to members of the Beijing Tongdao Group the Refundable Deposits in an amount equal to: (a) percentage ranging from 20% to 40% of the value of relevant properties (in the case of first-hand properties); or (b) sales reserve prices of the relevant parking spaces (in the case of the unsold parking spaces), in order to acquire the right to sell the first-hand properties and parking spaces on an exclusive basis.

The balance of the Refundable Deposits as of December 31, 2023 under the Supplemental Sales Agency Services Framework Agreement shall be carried over as payment of the Refundable Deposits under the 2024 Sales Agency Services Framework Agreement. For any new amount that is not carried over, the Refundable Deposits shall be paid by the Group to the Beijing Tongdao Group.

The definitive sales agency services agreements to be entered into between members of the Beijing Tongdao Group and members of the Group shall only contain provisions that are consistent in all material respects with the legally binding principles, guidelines, terms and conditions contained in the 2024 Sales Agency Services Framework Agreement.

**Pricing Policy:** *Commission and agency fees for the Sales Agency Services*

### **For first-hand properties**

The commission rate charged for the provision of the Sales Agency Services in respect of the first-hand properties shall be calculated based on the prevailing market commission rate, with reference to the popularity and location of the respective property projects and the real estate market condition. Based on the historical data, the commission shall be approximately 2% to 14% of the price of the first-hand properties.

## LETTER FROM THE BOARD

### **For parking spaces**

The sales agency fees for the provision of the Sales Agency Services in respect of unsold parking spaces shall be calculated based on the following:

Sales agency fee = difference between the contract prices of the subject parking spaces and the sales reserve prices of the subject parking spaces

The sales reserve prices of the parking spaces shall be determined with reference to the prevailing market price charged by other independent third party services providers to Beijing Tongdao and its associates through tenders. The contract prices of the parking spaces shall be determined solely by the Group, with reference to (i) the popularity of the unsold parking spaces; (ii) the real estate market condition and the scope of services provided; and (iii) the location of the unsold parking spaces.

Given that the Group holds the sole decision-making power in setting the contract prices, the sales agency fee charged for the parking spaces is not capped at a limit. Based on the historical data, the sales agency fee shall be approximately 55% of the contract price of the parking spaces on average.

### ***Refundable Deposits***

#### **For first-hand properties**

With respect to the first-hand properties where the Group obtains the exclusive right to sell, the Refundable Deposits shall be equal to a percentage ranging from 20% to 40% of the saleable value of the underlying properties, which is determined in line with industry practice and with reference to the locations, the unsold amount and the popularity of the respective property projects.



## LETTER FROM THE BOARD

### **For unsold parking spaces**

With respect to the unsold parking spaces, the amount of the Refundable Deposits shall be equal to sum of the sales reserve price of all unsold parking spaces, which is a unified standard of the Beijing Tongdao Group also applicable to the Refundable Deposits payable by an independent third party to them in respect of the same services and is in line with the industry practices. The sales reserve price for the unsold parking spaces is determined with reference to (i) the popularity of the unsold parking spaces; (ii) the real estate market condition and the scope of services provided; and (iii) the location of the unsold parking spaces.

### **Fund Flow: Provision of Sales Agency Services without involving Refundable Deposit**

For each successful sale of the first-hand properties, the purchaser will directly pay the purchase price to the Beijing Tongdao Group. Subsequently, the Beijing Tongdao Group will pay the commission, being a percentage of the purchase price, to the Group.

### **Provision of Sales Agency Services upon payment of Refundable Deposit**

Upon payment of the Refundable Deposit, the Group shall obtain the exclusive right to sell the first-hand properties or parking spaces. The Refundable Deposit for first-hand properties is an amount equivalent to a percentage ranging from 20% to 40% of the saleable value of the first-hand properties, while that for parking spaces equals the sale reserve price of the parking space.

Under PRC laws and regulations, when the first-hand properties are sold, the purchaser is required to pay the purchase price to a designated escrow account monitored by the Beijing Tongdao Group and the escrow bank. Subsequently, the Beijing Tongdao Group will remit the commission for the sale to the Group and refund the Refundable Deposit to the Group. This process ensures compliance with the PRC legal requirements applicable to the sale and purchase of properties.

## LETTER FROM THE BOARD

When a parking space is sold, the purchaser will pay the Group the contract price. The sales agency fee earned by the Group is calculated as the difference between the contract price received from the purchaser and the Refundable Deposit (also known as the sales reserve price for parking spaces) paid by the Group to the Beijing Tongdao Group.

In the event that any first-hand properties or parking spaces remain unsold, the Refundable Deposit will be refunded to the Group in a manner as described in “Other terms” below. Based on market practice, the Refundable Deposit is unsecured and non-interest bearing.

**Other Terms:** *Refund of the Refundable Deposits*

**For first-hand properties**

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

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

If, after entering into definitive sales agency services agreement(s) for a period of 12 months, the first-hand property remains unsold, the Group has the option to extend the provision of the Sales Agency Services and extend the period for the Beijing Tongdao Group to repay the outstanding Refundable Deposits. Conversely, if no extension is agreed upon, all outstanding Refundable Deposits will be refunded to the Group.

## LETTER FROM THE BOARD

### **For unsold parking spaces**

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

- (a) for the parking spaces sold by the Group, the Group shall receive the contract prices of the parking spaces from the purchasers, which is for the Group to keep. In keeping the contract prices, the Group has essentially received the refund of the Refundable Deposits and the payment of the commission for the sold parking spaces; and
- (b) for the parking spaces that remain unsold, failed to be sold by the Group, the Refundable Deposits shall be refunded by the Beijing Tongdao Group in full upon the expiration of the Sales Agency Services Framework Agreement on December 31, 2026, or on the date(s) as agreed by parties under the relevant definitive sales agency services agreement(s) (whichever is earlier).

The Group shall have the right to adopt the terms and conditions of the transaction that are most favorable to the Group after taking into account and comparing the terms and conditions proposed by members of the Beijing Tongdao Group and other independent third parties.

## LETTER FROM THE BOARD

**Alternative  
Settlement  
Mechanism for  
the Commission  
and Agency  
Fees:**

The Company and Beijing Tongdao agreed to the following mechanism as an additional means to settle the commission and agency fees due and payable by the Beijing Tongdao Group to the Group under the 2024 Sales Agency Services Framework Agreement:

- (i) in the event that the Beijing Tongdao Group is unable to pay any Outstanding Payables, the Group may elect to accept assets from the Beijing Tongdao Group's unsold property assets (including but not limited to office buildings, shops, commercial housing and car parking space), of which the Beijing Tongdao Group have the right to transfer or dispose of such assets free from all encumbrances, as partial or full settlement of Outstanding Payables. Valuation of such assets shall be conducted by an independent property valuer appointed by the Group. For the avoidance of doubt, the fees of the engagement of the independent property valuer shall be borne by the Beijing Tongdao Group. The reference date for the purpose of valuating the Offset Assets shall be no longer than three months from the date of the intended transfer. The valuation shall adopt the market approach, by making reference to the comparable properties in the relevant locality with similar size, character and location. The value of such Offset Assets, as assessed by the independent property valuer, shall not exceed the value of the Outstanding Payables. The list of such Offset Assets shall be finalised and confirmed by the Company and Beijing Tongdao. Once the Group elects to accept such Offset Assets to settle the Outstanding Payables (whether in part or in full), the Beijing Tongdao Group may not dispose of, create encumbrances or otherwise deal with the Offset Assets;
- (ii) if the Group elects to accept such Offset Assets to settle Outstanding Payables (whether in part or in full), the Group and the Beijing Tongdao Group shall enter into a transfer agreement in respect of the Offset Assets, under which the consideration for the transfer of the Offset Assets by the Beijing Tongdao Group to the Group shall be offset against the Outstanding Payables;

## LETTER FROM THE BOARD

- (iii) the Beijing Tongdao Group agreed to grant the Group a one-time free right to request any party designated by the Company to be named as the registered owner of the Offset Assets within two years commencing from the effective date of the property transfer agreement;
- (iv) the Beijing Tongdao Group agreed that during the Naming Period, the Group may request to exchange any Offset Asset initially identified and subject to the property transfer agreement for one or more other property asset(s) held by the Beijing Tongdao Group of equal value, including but not limited to office buildings, shops, commercial housing and car parking space; and
- (v) the transaction fees and expenses (including the independent property valuer's fees and property tax) shall be borne by the Beijing Tongdao Group.

In considering whether to accept certain assets as the Offset Assets to settle the Outstanding Payables (whether in part or in full), the Group considers the following key factors:

1. the Beijing Tongdao Group must have the right to transfer or dispose of such assets free from all encumbrances;
2. whether the asset is a property development project which is already under the Group's management or has been contracted to the Group to manage. The Group prioritizes assets tied to the projects where the Group serves as a property management service provider, as the Group will be able to (a) continue being its property management service provider; and (b) sell the property units to new owners at a higher price and maximize potential profits. Further, the Group's familiarity with the property projects shall facilitate efficient and timely asset liquidation in the future;
3. value of the property tax, repair and refurbishment costs and other expenses to be borne by the Group after completion of the transfer; and
4. the resale value and any potential for appreciation of value of the Offset Assets, to ascertain potential challenges the Group may encounter when selling the Offset Assets in the future.

## LETTER FROM THE BOARD

### 3. Historical Transaction Amounts

Set out below are the historical transaction amounts under the Sales Agency Services Framework Agreement for the three years ended/ending December 31, 2021, 2022 and 2023:

	<b>For the year ended December 31, 2021</b>	<b>For the year ended December 31, 2022</b>	<b>For the year ending December 31, 2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Provision of Sales Agency Services</b>			
Historical annual caps	133,386	193,809	277,281
	(Audited)	(Audited)	<b>For the nine months ended September 30, 2023</b> (Unaudited)
Actual transaction amounts	132,095	46,647	17,944
Utilization rate	99.03%	24.07%	6.47%
<b>Maximum daily balance of the Refundable Deposits</b>			
Historical annual caps	70,000	200,000	200,000
	(Audited)	(Audited)	<b>Balance as at September 30, 2023</b> (Unaudited)
Actual transaction amounts	68,136	197,270	93,737
Utilization rate	97.34%	98.64%	46.87%

The utilization of the proposed annual caps for the provision of the Sales Agency Services in 2022 and 2023 was lower, primarily due to the continued impact of the COVID-19 (especially its social mobility restrictions) and the general negative downturn of the Chinese real estate industry. These factors have resulted in a delay and a decrease in the number of property projects launched by the Beijing Tongdao Group in 2022 and 2023. Policies implemented in recent years to contain the outbreak of the COVID-19 have directly slowed down the construction of new properties and have also directly affected the sales of properties. Taking into account the low utilization rate, the Board has decided to lower the proposed annual caps for the three years ending on December 31, 2026.

## LETTER FROM THE BOARD

The utilization of the proposed annual caps for the maximum daily balance of the Refundable Deposits in 2023 was lower. This is primarily based on the current development of the Chinese real estate market and the Company's slight adjustment in strategic direction. The Group wishes to focus on providing services to the government and other third parties. The Group is directing more resources towards providing Sales Agency Services for government office buildings, high-end office spaces, sports venues, and other urban service businesses. Taking into account the low utilization rate, the Board has decided to lower the proposed annual caps for the maximum daily balance of the Refundable Deposits for the three years ending on December 31, 2026.

#### 4. Proposed Annual Caps

Set out below are the proposed annual caps under the 2024 Sales Agency Services Framework Agreement for the three years ending December 31, 2024, 2025 and 2026:

	<b>For the year ending December 31, 2024 (RMB'000)</b>	<b>For the year ending December 31, 2025 (RMB'000)</b>	<b>For the year ending December 31, 2026 (RMB'000)</b>
Provision of Sales Agency Services	48,393	62,971	74,450
Maximum daily balance of the Refundable Deposits	100,000	100,000	100,000

The proposed annual caps under the 2024 Sales Agency Services Framework Agreement for the three years ending December 31, 2024, 2025 and 2026 are determined based on (inter alia) the following factors:

- (i) the historical transactions and transaction amounts for the provision of Sales Agency Services and the Refundable Deposits;
- (ii) the estimated value of first-hand properties available for sale, as well as the estimated value of unsold parking spaces, for the three years ending December 31, 2024, 2025 and 2026, given the gradual recovery of the real estate market in the PRC; and
- (iii) the Group's cash flow and working capital. The Group generally targets to maintain an utilization of cash and cash equivalents by the maximum daily balance of the Refundable Deposits of not more than 60% in order to maintain sufficient working capital of the Group, subject to the prevailing conditions of the market and the Group. As of June 30, 2023, the Group's cash and cash equivalents amounted to approximately RMB373 million. The proposed annual caps of RMB100,000,000 for 2024, 2025 and 2026 represents approximately 26.8% of the cash and cash equivalents balance of the Group as of June 30, 2023.

## LETTER FROM THE BOARD

### **E. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 FRAMEWORK AGREEMENTS**

The Group has been providing the Pre-delivery Property Management Services, Value-added Services, and Sales Agency Services for the Beijing Tongdao Group's property projects as part of its daily and general business operations. Due to the longstanding cooperative relationship, the Group has gained a comprehensive understanding of the status of the Beijing Tongdao Group's property projects and is familiar with its strategies and requirements. Signing the 2024 Framework Agreements is advantageous for ensuring the Group's ongoing business stability and securing stable income.

#### **The 2024 Pre-delivery Property Management Services Framework Agreement**

The Group is well-positioned to cater to the Beijing Tongdao Group's evolving needs and tailor its Pre-delivery Property Management Services to meet the Beijing Tongdao Group's specific preferences, given the longstanding strategic cooperation between the Beijing Tongdao Group and the Group. The Group will generate a consistent stream of revenue by providing Pre-delivery Property Management Services to the Beijing Tongdao Group.

In addition, based on the development plan of the Beijing Tongdao Group and the land acquisitions made by the Beijing Tongdao Group, the Group expects a surge in the demand for the Pre-delivery Property Management Services to be provided by the Group to the Beijing Tongdao Group.

#### **The 2024 Value-added Services Master Framework Agreement**

Considering the advancements in project development and the positive trajectory of the real estate market in the PRC, it is expected that there will be a surge in the number of properties available for sale. This surge will subsequently lead to an increased demand for service personnel and a rise in the number of sales venues required. As such, the Group wishes to leverage its exceptional position as the preferred provider of Value-added Services for the Beijing Tongdao Group.

#### **The 2024 Sales Agency Services Framework Agreement**

The Sales Agency Services provided by the Group to the Beijing Tongdao Group contemplated under the Sales Agency Services Framework Agreement are consistent with the business and commercial objectives of the Group. Leveraging the Group's long-term relationship with the Beijing Tongdao Group, the entering into of the 2024 Sales Agency Services Framework Agreement enables the Group to continue to diversify its income streams.

Next, the terms and conditions of the 2024 Sales Agency Services Framework Agreement are no less favourable to the Group than those offered by the Group to the independent third parties for similar transactions. In particular, the Group also pays



## LETTER FROM THE BOARD

refundable deposits, being the sales reserve price, to independent third parties for the exclusive right to sell parking spaces. The tenure period for such refundable deposits is also three years.

Further, the Refundable Deposits paid to the Beijing Tongdao Group is conducive to the Group for ensuring ensure a stable income stream and enhance profitability as a whole since the Group would be able to obtain the exclusive right to provide the Sales Agency Services. In addition, the refund mechanism for the Refundable Deposits has been agreed by parties and explicitly provided under the 2024 Sales Agency Services Framework Agreement. Therefore, the Company is confident that the risks associated with recovering the Refundable Deposits are manageable for the Group.

The Board of Directors considers that the Refundable Deposits are fair and reasonable and are in the interest of the Company. The Refundable Deposits secure the Group's exclusive right to sell the first-hand properties and the parking spaces, which in turn eliminate direct competition from other sales agencies. With exclusive rights, the Group can invest more in targeted marketing campaigns, promotional activities, and sales initiatives, which can lead to increased visibility and customer engagement. As a result, the Group can strive for higher sales volumes and achieve better revenue outcomes.

For the avoidance of doubt, for those projects where the Group does not obtain an exclusive right to sell, the Group shall not pay any Refundable Deposits.

The Board of Directors considers that the longer lock-up period for the Refundable Deposit for the exclusive sale of parking spaces (i.e. three years), compared to the Refundable Deposit for the exclusive sale of the first-hand properties, can be considered reasonable and fair because (1) based on historical data that the average commission rate for sale of parking spaces is 55%, which is much higher than that of the sale of first-hand properties, the Group's estimated profit margin for selling parking spaces is higher than that of the first-hand properties, hence justifying a longer lock-up period to safeguard potential profits; (2) the Group's market research indicates a high demand for parking spaces, driven by the increasing number of cars per household in the Henan Province; (3) the parking spaces are located in properties under the Group's management, so it is easier for the Group to monitor the condition and track the utilization of parking spaces to understand market demand; and (4) considering the historically high profitability of parking space sales, the Group is eager to secure these parking spaces for three years, allowing ample time for the sale of such parking spaces.

### **Alternative Settlement Mechanism under the 2024 Framework Agreement**

The Alternative Settlement Mechanism as contemplated under the 2024 Framework Agreements for the service fees allows the Group to have greater flexibility in recovering receivables from the Beijing Tongdao Group. The Group intends to transfer the Offset Assets to third-party suppliers to settle other payables due from the Group to such suppliers, or may sell or let out the Offset Assets to third-parties for cash.

## LETTER FROM THE BOARD

The Board of Directors considers that the Alternative Settlement Mechanism is fair and reasonable and is in the interest of the Company. First, it is an Alternative Settlement Mechanism, the election of which is at the Group's absolute discretion (and not Beijing Tongdao Group's discretion). The Group is not obliged to accept and agree to any proposed settlement by the Offset Assets. It serves as a supplementary option of the Group, without undermining the Group's preference for cash settlement. Second, in the case when Beijing Tongdao Group is unable to satisfy the payment with cash settlement, the Alternative Settlement Mechanism offers the Group a higher level of assurance when compared to relying solely on credit-based trade receivables. By accepting the Offset Assets, the Group can secure assets equivalent in value, which expedites the recovery of the outstanding sum. Considering that the Beijing Tongdao Group has previously defaulted on payment of service fees during the term of the Pre-delivery Property Management Services Framework Agreement, the Value-added Services Master Framework Agreement and the Sales Agency Services Framework Agreement, the Group deems it necessary to incorporate this Alternative Settlement Mechanism into the 2024 Framework Agreements. This inclusion aims to provide better protection for the recovery of fees owed for the services rendered. By implementing this mechanism, the Group strengthens its ability to safeguard its financial interests and ensure the timely collection of fees. It also brings the added benefit of reducing operational costs associated with chasing Beijing Tongdao Group for outstanding payables. By proactively introducing this alternative settlement option, the Group is taking a practical and efficient approach to address previous payment challenges. Further, the Offset Assets selected likely correspond to property development projects which are already under the Group's management or have been contracted to Group to manage. In accepting the Offset Assets, the Group leverages its existing knowledge and understanding of the Offset Assets, including their value and liquidity (e.g. demand for such property units). It also ensures a consistent revenue stream by safeguarding the Group's continued involvement in the provision of property management services to the property development project. Finally, if the property prices in the market have generally gone up, the Group can capitalize upon the opportunity and sell the Offset Assets (including property units) to new property owners at a higher price, thus capitalizing on the potential profits. For the avoidance of doubt, since the economic risks related to the market price fluctuation of the Offset Assets pass at the time of transfer, the Group does not have any recourse against Beijing Tongdao Group in the event that the price of the Offset Assets fall below that in the valuation.

The terms of the 2024 Framework Agreements have been agreed at after arm's length negotiations between the Company and Beijing Tongdao. Taking into account the aforementioned factors, the Directors (excluding Mr. Song who was required to abstain from voting on the relevant Board resolutions, but including the independent non-executive Directors after considering the advice from Ample Capital) are of the view that the terms of the 2024 Framework Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### **F. THE GROUP'S INDEPENDENT BUSINESS OPERATION WITHOUT UNDUE RELIANCE ON THE BEIJING TONGDAO GROUP**

Based on the unaudited financial information for the nine months ended September 30, 2023, the total revenue of the Group increased by approximately 17% as compared to the nine months ended September 30, 2022, whereas the revenue generated from the Beijing Tongdao Group and its joint ventures as a percentage to the total revenue decreased from approximately 14% for the nine months ended September 30, 2023 to approximately 8% for the nine months ended September 30, 2022. The Directors consider that the proposed annual caps under the 2024 Framework Agreements would not significantly increase the percentage of the Group's revenue generated from the Beijing Tongdao Group during the three years ending December 31, 2024, 2025 and 2026.

### **G. IMPLICATIONS UNDER THE LISTING RULES**

As of the Latest Practicable Date, Beijing Tongdao is beneficially and wholly-owned by Mr. Song, the chairman of the Board, a non-executive Director and the ultimate controlling Shareholder. Therefore, Beijing Tongdao constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the 2024 Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the proposed annual caps for the three years ending December 31, 2024, 2025 and 2026 for the transactions contemplated under the 2024 Framework Agreements exceed 5%, each of the 2024 Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to consider and advise the Independent Shareholders as to whether the terms of the 2024 Framework Agreements, the transactions contemplated thereunder, and its proposed annual caps for each of the three years ending December 31, 2024, 2025 and 2026 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

Ample Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

## LETTER FROM THE BOARD

### H. INFORMATION ON THE PARTIES TO THE 2024 FRAMEWORK AGREEMENTS

#### The Group

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

#### Beijing Tongdao

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

### I. DIRECTORS' CONFIRMATION

Mr. Song (the chairman of the Board, a non-executive Director and the ultimate controlling Shareholder), being the ultimate beneficial owner of Beijing Tongdao, has abstained from voting on the resolution(s) of the Board approving the entering into of the 2024 Framework Agreements and the respective transactions contemplated thereunder.

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

### J. INTERNAL MONITORING PROCEDURES

To ensure the aforesaid transactions are carried out in a fair and reasonable manner and in accordance with their terms under the abovementioned agreements, the Company has adopted the following internal control measures:

#### Pricing and Payment Terms

- before entering into of individual agreement for each project, the relevant departments of the Group (such as the project management team for the pricing of the Pre-delivery Property Management Services, the business operations department for the pricing of the Value-Added Services, and the real estate sales team for the pricing of the Sales Agency Services) will obtain quotations from at least two independent third party service providers for comparable services in order to determine the prevailing market rates and will submit such quotations and individual agreement to the Group's finance department for approval;

## LETTER FROM THE BOARD

- the business operations department shall determine the payment frequency, typically on a quarterly or monthly basis, based on industry practices, administrative burden, and the creditworthiness of the Group's customers. In determining the credit periods under the 2024 Framework Agreements, the business operations departments will consider the credit-worthiness of the Group's customers (as detailed below), and compare the credit periods extended to independent third party customers with similar credit-worthiness. Factors considered when determining the credit periods included the duration of cooperation, the customers' repayment history, the likelihood of acknowledging outstanding sums, and a cost-benefit analysis of potential future business opportunities resulting from long-term cooperation with the customer (e.g., provision of pre-delivery property management services leading to opportunities in property management services for ultimate property owners). It should be noted that the Group does not impose any pre-payment terms onto the Beijing Tongdao Group in relation to the 2024 Framework Agreements, and onto independent third parties in transactions similar to the 2024 Framework Agreements;

### **Recovering Outstanding Receivables**

- collection of overdue service fees will be handled by the fee collection staff, who will follow-up promptly with customers who are late on payments, and send extra reminders and demand letters for the overdue amount;
- when performing its obligations under the 2024 Framework Agreements, the Company will follow its internal policy. Specifically, the internal policy provides that if an overdue amount remains uncollected for a certain period, the Company may involve escalating the matter to management and potentially suspending service provision until the outstanding debts are settled, or taking legal actions to recover the debts;

### **Credit Assessment**

- to assess the credit-worthiness of the Group's customers, the Group's business operations department reviews the credit reports of potential clients, and consider the payment history of past cooperation to assess the financial strength and payment ability of the Group's customers;
- prior to entering into any individual agreements under the 2024 Framework Agreements, the Beijing Tongdao Group shall provide the Group with its latest consolidated financial statements and its latest consolidated reports on the cash and deposit balance, and the finance department of the Group shall analyse the repayment ability and credibility of the Beijing Tongdao Group;

## LETTER FROM THE BOARD

### **Annual Cap Management**

- the Group's finance department will continuously inspect and regularly collect and evaluate the pricing principles, transaction terms and actual transaction amounts under the abovementioned agreements to ensure that the transactions thereunder are conducted on normal commercial terms or on terms no less favourable than those available from independent third parties and that the total transaction amounts will not exceed the proposed annual caps;
- during the term of the abovementioned agreements, if there is a likelihood that the proposed annual caps may be exceeded (when the actual transaction amount reached 80% of the annual cap), the finance department of the Group will report the matter to the Company's senior management, who shall negotiate with the Beijing Tongdao Group to take remedial actions immediately, including the suspension of transactions. The Company shall renegotiate with the Beijing Tongdao Group to revise such proposed annual caps and re-comply with all relevant laws and regulations and the Listing Rules (where applicable, the announcement requirement and the Independent Shareholders' approval requirement);

### **Cash Flow Management**

- the Group generally adopts a policy under which the maximum daily balance of Refundable Deposits shall not be more than 60% of the cash and cash equivalents balances. In order to monitor the maximum daily balance of the Refundable Deposits and to ensure that the fundraising proceeds from the IPO would only be applied for stated uses in the Prospectus or the relevant announcements published by the Company, the finance department of the Company shall, on a weekly basis, compare the expected maximum daily balance of the Refundable Deposits payable to the Beijing Tongdao Group for the upcoming week based on the relevant definitive agreements executed with the then prevailing cash and cash equivalents balance of the Group to ensure that the aforesaid 60% threshold is not exceeded. Before entering into each new definitive agreement(s), the management of the Company shall also make reference to the potential amount of the Refundable Deposits payable computed based on the relevant underlying payment terms, and such definitive agreement(s) will be entered into on the condition that the maximum daily balance of the Refundable Deposits represents an utilisation of not more than 60% of the prevailing expected cash and cash equivalents balance of the Group;

### **Offset Asset Assessment**

- independent third party property valuer appointed by the Group shall conduct property valuation to determine whether to accept the Offset Assets to settle the outstanding services fees and safeguard the Group's interests under the Alternative Settlement Mechanism;
- the Group shall conduct due diligence on the Offset Asset, including title search and physical inspection to ensure that there is no title defects or claims that may arise after accepting the Offset Assets;

## LETTER FROM THE BOARD

- To evaluate the benefits of accepting the Offset Assets to settle outstanding receivables, the Company adopts the following steps:
  - a. **Market Evaluation:** The specialized sales agency team assesses the rental/sales and future income potential of the Offset Assets. They then perform asset-yield calculate, to evaluate the projected income to be generated from the Offset Assets.
  - b. **Financial Management Review:** The plan is reviewed by the financial management center to ensure compliance and accuracy.
  - c. **Evaluation and Decision-Making:** An evaluation meeting is held to analyze the benefits and risks of accepting the Offset Assets, and feasibility of future use of the Offset Assets. A decision is made based on the evaluation.
  - d. **Authorization and Approval:** The approved plan is submitted for authorization and approval.
  - e. **Independent Evaluation:** An independent third-party property valuer is engaged to appraise the value of the Offset Assets based on the market approach.

### **General**

- to ensure the above measures was implemented, the Group's compliance audit centre and the operations management department shall conduct random checks and audits; and
- the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and transaction amounts to ensure it is within the proposed annual caps under the abovementioned agreements.

### **K. EGM AND PROXY ARRANGEMENT**

The EGM will be held at Conference Room, 24F, Huacheng International Center, 80 Daxue Road, Erqi District, Zhengzhou City, Henan Province, the PRC on Friday, December 29, 2023 at 10:00 a.m., during which resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, pass resolutions to approve the 2024 Framework Agreements, the transactions contemplated and the proposed annual caps thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In order to comply with the Listing Rules, all votes at the EGM will be taken by poll and the Company will announce the poll results after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

## LETTER FROM THE BOARD

Shareholders with a material interest in the 2024 Framework Agreements and the transactions contemplated thereunder are required to abstain from voting on the relevant resolution(s) at the EGM. As of the Latest Practicable Date, Kangqiaoyue Shenghuo BVI (a company indirectly wholly-owned by Mr. Song) held 498,750,000 issued Shares, representing approximately 71.25% of total issued. Kangqiaoyue Shenghuo BVI, together with its associates, is therefore considered to have a material interest in the ordinary resolutions in respect of the 2024 Framework Agreements and the transactions contemplated thereunder and will abstain from voting on such resolutions at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder had any material interest in the transactions contemplated under the 2024 Framework Agreements and is required to abstain from voting on the resolutions to be proposed in respect of the aforesaid matters.

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not the Independent Shareholders are able to attend the EGM, the Independent Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, 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 10:00 a.m. on December 27, 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude the Independent Shareholders from attending and voting in person at the EGM or any adjournment thereof should the Independent Shareholders so wish and in such event, the form of proxy shall be deemed to be revoked.

### **L. CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the EGM to be held on Friday, December 29, 2023, the register of members of the Company will be closed from Friday, December 22, 2023 to Friday, December 29, 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all properly completed share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, December 21, 2023.

### **M. RECOMMENDATION**

The Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular after considering the advice from Ample Capital, but excluding Mr. Song, the chairman of the Board, a non-executive Director, and the ultimate controlling Shareholder), are of the view that the 2024 Framework Agreements, the transactions contemplated and the proposed annual caps thereunder have been entered into on normal commercial terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.



## LETTER FROM THE BOARD

Accordingly, the Board (including the Independent Board Committee, but excluding Mr. Song, the chairman of the Board, a non-executive Director, and the ultimate controlling Shareholder) recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2024 Framework Agreements, the transactions contemplated and the proposed annual caps thereunder.

### **N. ADDITIONAL INFORMATION**

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 40 to 41 of this circular which contains its recommendation to Ample Capital as to voting at the EGM in relation to the 2024 Framework Agreements, the transactions contemplated and the proposed annual caps thereunder; and (ii) the letter from Ample Capital as set out on pages 42 to 72 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2024 Framework Agreements, the transactions contemplated and the proposed annual caps thereunder. Your attention is also drawn to the general information set out in the appendix to this circular.

Yours faithfully,  
By order of the Board  
**Kangqiao Service Group Limited**  
**SONG Gewei**  
*Chairman*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



**Kangqiao Service Group Limited**

**康橋悅生活集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2205)**

December 14, 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF FRAMEWORK AGREEMENTS**

**INTRODUCTION**

We refer to the circular of the Company dated December 14, 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on the terms of the 2024 Framework Agreements, the transactions contemplated and the proposed annual caps thereunder. The appointment of Ample Capital as the independent financial adviser to advise you and us in this regard has been approved by us. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving at such advice, are set out on pages 42 to 72 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and other information set out in the appendix thereto.

**RECOMMENDATION**

Having considered the terms of each of the 2024 Pre-delivery Property Management Services Framework Agreement, the 2024 Value-added Services Master Framework Agreement, and the 2024 Sales Agency Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder, and taking into account the independent advice of Ample Capital, in particular the principal factors, reasons and recommendation as set out in its letter, as well as the relevant information contained in the letter from the Board, we are of the opinion that the 2024 Pre-delivery Property Management Services Framework Agreement, the 2024 Value-added Services Master Framework Agreement, and the 2024 Sales Agency Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder have been entered into on normal commercial terms that are fair and reasonable, are entered into and to be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that you vote in favour of the

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

ordinary resolutions to be proposed at the EGM to approve the 2024 Pre-delivery Property Management Services Framework Agreement, the 2024 Value-added Services Master Framework Agreement, and the 2024 Sales Agency Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Dr. LI Haitao**

**Dr. FAN Yun**

**Mr. WONG Yun Pun**

*Independent non-executive Directors*

**AmCap**

*Ample Capital Limited*

豐盛融資有限公司

**Ample Capital Limited**

Unit A, 14th Floor

Two Chinachem Plaza

135 Des Voeux Road Central

Hong Kong

14 December 2023

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs and Madams,

## **CONTINUING CONNECTED TRANSACTIONS RENEWAL OF FRAMEWORK AGREEMENTS**

### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2024 Framework Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 14 December 2023 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

### **RENEWAL OF FRAMEWORK AGREEMENTS**

Reference is made to the announcement of the Company dated November 14, 2023 in relation to the 2024 Framework Agreements and the transactions contemplated thereunder entered into between the Company and Beijing Tongdao (for itself and on behalf of its subsidiaries):

- (1) the Pre-delivery Property Management Services Framework Agreement with Beijing Tongdao, whereby the Group agreed to provide the Pre-delivery Property Management Services to Beijing Tongdao from time to time;

## LETTER FROM AMPLE CAPITAL

- (2) the Value-added Services Master Framework Agreement with Beijing Tongdao, whereby the Group agreed to provide the Value-added Services to Beijing Tongdao from time to time;
- (3) the Sales Agency Services Framework Agreement with Beijing Tongdao, whereby the Group agreed to provide the Sales Agency Services to Beijing Tongdao from time to time; and
- (4) the Supplemental Sales Agency Services Framework Agreement with Beijing Tongdao, whereby the Group agreed to pay to members of the Beijing Tongdao Group the Refundable Deposits in relation to first-hand properties and unsold parking spaces.

Having further considered the business and development plans of the Group, the Board proposed to continue to conduct the relevant continuing connected transactions with the Beijing Tongdao Group from time to time. Therefore, on November 13, 2023, the Board entered into the 2024 Pre-delivery Property Management Services Framework Agreement, the 2024 Value-added Services Master Framework Agreement, and the 2024 Sales Agency Services Framework Agreement (collectively, the “**2024 Framework Agreements**”) with Beijing Tongdao (for itself and on behalf of its subsidiaries).

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Li Haitao, Dr. Fan Yun and Mr. Wong Yun Pun, has been established to advise the Independent Shareholders in connection with the 2024 Framework Agreements (including the respective proposed annual caps thereunder) and the transactions contemplated thereunder.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group, Beijing Tongdao, Beijing Tongdao Group or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the current appointment, we have not acted as a financial adviser or independent financial adviser to the Company. Apart from the normal independent financial advisory fees in connection with the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Beijing Tongdao, Beijing Tongdao Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

## LETTER FROM AMPLE CAPITAL

### BASIS OF OUR ADVICE

In formulating our advice and recommendation, we have relied on the statements, information, opinions and representations contained in or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). Our review procedures include, among others, review of the annual report of the Group for the financial year ended December 31, 2022 (the “**2022 Annual Report**”); the interim report of the Group for the six months ended June 30, 2023 (the “**2023 Interim Report**”); the Circular, and relevant announcements published by the Company. We have assumed that all information and representations that have been provided by the Directors and the Management are true, complete and accurate in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Management in the Circular were reasonably made after enquiries and careful consideration.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Shareholders will be notified of any material changes to such information provided in the Circular or to our opinion as soon as possible.

The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

## LETTER FROM AMPLE CAPITAL

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations with respect to the 2024 Framework Agreements (including the respective proposed annual caps thereunder) and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

#### A. Background information of the Group and the Beijing Tongdao Group

##### *Information on the Group*

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

##### *Information on the Beijing Tongdao Group*

The Beijing Tongdao Group was established in the PRC with limited liability on May 10, 2010 and is beneficially and wholly-owned by Mr. Song, the chairman of the Board, a non-executive Director and the ultimate controlling shareholder. Beijing Tongdao is the holding company of a number of subsidiaries, which collectively operate as a leading comprehensive property developer operating in the PRC.

#### B. The 2024 Framework Agreements

##### 1. The 2024 Pre-delivery Property Management Services Framework Agreement

###### (a) Historical Annual Caps and Actual Transaction Amounts

Set out below the Pre-delivery Property Management Services' historical annual caps and the actual transaction amounts for the FY2021, FY2022 and the nine months ended September 30, 2023:

Provision of Pre-delivery Property Management Services	For the year ended December 31, 2021 ("FY2021") (RMB'000)	For the year ended December 31, 2022 ("FY2022") (RMB'000)	For the year ending December 31, 2023 ("FY2023") (RMB'000)
Historical annual caps	17,775	20,441	23,712
	(Audited)	(Audited)	For the nine months ended September 30, 2023 (Unaudited)
Actual transaction amounts	15,802	18,902	16,690
Utilisation rate (%)	88.90%	92.47%	70.39%

## LETTER FROM AMPLE CAPITAL

It is expected that the utilization rate of the annual caps for the year ending December 31, 2023 will reach 90% or more by December 31, 2023. Taking into account the ongoing impact of the 2019 novel Coronavirus disease (the “**COVID-19**”) in 2023, which has caused project delays, as well as the project delivery plans of the Beijing Tongdao Group for 2024, 2025, and 2026, and the current real estate market conditions, it is anticipated that the demand for the Pre-delivery Property Management Services for newly completed projects in the next three years will increase.

*(b) Assessment of the proposed annual caps under the 2024 Pre-delivery Property Management Services Framework Agreement*

Set out below the proposed annual caps under the 2024 Pre-delivery Property Management Services Framework Agreement for the three years ending December 31, 2026:

	<b>For the year ending December 31, 2024  (“FY2024”) (RMB’000)</b>	<b>For the year ending December 31, 2025  (“FY2025”) (RMB’000)</b>	<b>For the year ending December 31, 2026  (“FY2026”) (RMB’000)</b>
Provision of Pre-delivery Property Management Services	29,196	40,405	54,370

With reference to the Letter from the Board, the above annual caps under the 2024 Pre-delivery Property Management Services Framework Agreement are determined based on (inter alia) the following factors:

- (i) the historical transactions and transaction amounts for the provision of Pre-delivery Property Management Services, such as the 49 existing pre-delivery property management projects that the Group has been engaged by the Beijing Tongdao Group as a service provider;
- (ii) the projected growth of the Beijing Tongdao Group’s property portfolio and the corresponding increase in demand for property management services, based on the number of property projects under construction and development by the Beijing Tongdao Group, the land acquisitions of the Beijing Tongdao Group from publicly available sources, and enquiries with the Beijing Tongdao Group as to the development plans of these land acquisitions;



## LETTER FROM AMPLE CAPITAL

- (iii) the estimated volume of Pre-delivery Property Management Services from 2024 to 2026 (based on existing volume of Pre-delivery Property Management Services and estimated increase in volume of Pre-delivery Property Management Services), including approximately 9, 10 and 12 new projects that the Group expects to be engaged by the Beijing Tongdao Group for the year ending December 31, 2024, 2025 and 2026 respectively. The expected contract sum for the new projects are RMB5.7 million, RMB11.2 million and RMB14.0 million for the year ending December 31, 2024, 2025 and 2026 respectively; and
- (iv) the pricing basis determined through arm's length negotiations between the parties with reference to the staff cost, equipment cost and administrative expenses as specified in the tender documents to be submitted by the Group under the relevant tender process in compliance with the laws and regulations in the PRC, with reference to (i) the relevant guidance rates set by Ministry of Housing and Urban-Rural Development of the PRC ; (ii) the prevailing market rate for similar services provided; and (iii) the pre-delivery property management fees the Group charged to other independent third parties for comparable services. The Group shall have the right to adopt the terms and conditions of the transaction that are most favorable to the Group after taking into account and comparing the terms and conditions proposed by Beijing Tongdao and other independent third parties.

In assessing the reasonableness of the proposed annual caps for the Pre-delivery Property Management Services, we have discussed with the Management the basis and assumptions underlying the projections for the Group's provision of the Pre-delivery Property Management Services to the Beijing Tongdao Group and noted that the proposed annual caps are based on (i) a number of 49 contracts already been awarded to the Group from the Beijing Tongdao Group during the FY2021 to FY2023 and the outstanding property management fees of RMB5.7 million, RMB11.2 million and RMB14.0 million for the future unrendered services to be provided for each of the three years ending December 31, 2026 under the 2024 Pre-delivery Property Management Services Framework Agreement; and (ii) the historical transaction amount and expected increase in cost of 10% to 16%, which mainly arising from the anticipated increase in labour costs, for preparatory property management services attributable to the expected improving quality of the property projects to be developed by the Beijing Tongdao Group in the future.

## LETTER FROM AMPLE CAPITAL

The increase in the proposed annual caps for the Pre-delivery Property Management Services from 2025 to 2026 is mainly due to the increase in outstanding property management fees from Beijing Tongdao Group to the Group of RMB11.2 million to RMB14.0 million for the two years ending December 31, 2026.

It is expected that the Group will be engaged to provide Pre-delivery Property Management Services for a total of 9, 10 and 12 property projects to the Beijing Tongdao Group, with a total contracted gross floor area (“GFA”) of approximately 1.2 million sq.m., 2.6 million sq.m. and 3.3 million sq.m. for each of the three years ending December 31, 2026, respectively. This is in accordance with the expected delivery schedule (of which 33 property projects are under construction) of property projects developed by the Beijing Tongdao Group.

Based on the information provided above, we have obtained and reviewed the detailed schedule provided by the Group. The detailed schedule shows the number of contracts already been awarded to the Group from the Beijing Tongdao Group during the FY2021 to FY2023, as well as the outstanding property management fees for the future unrendered services to be provided for each of the three years ending December 31, 2026. These figures are in line with and correspond to the proposed annual caps for the provision of Pre-delivery Property Management Services.

We have also discussed with the Management regarding the fairness and reasonableness of applying an expected increase in cost of 10% to 16% which mainly arising from the anticipated increase in labour costs. The Management advised that an increase in cost of 10% to 16% is determined with reference to (i) the historical data published by the National Bureau of Statistics (國家統計局) and (ii) their estimation on the increment on labour cost. In this regard, we performed the desktop research and found that, according to the report of “Enterprise Cost 2021” (企業成本報告2021) published by the Chinese Academy of Fiscal Sciences (中國財政科學研究院) on February 22, 2022, the average monthly salary increases in the first half of 2021 reached 12.63%. Based on this, we are of the view that it is reasonable for the Group to apply expected increase in cost of 10% to 16% when arriving at the proposed annual caps.

In light of the above, we consider the basis for determining the proposed annual caps for the provision of Pre-delivery Property Management Services in normal commercial term and is fair and reasonable.

## LETTER FROM AMPLE CAPITAL

### 2. *The 2024 Value-added Services Master Framework Agreement*

#### (a) *Historical Annual Caps and Historical Transaction Amounts*

Set out below the Value-added Services' historical annual caps and the actual transaction amounts for the FY2021, FY2022 and the nine months ended September 30, 2023:

<b>Provision of Value-added Services</b>	<b>FY2021</b> <i>(RMB'000)</i>	<b>FY2022</b> <i>(RMB'000)</i>	<b>FY2023</b> <i>(RMB'000)</i>
Historical annual caps	115,732	179,137	238,947
			<b>For the nine months ended September 30, 2023</b>
	(Audited)	(Audited)	(Unaudited)
Actual transaction amounts	99,321	41,626	18,061
Utilisation rate (%)	85.82%	23.24%	7.56%

The utilization of the annual cap for 2022 and 2023 is relatively low, primarily due to the continued impact of the COVID-19 (especially its social mobility restrictions) and the general negative downturn of the Chinese real estate industry. These factors have resulted in a delay or a decrease in the number of property projects launched by the Beijing Tongdao Group in 2022 and 2023. Policies implemented in recent years to contain the outbreak of the COVID-19 have directly slowed down the construction of new properties and have also directly affected the progress of construction, thereby affecting the demand for pre-delivery services, construction site management services and sales venues management services.

Taking into account the low utilization rate, the Board has decided to lower the proposed annual caps for the coming three years ending on December 31, 2026.

## LETTER FROM AMPLE CAPITAL

*(b) Assessment on the proposed annual caps under the 2024 Value-added Services Master Framework Agreement*

Set out below the proposed annual caps under the 2024 Value-added Services Master Framework Agreement for the three years ending December 31, 2026:

	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Provision of Value-added Services	30,193	37,142	35,964

With reference to the Letter from the Board, the above proposed annual caps under the Value-added Services Master Framework Agreement are determined based on (inter alia) the following factors:

- (i) the historical transactions and transaction amounts for the provision of Value-added Services;
- (ii) the estimated volume of Value-added Services from 2024 to 2026, based on the existing volume of Value-added Services and the anticipated volume of Value-added Services, including the 39 existing contracts as of the Latest Practicable Date, with a contracted GFA of 473 million sq.m.;
- (iii) the expected completion date of the properties by the Beijing Tongdao Group, which shows a steady demand for Value-added Services; and
- (iv) the number of pipeline projects of the Beijing Tongdao Group, based on direct enquiry with the Beijing Tongdao Group.

The proposed annual cap for the year ending December 31, 2025 is higher than that for the year ending December 31, 2024. This is primarily due to the delayed commencement of construction projects due to the COVID-19. These projects are now expected to be commence construction in 2025, leading to an anticipated increase in the demand for pre-delivery services under Value-added Services for the year 2025. Further, the Beijing Tongdao Group is expected to reduce the budget for sales venue in 2026, given the increasing familiarity of the property projects. Thus, expected revenue from Value-added Services for the year 2026 reflects a slight decline from that of 2025.

In assessing the reasonableness of the proposed annual caps of the Value-added Services, we discussed with the Management the basis and assumptions underlying the projections for the Group's provision of the Value-added Services to the Beijing Tongdao Group and noted that the proposed annual caps are based on the estimated transaction amount for the provision of Value-added Services by the Group to the Beijing Tongdao Group for each of the three years ending December 31, 2026. These estimations were determined with reference to several factors:

## LETTER FROM AMPLE CAPITAL

- (i) the expected increase in demand of approximately 30% on average from the Beijing Tongdao Group for the Value-added Services, attributable to the estimated growth in the number of property projects developed by the Beijing Tongdao Group, in addition to 33 property projects under construction with a planned aggregated GFA of approximately 4.7 million sq.m.;
- (ii) the values of existing contracts of various Value-added Services entered between the Beijing Tongdao Group and the Group. As of the Latest Practicable Date, the Group had signed 39 existing contracts to provide the Value-added Services to property projects developed by the Beijing Tongdao Group and approximately RMB28.7 million in revenue would be recognised from these existing contracts in 2024;
- (iii) the expected steady increase in number of sales venues from 2024 to 2026, based on the project development schedule of the Beijing Tongdao Group and the expected recovery of real estate market in the PRC, it is expected that the number of housing units available for sale and the need for Value-added Services will steadily increase accordingly;
- (iv) the expected steady increase in the GFA from 1.6 million sq.m. in 2023 to approximately 2.8 million sq.m., 4.5 million sq.m. and 4.6 million sq.m. for each of the three years ending December 31, 2026, respectively, based on the existing contracts to be carried out in future and the GFA of the property projects to be developed by the Beijing Tongdao Group;
- (v) the estimated increase in the number of workers for construction site supervision and maintenance services; and
- (vi) the prices based on arm's length negotiations between the Group and the Beijing Tongdao Group, with reference to prevailing market price taking into account of prices and rates charged by the independent third party services providers for comparable services and locations.

Based on the above, we have obtained and reviewed the detailed schedule provided by the Group which shown (i) the estimated volume of Value-added Services from 2024 to 2026 (including the existing volume of Value-added Services and the anticipated volume of Value-added Services); (ii) the expected completion dates of the properties by the Beijing Tongdao Group, indicating a steady demand for Value-added Services; and (iii) the number of pipeline projects of the Beijing Tongdao Group which aligns with and corresponds to the proposed annual caps for the provision of Pre-delivery Property Management Services.

In light of the above, we consider the basis for determining the proposed annual caps for the provision of Value-added Services are in normal commercial term and is fair and reasonable.

## LETTER FROM AMPLE CAPITAL

### 3. *The 2024 Sales Agency Services Framework Agreement*

#### (a) *Historical Annual Caps and Historical Transaction Amounts*

##### Provision of Sales Agency Services

Set out below the Sales Agency Services' historical annual caps and the actual transaction amounts for the FY2021, FY2022 and the nine months ended September 30, 2023:

<b>Provision of Sales Agency Services</b>	<b>FY2021</b> <i>(RMB'000)</i>	<b>FY2022</b> <i>(RMB'000)</i>	<b>FY2023</b> <i>(RMB'000)</i>
Historical annual caps	133,386	193,809	277,281
			<b>For the nine months ended September 30, 2023</b>
	(Audited)	(Audited)	(Unaudited)
Actual transaction amounts	132,095	46,647	17,944
Utilisation rate (%)	99.03%	24.07%	6.47%

The actual transaction amounts for the provision of the Sales Agency Services for FY2021, FY2022 and the nine months ended September 30, 2023 had utilization rate of approximately 99.03%, 24.07% and 6.47%, the utilization of the historical annual caps was significantly reduced since FY2022 and utilised less than expected at the time when determining the caps back in year 2020.

The actual transaction amounts for the Sales Agency Services for FY2022 and FY2023 provided by the Group to the Beijing Tongdao Group were utilised lower than expected mainly due to the fact that (i) the business of the Group and the Beijing Tongdao Group was negatively impacted by the slowdown in the real estate industry in the PRC resulting from the COVID-19 in 2021, leading to a significant decrease in demand for the Sales Agency Services; and (ii) the continuing effects of the COVID-19 and the slower than expected recovery of business volume despite the gradual loosening of COVID-19 restrictions in the PRC in 2022, leading to a less than expected demand for Sales Agency Services.

## LETTER FROM AMPLE CAPITAL

### Maximum daily balance of the Refundable Deposits

Sets out below are the maximum daily balance of the Refundable Deposits' historical annual caps and the actual transaction amounts for the three years ended December 31, 2023:

<b>Maximum daily balance of the Refundable Deposits</b>	<b>FY2021</b> <i>(RMB'000)</i>	<b>FY2022</b> <i>(RMB'000)</i>	<b>FY2023</b> <i>(RMB'000)</i>
Historical annual caps	70,000	200,000	200,000
			<b>Balance as at the nine months ended September 30, 2023</b>
	(Audited)	(Audited)	(Unaudited)
Actual transaction amounts	68,136	197,270	93,737
Utilisation rate (%)	97.34%	98.64%	46.87%

The utilisation of annual cap for the provision of the sales agency services in 2022 and 2023 was lower, primarily due to the continued impact of the COVID-19 (especially its social mobility restrictions) and the general negative downturn of the Chinese real estate industry. These factors have resulted in a delay and a decrease in the number of property projects launched by the Beijing Tongdao Group in 2022 and 2023. Policies implemented in recent years to contain the outbreak of the COVID-19 have directly slowed down the construction of new properties and have also directly affected the sales of properties. Taking into account the low utilization rate, the Board has decided to lower the proposed annual caps for the three years ending on December 31, 2026.

The utilisation of annual cap for the maximum daily balance of the Refundable Deposits in 2023 was lower. This is primarily based on the current development of the Chinese real estate market and the Company's slight adjustment in strategic direction. The Group wish to focus on exploring providing services to the government and other third parties. The Group is directing more resources towards providing Sales Agency Services for government office buildings, high-end office spaces, sports venues, and other urban service businesses. Taking into account the low utilization rate, the Board has decided to lower the proposed annual caps for the maximum daily balance of the Refundable Deposits for the three years ending on December 31, 2026.

## LETTER FROM AMPLE CAPITAL

The Refundable Deposit for obtaining the exclusive right to sell first-hand properties and parking spaces does not directly correlate with the actual transaction amounts of the Sales Agency Services. Instead, the Refundable Deposit represents the value of exclusivity granted to the Group, allowing the Group to market and sell the first-hand properties and parking spaces without competition from other sales agencies. The annual cap of the Refundable Deposit reflects the Group's recognition of the potential financial gains associated with this exclusivity. The actual transaction amount of the Sales Agency Service, on the other hand, is influenced by market conditions and demand, and pricing trends.

*(b) Assessment of the proposed annual caps under the 2024 Sales Agency Services Framework Agreement*

Set out below are the proposed annual caps under the 2024 Sales Agency Services Framework Agreement for the three years ending December 31, 2026:

	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Provision of Sales Agency Services	48,393	62,971	74,450
Maximum daily balance of the Refundable Deposits	100,000	100,000	100,000

With reference to the Letter from the Board, the above annual caps under the Sales Agency Services Framework Agreement are determined based on (inter alia) the following factors:

- (i) the historical transactions and transaction amounts for the provision of Sales Agency Services and the Refundable Deposits;
- (ii) the estimated value of first-hand properties available for sale, as well as the estimated value of unsold parking spaces, for the three years ending December 31, 2024, 2025 and 2026, given the gradual recovery of the real estate market in the PRC; and
- (iii) the Group's cash flow and working capital. The Group generally targets to maintain a utilisation of cash and cash equivalents by the maximum daily balance of the Refundable Deposits of not more than 60% in order to maintain sufficient working capital of the Group, subject to the prevailing conditions of the market and the Group. As of June 30, 2023, the Group's cash and cash equivalents amounted to approximately RMB373 million. The proposed annual caps of RMB100,000,000 for 2024, 2025 and 2026 represents approximately 26.8% of the cash and cash equivalents balance of the Group as of June 30, 2023.



## LETTER FROM AMPLE CAPITAL

Based on the estimated transaction amount for the provision of the Sales Agency Services by the Group to the Beijing Tongdao Group for each of the three years ending December 31, 2026, we have obtained a schedule provided by the Group and discussed the basis with the Management and noted that (i) the total values of the first-hand properties that have been contracted and are expected to be contracted by the Beijing Tongdao Group to the Group for the three years ending December 31, 2026 are estimated to be approximately RMB290 million, RMB770 million and RMB1.9 billion, respectively; (ii) the total values of unsold parking spaces that have been contracted and are expected to be contracted by the Beijing Tongdao Group to the Group for the three years ending December 31, 2026, which are estimated to be approximately RMB260 million, RMB350 million and RMB480 million, respectively; (iii) the historical commission rate within 2% to 14% charged for first-hand properties; and (iv) the average historical commission rate of approximately 55% charged for unsold parking spaces. The commission rate charged on first-hand properties and parking spaces are determined with reference to the popularity and location of the respective property projects and the real estate market condition.

We have further noted the Group estimates there will be an increase in total value of first-hand properties available for sales outside Zhenzhou and newly developed first-hand properties, as well as an increase in the total value of unsold parking spaces for each of the three years ending December 31, 2026, which would be constantly contracted to the Group from the Beijing Tongdao Group. It is estimated there would be approximately 6, 8 and 10 property projects to be developed and approximately 2,618, 3,490 and 4,363 parking spaces to be sold by the Beijing Tongdao Group, for each of the three years ending December 31, 2026, respectively, based on the property development plan of the Beijing Tongdao Group.

With respect to the proposed annual caps of maximum daily balance of the Refundable Deposits for the three years ending December 31, 2026, in conducting our analysis, we have primarily made reference to (i) the development and prospect of the property business of the Beijing Tongdao Group; and (ii) the liquidity position of the Group.

We have conducted research from the public domain regarding the background of Beijing Tongdao Group and noticed that it has been rewarded a number of awards and recognitions within the real estate industry in the PRC. For instance, the Beijing Tongdao Group has been jointly selected by the Chinese Real Estate Industry Association (中國房地產行業協會) and the China Enterprise Evaluation Association (中國企業評價協會) as one of the Top 100 Real Estate Developers in China (中國房地產企業100強) for 2021.

## LETTER FROM AMPLE CAPITAL

Additionally, we have conducted research from the public domain regarding the future outlook of the real estate market. Based on the article “China real estate will pull out of slump in 2024–25” published on 19 September 2023 by Nikkei Asia (日經亞洲), a Chinese economist Zhang Yansheng (張燕生) considered that, as China’s real estate market is recovering, in 2024 to 2025, the market will gradually return to normal. He further suggested that investment and consumption should be increased through the construction of infrastructure and real estate if the China government launched a large-scale fiscal stimulus. This can also lead to high growth over the next 10 to 15 years.

We also noted that the PRC government has implemented certain supportive policies and eased administrative control measures with the aim of revitalising the property market. For instance, in November 2022, the People’s Bank of China (中國人民銀行) and the China Banking and Insurance Regulatory Commission (中國銀保監) jointly announced 16 measures (《關於做好當前金融支持房地產市場平穩健康發展工作的通知》，簡稱「金融16條」) to ensure the sustainable development of the housing sector and encourage financial institutions to support real estate financing. The focus of these supporting policies has shifted from ensuring the timely delivery of real estate projects to protecting market players, aiming to mitigate the liquidity risks for real estate developers.

Further, in March 2023, the PRC government set a target of 5% GDP growth for 2023. In August 2023, the Ministry of Housing and Urban-Rural Development (中國住房城鄉建設部), the People’s Bank of China (中國人民銀行) and the China Banking and Insurance Regulatory Commission (金融監管總局) jointly announced guidance on relaxing residential housing loan rules (《關於優化個人住房貸款中住房套數認定標準的通知》，簡稱「認房不認貸」), in a move aimed at boosting loan applications and house purchase.

Based on the above, we are of the view that these PRC government supportive policies will be helpful in boosting homebuyer confidence and releasing reasonable property demand, thereby supporting the demand for the services to be provided by the Group.

Accordingly, considering (i) the established operations and extensive property portfolio of the Beijing Tongdao Group; (ii) the general recovery of the real estate market; and (iii) the supportive policies from the PRC government, it is expected that the Beijing Tongdao Group shall continue to maintain a significant number of first-hand properties and unsold parking spaces which shall demand the Sales Agency Services from the Group in the near future.

## LETTER FROM AMPLE CAPITAL

Based on our discussions with the Management, we understand that under the same terms and conditions, the Beijing Tongdao Group shall give priority to choosing the Group over other competitors as the exclusive sales agent for its first-hand properties and unsold parking spaces. In view of the extensive property portfolio of the Beijing Tongdao Group, in determining the proposed annual caps for each of FY2024, FY2025 and FY2026, the Management has primarily considered the liquidity position of the Group. As set out previously in this letter, the Group generally targets to maintain a utilisation of cash and cash equivalents by the maximum daily balance of the Refundable Deposits of not more than 60% in order to maintain sufficient working capital of the Group, subject to the prevailing conditions of the market and the Group. Based on our assessment, the historical maximum daily balance of the Refundable Deposits for the nine months ended September 30, 2023 of approximately RMB93.7 million represented approximately 25.1% of the cash and cash equivalents balance of the Group as at June 30, 2023; and the proposed annual cap of RMB100 million for each of the three years ending December 31, 2026 represents approximately 26.8% of the cash and cash equivalents balance of the Group as at June 30, 2023. Moreover, the utilisation rate of annual caps of the maximum daily balance of Refundable Deposits for FY2021 and FY2022 representing a significant utilisation rate of approximately 97% and 99% of the proposed annual caps for FY2021 and FY2022.

Taking into consideration of (i) the expected constant number of first-hand properties and unsold parking spaces of the Beijing Tongdao Group as supported by, among others, its established operations and the extensive property portfolio, as well as the general recovery of the real estate market; (ii) the historical utilisation of approximately 25.1% of the Group's cash and cash equivalents balance as at June 30, 2023 by the corresponding historical maximum daily balance of the Refundable Deposits, which was within the utilisation range generally acceptable to the Group; and (iii) the significant historical utilisation of the proposed annual caps for FY2021 and FY2022, we are of the view that the proposed annual caps under the 2024 Sales Agency Services Framework Agreement are in normal commercial terms, and are acceptable, fair and reasonable.

#### ***4. Internal control and monitoring procedures***

To ensure the aforesaid transactions are carried out in a fair and reasonable manner and in accordance with their terms under the abovementioned agreements, the Company has adopted the following internal control measures:

- (i) before entering into of individual agreement for each project, the relevant departments of the Group will obtain quotations from at least two independent third party service providers for comparable services in order to determine the prevailing market rates and will submit such quotations and individual agreement to the Group's finance department for approval;

## LETTER FROM AMPLE CAPITAL

- (ii) the Group's finance department will continuously inspect and regularly collect and evaluate the pricing principles, transaction terms and actual transaction amounts under the abovementioned agreements to ensure that the transactions thereunder are conducted on normal commercial terms or on terms no less favourable than those available from independent third parties and that the total transaction amounts will not exceed the proposed annual caps;
- (iii) during the term of the abovementioned agreements, if there is a likelihood that the proposed annual caps may be exceeded, the finance department of the Group will report the matter to the Company's senior management, who shall negotiate with the Beijing Tongdao Group to take remedial actions immediately, including the suspension of transactions. The Company shall renegotiate with the Beijing Tongdao Group to revise such proposed annual caps and re-comply with all relevant laws and regulations and the Listing Rules (where applicable, the announcement requirement and the Independent Shareholders' approval requirement); and
- (iv) the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and transaction amounts to ensure it is within the proposed annual caps under the abovementioned agreements.

In order to ascertain the prevailing market price, the sales department of the Group and its designated personnel will, on a quarterly basis, invite quotations from at least two independent third parties for the provision of the same or similar services or products with comparable scope or quantities and quality under normal commercial terms in the ordinary course of business of such independent third parties; or if applicable, the price list of services or products procured by the Beijing Tongdao Group from independent third parties for same or similar services or products with comparable scope or quantities and quality as provided by the Group to the Beijing Tongdao Group. The sales department of the Group will then compare the market price with the fees under individual transactions pursuant to the 2024 Framework Agreements, and make evaluation and assessment to ensure that the price payable by or to be charged by the Beijing Tongdao Group will be on normal commercial terms and on terms no less favourable than that available from independent third parties. Based on the above pricing policy of Alternative Settlement Mechanism, we therefore of the view that such arrangement of Alternative Settlement Mechanism for the service fees is fair and reasonable.

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Further, we understood and obtained the internal control procedures in respect of its continuing connected transactions with the Beijing Tongdao Group (“**CCT Internal Control Procedures**”) that the Group has adopted and will continue to adhere to the following CCT Internal Control Procedures in order to safeguard the interests of the Group:

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

## LETTER FROM AMPLE CAPITAL

Meanwhile, we have randomly selected, reviewed and compared in total of 6 contracts for each of the provision of Pre-delivery Property Management Services, Value-added Services and Sales Agency Services of the Group entered with the Beijing Tongdao Group and contracts of the Group entered with the independent third parties. We noted that for each contract, (i) the scope of services is similar; (ii) the payment terms are similar; and (iii) the fees or commission charged by the Group to the Beijing Tongdao Group are higher or no less favourable than those charged by the Group to the independent third parties. We therefore considered the payment terms and the fees or commission charged by the Group to the Beijing Tongdao Group are no less favourable than those offered by the Group to the independent third parties. Given that all selected samples were selected on a random basis and distributed over the period spanning the three years ending December 31, 2023, we consider the selected samples are fair and representative.

On the other hand, we have randomly selected, reviewed and obtained 3 quotations in respect of the provision of Value-added Services; 4 tenders in respect of provision of Pre-delivery Property Management Services; and 12 quotations in respect of provision of Sales Agency Services provided by the Group to the independent third parties and Beijing Tongdao Group and we have compared the pricing policies, payment policies and salaries breakdown of workers mentioned in the selected quotations or tenders and noted that (i) the Group does not impose any pre-payment terms onto the Beijing Tongdao Group in relation to the 2024 Framework Agreements and onto independent third parties in transactions similar to the 2024 Framework Agreements; and (ii) the terms of selected quotations and tenders the Group provided to the Beijing Tongdao Group are no less favourable than those offered by the Group to the independent third parties.

Further, according to the Letter from the Board, before entering into of individual agreement for each project, the relevant departments of the Group will obtain quotations from at least two independent third party service providers for comparable services in order to determine the prevailing market rates and will submit such quotations and individual agreement to the Group's finance department for approval. In this regard, we have obtained and reviewed the related quotations offered to independent third parties against our selected quotations and tenders provided by the Group to Beijing Tongdao Group and noted that such internal control policies have been followed.

As advised by the Management, the Company has been providing internal trainings and will obtain internal approvals on connected transaction and noted that the Group has been regularly (1) reviewing, monitoring and verifying the existing data base relating to continuing connected transactions (including identity of connected persons, annual cap amount, monthly transaction amount and cumulated amount etc.) to ensure accuracy; and (2) providing continuous internal trainings on connected transaction to all the relevant personnel, accounting staff, internal auditor and senior management in all business departments of members of the Group on a regular basis. Based on the above, the Management confirmed and we concur that the CCT Internal Control Procedures are in place to ensure the selected transactions are fair and reasonable and on the normal commercial terms.

## LETTER FROM AMPLE CAPITAL

Specifically in relation to the Refundable Deposits pursuant to 2024 Sales Agency Services Framework Agreement, as advised by the Management, the Company did not and will not use its proceeds from the initial public offering for the payment of the Refundable Deposits. Instead, the Refundable Deposits payable by the Group were and will continue to be funded by the Group's internal resources generated from its operations. We have, in this regard, enquired the Management regarding its policies to maintain sufficient funding for the Group to maintain its operations, and we were advised that the Group generally adopts a policy under which the maximum daily balance of Refundable Deposits shall not be more than 60% of the cash and cash equivalents balance.

Further, based on our discussions with the Management, the finance department of the Company regularly monitor and compare from time to time the prevailing cash and cash equivalents balance of the Group with other factors including, among others, the expected upcoming payment schedule of the Refundable Deposits, the prevailing outstanding balance of the paid Refundable Deposits and the expected required working capital for its business operations in the next 12 months. In particular, the finance department of the Company shall, on a weekly basis, compare the expected maximum daily balance of the Refundable Deposits payable to the Beijing Tongdao Group for the upcoming week based on the definitive agreements executed thus far with the then prevailing cash and cash equivalents balance of the Group in order to ensure that the aforesaid 60% threshold is not exceeded. Before entering into each new definitive agreement, the Management shall also make reference to the potential new maximum daily balance of the Refundable Deposits computed based on the relevant underlying payment terms, and shall only enter into such new agreement if the potential new maximum daily balance of the Refundable Deposits represents a utilisation of not more than 60% of the prevailing expected cash and cash equivalents balance of the Group. With the aforesaid working capital management policy and internal control policies in place, as well as the potential income to be generated by the Group through the payment of the Refundable Deposits and other businesses, we concur with the view of the Management that there are sufficient and effective internal control measures in place to monitor that the maximum daily balance of Refundable Deposits shall not be more than the 60% threshold and the Company would have sufficient funding for its operations.

In view of the above and having considered that (i) the CCT Internal Control Procedures is in place to monitor the transactions under the 2024 Framework Agreements; (ii) the payment terms and the service fees charged by the Group to the Beijing Tongdao Group are no less favourable than those offered by the Group to the independent third parties; (iii) the quotations and the tenders the Group provided to the Beijing Tongdao Group are no less favourable than those offered by the Group to the independent third parties; and (iv) the CCT Internal Control Procedures in relation to the selected transactions are in place and adopted by the Group. We consider the terms of the 2024 Framework Agreements are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

**5. *Alternative Settlement Mechanism***

The Company and the Beijing Tongdao agreed to the following mechanism as an additional means to settle the service fees due and payable by the Beijing Tongdao Group to the Group under the 2024 Framework Agreements:

- (i) in the event that the Beijing Tongdao Group is unable to pay any Outstanding Payables, the Group may elect to accept assets from the Beijing Tongdao Group's unsold property assets (including but not limited to office buildings, shops, commercial housing and car parking space), of which Beijing Tongdao Group have the right to transfer or dispose free from all encumbrances, as partial or full settlement of Outstanding Payables.

Valuation of such assets shall be conducted by an independent property valuer appointed by the Group. For the avoidance of doubt, the fees of the engagement of the independent property valuer shall be borne by the Beijing Tongdao Group. The reference date for the purpose of valuating the Offset Assets shall be no longer than three months from the date of the intended transfer. The valuation shall adopt the market approach, by making reference to the comparable properties in the relevant locality with similar size, character and location. The value of such Offset Assets, as assessed by the independent property valuer, shall not exceed the value of the Outstanding Payables.

The list of such Offset Assets shall be finalized and confirmed by the Company and Beijing Tongdao. Once the Group elects to accept such Offset Assets to settle the Outstanding Payables (whether in full or in part), the Beijing Tongdao Group may not dispose of, create encumbrances or otherwise deal with the Offset Assets;

- (ii) if the Group elects to accept such Offset Assets to settle the Outstanding Payables (whether in full or in part), the Group and the Beijing Tongdao Group shall enter into a transfer agreement in respect of the Offset Assets, under which the consideration for the transfer of the Offset Assets by the Beijing Tongdao Group to the Group shall be offset against the Outstanding Payables;
- (iii) the Beijing Tongdao Group agreed to grant the Group a one-time free right to request any party designated by the Company to be named as the registered owner of the Offset Assets within two years commencing from the effective date of the property transfer agreement;
- (iv) the Beijing Tongdao Group agreed that during the Naming Period, the Group may request to exchange any Offset Asset initially identified and subject to the property transfer agreement for one or more other property asset(s) held by the Beijing Tongdao Group of equal value, including but not limited to office buildings, shops, commercial housing and car parking space; and
- (v) the transaction fees and expenses (including the independent property valuer's fees and property tax) shall be borne by the Beijing Tongdao Group.



## LETTER FROM AMPLE CAPITAL

In considering whether to accept certain assets as the Offset Assets to settle the Outstanding Payables (in part or in full), the Group considers the following key factors:

1. Beijing Tongdao Group must have the right to transfer or dispose of such asset, free from all encumbrances;
2. whether the asset is a property development project which is already under the Group's management or has been contracted to Group to manage. The Group prioritizes assets tied to the projects where the Group serves as a property management service provider, as the Group will be able to (a) continue being its property management service provider, and (b) sell the property units to new owners at a higher price and maximize potential profits. Further, the Group's familiarity with the property project shall facilitate efficient and timely asset liquidation in the future;
3. value of the property tax, repair and refurbishment costs and other expenses to be borne by the Group after completion of the transfer; and
4. the resale value and any potential for appreciation of value of the Offset Assets, to ascertain potential challenges the Group may encounter when selling the Offset Assets in the future.

As disclosed in the Letter from the Board, the Alternative Settlement Mechanism as contemplated under the 2024 Framework Agreements for the service fees allows the Group to have greater flexibility in recovering receivables from the Beijing Tongdao Group. The Group shall transfer the Offset Assets to third-party suppliers to settle other payables due from the Group to such suppliers, or may sell or let out the Offset Assets to third-parties for cash.

In assessing the reasonableness and fairness of Alternative Settlement Mechanism for the service fees, we have discussed with the Management and further noted that the value of the relevant Offset Assets shall be determined jointly by the Company and the Beijing Tongdao Group at the time of the signing of the property transfer agreement after arm's length negotiation and with reference to (i) the valuation of the Offset Assets; (ii) the recent sales prices of the property projects in which the Offset Assets are located; and/or (iii) the recent sales prices of similar properties in the surrounding area of the Offset Assets. Such valuation principles are also applicable to the Company's request to exchange Offset Assets for one or more other property asset(s) held by the Beijing Tongdao Group of equal value.

Furthermore, we have obtained and compared the principal terms of (i) Pre-delivery Property Management Services Framework Agreement; (ii) the Value-added Services Master Framework Agreement; and (iii) the Sales Agency Services Framework Agreement and Supplemental Sales Agency Services Agreement, with the 2024 Framework Agreements. We noted that other than the new terms of "Alternative Settlement Mechanism for the commission and agency fees", the principal terms of 2024 Framework Agreements are substantially the same.

## LETTER FROM AMPLE CAPITAL

In addition, we understand from the Management that as adversely impacted by the macroeconomic environment and the COVID-19, the Beijing Tongdao Group has been facing liquidity pressure in the past few years and Beijing Tongdao Group has previously defaulted on payment of service fees.

We also noted from the 2023 Interim Report, the Group's trade receivables and prepayment has recorded a substantial amount of outstanding trade and other receivables with related parties (from entities controlled by Mr. Song and Joint ventures of entities controlled by Mr. Song) of approximately RMB407.7 million as at June 30, 2023. Hence, based on the information provided by the Management, we noted that as at 30 June 2023, the service fees due from the Beijing Tongdao Group amounted to over RMB290 million; majority of which were past due for more than one year.

Considering the above, we concur with the Management's view that the Alternative Settlement Mechanism provided under the 2024 Framework Agreements enables the Group to have more flexibility in the collection of receivables from the Beijing Tongdao Group, which in turn, can better safeguard the Group and the Shareholders' interests from financial perspective. We have further noted that the Group is entitled, but not obliged to accept and agree to any proposed settlement by the Offset Assets, subject to the Group's reasonable evaluation and assessment of different factors from time to time, including but not limited to, the financial conditions of the Group, the composition and conditions of the Offset Assets, the benefits of such arrangement to the Company and the Shareholders and the results of the due diligence (if any) on the Offset Assets. In addition, the value of the Offset Assets would be valued by an independent professional valuer and shall be mutually confirmed by the Company and Beijing Tongdao.

Taking into account the liquidity position of the Beijing Tongdao Group, as well as the fact that it is at the Group's full discretion to accept and agree to any proposed settlement by the Offset Assets, we concur with the Management's view that the Alternative Settlement Mechanism under each of the 2024 Framework Agreements is in the interests of the Company and the Shareholders as a whole.

Moreover, in light of the liquidity position of the Beijing Tongdao Group (for instance, its substantial amount of outstanding trade and other receivables to the Group as elaborated above), such alteration aims to provide flexibility for the Group in the collection of receivables from the Beijing Tongdao Group.

## LETTER FROM AMPLE CAPITAL

In this regard, we have conducted desktop search on recent announcements published by the PRC property management companies that are listed on the Stock Exchange since the second half of 2023 which reflects the recent sentiment and prevailing practice in the PRC. Accordingly, we noted that there were 3 PRC property management companies entered into agreements with their respective shareholders, being property developers in the PRC, to accept receiving assets to settle the outstanding payables due under their respective existing continuing connected transactions as follows.

Date of announcement	Company name (Stock code)	How the value of their offset properties determined	Details of transaction
11 August 2023	Jinke Smart Services Group Co., Ltd. (9666.HK)	<p>The Offset Properties were determined jointly by Jinke Smart Services Group and Jinke Property Group.</p> <p>The Offset Properties were appraised by an independent and qualified valuer using a market approach.</p>	<p>On 11 August 2023, Jinke Smart Services Group Co., Ltd. (together with its subsidiaries, the “<b>Jinke Smart Services Group</b>”) entered into property transfer agreements with Jinke Property Group Co., Ltd., (together with its subsidiaries, excluding the Jinke Smart Services Group, the “<b>Jinke Property Group</b>”), pursuant to which Jinke Property Group shall transfer 36 properties (the “<b>Offset Properties</b>”) to the Jinke Smart Services Group to serve as payment in lieu of the payables arising from continuing connected transactions in relation to the provision of property management services by the Jinke Smart Services Group to the Jinke Property Group. The 36 Offset Properties consist of 19 residential properties, 6 commercial properties, 8 office buildings and 3 industrial properties.</p>

## LETTER FROM AMPLE CAPITAL

Date of announcement	Company name (Stock code)	How the value of their offset properties determined	Details of transaction
28 August 2023	A-Living Smart City Services Co., Ltd. (3319.HK)	<p>The offset assets were determined jointly by A-Living Group and Agile Group.</p> <p>The offset assets were appraised by an independent and qualified valuer using a market approach.</p>	<p>On 28 August 2023, A-Living Smart City Services Co., Ltd. (together with its subsidiaries, the “<b>A-Living Group</b>”) entered into supplemental agreements to their existing continuing connected transactions agreements with Agile Group Holdings Limited (together with its subsidiaries, excluding the A-Living Group, the “<b>Agile Group</b>”), pursuant to which in the event Agile Group is unable to pay the outstanding service fee payable under the relevant existing continuing connected transactions agreements, the A-Living Group may elect to accept assets from the Agile Group’s unsold property assets (including but not limited to office buildings, shops and commercial housing) as settlement of the outstanding payables.</p>

## LETTER FROM AMPLE CAPITAL

Date of announcement	Company name (Stock code)	How the value of their offset properties determined	Details of transaction
28 August 2023	Aoyuan Healthy Life Group Company Limited (3662.HK)	<p>The designated assets were determined jointly by Aoyuan Healthy Group and China Aoyuan Group.</p> <p>The designated assets were valued by an independent professional valuer.</p>	<p>On 28 August 2023, Aoyuan Healthy Life Group Company Limited (together with its subsidiaries, the “<b>Aoyuan Healthy Group</b>”) entered into supplemental agreements to their existing continuing connected transactions agreement with China Aoyuan Group Limited (together with its subsidiaries, the “<b>China Aoyuan Group</b>”), pursuant to which in the event that China Aoyuan Group is not able to settle the service fees in cash within the prescribed period, the Aoyuan Healthy Group and China Aoyuan Group may negotiate alternative payment method in good faith. China Aoyuan Group may transfer the designated assets in settlement of the relevant service fees to the Aoyuan Healthy Group.</p>
	<b>The Company</b>	<p><b>The Offset Assets were determined jointly by the Group and Beijing Tongdao.</b></p> <p><b>The valuation of Offset Properties shall be conducted by an independent property valuer using market approach.</b></p>	Refer to the Letter from the Board.

According to the table above, we noted that (i) the above transactions are comparable to the Alternative Settlement Mechanism contemplated under the 2024 Framework Agreements where both involving a PRC property management company accepting assets as settlement method for payables due under the continuing connected transactions from its shareholder, being a PRC property developer; and (ii) under the settlement mechanisms of those industry comparables, the value of their respective offset assets would be appraised by an independent and qualified property valuer which are aligns with the Group’s settlement mechanism.

## LETTER FROM AMPLE CAPITAL

Therefore, we are of the view that (1) such Alternative Settlement Mechanism can provide an alternative settlement method for the Group to collect its receivables due from the Beijing Tongdao Group and is not an uncommon practice among the industry comparables; and (2) the Group's Alternative Settlement Mechanism with Beijing Tongdao used to determine the value of the Offset Assets under the 2024 Framework Agreements is comparable and is fair and reasonable.

Further, we understand that the Group, before making any decision on the proposed settlement by the Offset Assets, will evaluate and consider, amongst others, likelihood of the Beijing Tongdao Group to settle the receivables by cash, as well as whether the Offset Assets are readily realisable or convertible into cash. As advised by the Management, settlement through Offset Assets will only be considered as a secondary option when settlement by cash is unlikely after thorough assessment made by the Group. We therefore considered that in the case where the likelihood of cash settlement by the Beijing Tongdao Group is low, it will be an option for the Group to obtain Offset Assets as an alternative settlement method as compared to receivables being uncollectable.

In addition, we understand that the Group will negotiate with the Beijing Tongdao Group for Offset Assets that might be used or occupied by the Group or are more readily realisable into cash. In this regard, we noted that the Group may elect to accept assets from the Beijing Tongdao Group's unsold property assets (including but not limited to office buildings, shops, commercial housing and car parking space), of which Beijing Tongdao Group have the right to transfer or dispose free from all encumbrances, as partial or full settlement of Outstanding Payables. Therefore, we believe that in the case where settlement through Offset Assets has to be considered, the Beijing Tongdao Group should possess certain assets that may be readily converted into cash for the Group to negotiate for. Having considered the above as well as the prevailing market practice, we are of the view that the Alternative Settlement Mechanism under the 2024 Framework Agreement is fair and reasonable.

In view of the abovementioned, we are of the view that the arrangement of Alternative Settlement Mechanism and terms of the 2024 Framework Agreements are in normal commercial terms and is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

**6. *Reasons for and benefits of entering into the 2024 Framework Agreements***

As stated in the Letter from the Board, the provision of the Pre-delivery Property Management Services, Value-added Services and Sales Agency Services are the Group's core business activities. The Group will continue to generate revenue by providing Pre-delivery Property Management Services, Value-added Services and Sales Agency Services based on the respective existing agreements under the 2024 Framework Agreements.

According to our desktop research, the Group is a reputable comprehensive property management service provider in the PRC, with a leading position in Henan. In April 2023, the Group was awarded the title of "2023 China Top 100 Property Management Companies" (2023年中國物業服務百大企業名單) by China Index Academy (中國指數研究院). The 2024 Value-added Services Master Framework Agreement support the continual business development of the Group.

The Sales Agency Services provided by the Group to the Beijing Tongdao Group contemplated under the Sales Agency Services Framework Agreement are consistent with the business and commercial objectives of the Group. Leveraging the Group's long-term relationship with the Beijing Tongdao Group, the entering into of the Sales Agency Services Framework Agreement enables the Group to continue to diversify its income streams.

Furthermore, by making payments of the Refundable Deposits pursuant to the 2024 Sales Agency Services Framework Agreement, the Group has obtained, and shall obtain, the exclusive right to provide the Sale Agency Services in respect of some of the first-hand properties and unsold parking spaces of the Beijing Tongdao Group on an exclusive and sole basis. Leveraging on the background and operations of the Beijing Tongdao Group, the entering into of the 2024 Sales Agency Services Framework Agreement does not only allow the Group to secure a stable income stream of commission and agency fees which shall in turn enhance its profitability and returns to the Shareholders, the underlying refund mechanism for the Refundable Deposits shall also help reduce the potential risk exposure to the Group in respect of the recoverability of such deposits. We therefore of the view that the Refundable Deposits are in the interest of the Company.

In addition, we have conducted desktop search on recent announcements published by the PRC property management companies that are listed on the Stock Exchange since the second half of 2023 and noted that the below listed companies has payment of refundable deposits with connected person(s) in respect of the exclusive sales agency rights for properties and/or parking spaces in the PRC.

**LETTER FROM AMPLE CAPITAL**

<b>Company name (Stock code)</b>	<b>Date of announcement</b>	<b>Deposit rate of properties</b>	<b>Deposit rate of parking space</b>	<b>Tenure (lock-up period) (Year)</b>	<b>Maximum daily balance of the refundable deposits (RMB million)</b>	<b>Connected transaction</b>
Poly Property Services Co., Ltd. (6049.HK)	3 November 2023	N/A	Not more than 50% of the sales reserve price	Maximum 3	3,000	Yes
S-Enjoy Service Group Co., Limited (1755.HK)	27 October 2023	N/A	100% of the sales reserve prices	Upon the expiration of its relevant parking lot sales agency agreement	591	Yes
Jinmao Property Services Co., Limited (816.HK)	26 October 2023	N/A	Up to the total minimum sales price to be sold under the project	Maximum 3	600	Yes
Landsea Green Life Service Company Limited (1965.HK)	13 October 2023	100%	100% of the sales reserve prices	Maximum 3	50 to 120	Yes
Beijing Capital Jiaye Property Services Co., Limited (2210.HK)	10 October 2023	N/A	The deposits not exceeding the aggregate of the relevant value under the specific contracts	Not disclosed	60 to 68	Yes
Xinyuan Property Management Service (Cayman) Ltd. (1895.HK)	22 September 2023	N/A	100% of the sales reserve prices	Not disclosed	Not disclosed	Yes
Shimao Services Holdings Limited (873.HK)	20 July 2023	N/A	Not more than 35% of the sales reserve price	Maximum 3	264	Yes
Redsun Services Group Limited (1971.HK)	7 June 2023	N/A	100% of the sales reserve price	Maximum 3	307	Yes
<b>The Company</b>		<b>20% to 40%</b>	<b>100% of the sales reserve price</b>	<b>Maximum 3</b>	<b>100</b>	<b>Yes</b>

\* *for identification purposes only*



## LETTER FROM AMPLE CAPITAL

As shown in the table above, the relevant deposit rates underlying the applicable Comparables are 100% in respect of properties. We considered the Group's deposit rate ranging from 20% to 40% in respect of the first-hand properties under the 2024 Sales Agency Services Framework Agreement is more favourable to the Group under industry comparables.

With respect to the parking spaces, the relevant deposit rates underlying the industry comparables range from being not more than 35% to 100%, with such rates underlying four out of six applicable industry comparables being 100%. Accordingly, the deposit rate of 100% in respect of the unsold parking spaces under the 2024 Sales Agency Services Framework Agreement is in line with those under the majority of the applicable industry comparables and is justifiable.

In terms of the tenure (lock-up period) for Refundable Deposits, the majority of the comparable companies are maximum 3-years. Therefore, the tenure (lock-up period) for the Refundable Deposits is in normal and commercial terms.

Lastly, regarding the proposed annual cap amounts of maximum daily balance of Refundable Deposits, industry comparables companies have proposed caps ranging from approximately 50 million to 3,000 million. The Group's proposed annual caps of maximum daily balance of the Refundable Deposits fall within the range and therefore is fair and reasonable.

In view of the above-mentioned factors, the Refundable Deposits under the 2024 Sales Agency Services Framework Agreement is in line with industry comparables and is not an uncommon practice among the industry comparables, we are of the view that the entering into of the 2024 Framework Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company.

## LETTER FROM AMPLE CAPITAL

### RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the terms of the 2024 Framework Agreements have been entered into and conducted in the ordinary and usual course of business of the Group based on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM.

Yours faithfully,  
for and on behalf of  
**Ample Capital Limited**  
**H.W. Tang**                      **K.Y. Law**  
*President*                              *Vice President*

*Mr. H.W. Tang is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. H.W. Tang has over 19 years of experience in the corporate finance industry.*

*Ms. K.Y. Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Ms. K.Y. Law has over 10 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 OF DIRECTORS AND CHIEF EXECUTIVES

### (a) Directors' and chief executives' interests or short positions in Shares, underlying Shares and debentures of the Company

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

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

Name of Director	Nature of interest	Number of Shares held <sup>(1)</sup>	Approximate percentage of total number of issued Shares
Mr. Song <sup>(2)</sup>	Founder of a discretionary trust, interest in a controlled corporation	498,750,000	71.25%

Notes:

(1) (L) — long position.

(2) The entire share capital of Kangqiaoyue Shenghuo BVI is wholly owned by Hung Fai Property Limited. The Eternity Trust is a discretionary trust set up by Mr. Song as the settlor on November 10, 2020 for the benefit of Kangqiao Taichen Holdings Limited (a limited company incorporated in the British Virgin Island and wholly owned by Mr. Song) and his family members with Trident Trust Company (South Dakota) Inc. (“**Trident Trust**”) acting as the trustee. Mr. Song (as the founder of the Eternity Trust) and Trident Trust are taken to be interested in the Shares held by Kangqiaoyue Shenghuo BVI under the SFO.

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

Name of associated corporation	Name of Director/ chief executive	Nature of interest	Number of shares held <sup>(1)</sup>	Approximate percentage of total number of issued shares of the relevant class of the relevant associated corporation
Kangqiaoyue Shenghuo BVI	Mr. Song	Founder of a discretionary trust, interest in a controlled corporation	100	100%

*Note:*

(1) (L) — long position.

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

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

Name of Director	Position held
Mr. Song	Director of Kangqiaoyue Shenghuo BVI

### **3. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

### **4. DIRECTORS' INTERESTS IN ASSETS**

As of the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### **5. DIRECTORS' INTERESTS IN CONTRACTS**

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

- (i) the Pre-delivery Property Management Services Framework Agreement;
- (ii) the Value-added Services Master Framework Agreement;
- (iii) the Sales Agency Services Framework Agreement;
- (iv) the Supplemental Sales Agency Services Framework Agreement;
- (v) the 2024 Pre-delivery Property Management Services Framework Agreement;
- (vi) the 2024 Value-added Services Master Framework Agreement; and
- (vii) the 2024 Sales Agency Services Framework Agreement.

### **6. DIRECTORS' INTERESTS IN SERVICE CONTRACTS**

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

## 7. EXPERT AND CONSENT

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

<b>Name</b>	<b>Qualification</b>
Ample Capital Limited	A licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities

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

As of the Latest Practicable Date, Ample Capital did not have any direct or indirect interest in any assets which had been, since December 31, 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

Ample Capital, the independent financial adviser, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and references to its name in the form and context in which they respectively appear.

## 8. MATERIAL ADVERSE CHANGE

The Directors confirm that, as of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## 9. DOCUMENTS ON DISPLAY

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

- (a) the 2024 Pre-delivery Property Management Services Framework Agreement;
- (b) the 2024 Value-added Services Master Framework Agreement;
- (c) the 2024 Sales Agency Services Framework Agreement;
- (d) the letter from Ample Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (e) the letter from the Independent Board Committee to Independent Shareholders, the text of which is set out in this circular;

- (f) the written consent from Ample Capital referred to in the section headed “7. Expert and Consent” in this Appendix; and
- (g) this circular.

## NOTICE OF EGM



**Kangqiao Service Group Limited**  
**康橋悅生活集團有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 2205)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “**EGM**”) of Kangqiao Service Group Limited (the “**Company**”) will be held at Conference Room, 24F, Huacheng International Center, 80 Daxue Road, Erqi District, Zhengzhou City, Henan Province, the PRC on Friday, December 29, 2023 at 10:00 a.m. for the following purposes. Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the circular of the Company dated December 14, 2023 (the “**Circular**”).

#### ORDINARY RESOLUTIONS

1. To approve the entering into of the 2024 Pre-delivery Property Management Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder as set out in the Circular and to authorise any one Director to do all such acts and things and execute all such documents in connection with the 2024 Pre-delivery Property Management Services Framework Agreement.
2. To approve the entering into of the 2024 Value-added Services Master Framework Agreement, the transactions contemplated and the proposed annual caps thereunder as set out in the Circular and to authorise any one Director to do all such acts and things and execute all such documents in connection with the 2024 Value-added Services Master Framework Agreement.
3. To approve the entering into of the 2024 Sales Agency Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder as set out in the Circular and to authorise any one Director to do all such acts and things and execute all such documents in connection with the 2024 Sales Agency Services Framework Agreement.

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

Hong Kong, December 14, 2023



## NOTICE OF EGM

<b>Registered Office:</b>	<b>Principal Place of Business and Head Office in the PRC:</b>	<b>Principal Place of Business in Hong Kong:</b>
Campbells Corporate Services Limited Floor 4, Willow House, Cricket Square Grand Cayman KY1-9010 Cayman Islands	24F, Huacheng International Center Daxue Road, Erqi District Zhengzhou City Henan Province the PRC	31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong

*Notes:*

1. For determining the entitlement of the Shareholders to attend and vote at the EGM, The register of members of the Company will be closed from Friday, December 22, 2023 to Friday, December 29, 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all properly completed share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, December 21, 2023.
2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his or her or its behalf. A proxy need not be a Shareholder. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy of such power or authority, must be deposited with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM (i.e. not later than 10:00 a.m. on Wednesday, December 27, 2023) or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof if he/she/it so desires and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
4. Where there are joint registered holders of any Share(s), any one of such persons may vote at the EGM, either through online platform or by proxy, in respect of such Share(s) as if he/she/it is solely entitled to, but if more than one of such joint holders be present at the EGM through online platform that only one device is allowed per login or by proxy.
5. The resolution(s) at the EGM will be taken by poll pursuant to the Listing Rules. The results of the poll will be published on the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.kqysh.com.cn](http://www.kqysh.com.cn)) in accordance with the Listing Rules.

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