

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Kaisa Prosperity Holdings Limited 佳兆業美好集團有限公司, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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KAISA PROSPERITY HOLDINGS LIMITED

佳兆業美好集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2168)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

MESSIS 大有融資

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 44 of this circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 20 of this circular.

A notice convening the EGM to be held at Conference Room A, Office 1101-1102, Euro Trade Centre, Nos 13-14 Connaught Road Central, Central, Hong Kong at 3:00 p.m. on Monday, 8 January 2024 is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 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 the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

18 December 2023

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DEFINITIONS

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

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| “2020 CCT Agreements” | the 2020 Property Management Services Framework Agreement, the 2020 Equipment Installation Services Framework Agreement, the 2020 Sales Assistance Services Framework Agreement and the 2020 Property Lease Framework Agreement |
| “2020 Equipment Installation Services Framework Agreement” | the agreement entered into between Kaisa Holdings and the Company dated 4 November 2020 in relation to the provision of Equipment Installation Services by the Group to the Kaisa Group |
| “2020 Property Lease Framework Agreement” | the agreement entered into between Kaisa Holdings and the Company dated 4 November 2020 in relation to leasing from the Kaisa Group and/or its associates (i) certain properties for office use; and (ii) car parking lots for sub-leasing |
| “2020 Property Management Services Framework Agreement” | the agreement entered into between Kaisa Holdings and the Company dated 4 November 2020 in relation to the provision of Property Management Services by the Group to the Kaisa Group |
| “2020 Sales Assistance Services Framework Agreement” | the agreement entered into between Kaisa Holdings and the Company dated 4 November 2020 in relation to the provision of Sales Assistance Services by the Group to the Kaisa Group |
| “2023 CCT Agreements” | the 2023 Property Management Services Framework Agreement, the 2023 Equipment Installation and Maintenance Services Framework Agreement, the 2023 Property Sales Assistance Services Framework Agreement and the 2023 Property Lease Framework Agreement |
| “2023 Equipment Installation and Maintenance Services Framework Agreement” | the agreement entered into between Kaisa Holdings and the Company dated 9 November 2023 in relation to the provision of Equipment Installation and Maintenance Services by the Group to the Kaisa Group |
| “2023 Property Lease Framework Agreement” | the agreement entered into between Kaisa Holdings and the Company dated 9 November 2023 in relation to leasing from the Kaisa Group and/or its associates (i) certain properties for office use; and (ii) car parking lots for sub-leasing |

DEFINITIONS

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|---|--|
| “2023 Property Management Services Framework Agreement” | the agreement entered into between Kaisa Holdings and the Company dated 9 November 2023 in relation to the provision of Property Management Services by the Group to the Kaisa Group |
| “2023 Property Sales Assistance Services Framework Agreement” | the agreement entered into between Kaisa Holdings and the Company dated 9 November 2023 in relation to the provision of Property Sales Assistance Services by the Group to the Kaisa Group |
| “Board” | the board of Directors |
| “Company” | Kaisa Prosperity Holdings Limited (佳兆業美好集團有限公司) (stock code: 2168), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “Director(s)” | director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened and to consider and, if thought fit, approve, the 2023 CCT Agreements |
| “Equipment Installation and Maintenance Services” | equipment installation and maintenance services including installation of (i) access control system; (ii) intercom system; (iii) security and surveillance system; (iv) car-parking intelligent management system; (v) intelligent residence system; and (vi) other intelligent engineering for residential properties before the delivery of such properties to property owners |
| “GFA” | gross floor area |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | a committee of the Board comprising all the independent non-executive Directors |

DEFINITIONS

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|-------------------------------------|---|
| “Independent Financial Adviser” | Messis Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “Independent Shareholders” | the Shareholders, other than Kaisa Holdings, Mr. Kwok and their respective associates (as defined in the Listing Rules) |
| “Kaisa Group” | Kaisa Holdings and its subsidiaries excluding the Group |
| “Kaisa Holdings” | Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司) (stock code: 1638), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange |
| “Latest Practicable Date” | 15 December 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Kwok” | Mr. Kwok Ying Shing, the Chairman of the board of directors of Kaisa Holdings and an executive director of Kaisa Holdings |
| “PRC” | the People’s Republic of China |
| “Property Management Services” | property management services, including (i) pre-delivery services including (a) construction sites management services; and (b) display units and property sales venues management services; and (ii) property management services for properties owned, used or operated by Kaisa Group and/ or its associates |
| “Property Sale Assistance Services” | pre-delivery property sales assistance services, including referring potential buyers to the Kaisa Group and/or its associates for the sales of the unsold properties managed by the Group |
| “RMB” | Renminbi, the lawful currency of the PRC |

DEFINITIONS

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|------------------|---|
| “Shareholder(s)” | holder(s) of share(s) of the Company |
| “Shares” | ordinary shares in the capital of the Company with nominal value of HK\$0.01 each |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent. |

LETTER FROM THE BOARD



KAISA PROSPERITY HOLDINGS LIMITED

佳兆業美好集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2168)

Executive Directors

Mr. LIAO Chuanqiang (*Chairman*)

Mr. LI Haiming

Mr. KWOK Hiu Kwan

Mr. ZHAO Jianhua

Ms. MOU Zhaohui

Mr. XIE Binhong

Independent Non-executive Directors

Mr. LIU Hongbai

Ms. MA Xiumin

Mr. CHEN Bin

Registered Office:

Cricket Square Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

Room 1901

19/F, Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

18 December 2023

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

(1) INTRODUCTION

Reference is made to the announcement of the Company dated 9 November 2023 in relation to the 2023 CCT Agreements.

The purpose of this circular is to provide you with further details about (i) the transactions contemplated under the 2023 CCT Agreements; (ii) the recommendation of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) a notice convening the EGM.

LETTER FROM THE BOARD

(2) THE 2023 PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

The principal terms of the 2023 Property Management Services Framework Agreement are set out below:

| | | |
|----------------|---|---|
| Parties | : | Kaisa Holdings and the Company |
| Term | : | The period commencing from 1 January 2024 to 31 December 2026 |
| Subject matter | : | The Group will provide Property Management Services to Kaisa Group and/or its associates. |
| Pricing basis | : | The fees to be charged for the Property Management Services will be determined after arm's length negotiations and taking into account (i) the size, location and positioning of the properties to be sold by the sales centers; and (ii) the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market subject to the policy as disclosed in the section headed "INTERNAL CONTROL" below. |

The property management service fees charged to Kaisa Group will be either on (i) lump sum basis where all costs incurred will be borne by the Group and the Group to receive a fixed monthly fee with the prices complying with the pricing guideline set by the government authorities including the Development and Reform Commission (發展和改革委員會) and the Housing and Urban Rural Development Bureau (住房和城鄉建設局); or (ii) commission basis where Kaisa Group will reimburse the costs incurred and the Group to earn a management fee as calculated based on 10% of the cost incurred. The commission basis is generally applicable to pre-delivery properties while the lump sum basis or commission basis, subject to the requirement of the relevant regulatory authorities of municipal government and negotiated with Kaisa Group, is generally applicable to properties that have been delivered to homebuyers.

The fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) and shall not be lower than the fees to be charged to independent third parties for similar Property Management Services.

LETTER FROM THE BOARD

| | | | | | |
|----------------------|---|------------|---|---|---|
| Proposed annual caps | : | | For the year ending 31 December 2024 <i>(RMB'000)</i> | For the year ending 31 December 2025 <i>(RMB'000)</i> | For the year ending 31 December 2026 <i>(RMB'000)</i> |
| | | Annual cap | 400,000 | 500,000 | 600,000 |

Basis of the annual caps : The annual caps were determined with reference to:

(i) the historical transaction amounts under the 2020 Property Management Services Framework Agreement.

| | For the year ended 31 December 2021 <i>(RMB'000)</i> | For the year ended 31 December 2022 <i>(RMB'000)</i> | For the year ending 31 December 2023 <i>(RMB'000)</i> |
|---------------------------|--|--|---|
| Annual cap | 1,200,000 | 1,450,000 | 1,750,000 |
| Actual transaction amount | 1,111,792 | 280,300 | 151,293 <i>(Note 1)</i> |

Notes:

- (1) Transaction amount for the nine months ended 30 September 2023.
- (2) The Company noted that the historical utilisation rate in 2021, 2022 and the nine months ended 30 September 2023 was 92.6%, 19.3% and 8.6%, respectively. While the utilisation rate for 2021 was high, the Company considered that the low levels of utilisation rate and transaction amount for 2022 and 2023 were temporary and mainly attributable to factors beyond the Company's control, including the sudden change in the landscape of the PRC property development sector during the term of the agreement, including the strict implementation of the "three red lines" (三條紅線) policy from around the second half of 2020 by the PRC government, which severely affected the liquidity of many property developers; coupled with the COVID-19 pandemic measures, which severely affected PRC real estate development and related industries involving labour.
- (ii) the estimated capacity of the Group to provide for Property Management Services;

LETTER FROM THE BOARD

- (iii) the aggregate GFA sold by the Kaisa Group together with its joint ventures and associates as presale in 2023 which is currently under development;
- (iv) the expected demand from Kaisa Group (including GFA under development and GFA expected to be delivered) including the historical price for the provision of Property Management Services for properties of a similar nature and location;
- (v) the expected improvement in operating conditions and the gradual recovery of the property sector from 2024 to 2026 taking into account the reasons for the low utilization of the historical annual caps in 2022 and 2023 as explained in Note (1) to paragraph (i) above, the gradual but certain recovery from the COVID-19 pandemic, the expected improvement in market sentiment, and joint announcement in November 2022 by The People's Bank of China* (中國人民銀行) and China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) titled "Provision of Financial Support for the Stability and Healthy Development of the Real Estate Market*" (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) to ensure stable and orderly real estate financing* (保持房地產融資平穩有序); proactively carry out "guarantee delivery of vacant possession" related financial services* (積極做好“保交樓”金融服務); proactively cooperate on risk management of real estate development enterprises in difficulties* (積極配合做好受困房地產企業風險處置); protect the legal rights and interests of residential property financial consumers* (依法保障住房金融消費者合法權益); adjust part of the financial management policies in stages* (階段性調整部分金融管理政策); and provide greater financial support on leasing of residential properties* (加大住房租賃金融支持力度); and
- (vi) the estimated staffing level and operational costs for the Property Management Services to be provided to Kaisa Group.

Condition precedent : Conditional upon approval by the Independent Shareholders.

* For identification purpose only

LETTER FROM THE BOARD

(3) THE 2023 PROPERTY SALES ASSISTANCE SERVICES FRAMEWORK AGREEMENT

The principal terms of the 2023 Property Sales Assistance Services Framework Agreement are set out below:

| | | |
|----------------|---|--|
| Parties | : | Kaisa Holdings and the Company |
| Term | : | The period commencing from 1 January 2024 to 31 December 2026 |
| Subject matter | : | The Group will provide Property Sales Assistance Services to Kaisa Group and/or its associates. |
| Pricing basis | : | The commission fee to be charged for the Property Sales Assistance Services shall be calculated by multiplying the selling price of the property sold to the buyer the Group introduced with a certain commission rate, which would be in the range of 0.5% to 10% based on historical transactions and depending on the actual selling price, with a higher commission rate for properties sold at a higher premium over a pre-determined fixed price of the subject properties set by Kaisa Group. The actual commission rate will be determined based on the ease of sale of the properties depending on the location and tier of cities in which the properties are located. |

The commission rate shall be determined after arm's length negotiations with reference to the commission rate(s) paid by the Kaisa Group to other independent sales agencies for similar services and shall not be lower than the commission rate charged by the Group to independent third parties.

| | | | | | |
|----------------------|---|------------|---|---|---|
| Proposed annual caps | : | | For the year ending 31 December 2024 (RMB'000) | For the year ending 31 December 2025 (RMB'000) | For the year ending 31 December 2026 (RMB'000) |
| | | Annual cap | 10,000 | 10,000 | 12,500 |

LETTER FROM THE BOARD

Basis of the annual caps : The annual caps were determined with reference to:

- (i) the historical transaction amounts under the 2020 Sales Assistance Services Framework Agreement.

| | For the year ended 31 December 2021 <i>(RMB'000)</i> | For the year ended 31 December 2022 <i>(RMB'000)</i> | For the year ending 31 December 2023 <i>(RMB'000)</i> |
|---------------------------|--|--|---|
| Annual cap | 7,200 | 8,640 | 10,400 |
| Actual transaction amount | 1,558 | 10 | 2,483 <i>(Note 1)</i> |

Notes:

- (1) Transaction amount for the nine months ended 30 September 2023.
- (2) The Company noted that the historical utilisation rate in 2021, 2022 and the nine months ended 30 September 2023 was 21.6%, 0.1% and 23.9%, respectively. The reason for the decrease is the decline in demand for the relevant services for the same reasons as set out in Note (2) under the historical transaction amount table set out in the section headed "The 2023 Property Management Services Framework Agreement" above. In particular, the sale of properties require physical presence of the property sale agents soliciting customers, which had been most severely affected by the COVID restrictions. In 2023, the COVID 19 pandemic lockdown of the residential communities were lifted, potential buyer and agent were able to enter and inspect the units, coupled with the gradual recovery of the real estate industry, the success rate of referral significantly increased compared to 2022, leading to the significantly higher transaction amount as compared to 2022.
- (ii) the expected number of unsold properties owned by the Kaisa Group managed by the Group which require the Property Sales Assistance Services for the three years ending 31 December 2026, which is expected to remain relatively stable during the term of the 2023 Property Sales Assistance Services Framework Agreement, and the expected success rate of referring potential buyers for such unsold properties; and
- (iii) the outlook of real estate industry in the PRC for the next three years in particular the expected improvement in operating conditions and the gradual recovery of the property sector.

LETTER FROM THE BOARD

(4) THE 2023 EQUIPMENT INSTALLATION AND MAINTENANCE SERVICES FRAMEWORK AGREEMENT

The principal terms of the 2023 Equipment Installation and Maintenance Services Framework Agreement are set out below:

| | | |
|----------------|---|---|
| Parties | : | Kaisa Holdings and the Company |
| Term | : | The period commencing from 1 January 2024 to 31 December 2026 |
| Subject matter | : | The Group will provide Equipment Installation and Maintenance Services to Kaisa Group and/or its associates. |
| Pricing basis | : | The fees to be charged for the Equipment Installation and Maintenance Services will be determined after arm's length negotiations and taking into account (i) the location of the project; and (ii) the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market taking into account the scale, nature and service scope of works and the complexity of the relevant requirements and specifications. The individual contracts entered into with the Kaisa Group will set out the list of service items and the price of each service item. |

The fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) and shall not be lower than the fees to be charged to independent third parties for similar Equipment Installation and Maintenance Services.

| | | | | | |
|----------------------|---|------------|---|---|---|
| Proposed annual caps | : | | For the year ending 31 December 2024 <i>(RMB'000)</i> | For the year ending 31 December 2025 <i>(RMB'000)</i> | For the year ending 31 December 2026 <i>(RMB'000)</i> |
| | | Annual cap | 90,000 | 100,000 | 110,000 |

LETTER FROM THE BOARD

Basis of the annual caps : The annual caps were determined with reference to:

- (i) the historical transaction amounts under the 2020 Equipment Installation Services Framework Agreement.

| | For the year ended 31 December 2021 <i>(RMB'000)</i> | For the year ended 31 December 2022 <i>(RMB'000)</i> | For the year ending 31 December 2023 <i>(RMB'000)</i> |
|---------------------------|--|--|---|
| Annual cap | 140,000 | 180,000 | 230,000 |
| Actual transaction amount | 94,278 | 47,378 | 43,858 <i>(Note 1)</i> |

Notes:

- (1) Transaction amount for the nine months ended 30 September 2023.
- (2) The Company noted that the historical utilisation rate in 2021, 2022 and the nine months ended 30 September 2023 was 67.3%, 26.3% and 19.1%, respectively. The reason for the decrease is the decline in demand for the relevant services for the same reasons as set out in Note (2) under the historical transaction amount table set out in the section headed "The 2023 Property Management Services Framework Agreement" above.
- (ii) the estimated capacity of the Group to provide for Equipment Installation and Maintenance Services based on current level of resources of the Group;
- (iii) the expected demand from Kaisa Group for Equipment Installation and Maintenance Services taking into account the number and contract value of contracts on hand as at 30 June 2023, the "ensuring delivery of properties" re-iterated by the authorities in which the Equipment Installation and Maintenance Services provided by the Group is essential for Kaisa Group's property deliveries, the expected improvement in operating conditions and the gradual recovery of the property sector from 2024 to 2026; and
- (iv) an estimation of associated operational costs for the provision of such services.

Condition precedent : Conditional upon approval by the Independent Shareholders.

LETTER FROM THE BOARD

(5) THE 2023 PROPERTY LEASE FRAMEWORK AGREEMENT

The principal terms of the 2023 Property Lease Framework Agreement are set out below:

| | | |
|----------------|---|---|
| Parties | : | Kaisa Holdings and the Company |
| Term | : | The period commencing from 1 January 2024 to 31 December 2026 |
| Subject matter | : | The Group will lease several properties from the Kaisa Group for office use in Shenzhen and Dongguan, Guangdong Province. |

The Group will lease car parking lots from the Kaisa Group and will sublease such car parking lots to residents of the residential communities managed by the Group at a premium over the rent paid by the Group to the Kaisa Group.

During the validity period of the agreement, the Group has the right to lease more properties for office use and lease more car parking lots from Kaisa Group and/or its associates.

| | | |
|---------------|---|--|
| Pricing basis | : | The rent to be paid by the Group in relation to the properties leased from the Kaisa Group for office use will be determined on arm's length basis, with reference to the prevailing market rent of similar properties located in similar areas and should not be less favorable than that offered by independent third parties. |
|---------------|---|--|

No deposits will be paid by the Group to the Kaisa Group for the right to sublease the car parking lots. The rent to be paid by the Group in relation to the car parking lots leased from the Kaisa Group will be determined on arm's length basis, with reference to (i) the prevailing market rent of car parking lots in similar locations in the PRC; (ii) the occupancy rate of car parking lots leased by the Group from the Kaisa Group; (iii) the location of the car parking lots; and (iv) the number of car parking lots in the same residential communities that the Group manages.

LETTER FROM THE BOARD

As the Group generally derives profit from the income generated from the premium of the rent charged by the Group to residential communities over the rent paid by the Group to the Kaisa Group, on the above guiding principles, the fees payable are usually arranged under (i) income sharing method where the rental fee received from occupants are shared at predetermined proportion between the Group and the Kaisa Group based on the expected costs and resources to be devoted to the management of the car parking lots; and (ii) management fee method where the Group will earn a fixed management fee from occupants while any costs incurred by the Group in the management of the car parking lots will be reimbursed by Kaisa Group and any surplus over the total costs will be paid to the Kaisa Group as rental. Subject to arm's length negotiation between the contract parties, the income sharing method is generally applicable to car parking lots with relatively stable expected occupancy rate where the Group has better assessment on the future rental to be received from occupants while the management fee method is generally applicable to car parking lots with relatively volatile and uncertain expected occupancy rate where the Group may prefer to avoid the potential risk associated with low occupancy rate.

Proposed annual caps : The proposed annual caps of such right-of-use assets are set out below:

| | For the year ending 31 December 2024 (RMB'000) | For the year ending 31 December 2025 (RMB'000) | For the year ending 31 December 2026 (RMB'000) |
|----------------------------------|--|--|--|
| Leased properties for office use | 5,000 | 5,500 | 6,000 |
| Car parking lots | 30,000 | 32,500 | 35,000 |
| Total annual cap | 35,000 | 38,000 | 41,000 |

Since the leases to be entered into between the Group and the Kaisa Group are short-term leases with lease term of 12 months or less, they are specifically exempted from HKFRS 16 "Leases" to recognise any right of use assets and lease liabilities. The rent to be paid by the Group will be recognised as an expense in profit or loss.

LETTER FROM THE BOARD

Basis of the annual caps : The annual caps were determined with reference to:

- (i) the actual fees paid by the Group based on the historical transaction amounts under the 2020 Property Lease Framework Agreement.

| | For the year ended 31 December 2021 <i>(RMB'000)</i> | For the year ended 31 December 2022 <i>(RMB'000)</i> | For the year ending 31 December 2023 <i>(RMB'000)</i> |
|----------------------------------|--|--|---|
| Leased properties for office use | 5,000 | 5,500 | 6,000 |
| Actual transaction amount | 2,236 | 4,533 | 2,543 <i>(Note 1)</i> |
| Car parking lots | 55,000 | 55,000 | 55,000 |
| Actual transaction amount | 39,780 | 3,999 | 6,359 <i>(Note 1)</i> |
| Total annual cap | 60,000 | 60,500 | 61,000 |
| Actual transaction amount | 42,016 | 8,532 | 8,902 <i>(Note 1)</i> |

Notes:

- (1) Transaction amounts for the nine months ended 30 September 2023.
- (2) The Company noted that the historical utilisation rate in 2021, 2022 and the nine months ended 30 September 2023 (calculated with reference to the pro-rated annual cap for 9 months) was 70.0%, 14.1% and 14.6%, respectively. The decreasing trend was mainly attributable to the decrease in lease of car parking lots from Kaisa Group. Given the Group mainly leases car parking lots that are adjacent to the properties developed by Kaisa Group. The decrease in GFA delivered by Kaisa Group resulted in the consequential decrease in lease of car parking lots.
- (ii) the number of existing car parking lots under management by the Group, the terms and conditions, in particular, the rent payable, under the existing lease agreements; and

LETTER FROM THE BOARD

- (iii) the rent payable by the Group based on the existing contracts and the expected increase in rental, location and expected expansion of the leasing area of the premises and car parking lots to be leased by the Group taking into account the expected improvement in operating conditions, the gradual recovery of the property sector from 2024 to 2026 and the estimated needs of the Group with reference to the Group's future business development plan.

Condition precedent : Conditional upon approval by the Independent Shareholders.

(6) INTERNAL CONTROL

The Company has established various internal control measures to monitor the transactions contemplated under the 2023 CCT Agreements, including:

- (i) prior to confirming the pricing under the 2023 CCT Agreements, the operating department shall obtain the prevailing market price from at least two independent customers of the relevant services for reference. In addition, the operating department shall check the recent transactions engaged by the Group with independent third parties to ensure that the pricing for transactions with Kaisa Group shall not be less favorable than that to be engaged with independent third parties;
- (ii) the Company has a designated employee, an Associate Business Director of Financial Management Department, who is familiar with the finance and business operations of the Group, to monitor the aggregate amount of the transactions contemplated under the 2023 CCT Agreements and assesses on a monthly basis whether any of the annual caps thereunder may be exceeded;
- (iii) the respective pricing policies for the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Company;
- (iv) the independent non-executive Directors will conduct annual reviews with respect to the transactions contemplated under the 2023 CCT Agreements and confirm in the annual report, pursuant to the requirements under the Listing Rules, whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, and in accordance with the 2023 CCT Agreements on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and

LETTER FROM THE BOARD

- (v) the Company's external auditors will conduct annual reviews of the 2023 CCT Agreements and the transactions contemplated thereunder in accordance to the Listing Rules.

(7) INFORMATION ON THE PARTIES

(i) The Company

The Group is principally engaged in the provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services in the PRC.

(ii) Kaisa Holdings

The Kaisa Group is principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and healthcare business in the PRC.

(8) REASONS AND BENEFITS

The services provided under the 2023 Property Management Services Framework Agreement, the 2023 Equipment Installation and Maintenance Services Framework Agreement and the 2023 Property Sales Assistance Services Framework Agreement are services provided under the principal business of the Group in its ordinary course of business. As the 2020 CCT Agreements will expire, the entering into of the 2023 Property Management Services Framework Agreement, the 2023 Equipment Installation and Maintenance Services Framework Agreement and the 2023 Property Sales Assistance Services Framework Agreement would enable the Group to continue to provide such services to the Kaisa Group and ensures a stable steady revenue base to the Group; and the entering into of the 2023 Property Lease Framework Agreement will ensure the stable development of the Company's business, and at the same time meet the requirements of the Company's internal business layout.

Taking into account the pricing policies for each of the 2023 CCT Agreements are formulated to ensure that the terms offered by the Group to the Kaisa Group are no more favourable than those offered to independent third parties, together with the designation of an experienced supervisor from financial management department to monitor the continuing connected transactions, the Directors (excluding Mr. Li Haiming, Mr. Kwok Hiu Kwan and Mr. Xie Binhong; and the independent non-executive Directors who has considered the advice from the Independent Financial Adviser) consider that the pricing policies of the 2023 CCT Agreements are fair and reasonable.

LETTER FROM THE BOARD

The Directors (excluding Mr. Li Haiming, Mr. Kwok Hiu Kwan and Mr. Xie Binhong; and the independent non-executive Directors who has considered the advice from the Independent Financial Adviser) consider that the 2023 CCT Agreements are entered into in the usual and ordinary course of business of the Group, are conducted on an arm's length basis and on normal commercial terms (including the proposed annual caps), and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Each of Mr. Li Haiming and Mr. Kwok Hiu Kwan is a director of Kaisa Holdings. Mr. Kwok Hiu Kwan is also the son of Mr. Kwok Ying Shing, the Chairman and an Executive Director of Kaisa Group. Mr. Xie Binhong is a senior management of Kaisa Holdings. Each of them has abstained from voting in the relevant Board resolutions.

(9) LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Kaisa Holdings is interested in 103,530,000 Shares, representing 67.18% of the Shares in issue. Kaisa Holdings is a controlling Shareholder and hence a connected person (as defined in the Listing Rules) of the Company.

The transactions contemplated under each of the 2023 CCT Agreements constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios (other than the profits ratio) in respect of each of the 2023 CCT Agreements are over 5%, the 2023 CCT Agreements are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements.

(10) EGM AND VOTING

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

The Independent Board Committee has been formed to consider whether the terms of the 2023 CCT Agreements, and the transactions contemplated thereunder, and the annual caps 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 voting at the EGM.

Any Shareholder with a material interest and his/her/its associate(s) is (are) required to abstain from voting at the EGM to approve the 2023 CCT Agreements.

As at the Latest Practicable Date, (i) Kaisa Holdings is interested in 103,530,000 Shares, representing approximately 67.18% of the Shares in issue; and (ii) Mr. Kwok is interested in 1,141,750 Shares, representing approximately 0.8% of the Shares in issue, shall abstain from voting on the resolutions approving the 2023 CCT Agreements.

Except as disclosed above, to the best of their knowledge and belief, no other Shareholder is required to abstain from voting at the EGM.

LETTER FROM THE BOARD

A form of proxy for use at the EGM are enclosed with this circular and also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 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 the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

(11) RECOMMENDATION

The Directors (including the independent non-executive Directors but excluding Mr. Li Haiming, Mr. Kwok Hiu Kwan and Mr. Xie Binhong) consider that the terms of the 2023 CCT Agreements including the annual caps and the transactions contemplated thereunder are on normal commercial terms, are conducted in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions at the EGM.

(12) ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Kaisa Prosperity Holdings Limited
Liao Chuanqiang
Chairman



KAISA PROSPERITY HOLDINGS LIMITED

佳兆業美好集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2168)

18 December 2023

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 15 December 2023 (the “Circular”), in which this letter forms a part. Capitalised terms used in this letter will have the same meanings given to them in the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the 2023 CCT Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Messis Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2023 CCT Agreements as set out on pages 21 to 44 of the Circular and the letter from the Board as set out on pages 5 to 19 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the 2023 CCT Agreements including the annual caps and the transactions contemplated thereunder are on normal commercial terms, are conducted in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions proposed at the EGM to approve the 2023 CCT Agreements.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. LIU Hongbai
*Independent non-executive
Director*

Ms. MA Xiumin
*Independent non-executive
Director*

Mr. CHEN Bin
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser, Messis Capital Limited, to the Independent Board Committee and the Independent Shareholders in relation to the terms of (i) the 2023 Property Management Services Framework Agreement; (ii) the 2023 Equipment Installation and Maintenance Services Framework Agreement; (iii) the 2023 Property Lease Framework Agreement; and (iv) the 2023 Property Sales Assistance Services Framework Agreement, which has been prepared for the purpose of inclusion in this circular.

MESSIS 大有融資

18 December 2023

To: *The Independent Board Committee and the Independent Shareholders of
Kaisa Prosperity Holdings Limited*

Dear Sirs,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
(I) 2023 PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT;
(II) 2023 EQUIPMENT INSTALLATION AND MAINTENANCE SERVICES
FRAMEWORK AGREEMENT;
(III) 2023 PROPERTY LEASE FRAMEWORK AGREEMENT; AND
(IV) 2023 PROPERTY SALES ASSISTANCE SERVICES FRAMEWORK
AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) 2023 Property Management Services Framework Agreement; (ii) 2023 Equipment Installation and Maintenance Services Framework Agreement; (iii) 2023 Property Lease Framework Agreement; and (iv) 2023 Property Sales Assistance Services Framework Agreement, (all together the “**Framework Agreements**”), and the transactions contemplated thereunder, including the respective proposed annual caps. Details of the relevant Framework Agreements are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 18 December 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Since the 2020 CCT Agreements are going to expire on 31 December 2023, the Company entered into the Framework Agreements on 9 November 2023 to continue its businesses with Kaisa Holdings for the coming three years ending 31 December 2026. Principal terms of the Framework Agreements are set out in the Letter from the Board with the proposed annual caps summarized as below:

| | Year ending 31 December | | |
|---------------------------------|--------------------------------|----------------|----------------|
| | 2024 | 2025 | 2026 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| 2023 Property Management | | | |
| Services Framework Agreement | 400,000 | 500,000 | 600,000 |
| 2023 Equipment Installation and | | | |
| Maintenance Services | | | |
| Framework Agreement | 90,000 | 100,000 | 110,000 |
| 2023 Property Lease Framework | | | |
| Agreement | 35,000 | 38,000 | 41,000 |
| 2023 Property Sales Assistance | | | |
| Services Framework Agreement | 10,000 | 10,000 | 12,500 |

As at the Latest Practicable Date, Kaisa Holdings is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of (i) 2023 Property Management Services Framework Agreement; (ii) 2023 Equipment Installation and Maintenance Services Framework Agreement; (iii) 2023 Property Lease Framework Agreement; and (iv) 2023 Property Sales Assistance Services Framework Agreement, and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules. As one or more applicable percentage ratios (other than the profits ratio) in respect of each of the Framework Agreements are over 5%, the Framework Agreements are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Liu Hongbai, Ms. Ma Xiumin and Mr. Chen Bin, has been established to consider and make a recommendation to the Independent Shareholders on whether the Framework Agreements, and the transactions contemplated thereunder, and the respective annual caps are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. We, Messis Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Messis Capital Limited is not connected with the Directors or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the past two years, there was no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Messis Capital Limited will receive any fees or benefits from the Company or the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Directors or substantial shareholders of the Company or any of their respective associates. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the 2023 CCT Agreements and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinions and recommendations, we have reviewed, inter alia, (i) the Framework Agreements; (ii) the announcement of the Company dated 9 November 2023 and supplemental announcement of the Company dated 17 November 2023; (iii) the annual reports of the Company (the “**Company’s Annual Reports**”); and (iv) the annual reports of Kaisa Group (the “**Kaisa Group’s Annual Reports**”). We have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 therein or the document misleading.

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 material facts or circumstances 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. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Framework Agreements.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Framework Agreements, and the transactions contemplated thereunder, together with the respective proposed annual caps. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background to and reasons for the Framework Agreements

The Group is principally engaged in the provision of property management services, which includes management of properties, maintenance and repair of buildings and ancillary facilities, community security management, car-park management, equipment installation, and property consulting services. The Group used to provide Property Management Services, Equipment Installation and Maintenance Services and Property Sales Assistance Services to Kaisa Group and lease from Kaisa Group certain properties for office use and car parking lots for sub-leasing, which are regarded as continuing connected transactions governed by the relevant framework agreements. Since the 2020 CCT Agreements are going to expire on 31 December 2023, the Company entered into the Framework Agreements on 9 November 2023 to continue its businesses with Kaisa Holdings for the coming three years ending 31 December 2026.

The table below sets forth the revenue generated from provision of Property Management Services, Equipment Installation and Maintenance Services and Property Sales Assistance Services to Kaisa Group for the three years ended 31 December 2022 as extracted from the Company's management account, 2021 annual report and 2022 annual report:

| | Year ended 31 December | | |
|-----------------------------------|------------------------|----------------|----------------|
| | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue from Kaisa Group | | | |
| – Property Management Services | | | |
| [A] | 635,175 | 1,111,792 | 280,300 |
| – Equipment Installation Services | | | |
| [B] | 105,130 | 94,278 | 47,378 |
| – Property Sales Assistance | | | |
| Services [C] | 3,975 | 1,558 | 10 |
| Total revenue [D] | 1,730,149 | 2,666,440 | 1,783,883 |
| ([A] + [B] + [C]) / [D] | 43.0% | 45.3% | 18.4% |

The revenue contributed by Kaisa Group decreased dramatically by approximately RMB879.9 million or 72.9% from approximately RMB1,207.6 million in FY2021 to approximately RMB327.7 million in FY2022. Such decrease in revenue generated from Kaisa Group represented 99.7% of the decrease in total revenue of the Group in FY2022 and was in line with the drastic decrease in contracted sales of Kaisa Group of 79.7% in FY2022 in accordance with the annual report of Kaisa Group. As discussed with management of the Group, revenue generated from provision of Property Management Services, Equipment Installation and Maintenance Services and Property Sales Assistance

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Services to Kaisa Group represented a material source of revenue to the Group and the executive Directors confirm that such close business relationship with the Kaisa Group is attributable to the fact that nearly all of the properties developed and owned by the Kaisa Group are under the Group's management. Accordingly, the executive Directors consider, and we concur, that the provision of Property Management Services, Equipment Installation and Maintenance Services and Property Sales Assistance Services to Kaisa Group are in the ordinary and usual course of business of the Company and the Framework Agreements allow the Group to continue its long-standing business relationship with Kaisa Group while safeguarding the interest of both parties in any future engagement, which is beneficial to the development of the Group.

2. Principal terms of the 2023 Property Management Services Framework Agreement

In light of the upcoming expiration of the 2020 Property Management Services Framework Agreement on 31 December 2023, the Company entered into the 2023 Property Management Services Framework Agreement to continue its businesses with Kaisa Holdings, with the principal terms set out as below:

| | |
|-----------------|---|
| Date: | 9 November 2023 |
| Parties: | (1) the Company (2) Kaisa Holdings, a controlling shareholder of the Company |
| Term: | The period commencing from 1 January 2024 to 31 December 2026. |
| Subject matter: | The Group will provide Property Management Services to Kaisa Group and/or its associates, which include (i) pre-delivery services including (a) construction sites management services; and (b) display units and property sales venues management services; and (ii) property management services for properties owned, used or operated by the Kaisa Group and/or its associates. |
| Annual caps: | FY2024: RMB400 million FY2025: RMB500 million FY2026: RMB600 million |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing basis: The fees to be charged for the Property Management Services will be determined after arm's length negotiations and taking into account (i) the size, location and positioning of the properties to be sold by the sales centers; (ii) the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market subject to the policy as disclosed in the section headed "INTERNAL CONTROL" in the Letter from the Board.

The property management service fees charged to Kaisa Group will be either on (i) lump sum basis where all costs incurred will be borne by the Group and the Group to receive a fixed monthly fee with the prices complying with the pricing guideline set by the government authorities including the Development and Reform Commission (發展和改革委員會) and the Housing and Urban Rural Development Bureau (住房和城鄉建設局); or (ii) commission basis where Kaisa Group will reimburse the costs incurred and the Group to earn a management fee as calculated based on 10 % of the cost incurred. The commission basis is generally applicable to pre-delivery properties while the lump sum basis or commission basis, subject to the requirement of the relevant regulatory authorities of municipal government and negotiated with Kaisa Group, is generally applicable to properties that have been delivered to homebuyers.

The fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) and shall not be lower than the fees to be charged to independent third parties for similar Property Management Services.

In assessing the fairness and reasonableness of the pricing basis under the 2023 Property Management Services Framework Agreement, we have obtained the project list prepared by management of the Company that sets out an exhaustive list of property management projects with Kaisa Group during the six months ended 30 June 2023 (the "Review Period"). We have selected from the project list and reviewed a total of 26 sample contracts and corresponding invoices that aggregately contributed approximately 40% of revenue generated from provision of Property Management Services to Kaisa Group during the Review Period. We have compared the principal terms of the sample contracts provided by the Company with 9 contracts of similar property management projects (the "PM Comparable Contracts") entered into between the Group and other independent third party customers. We have selected sample contracts with Kaisa Group based on

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

materiality of project revenue generated during the Review Period (i.e. over RMB1 million) which we consider to be adequate and representative in terms of revenue contribution to the Group and covers the latest published financial period that could reflect the recent contract terms adopted by the Group.

The sample contracts with Kaisa Group and the corresponding PM Comparable Contracts with independent third party customers under review and comparison are considered comparable in terms of (i) location of properties under management; (ii) contract size; and/or (iii) scope of services. We consider the selection criteria fair and reasonable because we are given to understand that location of the properties, contract size and service scope are the key parameters that affect the pricing of Property Management Services and also services provided to independent third party customers. Based on the review of sample contracts and these PM Comparable Contracts, we notice that service fees charged to both Kaisa Group and independent third party customers are generally either (i) on lump sum basis where a fixed monthly fee per square metre is charged on the total floor area of properties under management; or (ii) on commission basis where a fixed percentage (normally 10%) is charged on the total labour cost incurred in the project. We note that there is no significant difference in pricing and terms given by the Company to Kaisa Group and other independent third party customers.

Having considered that (i) the 2023 Property Management Services Framework Agreement is to succeed the 2020 Property Management Services Framework Agreement; and (ii) the principal terms in particular that the fee charged to Kaisa Group is generally in line with that charged to independent third party customers as evidenced by the fact that comparison of sample contracts with Kaisa Group and PM Comparable Contracts with independent third parties reveal no significant difference in pricing and terms given by the Company to Kaisa Group and other independent third party customers, and the fees charged to Kaisa Group are not lower than the fees charged to independent third party customers, we concur with the executive Directors' view that the terms of the 2023 Property Management Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Principal terms of the 2023 Equipment Installation and Maintenance Services Framework Agreement

The principal terms of the 2023 Equipment Installation and Maintenance Services Framework Agreement are set out below:

| | |
|----------|---|
| Date: | 9 November 2023 |
| Parties: | (1) the Company (2) Kaisa Holdings, a controlling shareholder of the Company |
| Term: | The period commencing from the 1 January 2024 to 31 December 2026. |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| | |
|-----------------|---|
| Subject matter: | The Group will provide Equipment Installation and Maintenance Services to Kaisa Group and/or its associates, which include mainly installation of (i) access control system; (ii) intercom system; (iii) security and surveillance system; (iv) car-parking intelligent management system; (v) intelligent residence system; and (vi) other intelligent engineering for residential properties before the delivery of such properties to property owners. |
| Annual caps: | <i>FY2024</i> : RMB90 million <i>FY2025</i> : RMB100 million <i>FY2026</i> : RMB110 million |
| Pricing basis: | <p>The fees to be charged for the Equipment Installation and Maintenance Services will be determined after arm's length negotiations and taking into account (i) the location of the project; and (ii) the anticipated operational costs (including labor costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market taking into account the scale, nature and service scope of works and the complexity of the relevant requirements and specifications. The individual contracts entered into with the Kaisa Group will set out the list of service items and the price of each service item.</p> <p>The fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) and shall not be lower than the fees to be charged to independent third parties for similar Equipment Installation and Maintenance Services.</p> |

In assessing the fairness and reasonableness of the pricing basis under the 2023 Equipment Installation and Maintenance Services Framework Agreement, we have obtained the project list prepared by management of the Company that sets out an exhaustive list of equipment installation and maintenance projects with Kaisa Group during the Review Period. We have selected from the project list and reviewed a total of 7 sample contracts and corresponding invoices that aggregately contributed approximately 30% of revenue generated from provision of Equipment Installation and Maintenance Services to Kaisa Group during the Review Period. We have compared the principal terms of the sample contracts provided by the Company with 4 contracts of similar equipment installation and maintenance projects (the “**EIM Comparable Contracts**”) entered into between the Group and other independent third party customers. We have selected sample contracts with Kaisa Group based on materiality of project revenue generated during the Review Period (i.e. over RMB1 million) which we consider to be adequate and

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representative in terms of revenue contribution to the Group and covers the latest published financial period that could reflect the recent contract terms adopted by the Group.

The sample contracts with Kaisa Group and the corresponding EIM Comparable Contracts with independent third party customers under review and comparison are considered comparable in terms of (i) location of properties; (ii) contract size; and/or (iii) scope of services. We consider the selection criteria fair and reasonable because we are given to understand that location of the properties, contract size and service scope are the key parameters that affect the pricing of Equipment Installation and Maintenance Services and also services provided to independent third party customers. Based on the review of sample contracts and these EIM Comparable Contracts, we notice that service fees charged to both Kaisa Group and independent third party customers are on contract sum basis where pricing of each work items are set out in the contracts. We note that there is no significant difference in pricing and terms given by the Company to Kaisa Group and other independent third party customers.

Having considered that (i) the 2023 Equipment Installation and Maintenance Services Framework Agreement is to succeed the 2020 Equipment Installation Services Framework Agreement; and (ii) the principal terms in particular that the fee charged to Kaisa Group is generally in line with that charged to independent third party customers after our review and comparison of sample contracts with Kaisa Group and EIM Comparable Contracts that reveal no significant difference in pricing and terms given by the Company to Kaisa Group and other independent third party customers, and the fees charged to Kaisa Group are not lower than the fees charged to independent third party customers, we concur with the Directors' view that the terms of the 2023 Equipment Installation and Maintenance Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Principal terms of the 2023 Property Lease Framework Agreement

The principal terms of the 2023 Property Lease Framework Agreement are set out below:

| | |
|----------|---|
| Date: | 9 November 2023 |
| Parties: | (1) the Company (2) Kaisa Holdings, a controlling shareholder of the Company |
| Term: | The period commencing from the 1 January 2024 to 31 December 2026. |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject matter: The Group will lease several properties from the Kaisa Group for office use in Shenzhen and Dongguan, Guangdong Province.

The Group will lease car parking lots from the Kaisa Group and will sublease such car parking lots to residents of the residential communities managed by the Group at a premium over the rent paid by the Group to the Kaisa Group.

During the validity period of the agreement, the Group has the right to lease more properties for office use and lease more car parking lots from Kaisa Group and/or its associates.

Annual caps: *FY2024: RMB35 million*
FY2025: RMB38 million
FY2026: RMB41 million

Pricing basis: The rent to be paid by the Group in relation to the properties leased from the Kaisa Group for office use will be determined on arm's length basis, with reference to the prevailing market rent of similar properties located in similar areas and should not be less favorable than that offered by independent third parties.

No deposits will be paid by the Group to the Kaisa Group for the right to sublease the car parking lots. The rent to be paid by the Group in relation to the car parking lots leased from the Kaisa Group will be determined on arm's length basis, with reference to (i) the prevailing market rent of car parking lots in similar locations in the PRC; (ii) the occupancy rate of car parking lots leased by the Group from the Kaisa Group; (iii) the location of the car parking lots; and (iv) the number of car parking lots in the same residential communities that the Group manages.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Group generally derives profit from the income generated from the premium of the rent charged by the Group to residential communities over the rent paid by the Group to the Kaisa Group, on the above guiding principles, the fees payable are usually arranged under (i) income sharing method where the rental fee received from occupants are shared at predetermined proportion between the Group and the Kaisa Group based on the expected costs and resources to be devoted to the management of the car parking lots; and (ii) management fee method where the Group will earn a fixed management fee from occupants while any costs incurred by the Group in the management of the car parking lots will be reimbursed by Kaisa Group and any surplus over the total costs will be paid to the Kaisa Group as rental. Subject to arm's length negotiation between the contract parties, the income sharing method is generally applicable to car parking lots with relatively stable expected occupancy rate where the Group has better assessment on the future rental to be received from occupants while the management fee method is generally applicable to car parking lots with relatively volatile and uncertain expected occupancy rate where the Group may prefer to avoid the potential risk associated with low occupancy rate.

In assessing the fairness and reasonableness of the pricing basis under the 2023 Property Lease Framework Agreement, we have discussed with management and are given to understand that the Company has two types of properties lease transactions, being lease of its principal place of business and lease of car parking lots for subleasing. During the Review Period, the Company only leased office from Kaisa Group and leased car parking lots from both Kaisa Group and independent third parties.

For the lease of office, since there is no lease transaction with independent third parties during the Review Period, we are unable to make comparison of pricing and terms offered by other independent third parties to the Group to assess the fairness of pricing of the lease transactions with Kaisa Group. Instead, we have reviewed the existing lease agreement in relation to the Group's principal place of business at Kaisa Center and conducted desktop research on the listed rent of office units with close proximity to Kaisa Center as at the Latest Practicable Date which we consider to reflect the most recent pricing in the rental market. We note that the office rents charged by Kaisa Group fall within range of the market listed rent of approximately RMB150 to RMB230 per square meter and is fair and reasonable.

For the lease of car parking lots, we have obtained the contract list prepared by management of the Company that sets out an exhaustive list of lease of car parking lots from Kaisa Group during the Review Period. We have selected from the contract list and

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reviewed 4 sample contracts covering all of the two types of lease transactions with Kaisa Group and independent third parties, being (i) income sharing arrangement where the rental fee received from occupants are shared at predetermined proportion between the Group and the lessor; and (ii) reimbursement arrangement where costs incurred in the management of the car parking lots are fully reimbursed by the lessor and the Group will earn a fixed percentage of management fee based on the total costs incurred. We note that there is no significant difference in pricing and terms given by the Company to Kaisa Group and other independent third parties. Since the sole purpose of leasing the car parking lots is for subleasing, we also attempt to assess if the lease of car parking lots from Kaisa Group could generate profits for the Group and is beneficial to the Company and its Shareholders as a whole. We have obtained and reviewed the historical gross profit margin of subleasing car parking lots owned by Kaisa Group during the Review Period and notice that the Group generated an average gross profit margins of approximately 34.1% from subleasing car parking lots rented from Kaisa Group.

Given that (i) the office lease is essential to the operation of the Group and the rents charged by Kaisa Group fall within range of the market listed rents; (ii) the principal terms in particular that the two types of lease transaction arrangements with Kaisa Group are generally in line with the arrangement with independent third parties after our review and comparison of sample contracts that reveal no significant difference in pricing and terms given by the Company to Kaisa Group and other independent third parties; and (iii) the car parking lots leased from Kaisa Group can be subleased at premium and generate profits for the Group, the executive Directors consider, and we concur, that the terms of the 2023 Property Lease Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Principal terms of the 2023 Property Sales Assistance Services Framework Agreement

In light of the upcoming expiration of the 2020 Property Sales Assistance Services Framework Agreement on 31 December 2023, the Company entered into the 2023 Property Sales Assistance Services Framework Agreement to continue its businesses with Kaisa Holdings, with the principal terms set out as below:

| | |
|-----------------|--|
| Date: | 9 November 2023 |
| Parties: | (1) the Company (2) Kaisa Holdings, a controlling shareholder of the Company |
| Term: | The period commencing from 1 January 2024 to 31 December 2026. |
| Subject matter: | The Group will provide Property Sales Assistance Services to Kaisa Group and/or its associates, which include referring potential buyers to the Kaisa Group and/or its associates for the sales of the unsold properties managed by the Group. |

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Having considered that commission received from Kaisa Group can generate extra income to the Company at minimal cost and the predetermined commission rates are in line with other independent third party agencies, the executive Directors consider, and we concur, that the terms of the 2023 Property Sales Assistance Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6. The proposed annual caps

A. 2023 Property Management Services Framework Agreement

As discussed in the Circular, the annual caps of the Property Management Services are determined with reference to the aggregate GFA sold in 2023, number of projects and GFA under development and expected to be delivered by Kaisa Group. The table below sets forth (i) revenue generated from provision of Property Management Services to Kaisa Group; (ii) Kaisa Group's contracted sales; and (iii) Kaisa Group's aggregate GFA sold, for the five years ended 31 December 2022 as extracted from Kaisa Group's Annual Reports and the Company's Annual Reports:

| | Year ended 31 December | | | | |
|--|------------------------|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Revenue from Kaisa Group (RMB'000) [A] | 402,758 | 467,916 | 635,175 | 1,111,792 | 280,300 |
| Kaisa Group's contracted sales (RMB in million) [B] | 70,059 | 88,120 | 106,896 | 92,352 | 18,749 |
| Kaisa Group's aggregate GFA sold (sq.m.) [C] | 3,836,621 | 4,642,075 | 6,164,589 | 5,660,669 | 1,122,423 |

As discussed with management of the Company, revenue generated from provision of Property Management Services to Kaisa Group is closely related to the amount of Kaisa Group's contracted sales of properties where an increase in contracted sales is associated with more sales activities organized by the Kaisa Group at sales centers that require Property Management Services provided by the Group.

The table above shows that revenue generated from provision of Property Management Services to Kaisa Group decreased dramatically by approximately RMB831.5 million or 74.8% from approximately RMB1,111.8 million for the year ended 31 December 2021 to approximately RMB280.3 million for the year ended 31 December 2022. Such decrease in revenue from the provision of Property Management Services follows a more significant decrease in Kaisa Group's contracted sales of properties by approximately RMB73,603 million or 79.7% from approximately RMB92,352 million (5.7 million sq.m.) for the year ended 31 December 2021 to approximately RMB18,749 million (1.1 million sq.m.) for the year ended 31 December 2022. With reference to Kaisa Group's annual report for the year

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ended 31 December 2022, the property market in China was challenging in year 2022 where both investment in real estate development and sales of commodity housing fell sharply and the market remained a wait-and-see attitude. As discussed with management of the Company, many key cities in China have been severely impacted by the prolonged Covid pandemic since early 2020 and the tightened regulations on real estate finance by Central Government with an aim to control financial risks and stabilise land and housing prices since second half of year 2020. The negative impact of sluggish economic growth during the Covid pandemic coupled with the strict regulatory environment finally surfaced and triggered a sharp deterioration in real estate market where both investment in real estate development and sales amount of commodity housing plummeted since second half of year 2021.

Despite the sharp decrease in Kaisa Group's contracted sales in FY2022 which brought about the decrease in the Company's revenue generated from provision of Property Management Services to Kaisa Group in the same year, we have conducted an analysis on (i) the average selling price of the contracted sales of Kaisa Group; and (ii) revenue generated by the Group per million of contracted sales of Kaisa Group, as shown in the table below:

| | 2018 | Year ended 31 December | | | |
|---|--------|------------------------|--------|--------|--------|
| | | 2019 | 2020 | 2021 | 2022 |
| Revenue generated from Kaisa Group per million of contracted sales of Kaisa Group (RMB) [A]/[B] | 5,749 | 5,310 | 5,942 | 12,039 | 15,067 |
| Average selling price of the contracted sales of Kaisa Group (RMB per sq.m.) [B]/[C] | 18,261 | 18,983 | 17,340 | 16,315 | 16,704 |

Based on our analysis, we notice that the average selling price of the contracted sales of Kaisa Group has stabilised at the level of RMB16,000 per sq.m. in FY2021 and FY2022, and the "harvest rate" as illustrated by revenue generated by the Group per million of contracted sales of Kaisa Group increased nearly threefold from the level of RMB5,000 in FY2020 to RMB15,000 in FY2022. As discussed with management of the Company, the increase in such harvest rate was mainly attributable to the fact that the Group has been engaged to supply all staff at Kaisa Group's sales centers starting from FY2021 as compared with the supply of just half of the staff at sales centers of Kaisa Group in the previous years.

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Set out below are (i) the historical annual caps under the 2020 CCT Agreements; and (ii) the proposed annual caps of Property Management Services for the coming three years ending 31 December 2026:

| | Year ended 31 December | | |
|-------------------------------|-------------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Historical annual caps [A] | 1,200,000 | 1,450,000 | 1,750,000 |
| Actual transaction amount [B] | 1,111,792 | 280,300 | 151,293 |
| Utilization [B]/[A] | 92.6% | 19.3% | 8.6% |

| | Year ending 31 December | | |
|----------------------|--------------------------------|----------------|----------------|
| | 2024 | 2025 | 2026 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Proposed annual caps | 400,000 | 500,000 | 600,000 |

Note: Transaction amount for the nine months ended 30 September 2023.

With reference to the FY2022 annual report of Kaisa Group, various major cities in China have loosened their measures on purchase restrictions and sales restrictions, and the Central Bank of China has lowered the mortgage interest rate policies in FY2022. The Directors are of the view that the gradual improvement of regulatory environment, implementation of more relaxed real estate policies and economic recovery from Covid pandemic will revitalize the real estate market and boost the stability of and the confidence over the real estate market.

Despite the dramatic decrease in historical transaction amount of Property Management Services and the utilization of historical annual caps as shown in the table above due to less sales activities organized by the Kaisa Group at sales centers since year 2022 amidst the challenging environment in property market as discussed earlier, we note that the proposed annual cap for year 2024 only represents (i) one third of the annual cap set for year 2021; and (ii) an increase of approximately 42.7% as compared with the actual transaction amount of RMB280.3 million in year 2022. As discussed with the management, the proposed annual caps are determined with reference to the expected demand from Kaisa Group indicated by the work schedule provided.

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Based on the work schedule provided by Kaisa Group, the Directors estimate that Kaisa Group's aggregate GFA to be sold in FY2024 could reach approximately 1,640,000 sq.m. Assuming that the average selling price of the contracted sales of Kaisa Group remains stable at the level of RMB16,000 per sq.m. as discussed above, the estimated contracted sales of Kaisa Group in FY2024 could reach approximately RMB26,240 million, representing an increase of approximately 40.0% as compared with the actual contracted sales of RMB18,749 million in FY2022. The Directors consider that the proposed annual cap for FY2024 of RMB400 million, representing an increase of approximately 42.7% as compared with the actual revenue of RMB280.3 million generated from the provision of Property Management Services to Kaisa Group in FY2022, is in line with the forementioned estimated growth rate of contracted sales of Kaisa Group in FY2024 of approximately 40.0%. Furthermore, the Directors estimate that the proposed annual caps for the subsequent two years (i.e. FY2025 and FY2026) will increase at annual rates of approximately 25% and 20% respectively which are in line with the pre-Covid annual average growth rate of revenue generated from the provision of Property Management Services of approximately 26% for the three years ended 31 December 2020.

Despite the decrease in historical transaction amount and the low utilisation rate for the Property Management Services, having considered that (i) the gradual loosening of regulatory environment and economic recovery from Covid pandemic are expected to revitalize the real estate market in China; (ii) the stable average selling price of contracted sales of Kaisa Group despite the weak property market in FY2022; (iii) the reliance of Kaisa Group on the Group to supply all staff at Kaisa Group's sales centers; (iv) the relatively conservative proposed annual caps set by the Company where the annual cap for year 2024 only represents one third of the annual cap set for year 2021; and (v) the reasonable growth rates of the proposed annual caps that are determined with reference to the estimated contract sales of Kaisa Group in FY2024 and pre-Covid annual average growth rate as discussed above, the Directors are of the view and we concur that the proposed annual caps for the coming three years ending 31 December 2026 governed by the 2023 Property Management Services Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

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B. 2023 Equipment Installation and Maintenance Services Framework Agreement

The table below sets forth the number of contracts and contract value in relation to provision of Equipment Installation and Maintenance Services for the five years ended 31 December 2022:

| | Year ended 31 December | | | | |
|--|-------------------------------|-------------|-------------|-------------|-------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Number of contracts | 105 | 121 | 161 | 206 | 164 |
| Contract value (RMB'000) | 65,325 | 102,110 | 202,207 | 249,473 | 169,801 |
| Revenue from Kaisa Group (RMB'000) | 45,266 | 59,513 | 105,130 | 94,278 | 47,378 |

As discussed with management of the Company, Kaisa Group would engage the Group to install various building systems when properties developed by Kaisa Group are sold and about to be delivered to property owners. As shown in the table above, revenue generated from provision of Equipment Installation and Maintenance Services to Kaisa Group decreased significantly by approximately RMB46.9 million or 49.7% from approximately RMB94.3 million for the year ended 31 December 2021 to approximately RMB47.4 million for the year ended 31 December 2022. The Directors confirm that such decrease in revenue from the provision of Equipment Installation and Maintenance Services is in line with the decrease in number of contracts and contract value with Kaisa Group in FY2022 which was mainly attributable to the decrease in Kaisa Group's contracted sales of properties.

Set out below are (i) the historical annual caps under the 2020 CCT Agreements; and (ii) the proposed annual caps of Equipment Installation and Maintenance Services for the coming three years ending 31 December 2026:

| | Year ended 31 December | | |
|-------------------------------|-------------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Historical annual caps [A] | 140,000 | 180,000 | 230,000 |
| Actual transaction amount [B] | 94,278 | 47,378 | 43,858 |
| Utilization [B]/[A] | 67.3% | 26.3% | 19.1% |

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| | Year ending 31 December | | |
|----------------------|--------------------------------|----------------|----------------|
| | 2024 | 2025 | 2026 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Proposed annual caps | 90,000 | 100,000 | 110,000 |

Note: Transaction amount for the nine months ended 30 September 2023.

As shown in the table above, there is dramatic decrease in historical transaction amount of Equipment Installation and Maintenance Services and the utilization of historical annual caps due to the decrease in Kaisa Group's contracted sales of properties as discussed above. However, we notice that the proposed annual cap for year 2024 only approximates to the actual transaction amount in year 2021. As discussed with management, the proposed annual caps are determined with reference to the expected demand from Kaisa Group indicated by the contracts to be awarded by Kaisa Group and the expected delivery of properties to market by Kaisa Group in the coming years.

As at 30 June 2023, the Group has 128 contracts on hand with a total contract value of approximately RMB119.7 million. As discussed with management of the Company, Central Government's policy focus has been put on "guaranteed delivery" of properties, and the Equipment Installation and Maintenance Services provided by the Group are essential for Kaisa Group to deliver quality properties to property owners. Accordingly, with the expected increase in aggregate GFA to be sold in FY2024 as estimated by Kaisa Group of approximately 1,640,000 sq.m., it is expected that more Equipment Installation and Maintenance Services have to be provided to Kaisa Group before the residential properties can be delivered to market. The Directors estimate that the proposed annual caps for the three years ending 31 December 2026 will increase at an annual rate of approximately 10% which is lower than the annual average growth rate of revenue generated from provision of Equipment Installation Services of approximately 12% achieved in the past five years.

Despite the decrease in historical transaction amount and the low utilisation rate for the Equipment Installation and Maintenance Services, given the (i) "guaranteed delivery" policy advocated by Central Government is expected to accelerate the number of properties to be delivered to the market; and (ii) strong growth in Kaisa Group's estimated contracted sales GFA and the expected associated increase in number of contracts and contract value awarded by Kaisa Group in relation to the provision of Equipment Installation and Maintenance Services, we concur with the Directors' view that the proposed annual caps under the 2023 Equipment Installation and Maintenance Services Framework Agreement determined with reference to a conservative annual growth rate of approximately 10% is fair and reasonable so far as the Independent Shareholders are concerned.

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C. 2023 Property Lease Framework Agreement

Set out below are (i) the historical annual caps under the 2020 CCT Agreements; and (ii) the proposed annual caps of properties lease for the coming three years ending 31 December 2026:

| | Year ended 31 December | | |
|-------------------------------|-------------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Historical annual caps [A] | 60,000 | 60,500 | 61,000 |
| Actual transaction amount [B] | 42,016 | 8,532 | 8,902 |
| | | | <i>(Note)</i> |
| Utilization [B]/[A] | 70.0% | 14.1% | 14.6% |

| | Year ending 31 December | | |
|----------------------------|--------------------------------|----------------|----------------|
| | 2024 | 2025 | 2026 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Lease of office | 5,000 | 5,500 | 6,000 |
| Lease of car parking lots | 30,000 | 32,500 | 35,000 |
| Total proposed annual caps | 35,000 | 38,000 | 41,000 |

Note: Transaction amount for the nine months ended 30 September 2023.

As shown in the table above, there is dramatic decrease in historical transaction amount of property lease and the utilization of historical annual caps. We notice that the decrease is mainly attributable to the decrease in lease of car parking lots from Kaisa Group. As discussed with management of the Company, the Group mainly lease from Kaisa Group car parking lots that are adjacent to the properties developed by Kaisa Group. The decrease in transaction amount is in line with the decrease in contracted sales and properties delivered by the Kaisa Group. With reference to the 2020 Property Lease Framework Agreement, we note that the average annual cap for year 2021 to year 2023 was set at approximately RMB60.5 million and the proposed annual caps in 2023 Property Lease Framework Agreement have been reduced by approximately 30 to 40%. The executive Directors estimate that the proposed annual caps for the three years ending 31 December 2026 will remain stable and mildly increase at annual growth rates of less than 10%. As discussed with management of the Company, the proposed annual caps were determined with reference to the expected increment in rental and expansion of leasing area taking into account the gradual recovery of the property sector from year 2024 to year 2026.

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Despite the decrease in historical transaction amount and the low utilisation rate for the property lease transaction, having considered that (i) the expected increase in Kaisa Group's contracted sales GFA in year 2024 alongside the gradual improvement of the real estate market stimulated by policies and economic recovery as discussed above that would also improve the demand for car parking lots; and (ii) the cut back on proposed annual caps by approximately 30 to 40% as compared with the 2020 framework agreement to take into account the current challenging environment, we concur with the Directors' view that the proposed annual caps for the coming three years ending 31 December 2026 governed by the 2023 Property Lease Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

D. 2023 Property Sales Assistance Services Framework Agreement

Set out below are (i) the historical annual caps under the 2020 CCT Agreements; and (ii) the proposed annual caps of Property Sales Assistance Services for the coming three years ending 31 December 2026:

| | Year ending 31 December | | |
|-------------------------------|--------------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Historical annual caps [A] | 7,200 | 8,640 | 10,400 |
| Actual transaction amount [B] | 1,558 | 10 | 2,483 |
| | | | <i>(Note)</i> |
| Utilization [B]/[A] | 21.6% | 0.1% | 23.9% |

| | Year ending 31 December | | |
|----------------------|--------------------------------|----------------|----------------|
| | 2024 | 2025 | 2026 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Proposed annual caps | 10,000 | 10,000 | 12,500 |

Note: Transaction amount for the nine months ended 30 September 2023.

As shown in the table above, the actual transaction amount of Property Sales Assistance Services could fluctuate significantly. As discussed with management, the fluctuation in transaction amount is mainly because of (i) Covid lockdown in China that restricted the sales activities of agents in year 2022; (ii) the challenging environment in the property market as discussed earlier; and (iii) the commission basis nature of the Property Sales Assistance Services where agency fee is earned only when the Group can solicit buyer for the properties developed by Kaisa Group. The executive Directors estimate that the proposed annual caps for the three years ending 31 December 2026 will remain stable at the level of approximately RMB10 million per year. As discussed with management of the Company, the proposed annual caps were determined with reference to the expected number of unsold properties owned by the Kaisa Group.

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Despite the volatile historical transaction amount and the low utilisation rate for the Property Sales Assistance Services, having considered that (i) the gradual improvement of the real estate market stimulated by policies and economic recovery as discussed earlier; and (ii) the stable proposed annual caps as compared with the 2020 framework agreement to take into account the current challenging environment, we concur with Directors that the proposed annual caps provided in the 2023 Sales Assistance Services Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

7. Internal control measures regarding the transactions contemplated under the Framework Agreements

The Company has established various internal control measures to monitor the transactions contemplated under the Framework Agreements, including:

- (i) prior to confirming the pricing under the Framework Agreements, the operating department shall obtain the prevailing market price from at least two independent customers of the relevant services for reference. In addition, the operating department shall check the recent transactions engaged by the Group with independent third parties to ensure that the pricing for transactions with Kaisa Group shall not be less favorable than that to be engaged with independent third parties;
- (ii) the Company has a designated employee, an Associate Business Director of Financial Management Department, who is familiar with the finance and business operations of the Group, to monitor the aggregate amount of the transactions contemplated under the Framework Agreements and assesses on a monthly basis whether any of the annual caps thereunder may be exceeded;
- (iii) the respective pricing policies for the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Company;
- (iv) the independent non-executive Directors will conduct annual reviews with respect to the transactions contemplated under the Framework Agreements and confirm in the annual report, pursuant to the requirements under the Listing Rules, whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, and in accordance with the Framework Agreements on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and
- (v) the Company's external auditors will conduct annual reviews of the Framework Agreements and the transactions contemplated thereunder in accordance to the Listing Rules.

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We have reviewed the internal control manual and 2 samples of historical documents and records maintained by the Group for walkthrough purpose to understand the abovementioned internal control measures adopted in the continuing connected transactions of the Group. Among which, we observed that the Group's personnel with appropriate level of authorities are involved in the approval and/or review process in relation to the continuing connected transactions. We also noted that the auditor of the Company has issued unqualified letter in respect of its review on the continuing connected transactions for the year ended 31 December 2022.

Whilst our scope of work as an independent financial adviser does not include a review of the effectiveness of the internal control measures of the Group, we are of the view that based on our work described above and taking into account the aforementioned reporting requirements attached to the transactions contemplated under the Framework Agreements, in particular, (i) the assignment of an experienced supervisor from financial management department to monitor the continuing connected transactions; (ii) the restriction of the transaction amounts by way of the 2023 CCT Agreements and the respective proposed annual caps; and (iii) the on-going review by the independent non-executive Directors and external auditors of the Company of the continuing connected transactions, we are of the view that there exist appropriate and effective measures to monitor the conduct of the continuing connected transactions contemplated under the Framework Agreements so as to ensure that the transactions are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole, and thus, the interests of the Independent Shareholders is safeguarded.

OPINION AND RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the transactions contemplated under the Framework Agreements are in the ordinary and usual course of business of the Company; (ii) the terms of the Framework Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) the entering into of the Framework Agreements is in the interests of the Company and the Shareholders as a whole; and (iv) the proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

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Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve (i) the 2023 Property Management Services Framework Agreement; (ii) the 2023 Equipment Installation and Maintenance Services Framework Agreement; (iii) the 2023 Property Lease Framework Agreement; and (iv) the 2023 Property Sales Assistance Services Framework Agreement, and the proposed annual caps thereof.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Thomas Lai
Chief Executive Officer

Mr. Thomas Lai is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of MESSIS Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 28 years of experience in 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(I) Directors' and chief executive's interests in Shares, underlying Shares or debentures

As at the Latest Practicable Date, the interests of the Directors and the chief executive 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) (the "Associated Corporations") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

i. Long position in shares of the Company ("Shares")

| Name of Director/ Chief Executive | Nature of interest | Number of Shares held | Number of underlying shares in which the Directors hold under the Company's share option scheme ⁽¹⁾ | Approximate percentage of issued share capital ⁽²⁾ |
|--------------------------------------|-----------------------|--------------------------|---|---|
| LIAO Chuanqiang | Beneficial | – | 2,000,000 | 1.30% |
| MA Xiumin | Beneficial | – | 50,000 | 0.03% |
| LIU Hongbai | Beneficial | – | 50,000 | 0.03% |
| CHEN Bin | Beneficial | – | 50,000 | 0.03% |

Notes:

- (1) These share options were granted on 19 July 2019, entitling the Director to exercise each option into one Share at an exercise price of HK\$15.70. For details, please refer to the announcement of the Company dated 19 July 2019.
- (2) The percentages were calculated based on 154,110,000 Shares in issue as at the Latest Practicable Date.

ii. Interest in associated corporation

| Name of Director/ Chief Executive | Nature of interest | Name of associated corporation | Number of underlying shares interested ⁽³⁾ | Approximate percentage of issued share of associated corporation ⁽⁴⁾ |
|--------------------------------------|-----------------------|--------------------------------------|--|--|
| LIAO Chuanqiang | Beneficial | Kaisa Group Holdings Ltd. | 4,129,708 (L) | 0.06% |
| LI Haiming | Beneficial | Kaisa Group Holdings Ltd. | 7,226,990 (L) | 0.10% |

Notes:

- (3) Each of the Directors is deemed to be interested in the underlying shares of Kaisa Group Holdings Ltd. (1638.HK) within the meaning of Part XV of the SFO in respect of the outstanding share options granted to him.
- (4) The percentages were calculated based on 7,015,468,487 shares in issue of Kaisa Group Holdings Ltd. as at the Latest Practicable Date.

(II) Substantial interests in the share capital of the Company

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

| Name of substantial shareholder | Capacity | Number of Shares held (Note 1) | Approximate percentage of the issued share capital of the Company (Note 3) |
|--|------------------------------------|--------------------------------|--|
| Kaisa Group Holdings Ltd. (“Kaisa Holdings”) | Interest in controlled Corporation | 103,530,000 (L) (Note 2) | 67.18% |
| Paramount Access Investments Limited (“Paramount”) | Interest in controlled Corporation | 103,530,000 (L) (Note 2) | 67.18% |
| Ye Chang Investment Company Limited (“Ye Chang”) | Beneficial owner | 103,530,000 (L) (Note 2) | 67.18% |

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Ye Chang is beneficially wholly-owned by Paramount Access, which is in turn wholly-owned by Kaisa Holdings (1638.HK). By virtue of the SFO, each of Kaisa Holdings and Paramount Access is deemed to be interested in the same number of Shares which Ye Chang is interested in. As at the Latest Practicable Date, 103,530,000 Shares have been pledged to Safe Castle Limited, a wholly-owned subsidiary of China Shandong Hi-Speed Capital Limited. China Shandong Hi-Speed Capital Limited is a wholly-owned subsidiary of Shandong Hi-Speed Holdings Group Limited (formerly known as China Shandong Hi-Speed Financial Group Limited), the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 412).
- (3) The percentages were calculated based on 154,110,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of any of its Associated Corporations which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of

Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

3. DIRECTORS' INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

None of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has not been any material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates (as defined in the Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. EXPERT'S QUALIFICATION AND CONSENT

Set out below is the qualification of the expert who has given its letter of advice in this circular:

| Name | Qualification |
|------------------------|--|
| Messis Capital Limited | a corporation licensed under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities |

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or reference to its name in the form and context in which it appears.

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

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

8. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

9. MISCELLANEOUS

In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.jzywy.com/>) for a period of at least 14 days from the date of this circular up to and including the date of the EGM:

- (i) the 2023 Property Management Services Framework Agreement;
- (ii) the 2023 Equipment Installation and Maintenance Services Framework Agreement;
- (iii) the 2023 Property Sales Assistance Services Framework Agreement;
- (iv) the 2023 Property Lease Framework Agreement;
- (v) the letter of recommendation from the Independent Board Committee to the Independent Shareholders;
- (vi) the letter from the Independent Financial Adviser; and
- (vii) the written consent as referred to under the section headed "Expert's qualification and consent" in this appendix.

NOTICE OF EGM



KAISA PROSPERITY HOLDINGS LIMITED

佳兆業美好集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2168)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the shareholders (the “Shareholders”) of Kaisa Prosperity Holdings Limited (the “Company”) will be held at Conference Room A, Office 1101–1102, Euro Trade Centre, Nos 13-14 Connaught Road Central, Central, Hong Kong on Monday, 8 January 2024 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company.

Capitalised terms used herein have the same meanings as those defined in the circular of the Company dated 18 December 2023.

ORDINARY RESOLUTIONS

1. “**THAT** the 2023 Property Management Services Framework Agreement, a copy of which is produced at the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the 2023 Property Management Services Framework Agreement and the transactions contemplated thereunder.”
2. “**THAT** the 2023 Equipment Installation and Maintenance Services Framework Agreement, a copy of which is produced at the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the 2023 Equipment Installation and Maintenance Services Framework Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

3. “**THAT** the 2023 Property Sales Assistance Services Framework Agreement, a copy of which is produced at the meeting and marked “C” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the 2023 Property Sales Assistance Services Framework Agreement and the transactions contemplated thereunder.”
4. “**THAT** the 2023 Property Lease Framework Agreement, a copy of which is produced at the meeting and marked “D” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the 2023 Property Lease Framework Agreement and the transactions contemplated thereunder.”

By order of the Board
Kaisa Prosperity Holdings Limited
Liao Chuanqiang
Chairman

Hong Kong, 18 December 2023

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

Principal place of business in Hong Kong:
Room 1901
19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Notes:

- (1) Any Shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
- (2) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined as the person so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF EGM

- (3) In order to be valid, a form of proxy must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (4) The register of members of the Company will be closed for the following periods:

For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming EGM to be held on Monday, 8 January 2024, the register of members of the Company will be closed from Thursday, 4 January 2024 to Monday, 8 January 2024, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, 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 Wednesday, 3 January 2024.