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

If you have sold or transferred all your shares in **Country Garden Services Holdings Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected, for transmission to the purchaser(s) or the transferee(s).

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COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED

碧桂園服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6098)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
WITH THE CGH GROUP UNDER
THE 2020 CGH FRAMEWORK AGREEMENTS
AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

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



紅日資本有限公司

RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 28 of this circular.

A notice convening the EGM to be held at the Phoenix Cinema, No. 1 Country Garden Road, Beijiao Town, Shunde District, Foshan, Guangdong Province, the PRC on Wednesday, 23 December 2020 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please see page 1 of this circular for measures being taken to try to prevent and control the spread of the Coronavirus at the EGM, including:

- **compulsory temperature checks and health declarations**
- **strongly recommended wearing surgical face masks**
- **no distribution of corporate gifts and refreshments**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Attendees are strongly recommended to bring and wear own surgical face masks and Shareholders may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing novel Coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names, contact details and body condition, and state that whether they have travelled to any affected countries or areas outside Mainland China in the preceding 14 days, or to their best knowledge had close contact with any confirmed cases, or have symptoms of flu, fever or pneumonia. Any such person may be denied entry into the EGM venue or be required to leave the EGM venue.
- (iii) Attendees are strongly recommended to bring and wear their own surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats.
- (iv) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, strongly recommended by using a form of proxy with voting instructions inserted, Shareholders, particularly those who are subjected to quarantine, may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The form of proxy is attached to this circular for the Shareholders who opt to receive physical circulars. Alternatively, the form of proxy can be downloaded from the website of the Stock Exchange (<http://www.hkexnews.hk>) and the "Investor Relations — Announcement and Circulars" section of the website of the Company (<http://www.bgyfw.com>). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

Shareholders are strongly recommended not to attend the EGM in person. If Shareholders have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company as follows:

Email: irps@bgyfw.com
Tel: (0757) 2991 7238

If Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the share registrar, as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
E-mail: is-enquiries@hk.tricorglobal.com
Tel: +852 2980 1333
Fax: +852 2890 9350

Due to the constantly evolving Coronavirus pandemic situation, the Company may be required to change the EGM arrangements at short notice. Shareholders are advised to check the website of the Stock Exchange and the Company's website for future announcements and updates on the EGM arrangements.

DEFINITIONS

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

“2018 Circular”	the circular of the Company dated 5 November 2018 in relation to the Existing Sales and Leasing Agency Services Framework Agreement and the Existing Consultancy and Other Services Framework Agreement
“2020 CGH Framework Agreements”	the Property Management Services Framework Agreement, the Sales and Leasing Agency Services Framework Agreement and the Consultancy and Other Services Framework Agreement
“30%-controlled company(ies)”	has the meaning ascribed to it under the Listing Rules
“Advertising Services”	has the meaning ascribed to it under the section headed “(3) The Consultancy and Other Services Framework Agreement” in the Letter from the Board of this circular
“Advertising Spaces”	has the meaning ascribed to it under the section headed “(3) The Consultancy and Other Services Framework Agreement” in the Letter from the Board of this circular
“Announcements”	the announcements of the Company respectively dated 22 August 2018, 18 September 2018, 23 August 2019 and 18 March 2020 in relation to the continuing connected transactions between the Group and the CGH Group
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CG Holdings”	Country Garden Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2007)
“CGH Group”	CG Holdings and its subsidiaries and, for the purpose of this circular, their 30%-controlled companies
“Company”	Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6098)
“connected person”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Consultancy and Other Services”	the Consultancy Services, the Advertising Services, the Domestic Services, the Elevators Installation Services and the Other Services
“Consultancy and Other Services Framework Agreement”	the framework agreement entered into between the Company and CG Holdings on 4 December 2020 which sets out the principal terms for provision of the Consultancy and Other Services by the Group to the CGH Group for a term commencing on 1 January 2021 until 31 December 2023
“Consultancy Services”	has the meaning ascribed to it under the section headed “(3) The Consultancy and Other Services Framework Agreement” in the Letter from the Board of this circular
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Domestic Services”	has the meaning ascribed to it under the section headed “(3) The Consultancy and Other Services Framework Agreement” in the Letter from the Board of this circular
“Domestic Services Rights Agreement(s)”	the agreement(s) to be entered into between the CGH Group and the Property Owners pursuant to which the Property Owners will be offered the rights to enjoy Domestic Services provided by the Group subject to certain cash limit
“EGM”	the extraordinary general meeting of the Company to be convened and held at the Phoenix Cinema, No. 1 Country Garden Road, Beijiao Town, Shunde District, Foshan, Guangdong Province, the PRC on Wednesday, 23 December 2020 at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, to approve the resolutions in relation to the 2020 CGH Framework Agreements and the transactions contemplated thereunder
“Elevators Installation Services”	has the meaning ascribed to it under the section headed “(3) The Consultancy and Other Services Framework Agreement” in the Letter from the Board of this circular
“Existing Advertising and Domestic Services Framework Agreement”	the framework agreement entered into between the Company and CG Holdings on 23 August 2019 which sets out the principal terms for the provision of the Advertising Services and the Domestic Services by the Group to the CGH Group for a term commencing on 23 August 2019 until 31 December 2020

DEFINITIONS

“Existing Consultancy and Other Services Framework Agreement”	the framework agreement entered into between the Company and CG Holdings on 1 June 2018 which sets out the principal terms for provision of the Consultancy Services and cleaning services by the Group to the CGH Group for a term commencing from the Listing Date until 31 December 2020 (as amended and supplemented from time to time)
“Existing Elevators Installation and Other Services Framework Agreement”	the framework agreement entered into between the Company and CG Holdings on 18 March 2020 which sets out the principal terms for the provision of Elevator Installation and Other Services by the Group to the CGH Group for a term commencing on 18 March 2020 until 31 December 2020
“Existing Framework Agreements”	collectively, the Existing Property Management Services Framework Agreement, the Existing Sales and Leasing Agency Services Framework Agreement, the Existing Advertising and Domestic Services Framework Agreement, the Existing Consultancy and Other Services Framework Agreement and the Existing Elevators Installation and Other Services Framework Agreement
“Existing Property Management Services Framework Agreement”	the framework agreement entered into between the Company and CG Holdings on 1 June 2018 which sets out the principal terms for the provision of property management services by the Group to the CGH Group for a term commencing from the Listing Date until 31 December 2020
“Existing Sales and Leasing Agency Services Framework Agreement”	the framework agreement entered into between the Company and CG Holdings on 18 September 2018 which sets out the principal terms for the provision of sales and leasing agency services by the Group to the CGH Group for a term commencing on 18 September 2018 until 31 December 2020
“Group”	the Company and its subsidiaries and, in the context of the 2020 CGH Framework Agreements, their 30%-controlled companies
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent Board committee comprising all independent non-executive Directors formed to advise the Independent Shareholders on the 2020 CGH Framework Agreements and the transactions contemplated thereunder
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2020 CGH Framework Agreements and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	the Shareholders other than Ms. YANG Huiyan, Ms. WU Bijun and their respective associates
“Independent Third Parties”	parties who are independent of, and not connected with, the Company or any of its connected persons
“Latest Practicable Date”	2 December 2020, 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 Date”	19 June 2018, the date on which the Shares are first listed and from which dealings in the Shares first commence on the Main Board of the Stock Exchange
“Listing Document”	the listing document of the Company dated 6 June 2018 in relation to the listing by way of introduction of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“majority-controlled company”	has the meaning ascribed to it under the Listing Rules
“Notice of the EGM”	the notice convening the EGM as set out on pages EGM-1 to EGM-2 of this circular
“Other Services”	has the meaning ascribed to it under the section headed “(3) The Consultancy and Other Services Framework Agreement” in the Letter from the Board of this circular
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Property Management Services Framework Agreement”	the framework agreement entered into between the Company and CG Holdings on 4 December 2020 which sets out the principal terms for the provision of property management services by the Group to the CGH Group for a term commencing on 1 January 2021 until 31 December 2023
“Property Owner(s)”	the purchasers of property units of the CGH Group
“RMB”	Renminbi, the lawful currency of PRC
“Sales and Leasing Agency Services Framework Agreement”	the framework agreement entered into between the Company and CG Holdings on 4 December 2020 which sets out the principal terms for the provision of sales and leasing agency services by the Group to the CGH Group for a term commencing on 1 January 2021 until 31 December 2023

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a par value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Working Day(s)”	the statutory working days in the PRC
“%”	per cent

LETTER FROM THE BOARD

COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED

碧桂園服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6098)

Executive Directors:

Mr. Li Changjiang
Mr. Xiao Hua
Mr. Guo Zhanjun

Non-executive Directors:

Ms. Yang Huiyan (*Chairman*)
Mr. Yang Zhicheng
Ms. Wu Bijun

Independent non-executive Directors:

Mr. Mei Wenjue
Mr. Rui Meng
Mr. Chen Weiru

Registered Office:

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

*Headquarters and principal place
of business in the PRC:*

West Building of Country Garden Office
Beijiao Town
Shunde District, Foshan
Guangdong Province
PRC

Principal place of business in Hong Kong:

4th Floor, Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

7 December 2020

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
WITH THE CGH GROUP UNDER
THE 2020 CGH FRAMEWORK AGREEMENTS
AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 4 December 2020 in relation to the 2020 CGH Framework Agreements with the CGH Group and the transactions contemplated thereunder which constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (a) the Letter from the Board with further details of the 2020 CGH Framework Agreements; (b) a letter from the Independent Board Committee to the Independent Shareholders; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (d) the Notice of the EGM.

2. CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Listing Document, the Announcements and the 2018 Circular in relation to, among other things, certain continuing connected transactions between the Group and the CGH Group pursuant to the Existing Framework Agreements. Since the Existing Framework Agreements are due to expire on 31 December 2020 and it is expected that the Group and the CGH Group will continue to enter into similar transactions from time to time thereafter, on 4 December 2020, the Company entered into the following 2020 CGH Framework Agreements with CG Holdings, each of which is conditional upon the Company having obtained the approval by the Independent Shareholders:

(1) The Property Management Services Framework Agreement

On 4 December 2020, the Company entered into the Property Management Services Framework Agreement with CG Holdings. During the term of the said agreement, members of the Group may from time to time enter into individual agreements with members of the CGH Group for the provision of property management services to the CGH Group in accordance with the principal terms of the Property Management Services Framework Agreement, which are set out as follows.

Date	:	4 December 2020
Parties	:	(1) the Company; and (2) CG Holdings
Term	:	From 1 January 2021 until 31 December 2023
Services to be provided	:	Provision of property management services by the Group in respect of the unsold property units and the sold property units prior to the agreed delivery date set out on the property purchase contract for projects developed by the CGH Group
Condition Precedent	:	The carrying out of transactions under the Property Management Services Framework Agreement is subject to the Company having obtained the approval by the Independent Shareholders of such agreement, the annual caps and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Price : Fees to be charged for the property management services provided by the Group shall be determined after arm's length negotiations taking into account the type and the construction area of the property, with reference to the location of the property, the anticipated operational costs, the government-guidance fees (if applicable), and the rate of fees under other contracts for similar property management services entered into by each party (if any). The service fees shall not be higher than the government-guidance fees (if applicable) or lower than the fees charged by the Group to Independent Third Parties under the same conditions.

According to the Property Service Charge Management Measures (《物業服務收費管理辦法》) promulgated by the National Development and Reform Commission and the Ministry of Construction on 13 November 2003, the specific pricing of property service fees, namely the aforesaid government-guidance fees, is to be determined by the price authorities of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government of the PRC in conjunction with the real estate administrative authorities. In practice, the publication method and update frequency of pricing documents for property service fees are determined by the competent departments of each province, autonomous region, and municipality directly under the Central Government of the PRC.

Payment : Fees for the property management services provided by the Group will be payable after provision of such services, to be settled on a monthly basis.

The payment terms are in essence the same as those under the Existing Property Management Services Framework Agreement, and are in line with the Group's standard payment terms offered to Independent Third Parties under similar conditions and the market practice. Based on the aforesaid, the Directors consider that the payment terms of the Property Management Services Framework Agreement are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

Annual caps and basis of determination

The existing annual caps (excluding tax) for fees payable by the CGH Group to the Group under the Existing Property Management Services Framework Agreement for each of the three years ending 31 December 2020 are as follows:

For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
RMB289,600,000	RMB355,300,000	RMB478,100,000

The approximate historical amounts (excluding tax) of fees paid by the CGH Group to the Group under the Existing Property Management Services Framework Agreement for each of the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 are as follows:

For the year ended 31 December 2018 (audited)	For the year ended 31 December 2019 (audited)	For the nine months ended 30 September 2020 (unaudited)
RMB264,517,000	RMB285,663,000	RMB198,315,800

The proposed annual caps (excluding tax) for fees payable by the CGH Group to the Group under the Property Management Services Framework Agreement for each of the three years ending 31 December 2023 are as follows:

For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
RMB416,000,000	RMB493,000,000	RMB571,000,000

The above proposed annual caps were determined after having taken into account (i) the historical transaction amounts under the Existing Property Management Services Framework Agreement for each of the two years ended 31 December 2019 and the nine months ended 30 September 2020; (ii) the expected total property management service income of the Group for the three years ending 31 December 2023 in respect of properties developed by the CGH Group; and (iii) the proportion of expected income from property management services provided by the Group to properties developed by the CGH Group to the total property management services expenses of the CGH Group in respect of such properties for the three years ending 31 December 2023.

As compared with the fees received by the Group under the Existing Property Management Services Framework Agreement during the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the Company expects that there will be a steady growth in the demand for and the scale of property management services to be provided by the Group to the CGH Group in the three years ending 31 December 2023 based on the historical transaction amounts and the anticipated development timeline of the CGH Group.

LETTER FROM THE BOARD

The annual caps for the two years ended 31 December 2018 and 2019 were well utilised, and there was a steady growth in the amount of fees paid by the CGH Group to the Group under the Existing Property Management Services Framework Agreement during the said years. The relatively low utilisation rate based on the transaction amount recorded for the nine months ended 30 September 2020 under the annual cap for the year ending 31 December 2020 was primarily attributable to the temporary adverse effects of the Coronavirus outbreak which has caused undue delay to the construction progress of certain property development projects of the CGH Group and in turn delayed the launch of these property development projects, causing a reduced level of demand for property management services in 2020, but such adverse effects are not expected to continue into year 2021. With the effective control measures by the PRC government, the Coronavirus outbreak has been gradually brought under control, and it is expected that the construction and sales progress will resume gradually and more property development projects are to be completed or delivered by the CGH Group in the next three years. Hence, an increase in fees for property management services to the Group is anticipated.

Pricing policy

The following pricing policy is adopted for each of the individual agreements to be entered into between members of the Group and members of the CGH Group under the Property Management Services Framework Agreement from time to time:

- (a) each individual agreement will be negotiated on an arm's length basis to ensure the relevant pricing terms are fair and reasonable and on normal commercial terms;
- (b) if a government-guidance price is implemented in the locality of the project, the transaction price shall be determined in principle with reference to the applicable government-guidance price on the premise that the reporting requirements of the local price departments are fulfilled;
- (c) the relevant member of the Group shall conduct market research on (if available) three Independent Third Parties in the surrounding areas of the relevant property project and make reference to the prevailing fees charged by such Independent Third Parties for providing similar services to ensure that the transaction price would not be lower than those charged by Independent Third Parties;
- (d) in determining the transaction price, the Group would estimate the cost of provision of such services based on manpower and comprehensive expenses required and the Group will not proceed with a transaction if the transaction price determined between both parties through negotiations is lower than the estimated cost of provision of such services; and
- (e) the transaction price will be determined between both parties through negotiations with reference to the market fees for similar property projects and the estimated quality and amount of services required.

LETTER FROM THE BOARD

Reasons for and benefits of the Property Management Services Framework Agreement

It is a common practice for property management companies in the PRC to provide property services to property developers. The Company is a leading service provider in comprehensive property management in the PRC with residential property as its major focus. The cooperation between the Company and CG Holdings through the Property Management Services Framework Agreement is expected to generate good synergies and further contribute to the Group's business growth.

The Directors (the opinion of the Independent Board Committee is set out in the letter from the Independent Board Committee on pages 29 to 30 of this circular) consider that the Property Management Services Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) The Sales and Leasing Agency Services Framework Agreement

On 4 December 2020, the Company entered into the Sales and Leasing Agency Services Framework Agreement with CG Holdings. During the term of the said agreement, members of the Group may from time to time enter into individual agreements with members of the CGH Group for the provision of sales and leasing agency services to the CGH Group in accordance with the principal terms of the Sales and Leasing Agency Services Framework Agreement, which are set out as follows.

Date	:	4 December 2020
Parties	:	(1) the Company; and (2) CG Holdings
Term	:	From 1 January 2021 until 31 December 2023
Services to be provided	:	Provision of (i) sales and leasing agency services by the Group to the CGH Group in respect of parking spaces; and (ii) sales agency services by the Group to the CGH Group in respect of property units of the CGH Group which remain unsold after the mass sales period of the corresponding property development projects.

Ancillary to the above sales and leasing agency services in respect of parking spaces, the Group also carry out various work including market research, project analysis, competitor product analysis, formulation of sales strategy, design and production of promotion materials, formulation of marketing plan and budget, review of legal documentation relating to sales, connecting to the government's filing procedures and connecting to procedures of the government and banks for commercial loans and provident fund loan, preparation and verification of reports and information in relation to delivery of parking spaces as required by the CGH Group, etc.

LETTER FROM THE BOARD

Condition Precedent : The carrying out of transactions under the Sales and Leasing Agency Services Framework Agreement is subject to the Company having obtained the approval by the Independent Shareholders of such agreement, the annual caps and the transactions contemplated thereunder.

Price : (a) The fees for the provision of sales agency services in respect of unsold properties units by the Group comprise (i) pre-commencement fee; and (ii) sales agency fee, which shall be calculated based on the following:

The pre-commencement fee is a one-time payment of 0.5% of the value of the subject property units ^(Note 1) payable by the CGH Group to the Group within two weeks after the handover of the project to the Group, which shall be used to offset the sales agency fee payable by the CGH Group to the Group ^(Note 2).

Sales agency fee = contract prices of the sales of the subject property units for the month \times 4%

Notes:

1. The aggregate value of the subject property units represents the minimum selling price of the relevant subject property units determined after arm's length negotiations between relevant members of the Group and the CGH Group at the time those property units are handed over in batch to the Group, taking into account the construction and development costs of the subject property units, difficulty of sales, locations of the subject property units, etc. The Group will not proceed with the sale of a subject property unit if the contract price is lower than its value as aforesaid.
2. The Group will deduct the pre-commencement fee from the amount of sales agency fee which becomes payable by the CGH Group. In the event that the sales agency fee payable by the CGH Group is greater than the pre-commencement fee already received by the Group, the shortfall will be paid by the CGH Group to the Group. The Group will not be required to return the pre-commencement fee to the CGH Group even if the Group fails to sell any or all of the relevant property units.

LETTER FROM THE BOARD

- (b) The fees for the provision of sales or leasing agency services in respect of unsold parking spaces by the Group comprise (i) sales or leasing agency fee; and (ii) incentive fee, which shall be calculated based on the following:

Sales/leasing agency fee = contract prices of the sales/leasing of the subject parking spaces for the month \times 5%

Incentive fee = contract prices of the sales/leasing of the subject parking spaces for the month \times 95% – transfer prices of the subject parking spaces

The transfer price of a parking space for sales/leasing represents the minimum price to be received by the CGH Group from the sales/leasing of the subject parking spaces, which shall be determined after arm's length negotiations between relevant members of the Group and the CGH Group taking into account the construction and development costs of the subject parking space, difficulty of sales/leasing, etc. The transfer price in relation to sales/leasing is usually at a discount to the initial price at the launch of the relevant project. The Group will not proceed with the sale or leasing of the subject parking spaces if the contract price is lower than its transfer prices as aforesaid.

If the buyer or lessee purchases or leases a parking space using a coupon, the transfer price of the subject parking space = the original transfer price of the parking space – the amount of coupon.

The coupon mentioned above refers to a valid certificate issued by relevant members of the CGH Group to a buyer or lessee in order to promote the completion of sales or leasing of parking space, which can be used to offset the selling price or rental of the parking space for the corresponding amount.

LETTER FROM THE BOARD

The above levels of fees, which are the same as those under the Existing Sales and Leasing Agency Services Framework Agreement, were determined after arm's length negotiations between the Company and CG Holdings with reference to practices and standards adopted by eight other market players in the same industry for similar services after considering quotations of agency fees for similar services. Updated market research will be conducted every six months to ensure that the levels of fees adopted are still in line with the market practice. If there is any deviation, the Company may consider negotiating with CG Holdings to revise the levels of fees under the Sales and Leasing Agency Services Framework Agreement. It was agreed that standard agency fee rates of 4% in respect of unsold property units and 5% in respect of unsold parking spaces should be adopted instead of applying different rates for different projects with reference to factors such as locations, nature and difficulty of sales/leasing of the property units or parking spaces, because these factors have already been taken into account in determining the value of the subject property units and transfer price of the subject parking spaces upon their handover to the Group.

The service fees shall not be lower than the fees charged by the Group to Independent Third Parties under the same conditions.

Based on the aforesaid, the Directors consider that the pricing terms of the Sales and Leasing Agency Services Framework Agreement are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

Payment : Fees for such services provided by the Group will be payable within three months from the date of transaction ^(Note).

Note: Fees for the provision of sales agency services in respect of unsold properties units will become payable only when the accumulated sales agency fee in respect of the property units of a project handed over to the Group is greater than the corresponding pre-commencement fee already received by the Group.

The payment terms are in essence the same as those under the Existing Sales and Leasing Agency Services Framework Agreement, and are in line with the Group's standard payment terms offered to Independent Third Parties under similar conditions and the market practice. Based on the aforesaid, the Directors consider that the payment terms of the Sales and Leasing Agency Services Framework Agreement are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Annual caps and basis of determination

The existing annual caps (excluding tax) for fees payable by the CGH Group to the Group under the Existing Sales and Leasing Agency Services Framework Agreement for each of the three years ending 31 December 2020 are as follows:

For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
RMB120,000,000	RMB380,000,000	RMB450,000,000

The approximate historical amounts (excluding tax) of fees paid by the CGH Group to the Group under the Existing Sales and Leasing Agency Services Framework Agreement for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 are as follows:

For the year ended 31 December 2018 (audited)	For the year ended 31 December 2019 (audited)	For the nine months ended 30 September 2020 (unaudited)
RMB66,712,000	RMB184,906,000	RMB248,761,800

The proposed annual caps (excluding tax) for fees payable by the CGH Group to the Group under the Sales and Leasing Agency Services Framework Agreement for each of the three years ending 31 December 2023 are as follows:

For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
RMB700,000,000	RMB850,000,000	RMB1,000,000,000

LETTER FROM THE BOARD

The above proposed annual caps were determined after having taken into account (i) the historical amount of fees and historical growth rate for provision of services paid by the CGH Group to the Group under the Existing Sales and Leasing Agency Services Framework Agreement for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020; (ii) the estimated sales value of unsold properties and parking spaces of the CGH Group in the PRC with reference to factors including but not limited to, the existing portfolio of unsold properties and parking spaces of the CGH Group, the property development projects of the CGH Group currently being sold in the market, the upcoming scheduled property development projects of the CGH Group, the property development projects of the CGH Group expected to be launched, during the three years ending 31 December 2023; (iii) the market rate for the provision of similar services in the same industry; and (iv) the rates of fees to be charged by the Group for the provision of the relevant services.

As compared with the fees received by the Group under the Existing Sales and Leasing Agency Services Framework Agreement during the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the Company expects that there will be a significant growth in the demand for and the scale of the sales and leasing services to be provided by the Group to the CGH Group in the three years ending 31 December 2023 after considering factors including but not limited to (i) the existing portfolio of unsold properties and parking spaces of the CGH Group, (ii) the property development projects of the CGH Group currently being sold in the market, (iii) the upcoming scheduled property development projects of the CGH Group, (iv) the expected property development projects of the CGH Group to be launched, during the three years ending 31 December 2021, 2022 and 2023; and (v) that the historical transaction amounts were primarily driven by the number of unsold properties and parking spaces of the CGH Group at the relevant time which may differ from year to year, and thus the historical transaction amounts and the historical utilisation rate may not necessary have a direct correlation and/or bearing on the future transaction amount.

In addition, as a long-term development strategy of the Group to secure steady growth of the Group's value-added services business, the resources allocated to the transactions under the Sales and Leasing Agency Services Framework Agreement are expected to increase as the Group plans to recruit additional sales personnel to expand the existing sales team of the Group. Hence, an increase in fees for sales and leasing agency services to the Group is anticipated.

Reasons for and benefits of the Sales and Leasing Agency Services Framework Agreement

The Company is a leading service provider in comprehensive property management in the PRC with residential property as its major focus and with a wide range of business. As a long-term development strategy, it is expected that the provision of sales and leasing agency services in respect of unsold parking spaces and the provision of sales agency services in respect of unsold property units of projects of the CGH Group will secure the steady growth of the Group's value-added services business, thereby expanding the Group's total revenue. In the future, the Group will expand to provide similar sales and leasing agency services to independent third party property developers should suitable opportunities arise.

The Directors (the opinion of the Independent Board Committee is set out in the letter from the Independent Board Committee on pages 29 to 30 of this circular) consider that the Sales and Leasing Agency Services Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(3) The Consultancy and Other Services Framework Agreement

On 4 December 2020, the Company entered into the Consultancy and Other Services Framework Agreement with CG Holdings. During the term of the said agreement, members of the Group may from time to time enter into individual agreements with members of the CGH Group for the provision of the Consultancy Services, the Advertising Services, the Domestic Services, the Elevators Installation Services and the Other Services to the CGH Group in accordance with the principal terms of the Consultancy and Other Services Framework Agreement, which are set out as follows.

- Date : 4 December 2020
- Parties : (1) the Company; and
(2) CG Holdings
- Term : From 1 January 2021 until 31 December 2023
- Services to be provided : Provision of the following Consultancy and Other Services by the Group to the CGH Group:
- (1) Consultancy services including (i) advice and assistance on the setting up and operation of the on-site sales offices of the CGH Group, such as decoration of the venue, physical set-up of booths and exhibitions, greenery, cleaning and maintenance of water and electricity supplies of the sales offices; (ii) provision of guidance and training to the staff of the CGH Group on the operations of the on-site sales offices, including the manners for general reception of guests, the provision of light refreshments, maintenance of a decent and proper interior of the sales offices for guests, management of show flats, property handover, handover inspection; and (iii) cleaning services for the properties developed by CGH Group before delivery to homeowners; and (iv) asset operations management services (the “**Consultancy Services**”)
 - (2) Advertising services (which comprise installation, maintenance and dismantling services) (the “**Advertising Services**”) in relation to advertisements to be displayed at certain advertising spaces located in the common areas of the property projects managed by the Group (the “**Advertising Spaces**”)
 - (3) Domestic services including home cleaning, household appliances cleaning, garden maintenance, home maintenance and other domestic services to the Property Owners (the “**Domestic Services**”)

LETTER FROM THE BOARD

(4) Elevator products installation and supporting services (the “**Elevators Installation Services**”)

(5) Technology services, after-sales maintenance and warranty services for houses and buildings, turnkey furnishing services, hotel management services, institutional food services, disinfection and pest control services and other services (the “**Other Services**”)

Condition Precedent : The carrying out of transactions under the Consultancy and Other Services Framework Agreement is subject to the Company having obtained the approval by the Independent Shareholders of such agreement, the annual caps and the transactions contemplated thereunder.

Price : (1) Consultancy Services

The fees for the provision of the Consultancy Services shall be determined after arm’s length negotiations taking into account the size, location and positioning of the properties to be sold by the sales offices of the CGH Group, the anticipated operational costs (such as labour costs) and the number of sales representatives receiving the consulting service and a variable commission rate with reference to the rate of fees under other contracts for similar consultancy and other services entered into by either party, and the market price for similar services.

(2) Advertising Services

The fees for the provision of the Advertising Services shall be determined after arm’s length negotiations taking into account costs involved in provision of the services (including the cost of manpower, raw materials, management and procurement of the Advertising Spaces, having considered the size, location and positioning of the Advertising Spaces), with reference to the prevailing market prices of similar services provided by Independent Third Parties in the open market, as well as (if available) other market reference prices such as prices of similar transactions conducted by other property management companies in the PRC.

(3) Domestic Services

The prices for the Domestic Services provided to the Property Owners pursuant to their rights under the Domestic Services Rights Agreement will be based on the price list of the Group which is the same as that available to Independent Third Parties for the same services.

LETTER FROM THE BOARD

(4) Elevators Installation

The fees for the provision of the Elevators Installation Services shall be determined after arm's length negotiations taking into account costs involved in the provision of the services (including the costs of materials, manpower and the management fees), with reference to the rate of fees under other contracts for similar elevators installation and other services entered into by each party (if any), and the prevailing market prices of similar services.

(5) Other Services

The fees for the provision of the Other Services shall be determined after arm's length negotiations taking into account the cost of raw materials and manpower, management fees, the required quality standards for the delivery of services and/or products and other factors with reference to the market price for similar services.

The service fees shall not be lower than the fees charged by the Group to Independent Third Parties under the same conditions.

Payment

: (1) Consultancy Services

Fees for the Consultancy Services provided by the Group will be payable after provision of such services, to be settled on a monthly basis.

(2) Advertising Services

Fees for the Advertising Services provided by the Group will be payable no later than three months after provision of such services by one-time payment or instalment payment.

(3) Domestic Services

Fees for the Domestic Services provided by the Group to the Property Owners will be payable by the CGH Group on behalf of the Property Owners within three months after the date of the relevant Domestic Services Rights Agreement.

LETTER FROM THE BOARD

(4) Elevators Installation Services

Fees for the Elevators Installation Services will be payable by the CGH Group to the Group within 30 Working Days after the relevant elevator products and/or services have passed the inspection by local government authorities.

(5) Other Services

Fees for the Other Services provided by the Group will be payable no later than three months after provision of such services by one-time payment or instalment payment.

The payment terms under the Consultancy and Other Services Framework Agreement are in essence the same as those under the Existing Consultancy and Other Services Framework Agreement, the Existing Advertising and Domestic Services Framework Agreement and the Existing Elevators Installation and Other Services Framework Agreement, and are in line with the Group's standard payment terms offered to Independent Third Parties under similar conditions and the market practice. In particular, it is the Group's practice that the fees for the Consultancy Services are generally payable by Independent Third Parties to the Group either monthly or quarterly, while the fees for the Consultancy Services under the Consultancy and Other Services Framework Agreement are to be settled by the CGH Group on a monthly basis, which represents the same or a shorter payment period than that offered to Independent Third Parties by the Group.

Based on the aforesaid, the Directors consider that the payment terms of the Consultancy and Other Services Framework Agreement are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

Annual caps and basis of determination

The existing annual caps (excluding tax) for fees payable by the Group to the CGH Group under the Existing Consultancy and Other Services Framework Agreement, the Existing Advertising and Domestic Services Framework Agreement and the Existing Elevators Installation and Other Services Framework Agreement for each of the three years ending 31 December 2020 are as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
Consultancy Services	RMB633,110,000	RMB897,930,000	RMB1,007,420,000
Advertising Services	N/A	RMB2,000,000	RMB4,000,000
Domestic Services	N/A	RMB9,000,000	RMB18,000,000
Elevators Installation Services	N/A	N/A	RMB460,000,000

The approximate historical amounts (excluding tax) of fees paid by the CGH Group to the Group under the Existing Consultancy and Other Services Framework Agreement, the Existing Advertising and Domestic Services Framework Agreement and the Existing Elevators Installation and Other Services Framework Agreement are as follows:

	For the year ended 31 December 2018 (audited)	For the year ended 31 December 2019 (audited)	For the nine months ended 30 September 2020 (unaudited)
Consultancy Services	RMB476,178,000	RMB819,388,000	RMB414,496,700
Advertising Services	N/A	RMB869,000	RMB30,800
Domestic Services	N/A	RMB4,863,000	RMB7,958,800

**For the period from 18 March 2020 to 30 September 2020
(unaudited)**

Elevators Installation Services	RMB8,897,200
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The proposed annual caps (excluding tax) for fees payable by the CGH Group to the Group under the Consultancy and Other Services Framework Agreement for each of the three years ending 31 December 2023 are as follows:

For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
RMB1,500,000,000	RMB1,800,000,000	RMB2,200,000,000

LETTER FROM THE BOARD

The above proposed annual caps were determined after having taken into account (i) the historical amount of fees paid by the CGH Group to the Group for the provision of the Consultancy Services, the Advertising Services, the Domestic Services and Elevators Installation Services for each of the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020; (ii) the estimated transaction amount for the provision of the Consultancy and Other Services by the Group to the CGH Group for each of the three years ending 31 December 2023 based on the anticipated development timeline of the CGH Group; (iii) in respect of the Consultancy Services, the estimated contracted amount of services with reference to the existing land reserve of the CGH Group and the historical amount and historical growth rate of the total contracted gross floor area of the CGH Group, and the increases in management costs and labour costs (iv) in respect of cleaning services, the estimated fee per square metre of the property to be charged by the Group in respect of the provision of such services, and the estimated gross floor area which the CGH Group will require the provision of such services by the Group; (v) in respect of the Advertising Services, the estimated marketing expenses to be incurred by the CGH Group; (vi) the Group's reference to the market rate for the provision of similar services in the same industry; and (vii) the rates of fees to be charged by the Group for the provision of the relevant services.

After considering the aforesaid factors, the Company expects that there will be a steady growth in the demand for and the scale of such services to be provided by the Group to the CGH Group in the three years ending 31 December 2023. Primarily based on the information available to the Company, fees for the provision of the Consultancy Services and the Elevators Installation Services are expected to contribute respectively approximately 81% and 13% of the proposed annual caps, while fees for Advertising Services, the Domestic Services and the Other Services are expected to take up the remaining portion of the proposed annual caps. In the two years ended 31 December 2018 and 2019, the annual caps for the provision of Consultancy Services under the Existing Consultancy and Other Services Framework Agreement were fairly utilised, and there was a steady growth in the amount of fees for the Consultancy Services paid by the CGH Group to the Group during the said years.

As the relatively low utilisation rate based on the transaction amounts recorded for the nine months ended 30 September 2020 under the annual caps for the year ending 31 December 2020 was primarily attributable to the temporary adverse effects of the Coronavirus outbreak, it is expected that the utilisation rate will gradually improve. In 2020, the Coronavirus outbreak has caused undue delay to the construction progress of certain project development projects of the CGH Group and in turn delayed the launch of these property development projects, causing a reduced level of demand for the Consultancy and Other Services in the year. With the effective control measures by the PRC government, the Coronavirus outbreak has been gradually brought under control, and it is expected that the construction and sales progress will resume gradually and more property development projects are to be completed or delivered by the CGH Group in the next three years. Hence, a significant increase in fees for the Consultancy and Other Services to the Group is anticipated.

LETTER FROM THE BOARD

Pricing policy

The following pricing policy is adopted for each of the individual agreements to be entered into between members of the Group and members of the CGH Group under the Consultancy and Other Services Framework Agreement from time to time:

- (a) each individual agreement will be negotiated on an arm's length basis to ensure the relevant pricing terms are fair and reasonable and on normal commercial terms;
- (b) first of all, in determining the minimum transaction price, the Group would estimate the cost of provision of such services after taking into consideration the type and contents of services required, the expected costs, the location of the project, the scale of each individual agreement and the gross profit margins adopted in similar transactions of the Group (ranging from 30% to 50% for the Consultancy Services, from 50% to 60% for the Advertising Services, from 40% to 60% for the Domestic Services, and from 8% to 20% for the Elevators Installation Services respectively, subject to changes from time to time; as regards the Other Services, as it involves a broad variety of services, there is not a single range of gross profit margins applicable to all and the gross profit margins range in respect of each type of services provided will be determined, subject to changes from time to time, based on the contents of services required, the expected costs, the location of the project, the scale of each individual agreement and the gross profit margins adopted in similar transactions of the Group);
- (c) subsequently, the Group will refer to (i) (if available) the prices of at least two contemporaneous similar transactions (in terms of the type and contents of services, the standard and quality of services required, pricing method, scale of the subject properties and level of difficulty of management and other factors) of the Group with Independent Third Parties; and (ii) (if available) certain market reference prices (i.e. the prices of transactions of similar nature, in terms of the type and contents of services and the scale and geographical locations of the subject properties, conducted by other property management companies in the PRC) which the Group considers to be matching, fair and competitive, to ensure that the transaction price is no less favorable to the Group than those available from Independent Third Parties; and
- (d) if the reference price(s) referred to (c) above is/are higher than the minimum price determined in accordance with (b) above, the reference price(s) will be adopted in determining the transaction price; on the contrary, if the reference price(s) referred to (c) above is/are lower than the minimum price determined in accordance with (b) above, the minimum price will be adopted in determining the transaction price.

LETTER FROM THE BOARD

Reasons for and benefits of the Consultancy and Other Services Framework Agreement

The Company is a leading service provider in comprehensive property management in the PRC with residential property as its major focus and with a wide range of business. The principal businesses of its subsidiaries include community value-added services and value-added services to non-property owners. The Group has been providing similar services contemplated under the Consultancy and Other Services Framework Agreement to the CGH Group as the Group and the CGH Group are able to meet the respective requirements of each other. With the Group's professional knowledge, high-quality services and competitive prices, the long-established cooperation between the Group and the CGH Group developed through transactions undertaken in the past provides a solid foundation for future cooperation, which is expected to produce good synergies. The Company considers that the entering into of the Consultancy and Other Services Framework Agreement helps raise the Group's income from value-added services, which will thereby increase the total revenue and improve the profitability of the Group, and is in conformity with the Group's strategic development needs.

The Directors (the opinion of the Independent Board Committee is set out in the letter from the Independent Board Committee on pages 29 to 30 of this circular) consider that the Consultancy and Other Services Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. INTERNAL CONTROL POLICIES FOR CONTINUING CONNECTED TRANSACTIONS

To ensure individual transactions will be conducted in accordance with the 2020 CGH Framework Agreements and the aforesaid pricing policy, the Group has adopted the following internal control measures:

- (1) the financial officers and persons in charge of various departments and units will closely monitor each transaction conducted under the 2020 CGH Framework Agreements, and regularly report monitoring data to the compliance department designated by the Company. The compliance department will then summarise and monitor the total transaction amount of the transactions conducted under each of the 2020 CGH Framework Agreements, and quarterly assess whether the annual caps of the respective 2020 CGH Framework Agreements may be exceeded to ensure that the transaction amount does not exceed the proposed annual caps. Continuous monitoring will be in place before, during and after each transaction, to ensure that the responsibilities are duly fulfilled;
- (2) the implementation of each contract entered into pursuant to the 2020 CGH Framework Agreements must be approved by the business department, the finance department, the legal department and the management to ensure that it is in accordance with the pricing policy and the principal terms of the 2020 CGH Framework Agreements;
- (3) the auditors of the Company shall conduct annual reviews on the prices and the annual caps of the continuing connected transactions to ensure that the total transaction amount is within the annual caps and that the transactions are conducted in accordance with the principal terms of the 2020 CGH Framework Agreements; and

LETTER FROM THE BOARD

- (4) the Board (including the independent non-executive Directors) will continue to review the quarterly monitoring reports on the transactions conducted under the 2020 CGH Framework Agreements issued by the management to ensure that the transactions are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. LISTING RULES IMPLICATIONS

Since CG Holdings is a majority-controlled company indirectly held by Ms. YANG Huiyan, a non-executive Director and a substantial Shareholder of the Company, it is an associate of Ms. YANG Huiyan and thus a connected person of the Company. Transactions contemplated under each of the 2020 CGH Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the highest annual cap exceed 5%, each of (i) the Property Management Services Framework Agreement; (ii) the Sales and Leasing Agency Services Framework Agreement; and (iii) the Consultancy and Other Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since (i) Ms. YANG Huiyan is the controlling shareholder, the Co-Chairman and an executive director of CG Holdings, (ii) Mr. YANG Zhicheng is a regional President and an executive director of CG Holdings and a cousin of Ms. YANG Huiyan, and (iii) Ms. WU Bijun is the Vice President and Chief Financial Officer of CG Holdings, all of them as Directors have abstained from voting on the resolutions at the Board meeting approving each of the 2020 CGH Framework Agreements and the transactions contemplated thereunder to avoid any conflicts of interest.

5. GENERAL

The Company is an investment holding company and a leading service provider in comprehensive property management in the PRC with residential property as its major focus. Its subsidiaries are principally engaged in property management services, community value-added services, value-added services to non-property owners and "Three Supplies and Property Management" businesses (currently includes property management services and heat supply business). As at the Latest Practicable Date, Ms. YANG Huiyan is indirectly interested in approximately 52.59% of the total issued share capital of the Company.

CG Holdings is one of the PRC's largest residential property developers that capitalizes on urbanisation. With centralised management and standardization, the CGH Group runs the businesses of property development, construction, interior decoration, property investment, and the development and management of hotels. The CGH Group offers a broad range of products to cater for diverse demands, namely residential projects such as townhouses, condominiums, car parks and retail shop spaces. The CGH Group also develops and manages hotels at some of its property projects with the aim of enhancing the properties' marketability. The CGH Group's other businesses are robotics and modern agriculture. As at the Latest Practicable Date, Ms. YANG Huiyan, the Co-Chairman and an executive director of CG Holdings, holds approximately 58.57% of the total issued share capital of CG Holdings through an investment holding company which she entirely owns.

LETTER FROM THE BOARD

6. THE EGM

A notice convening the EGM to be held at the Phoenix Cinema, No. 1 Country Garden Road, Beijiao Town, Shunde District, Foshan, Guangdong Province, the PRC on Wednesday, 23 December 2020 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. Ordinary resolutions will be proposed at the EGM to consider, and if thought fit, approve the 2020 CGH Framework Agreements and the transactions contemplated thereunder.

Since (i) Ms. YANG Huiyan (indirectly holding 1,451,120,428 Shares, representing approximately 52.59% of the issued Shares of the Company as at the Latest Practicable Date) is the controlling shareholder of CG Holdings; and (ii) Ms. WU Bijun (holding 5,095,190 Shares, representing approximately 0.18% of the issued Shares of the Company as at the Latest Practicable Date) is the Vice President and Chief Financial Officer of CG Holdings, both of them as Shareholders will abstain from voting on the resolutions to be proposed at the EGM due to material interest in the transactions contemplated under the 2020 CGH Framework Agreements and/or to avoid any conflicts of interest.

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

Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all three independent non-executive Directors has been formed to consider the terms of the 2020 CGH Framework Agreements. The Independent Financial Adviser has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the 2020 CGH Framework Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

8. RECOMMENDATIONS

The Directors (the opinion of the Independent Board Committee is set out in the letter from the Independent Board Committee on pages 29 to 30 of this circular) are of the view that the transactions contemplated under the 2020 CGH Framework Agreements are in the ordinary course of business, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend all the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2020 CGH Framework Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

9. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 29 to 30 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM, and to the letter from the Independent Financial Adviser as set out on pages 31 to 62 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2020 CGH Framework Agreements.

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

Yours faithfully,
By Order of the Board
Country Garden Services Holdings Company Limited
LI Changjiang
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the 2020 CGH Framework Agreements, which has been prepared for the purpose of inclusion in this circular.

COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED

碧桂園服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6098)

7 December 2020

To the Independent Shareholders,

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH THE CGH GROUP UNDER THE 2020 CGH FRAMEWORK AGREEMENTS

We refer to the circular dated 7 December 2020 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms a part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, the terms of the continuing connected transactions contemplated under the 2020 CGH Framework Agreements are fair and reasonable and such transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

Red Sun Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in connection with the 2020 CGH Framework Agreements and the continuing connected transactions contemplated thereunder. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out in its letter on pages 31 to 62 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 7 to 28 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the 2020 CGH Framework Agreements and the continuing connected transactions contemplated thereunder, the interests of the Independent Shareholders and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the continuing connected transactions contemplated under the 2020 CGH Framework Agreements are fair and reasonable, and such continuing connected transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in the terms as set out in the Notice of the EGM so as to approve the 2020 CGH Framework Agreements and the continuing connected transactions contemplated thereunder.

Yours faithfully

For and on behalf of

The Independent Board Committee

Mr. RUI Meng

Independent Non-executive Directors

Mr. MEI Wenjue

Mr. CHEN Weiru

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Red Sun Capital to the Independent Board Committee and the Shareholders in relation to the Continuing Connected Transactions prepared for the purpose of incorporation in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower, Shun Tak Centre,
168–200 Connaught Road Central, Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

7 December 2020

*To: The independent board of committee and the independent shareholders of
Country Garden Service Holdings Company Limited*

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH THE CGH GROUP UNDER THE 2020 CGH FRAMEWORK AGREEMENTS

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders with regard to the continuing connected transactions contemplated under the 2020 CGH Framework Agreements, including (i) the Property Management Services Framework Agreement; (ii) the Sales and Leasing Agency Services Framework Agreement; and (iii) the Consultancy and Other Services Framework Agreement (together the “**Continuing Connected Transactions**”). The 2020 CGH Framework Agreements were entered into between the Group and the CGH Group to continue similar transactions between the Group and the CGH Group under the Existing CGH Framework Agreements, which are due to expire on 31 December 2020.

Details of the (i) the Property Management Services Framework Agreement; (ii) the Sales and Leasing Agency Services Framework Agreement; and (iii) the Consultancy and Other Services Framework Agreement are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 7 December 2020 (the “**Circular**”). Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

As set out in the Letter from the Board, since CG Holdings is a majority-controlled company indirectly held by Ms. Yang Huiyan, a non-executive Director and a substantial Shareholder of the Company, it is an associate of Ms. Yang Huiyan and thus a connected person of the Company. Accordingly, transactions contemplated under the 2020 CGH Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the highest annual cap exceed 5%, each of (i) the Property Management Services Framework Agreement; (ii) the Sales and Leasing Agency Services Framework Agreement; and (iii) the Consultancy and Other Services Framework Agreement, and the transactions contemplated thereunder are subject to reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of nine Directors, namely Mr. Li Changjiang, Mr. Xiao Hua and Mr. Guo Zhanjun as executive Directors; Ms. Yang Huiyan (Chairman), Mr. Yang Zhicheng and Ms. Wu Bijun as non-executive Directors; and Mr. Mei Wenjue, Mr. Rui Meng and Mr. Chen Weiru as independent non-executive Directors.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Mei Wenjue, Mr. Rui Meng and Mr. Chen Weiru, has been established to advise the Shareholders as to whether the terms of the 2020 CGH Framework Agreements and the transactions contemplated thereunder (together with the respective annual caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

We have been appointed to advise the Independent Board Committee and the Shareholders in these respects and to give our opinion in relation to the Continuing Connected Transactions for the Independent Board Committee's consideration when making their recommendation to the Shareholders.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, CG Holdings and their respective shareholders, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Shareholders regarding the Continuing Connected Transactions. Save for our appointment as the Independent Financial Adviser, Red Sun Capital did not act as an independent financial adviser to the Company under the Listing Rules in the past two years. Apart from the normal advisory fee paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

IV. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and CG Holdings and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. Nonetheless, during the course of our work, we have reviewed, including but not limited to, (i) the annual report and interim report of the Group for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively; (ii) the annual report and interim report of the CGH Group for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively; (iii) the 2020 CGH Framework Agreements; (iv) the schedules, information and other supporting documents in connection with the Continuing Connected Transactions prepared by the Management; and (v) sample of contracts and historical transaction related documents with connected parties and independent third parties of the Group provided by the Management, further details of our analysis are set out in this letter below. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this Letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, and CG Holdings made or provided by the Management

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and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company, CG Holdings and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

V. BACKGROUND INFORMATION OF THE CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion on the Continuing Connected Transactions (together with the annual caps), we have taken into consideration the following factors and reasons.

1. Background information of the Group

As set out from the Letter from the Board, the Company is an investment holding company and a leading service provider in comprehensive property management in the PRC with residential property as its major focus. Its subsidiaries are principally engaged in property management services, community value-added services, value-added services to non-property owners and “Three Supplies and Property Management” businesses (currently includes property management services and heat supply business).

Set out below is the summary of the Group’s (i) audited consolidated statement of income and consolidated balance sheet for the years ended 31 December 2018 and 2019 as set out from the annual report of the Group for the year ended 31 December 2019 (the “**2019 Annual Report**”); and (ii) unaudited consolidated financial results of the Group for the six months ended 30 June 2019 and

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2020 as set out in the interim report of the Group for the six months ended 30 June 2020 (the “**2020 Interim Report**”):

Summary of consolidated statement of comprehensive income

	For the year ended 31 December		For the six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue				
<i>Property management and related services other than Three Supplies and Property Management</i>				
— Property management services	3,445,489	5,816,961	2,542,054	3,999,350
— Value-added services to non-property owners	791,084	1,422,058	595,664	674,377
— Community value-added services	417,220	865,187	307,240	602,616
— Other services	21,494	25,368	5,469	71,831
	<u>4,675,287</u>	<u>8,129,574</u>	<u>3,450,427</u>	<u>5,348,174</u>
<i>Three Supplies and Property Management^(Note)</i>				
— Heat supply services	—	990,215	21,115	656,927
— Property management services	—	525,158	44,145	266,177
	—	1,515,373	65,260	923,104
Total Revenue	<u>4,675,287</u>	<u>9,644,947</u>	<u>3,515,687</u>	<u>6,271,278</u>
Profit after tax	934,210	1,718,391	826,180	1,335,246
Profit attributable to owners of the Company	923,154	1,670,664	816,891	1,314,838

Note: The Group commenced the provision of heat supplies and property management services among the three supplies and property management businesses which comprised the provision of water, electricity and heat supplies and property management services under the state-owned enterprises separation and reform program (the “Three Supplies and Property Management”).

Financial performance for the year ended 31 December 2019

As set out in the 2019 Annual Report, the revenue of the Group increased by approximately RMB4,969.6 million or approximately 106.3%, from approximately RMB4,675.3 million for the year ended 31 December 2018 to approximately RMB9,644.9 million for the year ended 31 December 2019.

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Such increase in revenue was mainly attributable to (i) the Group's revenue generated from property management and related services other than Three Supplies and Property Management, which increased by approximately RMB3,454.3 million or 73.9% from approximately RMB4,675.3 million for the year ended 31 December 2018 to approximately RMB8,129.6 million for the year ended 31 December 2019, among which, revenue from property management services increased by approximately RMB2,371.2 million or 68.8% from approximately RMB3,445.5 million for the year ended 31 December 2018 to approximately RMB5,817.0 million for the year ended 31 December 2019, which was mainly as a result of an increase in the Group's revenue-bearing gross floor area (the "GFA"); and (ii) the Group's revenue from Three Supplies and Property Management, which was a new business segment of the Group during the year ended 31 December 2019, with the revenue derived from (a) property management services of approximately RMB525.2 million; and (b) heat supply services of approximately RMB990.2 million.

In addition, profit attributable to its Shareholders also increased by approximately RMB747.5 million or 81.0%, from approximately RMB923.2 million for the year ended 31 December 2018 to approximately RMB1,670.7 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in revenue as mentioned in the preceding paragraph.

Financial performance for the six months ended 30 June 2020

For the six months ended 30 June 2020, the Group's revenue increased by approximately RMB2,755.6 million or approximately 78.4%, from approximately RMB3,515.7 million for the six months ended 30 June 2019 to approximately RMB6,271.3 million for the six months ended 30 June 2020.

As set out from the 2020 Interim Report, the aforesaid increase in revenue was mainly attributable to (i) the increase in the Group's revenue from property management services and related services other than Three Supplies and Property Management of approximately RMB1,897.8 million or approximately 55.0% from approximately RMB3,450.4 million for the six months ended 30 June 2019 to approximately RMB5,348.2 million for the six months ended 30 June 2020 was as a result of an increase in the Group's revenue-bearing GFA; and (ii) the increase of the Group's revenue from Three Supplies and Property Management of approximately RMB860.8 million or approximately 1,314.5% from approximately RMB65.3 million for the six months ended 30 June 2019 to approximately RMB923.1 million for the six months ended 30 June 2020.

It is also noted that profit attributable to its Shareholders increased by approximately RMB497.9 million or 60.9%, from approximately RMB816.9 million for the six months ended 30 June 2019 to approximately RMB1,314.8 million for the six months ended 30 June 2020. Such increase was mainly attributable to the increase in revenue as mentioned in the preceding paragraph.

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Summary of consolidated balance sheet

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
Total assets	5,521,894	12,269,322	18,049,897
— Cash and cash equivalents	3,868,921	6,914,148	9,927,344
— Trade and other receivables	788,059	2,003,770	3,415,015
Total liabilities	3,192,188	6,589,796	11,264,344
— Trade and other payables	2,060,176	4,690,033	5,462,563
— Convertible bonds	—	—	3,390,868
Total equity attributable to owners of the Company	2,260,787	5,373,156	6,444,228

Note: For the avoidance of doubt, only selected major asset and liability components of the Group are disclosed in the table above.

Financial position of the Group as at 31 December 2019

The Group's total assets increased by approximately RMB6,747.4 million or approximately 122.2% from approximately RMB5,521.9 million as at 31 December 2018 to approximately RMB12,269.3 million as at 31 December 2019. As at 31 December 2019, the assets of the Group mainly comprised of cash and cash equivalents of approximately RMB6,914.1 million and trade and other receivables of approximately RMB2,003.8 million, which accounted for approximately 56.4% and 16.3% of the total assets of the Group, respectively.

The Group's total liabilities increased by approximately RMB3,397.6 million or approximately 106.4%, from approximately RMB3,192.2 million as at 31 December 2018 to approximately RMB6,589.8 million as at 31 December 2019. Such increase was mainly attributable to the increase in trade and other payables of approximately RMB2,629.9 million or 127.7% from approximately RMB2,060.2 million as at 31 December 2018 to approximately RMB4,690.0 million as at 31 December 2019.

As at 31 December 2019, liabilities of the Group mainly comprised of trade and other payables of approximately RMB4,690.0 million, which accounted for approximately 71.2% of the total liabilities.

Financial position of the Group as at 30 June 2020

The Group's total assets increased by approximately RMB5,780.6 million or approximately 47.1% from approximately RMB12,269.3 million as at 31 December 2019 to approximately RMB18,049.9 million as at 30 June 2020. As at 30 June 2020, assets of the Group mainly comprised of cash and cash equivalents of approximately RMB9,927.3 million and trade and other receivables of approximately RMB3,415.0 million, which accounted for approximately 55.0% and 18.9% of the total assets, respectively.

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The Group's total liabilities increased by approximately RMB4,674.5 million or approximately 70.9%, from approximately RMB6,589.8 million as at 31 December 2019 to approximately RMB11,264.3 million as at 30 June 2020. Such increase was mainly attributable to the increase in liabilities related to convertible bonds issued by the Group, which amounted to approximately RMB3,390.9 million.

As at 30 June 2020, liabilities of the Group mainly comprised of trade and other payables and liabilities related to convertible bonds of approximately RMB5,462.6 million and RMB3,390.9 million, which accounted for approximately 48.5% and 30.1% of the total liabilities, respectively.

2. Background information on CG Holdings and the CGH Group

As set out in the Letter from the Board, CG Holdings is one of the PRC's largest residential property developers that capitalises on urbanisation. With centralised management and standardisation, the CGH Group runs the businesses of property development, construction, interior decoration, property investment, and the development and management of hotels. The CGH Group offers a broad range of products to cater for diverse demands, namely residential projects such as townhouses, condominiums, car parks and retail shop spaces. The CGH Group also develops and manages hotels at some of its property projects with the aim of enhancing the properties' marketability. The CGH Group's other businesses are robotics and modern agriculture.

According to the annual report of CG Holdings for the year ended 31 December 2019, its revenue for the year ended 31 December 2019 was approximately RMB485.9 billion, representing an increase of approximately RMB106.8 billion or 28.2% compared with that of approximately RMB379.1 billion for the year ended 31 December 2018. Profit attributable to the shareholders of CG Holdings amounted to approximately RMB39.6 billion for the year ended 31 December 2019. It was also noted from its interim report for the six months ended 30 June 2020 that the CGH Group recorded total assets of approximately RMB2.0 trillion, including properties under development of approximately RMB1.0 trillion. It is also noted that the CGH Group ranked 147th in the Fortune Global 500 as of August 2020.

3. Background information on the property management industry in the PRC

Based on published information on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>), year-on-year growth in gross domestic product ("GDP") for the PRC in 2019 was approximately 7.8% (2018: 6.6%). Pursuant to the Thirteenth Five Year Plan* (十三五規劃) set out by the PRC government, the target annual growth in GDP for the subsequent five years from 2016 was approximately 6.5%. However, attributable to the ongoing development and impact of the COVID-19 outbreak, which is expected to be temporary in nature, the GDP of the PRC for 2020 is expected to be lower. Nonetheless, despite the short-term challenging environment, the PRC economy is still expected to achieve positive growth for 2020¹.

¹ Publication of World Economic Forum dated 16 September 2020.
(Source: <https://www.weforum.org/agenda/2020/09/key-quotes-from-chinas-premier-li-on-covid-19-the-economy-and-us-relations/>)

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In the past, the PRC government has promoted urbanisation in the PRC through, among others, (i) accelerate the urbanisation of agricultural population (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system* (深化戶籍制度改革), implementation of the residence permit system* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) optimise urbanisation layout* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration* (加快城市群建設發展), enhance the drive of activities by central cities* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristic towns* (加快發展中小城市和特色鎮). Furthermore, the PRC government has also implemented various policy measures, at national and regional level, to promote long term sustainability of the PRC property market, which included but was not limited to (i) making adjustments to the benchmark interest rate by the People's Bank of China; (ii) amending the minimum down payment for buyers of second homes; (iii) impose limitation on property purchases* (限購令); and (iv) minimum holding period before resale. Accordingly, the development of the PRC property market continues to be exposed to changes in PRC government policies at a national and regional level, as well as market volatility and to an extent affected by the overall economic development of the PRC. In view of the above, it is expected that rapid urbanisation in the PRC as well as growth in per capita disposable income shall continue to drive growth for the PRC property management industry, as the Management expects the middle-to-high income class consumers to continue demanding for better living conditions and higher quality property management services.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

Reasons for and benefits of entering into the 2020 CGH Framework Agreements

As set out in the Letter from the Board, it is common industry practice for PRC property management companies to provide property services to property developers. The Group has provided and expects to continue to provide similar services to property developers, both independent third parties and members of the CGH Group, in the future should suitable opportunities arise. In view of the continuous expansion of the Group and the rising labour costs in respect of property-related services, it is expected that the cooperation between the Company and CG Holdings through the 2020 CGH Framework Agreements, including the provision of property management services, sales and leasing agency services and consultancy and other services, will create synergies and/or generate additional revenue for the Group. Therefore, it is proposed that the annual caps for transactions contemplated thereunder be increased.

Having considered that, (i) the Existing Framework Agreements are due to expire on 31 December 2020 and it is expected that the Group and the CGH Group will continue to enter into similar transactions from time to time thereafter; (ii) the Group is a property management service provider offering a comprehensive range of property management services to its customers in the PRC; (iii) the Continuing Connected Transactions are a furtherance of the Group's principal businesses; and (iv) the proposed annual caps for the years ending 31 December 2021, 2022 and 2023, if approved, would facilitate the Continuing Connected Transactions to be conducted in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; and (v) the Group has the right but not the obligation to provide the relevant services to the CGH Group at terms determined in accordance with the respective pricing policies, we concur with the Directors' view that the Continuing Connected Transactions are in the interests of the Company as a whole.

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1. The Property Management Services Framework Agreement

1.1. Principal terms of the Property Management Services Framework Agreement

The following information has been extracted from the Letter from the Board:

Date	:	4 December 2020
Parties	:	(1) the Company; and (2) CG Holdings
Term	:	From 1 January 2021 until 31 December 2023
Services to be provided	:	Provision of property management services by the Group in respect of the unsold property units and the sold property units prior to the agreed delivery date set out on the property purchase contract for projects developed by the CGH Group.
Price	:	Fees to be charged for the property management services provided by the Group shall be determined after arm's length negotiations taking into account the type and the construction area of the property, with reference to the location of the property, the anticipated operational costs, the government-guidance fees (if applicable), and the rate of fees under other contracts for similar property management services entered into by each party (if any). The service fees shall not be higher than the government guidance fees (if applicable) or lower than the fees charged by the Group to Independent Third Parties under the same conditions.

According to the Property Service Charge Management Measures (《物業服務收費管理辦法》) promulgated by the National Development and Reform Commission and the Ministry of Construction on 13 November 2003, the specific pricing of property service fees, namely the aforesaid government-guidance fees, is to be determined by the price authorities of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government of the PRC in conjunction with the real estate administrative authorities. In practice, the publication method and update frequency of pricing documents for property service fees are determined by the competent departments of each province, autonomous region, and municipality directly under the Central Government of the PRC.

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Payment : Fees for the property management services provided by the Group will be payable after provision of such services, to be settled on a monthly basis.

The payment terms are in essence the same as those under the Existing Property Management Services Framework Agreement, and are in line with the Group's standard payment terms offered to Independent Third Parties under similar conditions and the market practice. Based on the aforesaid, the Directors consider that the payment terms of the Property Management Services Framework Agreement are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Further details of the principal terms of the Property Management Services Framework Agreement are set out in the Letter from the Board.

1.2. Analysis on the principal terms of the Property Management Services Framework Agreement

We have discussed with the Management and are advised that the service fees charged by the Group pursuant to the Property Management Services Framework Agreement were determined in accordance with the following pricing policy for the relevant transactions, namely (i) each individual agreement will be negotiated on an arm's length basis to ensure the relevant pricing terms are fair and reasonable and on normal commercial terms; (ii) if government-guidance price is required to be complied with due to the locality of the project, the relevant transaction price shall be determined in principle with reference to the applicable government-guidance price on the premise that the reporting requirements of the local price departments are fulfilled, such requirements may be published on the website of the relevant government authorities and updated from time to time; (iii) the relevant member of the Group shall conduct market research on (if available) three Independent Third Parties in the surrounding areas of the relevant property project and make reference to the prevailing fees charged by such Independent Third Parties for providing similar services to ensure that the transaction price would not be lower than those charged by Independent Third Parties; (iv) in determining the transaction price, the Group would estimate the costs of provision of such services based on manpower and comprehensive expenses required and the Group will not proceed with a transaction if the transaction price determined between both parties through negotiations is lower than the estimated cost of provision of such services; and (v) the transaction price will be determined between both parties through negotiations with reference to the market fees for similar property projects and the estimated quality and amount of services required.

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In this connection, we have obtained and reviewed the internal control procedures of the Company and transaction documents for eight transactions selected on a random and non-exhaustive basis, which we considered sufficient for the purpose of our analysis, including (i) sample contracts the Group entered into with members of the CGH Group for the provision of property management services by the Group in respect of the unsold property units and the sold property units prior to the agreed delivery date set out on the property purchase contract and the corresponding internal approval forms for the respective sampled contracts; (ii) sample of contracts with similar service scope entered into by the Group with Independent Third Parties, in relation to the provision of property management services in respect of the unsold property units and sold property units prior to the agreed delivery date set out on the property purchase contract and the corresponding internal approval forms for the respective sampled contracts during the year ended/ending 31 December 2019 and 2020. Based on our review of the sample contracts and internal approval forms, we noted that (i) the internal approval form to approve the relevant transactions sets out, among others, (a) information of the parties; (b) the contract period, type of transaction and scope of services to be provided by the Group; and (c) the approval and comment, if any, from various departments of the Group, which shall be filled in and circulated to the relevant departments; (ii) the internal approval procedures applicable to transactions entered into between the Group and members of the CGH Group are in line with the internal control procedures of the Company and are similar to the internal approval procedures applicable to the contracts entered into with Independent Third Parties; (iii) based on the samples reviewed by us and as confirmed by the Management, the basis of the service fees charged by the Group is in line with the abovementioned pricing policy of the Group; and (iv) the payment terms of the sampled contracts entered into with connected parties are in line with the payment terms as set out under the Property Management Services Framework Agreement and are in line with the payment terms of the sampled contracts entered into with Independent Third Parties.

Besides, we understand from the Management that the transactions contemplated under the Property Management Services Framework Agreement would be subject to the review of the independent non-executive Directors and the auditor of the Company would also conduct an annual review on the pricing terms and the annual caps under the Property Management Services Framework Agreement. We further understand from the Management that the compliance department of the Group will summarise and monitor the transaction amount conducted under the Property Management Services Framework Agreement, assess the annual caps to ensure that the transaction amount does not exceed the proposed annual caps on a quarterly basis and report to the Management if the aggregate transaction amount under the annual caps are close to its limit. The Management has also confirmed that the transactions between the Group and the CGH Group under the Existing Property Management Services Framework Agreement have been in compliance with the relevant internal control procedures and that the Board (including the independent non-executive Directors) will continue to review the quarterly monitoring reports on the transactions conducted under the 2020 CGH Framework Agreements issued by the management to ensure that the transactions are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On this basis, we are of the view that the service fees charged by the Group, the payment terms and the transactions conducted contemplated under the Property Management Services Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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1.3. Basis for determining the annual caps

Pursuant to the Property Management Services Framework Agreement entered into between the Company and CGH Holdings, the proposed annual caps (excluding tax) for fees payable by the CGH Group to the Group for each of the three years ending 31 December 2023 are set out below:

For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
RMB416,000,000	RMB493,000,000	RMB571,000,000

The existing annual caps (excluding tax) for fees payable by the CGH Group to the Group under the Existing Property Management Services Framework Agreement for each of the three years ending 31 December 2020 and the approximate historical amounts (excluding tax) of fees paid by the CGH Group to the Group under the Existing Property Management Services Framework Agreement for each of the two years ended 31 December 2018 and 2019, and the nine months ended 30 September 2020 are as follows:

Existing annual caps

For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
RMB289,600,000	RMB355,300,000	RMB478,100,000

Historical transaction amounts

For the year ended 31 December 2018 <i>(audited)</i>	For the year ended 31 December 2019 <i>(audited)</i>	For the nine months ended 30 September 2020 <i>(unaudited)</i>
RMB264,517,000	RMB285,663,000	RMB198,315,800
Utilisation rate: 91.3%	Utilisation rate: 80.4%	Utilisation rate: 41.5%/ Annualised utilisation rate ^(Note) : 55.3%

Note: Annualised utilisation rate is calculated by extrapolating the nine months figures to a full year figure for illustration purposes only and does not represent the actual utilisation rate for the year ending 31 December 2020.

As stated in the Letter from the Board, the above proposed annual caps were determined after having taken into account (i) the historical transaction amounts under the Existing Property Management Services Framework Agreement for each of the two years ended 31 December 2019 and the nine months ended 30 September 2020; (ii) the expected total property management service income of the Group for the three years ending 31 December 2023 in respect of properties developed by the CGH Group; and (iii) the proportion of expected income from property management services provided by the properties developed by the CGH Group to the total property management services expenses of the CGH Group in respect of such properties for the three years ending 31 December 2023 which require the Group to provide such services.

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To assess the fairness and reasonableness of the proposed annual caps for fees payable by the CGH Group to the Group under the Property Management Services Framework Agreement for each of the three years ending 31 December 2023, we have discussed with the Management and understand the basis and assumptions for the calculation of the annual caps, which includes, among others, the review of a schedule prepared by the Management (the “**Property Management Services Framework Agreement Schedule**”). Based on the Property Management Services Framework Agreement Schedule and our understanding from the Management, the proposed annual cap for fees payable by the CGH Group to the Group under the Property Management Services Framework Agreement for each of the year ending 31 December 2021, 2022 and 2023 are estimated based on, where applicable, (i) property projects under development and/or properties expected to be developed by members of the CGH Group; (ii) the historical revenue generated by the Group from properties developed by members of the CGH Group, including the fact that property management fees of the subject unsold properties payable by members of the CGH Group shall constitute continuing connected transactions; (iii) the historical rate of unsold properties of properties developed by members of the CGH Group; and (iv) the historical growth of property management fees payable by members of the CGH Group.

Based on our analysis on the proposed annual caps, we noted that (i) during the years ended 31 December 2018 and 2019, the Group generated approximately RMB264.5 million and RMB285.7 million of property management fees from members of the CGH Group primarily relating to unsold properties of property projects completed by the CGH Group, respectively; (ii) as per the Property Management Services Framework Agreement Schedule, the overall unsold portion of the subject property projects was calculated to be approximately 6.6% to 8.7% (the “**Historical Unsold Portion**”), and the aggregate revenue derived from property management fee, from both independent third party property owners for sold properties and connected person for unsold properties, from completed property projects of the CGH Group (the “**Associated PM Revenue**”) amounted to (a) approximately RMB3,054.3 million and RMB4,349.5 million for the years ended 31 December 2018 and 2019, respectively; and (b) approximately RMB5,949.0 million for the year ending 31 December 2020 based on the estimated annualised amount.

On this basis, after having taken into consideration (i) the historical year-on-year growth in the Associated PM Revenue; (ii) the Management’s relatively prudent estimation of the unsold portion at 5.0% going forward, being lower than the range of the Historical Unsold Portion; (iii) the buffer of approximately 10% applied by the Management to cater for any unforeseen changes in market conditions including an unexpected increase in the demand for property management services and/or unexpected increase in the prevailing service fees to be charged to the CGH Group; (iv) the proposed annual cap for the year ending 31 December 2021 of approximately RMB416.0 million is approximately 13.0% lower than the annual cap for the year ending 31 December 2020; (v) the high utilisation of the annual caps for the years ended 31 December 2018 and 2019 which ranged from approximately 80.4% to 91.3%; (vi) the relatively low utilisation rate based on the transaction amount recorded for the nine months period ended 30 September 2020 under the annual cap for the year ending 31 December 2020 was primarily attributable to the temporary adverse effects from the Coronavirus outbreak which caused undue delay to the construction progress of certain project development projects of the CGH Group which in turn delayed the launch of these project development projects and thus a reduced level of demand in property management services, but such adverse effects are not expected to continue into year 2021 barring unforeseen circumstances; (vii) the proposed annual caps offer the Group flexibility and facilitates the provision of property management services to the CGH Group at a service fee to be charged in accordance with the Group’s relevant pricing policies;

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and (viii) the provision of property management services to the CGH Group further broadens the revenue base of the Group, we considered that the proposed annual caps for the years ending 31 December 2021, 2022 and 2023 under the Property Management Services Framework Agreement to be fair and reasonable so far as the Independent Shareholders are concerned.

2. The Sales and Leasing Agency Services Framework Agreement

2.1. Principal terms of the Sales and Leasing Agency Services Framework Agreement

The following information has been extracted from the Letter from the Board:

Date	:	4 December 2020
Parties	:	(1) the Company; and (2) CG Holdings
Term	:	From 1 January 2021 until 31 December 2023
Services to be provided	:	Provision of (i) sales and leasing agency services by the Group to the CGH Group in respect of parking spaces; and (ii) sales agency services by the Group to the CGH Group in respect of property units of the CGH Group which remain unsold after the mass sales period of the corresponding property development projects.

Ancillary to the above sales and leasing agency services in respect of parking spaces, the Group also carry out various work including market research, project analysis, competitor product analysis, formulation of sales strategy, design and production of promotion materials, formulation of marketing plan and budget, review of legal documentation relating to sales, connecting to the government's filing procedures and connecting to procedures of the government and banks for commercial loans and provident fund loan, preparation and verification of reports and information in relation to delivery of parking spaces as required by the CGH Group, etc.

Price	:	(a) The fees for the provision of sales agency services in respect of unsold properties units by the Group comprise (i) pre-commencement fee; and (ii) sales agency fee, which shall be calculated based on the following:
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The pre-commencement fee is a one-time payment of 0.5% of the value of the subject property units^(Note 1) payable by the CGH Group to the Group within two weeks after the handover of the project to the Group, which shall be used to offset the sales agency fee payable by the CGH Group to the Group^(Note 2).

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Sales agency fee = contract prices of the sales of the subject property units for the month \times 4%

Notes:

1. *The aggregate value of the subject property units represents the minimum selling price of the relevant subject property units determined after arm's length negotiations between relevant members of the Group and the CGH Group at the time those property units are handed over in batch to the Group, taking into account the construction and development costs of the subject property units, difficulty of sales, locations of the subject property units, etc. The Group will not proceed with the sale of a subject property unit if the contract price is lower than its value as aforesaid.*
2. *The Group will deduct the pre-commencement fee from the amount of sales agency fee which becomes payable by the CGH Group. In the event that the sales agency fee payable by the CGH Group is greater than the pre-commencement fee already received by the Group, the shortfall will be paid by the CGH Group to the Group. The Group will not be required to return the pre-commencement fee to the CGH Group even if the Group fails to sell any or all of the relevant property units.*

- (b) The fees for the provision of sales or leasing agency services in respect of unsold parking spaces by the Group comprise (i) sales or leasing agency fee; and (ii) incentive fee, which shall be calculated based on the following:

Sales/leasing agency fee = contract prices of the sales/leasing of the subject parking spaces for the month \times 5%

Incentive fee = contract prices of the sales/leasing of the subject parking spaces for the month \times 95% – transfer prices of the subject parking spaces

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The transfer price of a parking space for sales/leasing represents the minimum price to be received by the CGH Group from the sales/leasing of the subject parking spaces, which shall be determined after arm's length negotiations between relevant members of the Group and the CGH Group taking into account the construction and development costs of the subject parking space, difficulty of sales/leasing, etc. The transfer price in relation to sales/leasing is usually at a discount to the initial price at the launch of the relevant project. The Group will not proceed with the sale or leasing of the subject parking spaces if the contract price is lower than its transfer prices as aforesaid.

If the buyer or lessee purchases or leases a parking space using a coupon, the transfer price of the subject parking space = the original transfer price of the parking space – the amount of coupon.

The coupon mentioned above refers to a valid certificate issued by relevant members of the CGH Group to a buyer or lessee in order to promote the completion of sales or leasing of parking space, which can be used to offset the selling price or rental of the parking space for the corresponding amount.

The above levels of fees, which are the same as those under the Existing Sales and Leasing Agency Services Framework Agreement, were determined after arm's length negotiations between the Company and CG Holdings with reference to practices and standards adopted by eight other market players in the same industry for similar services after considering quotations of agency fees for similar services. Updated market research will be conducted every six months to ensure that the levels of fees adopted are still in line with the market practice. If there is any deviation, the Company may consider negotiating with CG Holdings to revise the levels of fees under the Sales and Leasing Agency Services Framework Agreement. It was agreed that standard agency fee rates of 4% in respect of unsold property units and 5% in respect of unsold parking spaces should be adopted instead of applying different rates for different projects with reference to factors such as locations, nature and difficulty of sales/leasing of the property units or parking spaces, because these factors have already been taken into account in determining the value of the subject property units and transfer price of the subject parking spaces upon their handover to the Group.

The service fees shall not be lower than the fees charged by the Group to Independent Third Parties under the same conditions.

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Based on the aforesaid, the Directors consider that the pricing terms of the Sales and Leasing Agency Services Framework Agreement are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Payment : Fees for such services provided by the Group will be payable within three months from the date of transaction^(Note).

Note: Fees for the provision of sales agency services in respect of unsold properties units will become payable only when the accumulated sales agency fee in respect of the property units of a project handed over to the Group is greater than the corresponding pre-commencement fee already received by the Group.

The payment terms are in essence the same as those under the Existing Sales and Leasing Agency Services Framework Agreement, and are in line with the Group's standard payment terms offered to Independent Third Parties under similar conditions and the market practice. Based on the aforesaid, the Directors consider that the payment terms of the Sales and Leasing Agency Services Framework Agreement are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Further details of the principal terms of the Sales and Leasing Agency Services Framework Agreement are set out in the Letter from the Board.

2.2. Analysis on the principal terms of the Sales and Leasing Agency Services Framework Agreement

We have discussed with the Management and were advised that the agency fee under the Sales and Leasing Agency Services Framework Agreement for the provision of sales agency services in respect of unsold properties and for the provision of sales or leasing agency services in respect of unsold parking spaces, was determined after considering factors such as locations, nature and difficulty of sales/leasing of the property units or parking spaces.

In this connection, we have obtained and reviewed the internal control procedures of the Company and transaction documents for five transactions selected on a random and non-exhaustive basis, which we considered sufficient for the purpose of our analysis, including (i) sample contracts the Group entered into with members of the CGH Group for the provision of sales or leasing agency services in respect of unsold parking spaces by the Group and the corresponding internal approval forms; and (ii) sample contracts with similar service scope entered into by the Group with Independent Third Parties, in relation to the provision of sales or leasing agency services in respect of unsold parking spaces and the corresponding internal approval during the two years ended/ending 31 December 2019 and 2020. Based on our review of the sample contracts and internal approval forms, we noted that (i) the internal approval form to approve the relevant transactions sets out, among others, (a) information of the parties; (b) the contract period, type of transaction and scope of services to be provided by the Group; and (c) the approval and comment, if any, from various departments of the Group, shall be filled in

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and circulated to the relevant departments; and (ii) the internal approval procedures applicable to transactions entered into between the Group and members of the CGH Group are in line with the internal control procedure of the Company and are similar to the internal approval procedures applicable to the transactions entered into with Independent Third Parties; (iii) as confirmed by the Management, the basis of the service fees charged by the Group is in line with the abovementioned pricing terms of the Group; and (iv) the payment terms of contracts entered into with connected parties are in line with the payment terms as set out under the Sales and Leasing Agency Services Framework Agreement and are in line with the payment terms of the contracts entered into with Independent Third Parties.

We have also obtained from the Management a schedule maintained by the Group which sets out the quotations from independent third party service providers (the “**I3P Service Providers**”) on sales agency fee for (i) the provision of sales agency services in respect of unsold properties; and (ii) the provision of sales or leasing agency services in respect of unsold parking spaces. As advised by the Management, the Company would perform review on the abovementioned schedule every six months by comparing with the relevant latest market information.

We noted that the rates of agency fee of the I3P Service Providers ranged (i) between 1.5% to 6.0% of the value of the subject property for the provision of sales agency services in respect of unsold properties; and (ii) between 3.0% to 10.0% of the value of the subject parking spaces for the provision of sales or leasing agency services in respect of unsold parking spaces. We understand from the Management that factors such as locations, nature and marketability of sales/leasing of the property units or parking spaces may have a bearing on the rate of the agency fee quoted by the I3P Service Providers.

Based on the above, the proposed agency fee rate under the Sales and Leasing Agency Services Framework Agreement, being 4.0% for the provision of sales agency services in respect of unsold properties and 5.0% for the provision of sales or leasing agency services in respect of unsold parking spaces, are within the range of the abovementioned quotations from I3P Services Providers.

Besides, we understand from the Management that the transactions contemplated under the Sales and Leasing Agency Services Framework Agreement would be subject to the review of the independent non-executive Directors and the auditor of the Company would also conduct an annual review on the pricing terms and the annual caps under the Sales and Leasing Agency Services Framework Agreement. We further understand from the Management that the compliance department of the Group will summarise and monitor the transaction amount conducted under the Sales and Leasing Agency Services Framework Agreement, assess the annual caps to ensure that the transaction amount does not exceed the proposed annual caps on a quarterly basis and report to the Management if the aggregate transaction amount under the annual caps are close to its limit. The Management has also confirmed that the transactions between the Group and the CGH Group under the Existing Sales and Leasing Agency Services Framework Agreement have been in compliance with the relevant internal control procedures and that the Board (including the independent non-executive Directors) will continue to review the quarterly monitoring reports on the transactions conducted under the 2020 CGH Framework Agreements issued by the management to ensure that the transactions are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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On this basis, we are of the view that the service fees charged by the Group, the payment term and the transactions conducted under the Sales and Leasing Agency Services Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2.3. Basis for determining the annual caps

Pursuant to the Sales and Leasing Agency Services Framework Agreement entered into between the Company and CG Holdings, the proposed annual caps (excluding tax) for fees payable by the CGH Group to the Group for each of the three years ending 31 December 2023 are set out below:

For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
RMB700,000,000	RMB850,000,000	RMB1,000,000,000

The existing annual caps (excluding tax) for fees payable by the CGH Group to the Group under the Existing Sales and Leasing Agency Services Framework Agreement for each of the three years ending 31 December 2020 and the approximate historical amounts (excluding tax) of fees paid by the CGH Group to the Group under the Existing Sales and Leasing Agency Services Framework Agreement for each of the two years ended 31 December 2018 and 2019, and the nine months ended 30 September 2020 are as follows:

Existing annual caps

For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
RMB120,000,000	RMB380,000,000	RMB450,000,000

Historical transaction amounts

For the year ended 31 December 2018 <i>(audited)</i>	For the year ended 31 December 2019 <i>(audited)</i>	For the nine months ended 30 September 2020 <i>(unaudited)</i>
RMB66,712,000	RMB184,906,000	RMB248,761,800

As set out in the Letter from the Board, the above proposed annual caps were determined after having taken into account (i) the historical amount of fees and historical growth rate for provision of services paid by the CGH Group to the Group under the Existing Sales and Leasing Agency Services Framework Agreement for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020; (ii) the estimated sales value of unsold properties and parking spaces of the CGH Group in the PRC with reference to factors including but not limited to, the existing portfolio of unsold properties and parking spaces of the CGH Group, the property development projects of the CGH Group currently being sold in the market, the upcoming scheduled property development projects of the CGH Group, the property development projects of the CGH Group expected to be launched, during the three years ending 31 December 2023; (iii) the market rate for the provision of similar services in the same industry; and (iv) the rates of fees to be charged by the Group for the provision of the relevant services.

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To assess the fairness and reasonableness of the proposed annual caps for the years ending 31 December 2021, 2022 and 2023, we have discussed with the Management and understand the basis and assumptions for the calculation of the annual caps, which includes, among others, the review of a schedule prepared by the Management (the “**Sales and Leasing Agency Services Framework Agreement Schedule**”) setting out, amongst others, (i) the estimated contract amount of provision of sales agency services in respect of unsold properties and for the provision of sales or leasing agency services in respect of unsold parking spaces for each of the years ending 31 December 2021, 2022 and 2023; (ii) the rates of fees to be charged by the Group for the provision of the relevant services; (iii) the Management advised that the estimated contract amount of provision of sales agency services in respect of unsold properties and for the provision of sales or leasing agency services was based on the historical transaction amount of the Group for the years ended 31 December 2018 and 2019.

We understand from the Management that the Group has reached further cooperation consensus with the CGH Group and that the Group, as a provider of multiple services, including property management services, of the CGH Group, has accumulated prior knowledge from previous and existing working relationships which gives the Group the advantages of owner information, service team and market competitive advantages in respect of the transactions under the Sales and Leasing Agency Services Framework Agreement, and the consistent high-quality services provided by the Group have established the basis for cooperation and mutual trust between the two parties. The CGH Group is willing to further strengthen business cooperation with the Group in the future. On the other hand, we understand from the Management that the resources allocated to the transactions under the Sales and Leasing Agency Services Framework Agreement are expected to increase, and the Group will recruit additional sales personnel to expand the existing sales team of the Group.

As set out from the Sales and Leasing Agency Services Framework Agreement Schedule, we noted that the sales/leasing agency fee is estimated based on the estimated contract amount of the unsold properties and unsold parking spaces, a summary of which is set out below:

	For the year ending 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Estimated sales value of unsold properties of the CGH Group in the PRC	175,000	212,500	250,000
Estimated sales value of unsold parking spaces of the CGH Group in the PRC	4,950,000	6,011,000	7,071,000

We have discussed and understood from the Management that the estimated contract amount for the provision of sales agency services in respect of unsold properties and for the provision of sales or leasing agency services in respect of unsold parking spaces sets out under the Sales and Leasing Agency Services Framework Agreement Schedule is mainly driven by the projects on hand and the availability of unsold properties and parking spaces of CGH Group

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in the PRC, which was determined with reference to factors, including but not limited to, the existing portfolio of unsold properties and parking spaces of the CGH Group, the property development projects of the CGH Group currently being sold in the market, the upcoming scheduled property development projects of the CGH Group, the expected property development projects of the CGH Group to be launched, during the three years ending 31 December 2021, 2022 and 2023. We have reviewed the interim report of the CGH Group for the six months ended 30 June 2020 and noted that as at 30 June 2020 the acquired GFA in the PRC of the CGH Group together with its joint venture and associates totalled to approximately 265.8 million square metre, representing an increase of approximately 7.2 million square metre, or 2.8% from approximately 258.6 million square metre as at 31 December 2019. Among the total GFA of the CGH Group as at 30 June 2020, (i) approximately 101.2 million square metre is related to project acquired without construction permit; (ii) approximately 105.2 million square metre is related to projects under construction with sales permit, with approximately 89.9 million square metre sold and approximately 15.2 million square metre remained unsold; (iii) approximately 52.7 million square metre is related to project under construction with sales permit; and (iv) the remaining approximately 6.8 million square metre were completed, with approximately 3.9 million square metre pre-sold pending delivery and approximately 2.9 million square metre remained unsold. In terms of locations, as at 30 June 2020, the CGH Group operated 2,662 projects under different development stages in the PRC, approximately 80% of the landbank was located outside of Guangdong province, which was primarily located in other tier 1, tier 2 and tier 3 PRC cities such as the Jiangsu province, Henan province, Hunan province, etc.. In terms of development stages, approximately 59% of the landbank was under construction, and approximately 35% was presold. As at 30 June 2020, properties under development of the CGH Group recorded under current and non-current assets amounted to approximately RMB1,039.7 billion in total.

We understand from the Management that given the nature of the transactions under the Existing Sales and Leasing Agency Services Framework Agreement, the historical transaction amounts were primarily driven by the number of unsold properties and parking spaces of the CGH Group at the relevant time which may differ from year to year. Furthermore, the CGH Group may have only engaged the Group to provide services under the Existing Sales and Leasing Agency Services Framework Agreement for certain but not all of its unsold properties and parking spaces in the past, of which the Group had limited influence over. On this basis, the historical transaction amounts and the historical utilisation rate may not necessarily have a direct correlation and/or bearing on the future transaction amount. Furthermore, given the sales and leasing agency services are consumer driven in nature and would be initiated by the CGH Group at its discretion, thus the Group would have limited control over the past transaction amounts. Furthermore, even if the Group was engaged to provide the relevant services, it may or may not be able to conclude all relevant sales transactions on every occasion, which would in turn impact the historical transaction amount.

In addition, we noted that (i) the proposed annual caps of RMB700 million, RMB850 million and RMB1,000 million for the years ending 31 December 2021, 2022 and 2023, represented a year-on-year growth rate of approximately 21.4% and 17.6%, respectively, which is considerably lower than the year-on-year revenue growth rate of approximately 73.9% related to revenue generated from value-added services to non-property owners under property

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management and related services other than Three Supplies and Property Management recorded by the Group for the years ended 31 December 2018 and 2019; (ii) the year-on-year growth rate of approximately 177.2% of the historical transaction amounts under the Existing Sales and Leasing Agency Services Framework Agreement for the years ended 31 December 2018 and 2019; (iii) the CGH Group is one of the PRC's largest residential property developers that capitalizes on urbanization and has extensive experience in the industry; and (iv) the sales agency services in respect of unsold properties and sales or leasing agency services in respect of unsold parking spaces are primarily driven by the property development projects of the CGH Group which the Group has little control over, as such, the level of demand is unpredictable and may fluctuate significant from time to time as evidenced by the historical transaction amount.

Notwithstanding the relatively low utilisation rate under the Existing Sales and Leasing Agency Services Framework Agreement as explained above, having considered (i) the calculation of the proposed annual caps which has been arrived at taking into account the information set out under the Sales and Leasing Agency Services Framework Agreement Schedule, including, among others, the estimated contract amount of provision of sales agency services in respect of unsold properties and for the provision of sales or leasing agency services in respect of unsold parking spaces for each of the years ending 31 December 2021, 2022 and 2023; (ii) our work and analysis on the proposed annual caps as set out above; (iii) the growth rate of the proposed annual caps compared to the historical growth rate of the Group's revenue from value-added services to non-property owners under property management and related services other than Three Supplies and Property Management and growth rate of the historical transaction amounts; (iv) as explained above, given the nature of the transactions under the Existing Sales and Leasing Agency Services Framework Agreement, the historical transaction amounts were primarily driven by the number of unsold properties and parking spaces of the CGH Group at the relevant time which may differ from year to year, hence the historical transaction amounts and the historical utilisation rate may not necessary have a direct correlation and/or bearing on the future transaction amount; (v) the proposed annual caps offer the Group flexibility and facilitates the provision of services to the CGH Group at a service fee to be charged in accordance with the Group's relevant pricing policies; and (vi) the provision of services to the CGH Group further broadens the revenue base of the Group, we consider the annual caps under the Consultancy and Other Services Agreement to be fair and reasonable so far as the Independent Shareholders are concerned.

3. The Consultancy and Other Services Agreement

3.1. Principal terms of the Consultancy and Other Services Framework Agreement

The following information has been extracted from the Letter from the Board:

Date	:	4 December 2020
Parties	:	(1) the Company; and (2) CG Holdings
Term	:	From 1 January 2021 until 31 December 2023

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Services to be provided : Provision of the following Consultancy and Other Services by the Group to the CGH Group:

- (1) Consultancy services including (i) advice and assistance on the setting up and operation of the on-site sales offices of the CGH Group, such as decoration of the venue, physical set-up of booths and exhibitions, greenery, cleaning and maintenance of water and electricity supplies of the sales offices; (ii) provision of guidance and training to the staff of the CGH Group on the operations of the on-site sales offices, including the manners for general reception of guests, the provision of light refreshments, maintenance of a decent and proper interior of the sales offices for guests, management of show flats, property handover, handover inspection; and (iii) cleaning services for the properties developed by the CGH Group before delivery to homeowners; and (iv) asset operations management services (the “**Consultancy Services**”)
- (2) Advertising services (which comprise installation, maintenance and dismantling services) (the “**Advertising Services**”) in relation to advertisements to be displayed at certain advertising spaces located in the common areas of the property projects managed by the Group (the “**Advertising Spaces**”)
- (3) Domestic services including home cleaning, household appliances cleaning, garden maintenance, home maintenance and other domestic services to the Property Owners (the “**Domestic Services**”)
- (4) Elevator products installation and supporting services (the “**Elevators Installation Services**”)
- (5) Technology services, after-sales maintenance and warranty services for houses and buildings, turnkey furnishing services, hotel management services, institutional food services, disinfection and pest control services and other services (the “**Other Services**”)

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Price : (1) Consultancy Services

The fees for the provision of the Consultancy Services shall be determined after arm's length negotiations taking into account the size, location and positioning of the properties to be sold by the sales offices of the CGH Group, the anticipated operational costs (such as labour costs) and the number of sales representatives receiving the consulting service and a variable commission rate with reference to the rate of fees under other contracts for similar consultancy and other services entered into by either party, and the market price for similar services.

(2) Advertising Services

The fees for the provision of the Advertising Services shall be determined after arm's length negotiations taking into account costs involved in provision of the services (including the cost of manpower, raw materials, management and procurement of the Advertising Spaces, having considered the size, location and positioning of the Advertising Spaces), with reference to the prevailing market prices of similar services provided by Independent Third Parties in the open market, as well as (if available) other market reference prices such as prices of similar transactions conducted by other property management companies in the PRC.

(3) Domestic Services

The prices for the Domestic Services provided to the Property Owners pursuant to their rights under the Domestic Services Rights Agreement will be based on the price list of the Group which is the same as that available to Independent Third Parties for the same services.

(4) Elevators Installation

The fees for the provision of the Elevators Installation Services shall be determined after arm's length negotiations taking into account costs involved in the provision of the services (including the costs of materials, manpower and the management fees), with reference to the rate of fees under other contracts for similar elevators installation and other services entered into by each party (if any), and the prevailing market prices of similar services.

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(5) Other Services

The fees for the provision of the Other Services shall be determined after arm's length negotiations taking into account the cost of raw materials and manpower, management fees, the required quality standards for the delivery of services and/or products and other factors with reference to the market price for similar services.

The service fees shall not be lower than the fees charged by the Group to Independent Third Parties under the same conditions.

Payment : (1) Consultancy Services

Fees for the Consultancy Services provided by the Group will be payable after provision of such services, to be settled on a monthly basis.

(2) Advertising Services

Fees for the Advertising Services provided by the Group will be payable no later than three months after provision of such services by one-time payment or instalment payment.

(3) Domestic Services

Fees for the Domestic Services provided by the Group to the Property Owners will be payable by the CGH Group on behalf of the Property Owners within three months after the date of the relevant Domestic Services Rights Agreement.

(4) Elevators Installation Services

Fees for the Elevators Installation Services will be payable by the CGH Group to the Group within 30 Working Days after the relevant elevator products and/or services have passed the inspection by local government authorities.

(5) Other Services

Fees for the Other Services provided by the Group will be payable no later than three months after provision of such services by one-time payment or instalment payment.

The payment terms are in essence the same as those under the Existing Consultancy and Other Services Framework Agreement, the Existing Advertising and Domestic Services Framework Agreement and the Existing Elevators Installation and Other Services Framework Agreement, and are in line with the Group's standard payment terms offered to Independent Third Parties under similar conditions and the market practice. In particular, it is the Group's practice that the fees for the Consultancy Services are generally payable by Independent Third Parties to the Group either monthly or quarterly, while the fees for the Consultancy Services under the Consultancy and Other Services Framework Agreement are to be settled by the CGH Group on a monthly basis, which represents the same or a shorter payment period than that offered to Independent Third Parties by the Group. Based on the aforesaid, the Directors consider that the payment terms of the Consultancy and Other Services Framework Agreement are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Further details of the principal terms of the Consultancy and Other Services Framework Agreement are set out in the Letter from the Board.

3.2. Analysis on the principal terms of the Consultancy and Other Services Framework Agreement

We have discussed with the Management and are advised that the service fees charged by the Group pursuant to the Consultancy and Other Services Framework Agreement which shall be determined in accordance with the following pricing policy for each of the relevant individual agreements:

- (a) each individual agreement will be negotiated on an arm's length basis to ensure the relevant pricing terms are fair and reasonable and on normal commercial terms;
- (b) first of all, in determining the minimum transaction price, the Group would estimate the cost of provision of such services after taking into consideration the type and contents of services required, the expected costs, the location of the project, the scale of each individual agreement and the gross profit margins adopted in similar transactions of the Group (ranging from 30% to 50% for the Consultancy Services, from 50% to 60% for the Advertising Services, from 40% to 60% for the Domestic Services, and from 8% to 20% for the Elevators Installation Services respectively, subject to changes from time to time; as regards the Other Services, as it involves a broad variety of services, there is not a single range of gross profit margin applicable to all and the gross profit margins range in respect of each type of services provided will be determined, subject to changes from time to time, based on the contents/scope of services required, the expected costs, the location of the project, the scale of each individual agreement and the gross profit margins adopted in similar transactions of the Group);

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- (c) subsequently, the Group will refer to (i) (if available) the prices of at least two contemporaneous similar transactions (in terms of the type and contents of services, the standard and quality of services required, pricing method, scale of the subject properties and level of difficulty of management and other factors) of the Group with Independent Third Parties; and (ii) (if available) certain market reference prices (i.e. the prices of transactions of similar nature, in terms of the type and contents of services and the scale and geographical locations of the subject properties, conducted by other property management companies in the PRC) which the Group considers to be matching, fair and competitive, to ensure that the transaction price is no less favorable to the Group than those available from Independent Third Parties; and
- (d) if the reference price(s) referred to (c) above is/are higher than the minimum price determined in accordance with (b) above, the reference price(s) will be adopted in determining the transaction price; on the contrary, if the reference price(s) referred to (c) above is/are lower than the minimum price determined in accordance with (b) above, the minimum price will be adopted in determining the transaction price.

In this connection, we have obtained and reviewed the internal control procedures of the Company and transaction documents for 24 transactions selected on a random and non-exhaustive basis, which we considered sufficient for the purpose of our analysis, including (i) sample contracts the Group entered into with members of the CGH Group for the provision of the Consultancy and Other Services by the Group, as well as the corresponding internal approval forms for the respective contracts; and (ii) sample of similar contracts the Group entered into with Independent Third Parties, in relation to the provision of consultancy and other services and the corresponding internal approval forms during the year ended/ending 31 December 2019 and 2020. Based on our review of the sample contracts and internal approval forms, we noted that (i) the internal form to approve the relevant transactions sets out, among others, (a) information of the parties; (b) the contract period, type of transaction and scope of services to be provided by the Group; and (c) the approval and comment, if any, from various departments of the Group, shall be filled in and circulated to the relevant departments; (ii) the internal approval procedures applicable to contracts the Group entered into with the CGH Group are in line with the internal control procedure of the Company similar to the internal approval procedures applicable to the contracts entered into with Independent Third Parties; (iii) based on the samples obtained and reviewed by us and as confirmed by the Management, the basis of the service fees charged by the Group is in line with the abovementioned pricing policies of the Group; and (iv) the payment terms of contracts entered into with connected parties are in line with the payment terms as set out under the Consultancy and Other Services Framework Agreement and are in line with the payment terms of the contracts entered into with Independent Third Parties.

Besides, we understand from the Management that the transactions contemplated under the Consultancy and Other Services Framework Agreement would be subject to the review of the independent non-executive Directors and the auditor of the Company would also conduct an annual review on the pricing terms and the annual caps under the Consultancy and Other Services Framework Agreement. We further understand from the Management that the compliance department of the Group will summarise and monitor the transaction amount conducted under the Consultancy and Other Services Framework Agreement, assess the annual caps to ensure that the transaction amount does not exceed the proposed annual caps on a quarterly basis and report to the Management if the aggregate transaction amount under the annual caps are close to its limit. The Management has also confirmed that the transactions between the Group and the CGH Group under the Existing Consultancy and Other Services

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Framework Agreement, the Existing Advertising and Domestic Services Framework Agreement and the Existing Elevators Installation and Other Services Framework Agreement have been in compliance with the relevant internal control procedures and that the Board (including the independent non-executive Directors) will continue to review the quarterly monitoring reports on the transactions conducted under the 2020 CGH Framework Agreements issued by the management to ensure that the transactions are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On this basis, we are of the view that the services fee charged by the Group, the payment terms and the transactions conducted under the Consultancy and Other Services Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

3.3. Basis for determining the annual caps

Pursuant to the Consultancy and Other Services Framework Agreement entered into between the Company and CG Holdings, the proposed annual caps (excluding tax) fees payable by the CGH Group to the Group for each of the three years ending 31 December 2023 are set out below:

For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
RMB1,500,000,000	RMB1,800,000,000	RMB2,200,000,000

The existing annual caps (excluding tax) for fees payable by the Group to the CGH Group under the Existing Consultancy and Other Services Framework Agreement, the Existing Advertising and Domestic Services Framework Agreement and the Existing Elevators Installation and Other Services Framework Agreement for each of the three years ending 31 December 2020 and the approximate historical amounts (excluding tax) of fees paid by the CGH Group to the Group under the Existing Consultancy and Other Services Framework Agreement, the Existing Advertising and Domestic Services Framework Agreement and the Existing Elevators Installation and Other Services Framework Agreement for each of the two years ended 31 December 2018 and 2019, and the nine months ended 30 September 2020 are as follows:

Existing annual caps

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
Consultancy Services	RMB633,110,000	RMB897,930,000	RMB1,007,420,000
Advertising Services	N/A	RMB2,000,000	RMB4,000,000
Domestic Services	N/A	RMB9,000,000	RMB18,000,000
Elevators Installation Services	N/A	N/A	RMB460,000,000
Total	RMB633,110,000	RMB908,930,000	RMB1,489,420,000

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Historical transaction amounts

	For the year ended 31 December 2018 <i>(audited)</i>	For the year ended 31 December 2019 <i>(audited)</i>	For the nine months ended 30 September 2020 <i>(unaudited)</i>
Consultancy Services	RMB476,178,000	RMB819,388,000	RMB414,496,700
Advertising Services	N/A	RMB869,000	RMB30,800
Domestic Services	N/A	RMB4,863,000	RMB7,958,800
			For the period from 18 March 2020 to 30 September 2020 <i>(unaudited)</i>
Elevators Installation Services	N/A	N/A	RMB8,897,200
Total	RMB476,178,000	RMB825,120,000	RMB431,383,500
Utilisation rate/ Annualised utilisation rate	75.2%	90.8%	29.0%/38.8% ^(Note)

Note: Annualised utilisation rate is calculated by extrapolating the nine months and where applicable, months in operation, figures to a full year figure for illustration purposes only and does not represent the actual utilisation rate for the year ending 31 December 2020.

As stated in Letter from the Board, the above proposed annual caps were determined after having taken into account (i) the historical amount of fees paid by the CGH Group to the Group for the provision of the Consultancy Services, the Advertising Services, the Domestic Services and the Elevators Installation Services for each of the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020; (ii) the estimated transaction amount for the provision of the Consultancy Services and Other Services by the Group to the CGH Group for each of the three years ending 31 December 2023 based on the anticipated development timeline of the CGH Group; (iii) in respect of the Consultancy Services, the estimated contracted amount of services with reference to the existing land reserve of the CGH Group and the historical amount and historical growth rate of the total contracted gross floor area of the CGH Group, and the increases in management costs and labour costs; (iv) in respect of cleaning services, the estimated fee per square metre of the property to be charged by the Group in respect of the provision of such services, and the estimated gross floor area which the CGH Group will require the provision of such services by the Group; (v) in respect of the Advertising Services, the estimated marketing expenses to be incurred by the CGH Group; (vi) the Group's reference to the market rate for the provision of similar services in the same industry; and (vii) the rates of fees to be charged by the Group for the provision of the relevant services.

To assess the fairness and reasonableness of the proposed annual caps for the years ending 31 December 2021, 2022 and 2023, we have discussed with the Management and understood the basis and assumptions for the calculation of the annual caps, which included, among others, the review of a schedule prepared by the Management (the “**Consultancy and Other Services Framework Agreement Schedule**”) setting out (i) the estimated contract amount of Consultancy Services, Advertising Services, Domestic Services, Elevators Installation Services and Other Services for each of the years ending 31 December 2021, 2022 and 2023; (ii) the estimated growth rate of each type of services; (iii) the Management advised that the estimated

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contract amount of the Consultancy Services, the Advertising Services and the Domestic Services was based on the historical transaction amount of the Group for the year ended 31 December 2019; and (iv) estimated contract amount of the Elevators Installation Services was based on the actual contracts on hand.

Having considered the above, and that:

- (i) the proposed annual cap of RMB1,500 million for the year ending 31 December 2021 is at a similar level of the aggregated annual caps for the Consultancy and Other Services for the year ending 31 December 2020 of RMB1,489.4 million;
- (ii) the Consultancy and Other Services are primarily consumer and market driven in nature, which the Group has little control over, as such, the level of demand is unpredictable and may fluctuate from time to time, as evidenced by the fact that (a) during the year ended 31 December 2018 and 2019, the transaction amount relating to Consultancy Services increased from approximately RMB476.2 million to approximately RMB819.4 million, represented a significant increase of approximately 72.1%; and (b) similarly for the Domestic Services, the transaction amount increased from approximately RMB4.9 million for the year ended 31 December 2019 to approximately RMB10.6 million for the year ending 31 December 2020 based on the annualised amount, also represented a significant increase of approximately 116.3%;
- (iii) the Management, after considering factors as set out under (ii) above, expects the Consultancy Services to contribute in the region of 85% of the proposed annual cap for the year ending 31 December 2021 under the Consultancy and Other Services Framework Agreement, which was primarily estimated based on the historical transaction amounts of approximately RMB819.4 million for the year ended 31 December 2019 and after taking into account potential increase in transactions, determined with reference to the historical year-on-year growth rate of approximately 72.1% as calculated based on the relevant transaction amounts of approximately RMB476.2 million and RMB819.4 million for the years ended 31 December 2018 and 2019, the aforesaid consultancy related services, including, among others, setting up and operating on-site sales offices of the CGH Group, such as decoration of the venue, physical set-up of booths and exhibitions, greenery, cleaning and maintenance of water and electricity supplies of the sales offices, as well as provision of guidance and training to the staff of the CGH Group on the operations of the on-site sales offices, including the manners for general reception of guests, the provision of light refreshments, and maintenance of a decent and proper interior of the sales offices for guests, value-added services prior to the handover of property, such as properly handover preparation, pest control, cleaning and other, property specific value-added services, which was based on, where applicable, contracts on hand, relevant progress of the subjects projects, expected demand and/or historical transaction amount;
- (iv) existing contracts on hand totalled to approximately RMB136.6 million, which represents approximately 74.4% of the estimated transaction amount of the Elevators Installation Services for the year ending 31 December 2021, the Elevators Installation Services are expected to contribute more than 10% of the proposed annual cap for the year ending 31 December 2021; and

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- (v) the remaining services including Advertising Services and Domestic Services which was primarily based on contracts on hand and/or historical transaction amounts,

we are of the view that the proposed annual caps of RMB1,500 million for the year ending 31 December 2021 under the Consultancy and Other Services Framework Agreement to be fair and reasonable.

In addition, we noted that (i) the proposed annual caps RMB1,800 million and RMB2,200 million for the years ending 31 December 2022 and 2023, represented a year-on-year growth rate of approximately 20.0% and 22.2%, respectively, which is considerably lower than the year-on-year revenue growth rate of approximately 73.9% and 55.0% related to revenue generated from property management and related services other than Three Supplies and Property Management recorded by the Group for the years ended 31 December 2018 and 2019, and for the six months ended 30 June 2019 and 2020, respectively; (ii) the high utilisation rate of the historical annual caps of approximately 75.2% and 90.8% for the years ended 31 December 2018 and 2019; (iii) the relatively low utilisation rate based on the transaction amount recorded for the nine months period ended 30 September 2020 under the annual cap for the year ending 31 December 2020 was primarily attributable to the temporary adverse effects from the Coronavirus outbreak which caused undue delay to the construction progress of certain project development projects of the CGH Group, which in turn delayed the launch of these project development projects and thus a reduced level of demand in consultancy services, but such adverse effects are not expected to continue into year 2021 barring unforeseen circumstances; and (iv) the Consultancy and Other Services are primarily consumer and market driven in nature, which the Group has little control over, as such, the level of demand is unpredictable and may fluctuate significant from time to time as evidenced by the historical transaction amount.

We understand from the Management that the Group has reached further cooperation consensus with the CGH Group. The Group has already provided the CGH Group with multiple various high-quality services including consultancy services. Considering that the Group already has considerable brand influence, a track record of satisfactory delivery of services, the further cooperation of consultancy and other services will be mutually beneficial to both the Group and the CGH Group.

Having considered (i) the calculation of the annual caps which has been arrived at taking into account the information set out under the Consultancy and Other Services Framework Agreement Schedule, including, among others, the estimated contract amount which may require the Consultancy and Other Services, for the three years ending 31 December 2020, 2021 and 2023; (ii) our work and analysis on the proposed annual caps as set out above; (iii) the overall historical utilisation rate of the relevant annual caps as a whole has been high which ranged from approximately 75.2% and 90.8% for the years ended 31 December 2018 and 2019 and the reasons behind the low utilisation rate for the annual cap for year ending 31 December 2020 is non-recurring in nature; (iv) the growth rate of the proposed annual caps compared to the historical growth rate of the Group's revenue from property management and related services other than Three Supplies and Property Management and the historical transaction amounts; (v) the proposed annual caps offer the Group flexibility and facilitates the provision of services to the CGH Group at a service fee to be charged in accordance with the Group's relevant pricing policies; and (vi) the provision of services to the CGH Group further broadens the revenue base of the Group, we consider the annual caps under the Consultancy and Other Services Agreement to be fair and reasonable so far as the Independent Shareholders are concerned.

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VII. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of the 2020 CGH Framework Agreements;
- (ii) the provision of services under the Property Management Services Framework Agreement, the Sales and Leasing Agency Services Framework Agreement and the Consultancy and Other Services Framework Agreement is a furtherance and continuance of the Group's businesses;
- (iii) the transactions to be conducted under each of the Property Management Services Framework Agreement, the Sales and Leasing Agency Services Framework Agreement and the Consultancy and Other Services Framework Agreement shall be on normal commercial terms that are no less favourable than those terms available to or from Independent Third Parties; and
- (iv) the value of, and the basis for determining, the respective annual caps are reasonable as discussed in this letter above,

we are of the view that the transactions contemplated under the 2020 CGH Framework Agreements with CG Holdings are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the respective annual caps, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the ordinary resolutions to approve the 2020 CGH Framework Agreements (including the respective proposed annual caps) at the EGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has around 13 years of experience in the corporate finance industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or (ii) entered in the register required to be kept under Section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held or interested in	Number of interests in underlying Shares held under equity derivatives	Total	At the Latest Practicable Date approximate percentage of total Shares in issue
Yang Huiyan	Interest of controlled corporations	1,451,120,428 ⁽¹⁾	—	1,451,120,428	52.59%
Wu Bijun	Beneficial owner	5,095,190 ⁽³⁾	3,889,200 ⁽²⁾	8,984,390	0.33%
Li Changjiang	Beneficial owner	4,732,000 ⁽⁴⁾	10,889,200 ⁽²⁾⁽⁷⁾	15,621,200	0.57%
Xiao Hua	Beneficial owner	1,667,037 ⁽⁵⁾	3,628,600 ⁽²⁾⁽⁷⁾	5,295,637	0.19%
Guo Zhanjun	Beneficial owner	1,645,500 ⁽⁶⁾	3,409,700 ⁽²⁾⁽⁷⁾	5,055,200	0.18%
Yang Zhicheng	Beneficial owner	—	4,000,000 ⁽⁷⁾	4,000,000	0.14%

Notes:

- (1) As at the Latest Practicable Date, Concrete Win Limited (“**Concrete Win**”) and Fortune Warrior Global Limited (“**Fortune Warrior**”) held 1,326,120,428 Shares and 125,000,000 Shares, respectively. Concrete Win and Fortune Warrior are beneficially wholly-owned by Ms. Yang Huiyan. By virtue of the SFO, Ms. Yang Huiyan is deemed to be interested in the same number of Shares in which Concrete Win and Fortune Warrior were interested.
- (2) The relevant interests are unlisted physically settled options granted pursuant to the Company’s pre-listing share option scheme, which was adopted by the then shareholders of the Company on 13 March 2018 (“**Pre-Listing Share Option Scheme**”). Upon exercise of the share options in accordance with the Pre-Listing Share Option Scheme, the corresponding number of ordinary Shares at HK\$0.94 each will be issued. The share options are personal to the respective Directors.
- (3) These Shares represent 56,190 Shares distributed to Ms. Wu Bijun by virtue of the shares of CG Holdings held by her prior to the spin-off and separate listing of the Shares on the Main Board of the Stock Exchange, 177,000 Shares purchased by Ms. Wu Bijun from the secondary market and 4,862,000 Shares issued to Ms. Wu Bijun upon her exercise of the options granted to her under the Pre-Listing Share Option Scheme.
- (4) These Shares represent 4,732,000 Shares issued to Mr. Li Changjiang upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- (5) These Shares represent 37 Shares distributed to Mr. Xiao Hua by virtue of the shares of CG Holdings held by him prior to the spin-off and separate listing of the Shares on the Main Board of the Stock Exchange and 1,667,000 Shares issued to Mr. Xiao Hua upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- (6) These Shares represent 1,645,500 Shares issued to Mr. Guo Zhanjun upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- (7) The relevant interests are unlisted physically settled options granted pursuant to the Company’s share option scheme, which was adopted by the then shareholders of the Company on 28 September 2020 (“**Share Option Scheme**”). Upon exercise of the share options in accordance with the Share Option Scheme, the corresponding number of ordinary Shares at HK\$50.07 each will be issued. The share options are personal to the respective Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company (including their spouses and children under the age of 18) had, any interests or short positions in any Shares and underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or (ii) entered in the register required to be kept by the Company under Section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests and short positions of Shareholders discloseable under the SFO

As at the Latest Practicable Date, according to the register kept under Section 336 of the SFO, the following companies and persons (other than the Directors and chief executives of the Company) had long positions of 5% or more in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity of Shareholder	Number of Shares held/interested		Approximate percentage of total issued Shares as at the Latest Practicable Date
		Long position	Short position	
Concrete Win ⁽¹⁾	Beneficial owner	1,326,120,428	—	48.06%
Mr. Chen Chong ⁽¹⁾	Interest of spouse	1,451,120,428	—	52.59%
JPMorgan Chase & Co. ⁽²⁾	Interest of controlled corporation/	45,161,430	—	1.64%
	Investment manager/	—	33,496,295	1.21%
	Person having a security interest in shares/	44,642,844	—	1.62%
	Approved lending agent	19,792,491	—	0.72%
		53,606,786	—	1.94%

Notes:

- (1) Concrete Win and Fortune Warrior held 1,326,120,428 Shares and 125,000,000 Shares, respectively. Concrete Win and Fortune Warrior are beneficially wholly-owned by Ms. Yang Huiyan.

By virtue of the SFO, Mr. Chen Chong is deemed to be interested in the Shares held by his spouse, Ms. Yang Huiyan, whose interests are disclosed in the above section headed “(a) Interests and short positions of Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company”.

- (2) JPMorgan Chase & Co. is interested in 163,203,551 Shares (long position, of which 53,606,786 Shares are in a lending pool) and 33,496,295 Shares (short position), accounting for approximately 5.91% and 1.21% of Shares in issue, respectively. As shown in the Disclosure of Interests, these Shares are held by JPMorgan Asset Management (Asia Pacific) Limited (a corporation held indirectly by JPMorgan Chase & Co. as to 99.99% control) and by other corporations held directly or indirectly by JPMorgan Chase & Co. as to 100% control. Among which, 31,565,031 Shares (long position) and 10,097,535 Shares (short position) are derivatives interests, including 320,100 Shares (short position) as cash-settled listed derivatives, 7,759,078 Shares (long position) and 7,606,000 Shares (short position) as cash-settled unlisted derivatives, 5,761,600 Shares (long position) and 2,171,435 Shares (short position) as physically settled unlisted derivatives and 18,044,353 Shares (long position) as convertible instruments of listed derivatives.

Saved as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who was recorded in the register of the Company as having an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at the Latest Practicable Date, save for Ms. YANG Huiyan, who is also a director of Concrete Win, no Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or his or her respective close associates was considered to have an interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

- (a) The continuing connected transactions as disclosed in the section headed "Continuing Connected Transactions" in the annual report of the Company for the year ended 31 December 2019, the Announcements and the 2018 Circular.
- (b) The continuing connected transactions as disclosed in the announcement of the Company dated 4 December 2020.
- (c) On 6 November 2020, Country Garden Life Services Group Co., Ltd.* (碧桂園生活服務集團股份有限公司) ("CG Life Services"), an indirect wholly-owned subsidiary of the Company, entered into a capital injection agreement, pursuant to which (among other things) CG Life Services will make a capital injection in the amount of RMB140 million to Strait Energy Intercontinental Technology Co., Ltd. *(洲際海峽能源科技有限公司). Further particulars of the capital injection agreement mentioned in this paragraph 4(c) were set out in the announcement of the Company dated 6 November 2020.

Save as disclosed above, as at the Latest Practicable Date,

- (a) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' SERVICE CONTRACTS

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERT'S QUALIFICATIONS AND CONSENTS

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

Name	Qualification
Red Sun Capital Limited	A licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

The expert above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to its name in the form and context in which they appear in this circular.

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 4th Floor, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong from the date of this circular up to and including the date of the EGM, which is a period of not less than 14 days before the date of the EGM:

- (a) the 2020 CGH Framework Agreements;
- (b) this circular;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 29 to 30 of this circular;
- (d) the letter from Red Sun Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 62 of this circular; and
- (e) the written consent referred to in the paragraph headed "7. EXPERT'S QUALIFICATIONS AND CONSENTS" in this appendix.

* For identification purpose only

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED

碧桂園服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6098)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Country Garden Services Holdings Company Limited (the “**Company**”) will be held at the Phoenix Cinema, No. 1 Country Garden Road, Beijiao Town, Shunde District, Foshan, Guangdong Province, the PRC on Wednesday, 23 December 2020 at 3:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the Property Management Services Framework Agreement, a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder (including the annual caps), be and are hereby confirmed and approved, and any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and completion of the Property Management Services Framework Agreement.”
2. “**THAT** the Sales and Leasing Agency Services Framework Agreement, a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder (including the annual caps), be and are hereby confirmed and approved, and any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and completion of the Sales and Leasing Agency Services Framework Agreement.”
3. “**THAT** the Consultancy and Other Services Framework Agreement, a copy of which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder (including the annual caps), be and are hereby confirmed and approved, and any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and completion of the Consultancy and Other Services Framework Agreement.”

By Order of the Board
Country Garden Services Holdings Company Limited
LI Changjiang
Executive Director

Foshan, China, 7 December 2020

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. If more than one of the joint registered holders are present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register of members in respect of such share(s) of the Company shall be accepted to the exclusion of the votes of the other joint registered holders.
3. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
4. The register of members of the Company will be closed from Monday, 21 December 2020 to Wednesday, 23 December 2020, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identities of the shareholders who are entitled to attend and vote at the meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 18 December 2020.
5. Pursuant to rule 13.39(4) of the Listing Rules, all votes at the general meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands and the Company will announce the results of the poll in the manner prescribed under rule 13.39(5) of the Listing Rules.
6. Details of the above resolutions are set out in the circular despatched to shareholders of the Company on 7 December 2020.
7. If a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the meeting, subject to consent of the meeting, the meeting will be postponed or adjourned. The Company will post an announcement on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.bgyfw.com>) to notify shareholders of the Company of the date, time and place of the rescheduled meeting. The meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders of the Company should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.
8. Shareholders or their proxies attending the meeting are responsible for their own transportation and accommodation expenses.
9. As at the date of this notice, the Board comprised nine Directors, of which Mr. Li Changjiang, Mr. Xiao Hua and Mr. Guo Zhanjun are executive Directors; Ms. Yang Huiyan (Chairman), Mr. Yang Zhicheng and Ms. Wu Bijun are non-executive Directors; and Mr. Mei Wenjue, Mr. Rui Meng and Mr. Chen Weiru are independent non-executive Directors.
10. PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of the circular for measures being taken to try to prevent and control the spread of the Coronavirus at the EGM, including:

- **compulsory temperature checks and health declarations**
- **strongly recommended wearing surgical face masks**
- **no distribution of corporate gifts and refreshments**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Attendees are strongly recommended to bring and wear own surgical face masks and Shareholders may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.