

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares of Powerlong Commercial Management Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Powerlong Commercial Management Holdings Limited **寶龍商業管理控股有限公司**

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9909)

CONTINUING CONNECTED TRANSACTIONS TERMINATION OF EXISTING FRAMEWORK AGREEMENTS AND ENTERING INTO NEW FRAMEWORK AGREEMENTS AND NOTICE OF 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

Capitalised terms used in this cover page shall have the same meanings as defined in this circular unless otherwise specified.

A notice convening the EGM of the Company to be held on Wednesday, 10 November 2021 at 2:00 p.m. at Jin Long Hall 2, 2nd Floor, Le Meridien Shanghai Minhang, No. 3199 Cao Bao Road, Minhang District, Shanghai, PRC is set out on pages EGM-1 to EGM-3 of this circular and a form of proxy for the EGM is despatched together with this circular. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment meeting (as the case may be). The completion of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish, and in such case, the authority of your proxy will be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page ii of this circular for the measures to be implemented at the EGM by the Company to safeguard the health and safety of the attendees and to prevent the spreading of the novel coronavirus ("COVID-19") pandemic, including:

- (1) compulsory body temperature check;
- (2) compulsory wearing of surgical face mask; and
- (3) no refreshments or drinks will be served.

Attendees who do not comply with the precautionary measures (1) and (2) above may be denied entry into the EGM venue, at the absolute discretion of the Company as permitted by law. The Company wishes to advise the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements. Shareholders should check the websites of the Company and the Stock Exchange for further announcement and update on the EGM arrangements, if any.

18 October 2021

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement necessary preventive measures at the EGM to protect attending Shareholders, Directors, proxies and other attendees from the risk of infection, including:

- (1) compulsory body temperature check 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 37.6 degrees Celsius, or is exhibiting flu-like symptoms may be denied entry into the EGM venue or be required to leave the EGM venue;
- (2) attendees are required to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding; and
- (3) no refreshments or drinks will be served.

Attendees who do not comply with the precautionary measures (1) and (2) above may be denied entry into the EGM venue, at the absolute discretion of the Company as permitted by law, or be required to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all attendees' health and safety, the Company wishes to advise all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions duly completed, the Shareholders 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.

A form of proxy for use at the EGM is attached to this circular and can be downloaded from the Company's website (<http://www.powerlongcm.com>). If you are not a registered Shareholder (if your Shares are held via banks, brokers or custodians), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 9909)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions) having been approved by the Independent Shareholders at the EGM of the Company in compliance with the Listing Rules
“EGM”	the extraordinary general meeting of the Company to be held on Wednesday, 10 November 2021 at 2:00 p.m. at Jin Long Hall 2, 2nd Floor, Le Meridien Shanghai Minhang, No. 3199 Cao Bao Road, Minhang District, Shanghai, PRC to consider, and if thought fit, approve, among other matters, the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions)
“Existing Commercial Operational Services Framework Agreement”	the framework agreement entered into between the Company and Powerlong Holdings on 10 December 2019 in relation to the provision of Commercial Operational Services by the Group to the Powerlong Group and its associates

DEFINITIONS

“Existing Common Area and Advertising Space Management Services Framework Agreement”	the framework agreement entered into between the Company and Powerlong Holdings on 10 December 2019 in relation to the provision of Common Area and Advertising Space Management Services by the Group to Powerlong Group and its associates
“Existing Framework Agreements”	(1) the Existing Residential Property Management Services Framework Agreement; (2) the Existing Commercial Operational Services Framework Agreement; and (3) the Existing Common Area and Advertising Space Management Services Framework Agreement
“Existing Residential Property Management Services Framework Agreement”	the framework agreement entered into between the Company and Powerlong Holdings on 10 December 2019 in relation to the provision of Residential Property Management Services by the Group to the Powerlong Group and its associates
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, namely Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen, formed to advise the Independent Shareholders in relation to the New Framework Agreements, the transactions contemplated thereunder and proposed annual caps for those transactions for the three years ending 31 December 2023
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreements and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	the Shareholders other than Shareholders with a material interest in the transactions contemplated under the Existing Framework Agreements and the New Framework Agreements
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Latest Practicable Date”	11 October 2021, being the latest practicable date prior to the printing of this circular, for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Commercial Operational Services Framework Agreement”	the framework agreement entered into between the Company and Powerlong Holdings on 8 September 2021 in relation to the provision of Commercial Operational Services by the Group to the Powerlong Group and its associates
“New Common Area and Advertising Space Management Services Framework Agreement”	the framework agreement entered into between the Company and Powerlong Holdings on 8 September 2021 in relation to the provision of Common Area and Advertising Space Management Services by the Group to the Powerlong Group and its associates
“New Framework Agreements”	(1) the New Residential Property Management Services Framework Agreement; (2) the New Commercial Operational Services Framework Agreement; and (3) the New Common Area and Advertising Space Management Services Framework Agreement
“New Residential Property Management Services Framework Agreement”	the framework agreement entered into between the Company and Powerlong Holdings on 8 September 2021 in relation to the provision of Residential Property Management Services by the Group to the Powerlong Group and its associates
“Powerlong Group”	Powerlong Holdings and its subsidiaries

DEFINITIONS

“Powerlong Holdings”	Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on Main Board of the Stock Exchange (stock code: 1238)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares with a par value of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

LETTER FROM THE BOARD

Powerlong Commercial Management Holdings Limited
寶龍商業管理控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9909)

Executive Directors:

Mr. Hoi Wa Fong

(Chairman of the Board)

Mr. Chen Deli *(Chief Executive Officer)*

Mr. Zhang Yunfeng

Non-executive Directors:

Ms. Hoi Wa Fan

Ms. Hoi Wa Lam

Independent non-executive Directors:

Ms. Ng Yi Kum, Estella

Mr. Chan Wai Yan, Ronald

Dr. Lu Xiongwen

Registered Office:

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Place of Business in Hong Kong:

19/F, Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

18 October 2021

To the Shareholders,

Dear Sirs/Madams,

**CONTINUING CONNECTED TRANSACTIONS
TERMINATION OF EXISTING FRAMEWORK AGREEMENTS AND
ENTERING INTO NEW FRAMEWORK AGREEMENTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 8 September 2021. On 8 September 2021 (after trading hours), the Company entered into the New Framework Agreements with Powerlong Holdings.

The Existing Framework Agreements, the terms of which will expire on 31 December 2021, shall terminate on the date on which the New Framework Agreements become effective. Details of the Existing Framework Agreements are set out in “Connected Transactions” in the prospectus of the Company dated 16 December 2019. The New Framework Agreements shall take effect subject to the approval by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

At the EGM, resolutions will be proposed for the Independent Shareholders to approve, amongst others, (i) the New Residential Property Management Services Framework Agreement; (ii) the New Commercial Operational Services Framework Agreement; and (iii) the New Common Area and Advertising Space Management Services Framework Agreement, their respective annual caps and transactions contemplated thereunder.

The purpose of this circular is to provide you with (i) further information on the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions); (ii) a letter from an independent financial adviser; (iii) a letter from the Independent Board Committee; and (iv) a notice convening the EGM.

CONTINUING CONNECTED TRANSACTIONS AND THEIR RESPECTIVE ANNUAL CAPS

A. Residential Property Management Services

Set out below is a summary of the principal terms of the New Residential Property Management Services Framework Agreement:

Date:	8 September 2021
Parties:	(i) the Company; and (ii) Powerlong Holdings.
Subject:	Pursuant to the New Residential Property Management Services Framework Agreement, the Company agreed to provide to the Powerlong Group and/or its associates residential property management services, including but not limited to (i) residential property management services for unsold units and sales offices owned by the Powerlong Group and/or its associates; and (ii) early stage initiation services, including but not limited to providing staff training before the delivery of the properties and initial residential property management services before the completion of property projects, and housing inspection services on properties developed by the Powerlong Group and/or its associates upon completion of construction and before delivery of the same to homeowners (the “ Residential Property Management Services ”).
Term:	From the Effective Date to 31 December 2023 (both days inclusive).

LETTER FROM THE BOARD

Annual caps: The parties have agreed that the annual transaction amount for the provision of Residential Property Management Services under the New Residential Property Management Services Framework Agreement shall not exceed the following annual caps:

For the year ending 31 December	Proposed annual cap <i>(RMB' million)</i>
2021	146.6 ^(Note)
2022	238.2
2023	335.9

Note: Including the provision of Residential Property Management Services contemplated under the Existing Residential Property Management Services Framework Agreement prior to the Effective Date.

Existing annual caps for the provision of Residential Property Management Services

The existing annual cap amounts for the provision of the Residential Property Management Services under the Existing Residential Property Management Services Framework Agreement for the three years ending 31 December 2021 are as follows:

For the year ended/ending 31 December	Existing annual cap <i>(RMB' million)</i>	Actual transaction amount <i>(RMB' million)</i>
2019	53.6	48.1
2020	63.3	62.2
2021 (up till 30 June 2021)	74.7	59.3

The Directors confirm that the existing annual cap for the provision of the Residential Property Management Services for the year ending 31 December 2021 has not been exceeded up to the Latest Practicable Date.

Basis of the proposed annual caps for the New Residential Property Management Services Framework Agreement

The proposed annual caps for the three years ending 31 December 2023 were determined by reference to (i) the actual transaction amount for the provision of Residential Property Management Services for the years ended 31 December 2019 and 2020 and the period from 1 January 2021 to 30 June 2021; and (ii) the projected demand for the Residential Property Management Services from the Powerlong Group and its associates, having regard to the expanded scope of services to cover front-end intermediary, household inspection, repair services and end-of-sale sales services, as well as the increase in gross area of residential properties developed by the Powerlong Group and/or its associates and managed by the Group. In this regard, the cumulative number of delivered projects of the Powerlong Group and its

LETTER FROM THE BOARD

associates in relation to the provision of Residential Property Management Services is estimated to be approximately 75, 90 and 110 in 2021, 2022 and 2023, respectively, which is comprised of, among others (a) the expected number of residential property management projects under development and held for future development of the Powerlong Group and its associates, for which the Group may be engaged to provide, among others, property management services to unsold units and sales offices, and housing inspection services on properties developed or to be developed by the Powerlong Group and/or its associates upon completion of construction and before delivery to homeowners as one of the early stage initiation services, which is estimated to be approximately 30, 45 and 60 for each of the years ending 31 December 2021, 2022 and 2023, respectively; and (b) the estimated total GFA of the residential property projects under development or to be developed by the Powerlong Group and its associates, which may require staff training services to be provided by the Group, amounting to approximately 3.0 million sq.m., 5.7 million sq.m. and 8.8 million sq.m. for each of the years ending 31 December 2021, 2022 and 2023, respectively, representing a year-on-year growth of approximately 91.8% and 52.7%, respectively.

Pricing policy

The service fees that the Group will charge for the Residential Property Management Services shall be determined after arm's length negotiations and taking into account (i) the nature of the properties; (ii) the location of the properties; (iii) the rate generally offered by the Group to Independent Third Parties in respect of comparable services; (iv) the anticipated operational costs (including labors cost and material costs); and (v) comparable market prices quoted from at least two independent service providers. The service fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) or lower than the standard fees to be charged from Independent Third Parties.

Reasons for and benefits of the New Residential Property Management Services Framework Agreement

The Group has been providing Residential Property Management Services in the ordinary course of business of the Group to the Powerlong Group and its associates. As the Existing Residential Property Management Services Framework Agreement is due to expire on 31 December 2021 and it is anticipated that the existing annual cap for the year ending 31 December 2021 for the provision of Residential Property Management Services will be insufficient to meet the business needs of the Group, the New Residential Property Management Services Framework Agreement is entered into to facilitate the continuous provision of Residential Property Management Services to the Powerlong Group and its associates. The Existing Residential Property Management Services Framework Agreement will be terminated and replaced by the New Residential Property Management Services Framework Agreement on the Effective Date.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose view is set out in “Letter from the Independent Board Committee” of this circular) consider that (i) the transactions contemplated under the New Residential Property Management Services Framework Agreement are entered into in the usual and ordinary course of business of the Group, are conducted on normal commercial terms between the Group and Powerlong Group and/or its associates, are fair and reasonable, and in the interest of the Company and the Shareholders as whole; and (ii) the proposed annual caps for the three years ending 31 December 2023 under the New Residential Property Management Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

B. Commercial Operational Services

Set out below is a summary of the principal terms of the New Commercial Operational Services Framework Agreement:

Date:	8 September 2021
Parties:	(i) the Company; and (ii) Powerlong Holdings.
Subject:	Pursuant to the New Commercial Operational Services Framework Agreement, the Company agreed to provide to the Powerlong Group and/or its associates commercial operational services on the commercial buildings owned or operated by the Powerlong Group and/or its associates, including but not limited to, (i) market research and positioning; (ii) tenant sourcing and opening preparation; and (iii) tenant management rent collection (the “ Commercial Operational Services ”).
Term:	From the Effective Date to 31 December 2023 (both days inclusive).
Annual caps:	The parties have agreed that the annual transaction amount for the provision of Commercial Operational Services under the New Commercial Operational Services Framework Agreement shall not exceed the following annual caps:

For the year ending 31 December	Proposed annual cap (RMB' million)
2021	359.8 ^(Note)
2022	495.4
2023	695.2

Note: Including the provision of Commercial Operational Services contemplated under the Existing Commercial Operational Services Framework Agreement prior to the Effective Date.

LETTER FROM THE BOARD

Existing annual caps for the provision of Commercial Operational Services

The existing annual caps for the provision of the Commercial Operational Services under the Existing Commercial Operational Services Framework Agreement for the three years ending 31 December 2021 are as follows:

For the year ended/ending 31 December	Existing annual cap (RMB' million)	Actual transaction amount (RMB' million)
2019	222.8	202.4
2020	267.2	266.7
2021 (up till 30 June 2021)	320.7	173.7

The Directors confirm that the existing annual cap for the provision of the Commercial Operational Services for the year ending 31 December 2021 has not been exceeded up to the Latest Practicable Date.

Basis of the proposed annual caps for the New Commercial Operational Services Framework Agreement

The proposed annual caps for the three years ending 31 December 2023 were determined by reference to (i) the actual transaction amount for the provision of Commercial Operational Services for the years ended 31 December 2019 and 2020 and the period from 1 January 2021 to 30 June 2021; and (ii) the projected demand for the Commercial Operational Services from the Powerlong Group and its associates and the increase in the number of commercial properties delivered or to be delivered by the Powerlong Group and its associates in 2021 and beyond. In this regard, the cumulative number of projects in operation of the Powerlong Group and its associates in relation to the provision of Commercial Operational Services is estimated to be approximately 68, 85 and 104 in 2021, 2022 and 2023, respectively, which comprised of, among others (a) the expected number of retail commercial projects under development and held for future development of the Powerlong Group and its associates, for which the Group may be engaged to provide commercial operational services, including market research and positioning services, is estimated to be approximately 20, 20 and 23 for each of the years ending 31 December 2021, 2022 and 2023, respectively; and (b) the estimated total GFA of the commercial property projects under development or to be developed by the Powerlong Group and its associates, which may require tenant sourcing and opening preparation services to be provided by the Group, amounting to approximately 0.9 million sq.m., 1.3 million sq.m. and 1.7 million sq.m. for each of the years ending 31 December 2021, 2022 and 2023, respectively, representing a year-on-year growth of approximately 44.4% and 30.8%, respectively.

LETTER FROM THE BOARD

Pricing policy

The service fees that the Group will charge for the Commercial Operational Services shall be determined after arm's length negotiations with reference to (i) the location and size of the properties; (ii) the anticipated operational cost (including labor costs) for providing such services; and (iii) the price offered by the Group to independent property developers for similar services.

Reasons for and benefits of the New Commercial Operational Services Framework Agreement

The Group has been providing Commercial Operational Services in the ordinary course of business of the Group to the Powerlong Group and its associates. As the Existing Commercial Operational Services Framework Agreement is due to expire on 31 December 2021 and it is anticipated that the existing annual cap for the year ending 31 December 2021 for the provision of Commercial Operational Services will be insufficient to meet the business needs of the Group, the New Commercial Operational Services Framework Agreement is entered into to facilitate the continuous provision of Commercial Operational Services to the Powerlong Group and its associates. The Existing Commercial Operational Services Framework Agreement will be terminated and replaced by the New Commercial Operational Services Framework Agreement on the Effective Date.

The Directors (including the independent non-executive Directors whose view is set out in "Letter from the Independent Board Committee" of this circular) consider that (i) the transactions contemplated under the New Commercial Operational Services Framework Agreement are entered into in the usual and ordinary course of business of the Group, are conducted on normal commercial terms between the Group and Powerlong Group and/or its associates, are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed annual caps for the three years ending 31 December 2023 under the New Commercial Operational Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. Common Area and Advertising Space Management Services

Set out below is a summary of the principal terms of the New Common Area and Advertising Space Management Services Framework Agreement:

- Date: 8 September 2021
- Parties: (i) the Company; and
(ii) Powerlong Holdings.

LETTER FROM THE BOARD

Subject: Pursuant to the New Common Area and Advertising Space Management Services Framework Agreement, the Company agreed to manage the common area and advertising space in the properties owned by the Powerlong Group and/or its associates and sublease to the Independent Third Parties (the “**Common Area and Advertising Space Management Services**”, together with the Residential Property Management Services and the Commercial Operational Services, the “**Services**”).

With an aim of reducing the amount of continuing connected transactions between the Group and the Powerlong Group and its associates, the Group and the Powerlong Group and its associates have agreed to adopt the following common area and advertising space management arrangement since 1 January 2019, pursuant to which the Group will lease the common area and advertising space from the Powerlong Group and its associates and manage the common area and advertising space. Under such arrangement, the Group will pay an annual rent to the Powerlong Group and its associates, while the income generated from the common area and advertising space management and received from Independent Third Party customers will not constitute continuing connected transactions for the Group. The Group believes that such arrangement will provide it with more flexibility and autonomy to manage the common area and advertising space and exercise initiatives to further enhance the service quality in return for higher income.

Term: From the Effective Date to 31 December 2023 (both days inclusive).

Annual caps: The parties have agreed that the annual transaction amount for the provision of Common Area and Advertising Space Management Services under the New Common Area and Advertising Space Management Services Framework Agreement shall not exceed the following annual caps:

For the year ending 31 December	Proposed annual cap (RMB' million)
2021	106.8 ^(Note)
2022	147.5
2023	191.0

Note: Including the provision of Common Area and Advertising Space Management Services contemplated under the Existing Common Area and Advertising Space Management Services Framework Agreement prior to the Effective Date.

LETTER FROM THE BOARD

Existing annual caps for the provision of Common Area and Advertising Space Management Services

The existing annual caps for the provision of the Common Area and Advertising Space Management Services for the three years ending 31 December 2021 are as follows:

For the year ended/ending 31 December	Existing annual cap (RMB' million)	Actual transaction amount (RMB' million)
2019	73.5	68.9
2020	85.3	74.8
2021 (up till 30 June 2021)	99.2	52.2

The Directors confirm that the existing annual cap for the provision of the Common Area and Advertising Space Management Services for the year ending 31 December 2021 has not been exceeded up to the Latest Practicable Date.

Basis of the proposed annual caps for the New Common Area and Advertising Space Management Services Framework Agreement

The proposed annual caps for the three years ending 31 December 2023 were determined by reference to (i) the actual rental fees paid by the Group to the Powerlong Group and its associates under the Existing Common Area and Advertising Space Management Services Framework Agreement for the years ended 31 December 2019 and 2020 and the period from 1 January 2021 to 30 June 2021; (ii) the existing GFA of common area and advertising space under the Group's management as of 8 September 2021; (iii) the projected fees payable by the Group based on the existing contracts and the expected increase in the total GFA of common area and advertising space under the Group's management based on the development plan of the Powerlong Group and its associates for the years ending 31 December 2021, 2022 and 2023; and (iv) the estimated increment of rental fees based on the commercial negotiation between the Group and the Powerlong Group and its associates. In this regard, it has been assumed that (a) the estimated total GFA of common area and advertising space of the Powerlong Group and its associates for which the Group may be engaged to provide Common Area and Advertising Space Management Services is approximately 4.6 million sq.m, 5.4 million sq.m. and 7.0 million sq.m. for each of the years ending 31 December 2021, 2022 and 2023, respectively, representing a year-on-year growth of approximately 18.2% and 28.6%, respectively, mainly with reference to the estimated number of projects of not less than 50, 70 and 80 in 2021, 2022 and 2023, respectively; and (b) the estimated fee payable per GFA of common area and advertising space of the Powerlong Group and its associates for which the Group may be required to lease will be approximately RMB23.2 per sq.m., RMB27.1 per sq.m. and RMB27.3 per sq.m. for each of the years ending 31 December 2021, 2022 and 2023, respectively, representing a year-on-year growth of approximately 16.8% and 0.7%, respectively.

LETTER FROM THE BOARD

Pricing policy

The fees to be paid by the Group under the New Common Area and Advertising Space Management Services Framework Agreement shall be determined on arm's length basis with reference to, among others, (i) the market rent of the common area and advertising space in similar locations and similar properties; and (ii) the occupancy rate of the common area and advertising space leased by the Group from the Powerlong Group and its associates. In this regard, a higher expected occupancy rate would generally imply a higher potential for the generation of income from subleasing the common area and advertising space to independent third parties, which in turn may affect the perceived rental value of such common area and advertising space.

Reasons for and benefits of the New Common Area and Advertising Space Management Services Framework Agreement

The Group has been leasing common area and advertising space from and providing Common Area and Advertising Space Management Services to the Powerlong Group and its associates in the ordinary course of business of the Group. As the existing agreement with Powerlong Holdings for the Existing Common Area and Advertising Space Leasing Arrangement is due to expire on 31 December 2021 and it is anticipated that the existing annual cap for the year ending 31 December 2021 for the provision of Common Area and Advertising Space Management Services will be insufficient to meet the business needs of the Group, the New Common Area and Advertising Space Management Services Framework Agreement is entered into to facilitate the provision of Common Area and Advertising Space Management Services the Powerlong Group and its associates. The Existing Common Area and Advertising Space Management Services Framework Agreement will be terminated and replaced by the New Common Area and Advertising Space Management Services Framework Agreement on the Effective Date.

The Directors (including the independent non-executive Directors whose view is set out in "Letter from the Independent Board Committee" of this circular) consider that (i) the transactions contemplated under the New Common Area and Advertising Space Management Services Framework Agreement are entered into in the usual and ordinary course of business of the Group, are conducted on normal commercial terms between the Group and Powerlong Group and its associates, are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed annual caps for the three years ending 31 December 2023 under the New Common Area and Advertising Space Management Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Powerlong Real Estate (BVI) Holdings Limited, a company wholly-owned by Powerlong Holdings, held 405,000,000 Shares, representing approximately 62.98% of the issued share capital of the Company. Accordingly, Powerlong

LETTER FROM THE BOARD

Holdings is a controlling shareholder and a connected person of the Company and the entering into of each of the New Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the proposed annual caps for the three years ending 31 December 2023 under each of the New Framework Agreements and the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the proposed annual caps for the three years ending 31 December 2023 under each of the New Framework Agreements and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Considering that (i) revenue from independent third parties is expected to continue to be the largest source of revenue of the Group for the three years ending 31 December 2023; (ii) the Group has achieved some success in the business expansion of properties developed by independent third parties for which the Group were contracted to manage in 2019, 2020 and 2021; and (iii) the Group is well-positioned to capture potential opportunities via its asset-light business model and strategic acquisition of or investment in other commercial operational service providers, the Board is of the view that there is no undue reliance by the Group on the Powerlong Group.

INTERNAL CONTROL MEASURES

As a general principle, the price and terms of the individual service agreements in respect of the Services will be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis, on similar basis as the Group transacts business with other independent service providers and shall be on terms which are no less favorable to the Group than those offered by other independent service providers. In this connection, the Group will take into account the terms and conditions of comparable transactions (in terms of the project location, project scale, property type, scope of services, profile of the property owner and/or counterparty, prospect for recurring project opportunities, etc.) that are within the knowledge of the Group.

The respective pricing policies for the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel of the finance department of the Group and management of the Group to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole. The relevant personnel of the finance department of the Group will conduct checks on a quarterly basis and assess whether individual transactions contemplated under continuing connected transactions are conducted in accordance with the terms of the relevant agreement and will also review on a quarterly basis whether the price charged/paid for a specific transaction is fair and reasonable and in accordance with the applicable pricing policy. In addition, the relevant personnel of the finance department of the Group will also review on a quarterly basis whether the transaction amounts for the provision of the respective Services will exceed the applicable annual caps for such transactions. In the event that the finance department

LETTER FROM THE BOARD

becomes aware of any potential non-compliance with the pricing policies and/or that the proposed annual caps may be reached, the finance department will report such matters to the legal and compliance department of the Group who will further report to the senior management of the Group and co-ordinate at the Group level to take appropriate actions. The independent non-executive Directors will continue to review the transactions contemplated under each of the New Framework Agreements and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under each of the New Framework Agreements have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

GENERAL

As at the Latest Practicable Date, (i) Mr. Hoi Wa Fong (brother of Ms. Hoi Wa Fan and cousin of Ms. Hoi Wa Lam), an executive Director, held approximately 14.66% of the issued shares of Powerlong Holdings; (ii) Ms. Hoi Wa Fan (sister of Mr. Hoi Wa Fong and cousin of Ms. Hoi Wa Lam), a non-executive Director, held approximately 6.48% of the issued shares of Powerlong Holdings; (iii) Ms. Hoi Wa Lam (cousin of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan), a non-executive Director, held approximately 0.38% of the issued shares of Powerlong Holdings; and (iv) Mr. Chen Deli, an executive Director and the chief executive officer of the Company, is an associate president of Powerlong Holdings. Accordingly, each of Mr. Hoi Wa Fong, Ms. Hoi Wa Fan, Ms. Hoi Wa Lam and Mr. Chen Deli is considered to have a material interest in the transactions contemplated under the New Framework Agreements, and has abstained from voting on the Board resolutions to approve the entering into of the New Framework Agreements.

The EGM will be convened and held to seek the approval of the Independent Shareholders for entering into of the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions). Powerlong Holdings, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan, Ms. Hoi Wa Lam and Mr. Chen Deli and their respective associates (including Powerlong Real Estate (BVI) Holdings Limited, Huihong Management (PTC) Limited, Sky Infinity Holdings Limited, Mr. Chen Deli, Soar Eagle Enterprises Limited and Tricor Trust (Hong Kong) Limited, who in aggregate held 472,800,000 Shares, representing approximately 73.52% of the issued share capital of the Company, as at the Latest Practicable Date) shall abstain from voting at the EGM for the resolutions to approve such matters.

An Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen, has been established to advise the Independent Shareholders in relation to the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions). Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES INVOLVED

The Company is an investment holding company and the Group is a leading service provider engaging in commercial operational services and residential property management services in the PRC.

Powerlong Holdings is an investment holding company and the Powerlong Group is a leading real estate developer in the PRC specializing in the development and operation of high quality, large-scale and integrated commercial and residential complexes.

EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM at Jin Long Hall 2, 2nd Floor, Le Meridien Shanghai Minhang, No. 3199 Cao Bao Road, Minhang District, Shanghai, PRC on Wednesday, 10 November 2021 at 2:00 p.m.. The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you intend to be present and vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish, and in such case, the authority of your proxy will be revoked. Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the EGM will be taken by poll.

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 as 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.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of this circular and the letter of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 21 to 49 of this circular in connection with the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions) and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions) were entered into in the ordinary and usual course of business on normal commercial terms or better and the terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions) at the EGM as set out in the notice of the EGM.

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

By Order of the Board
Powerlong Commercial Management Holdings Limited
Hoi Wa Fong
Chairman

Powerlong Commercial Management Holdings Limited
寶龍商業管理控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9909)

18 October 2021

To the Independent Shareholders,

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS
TERMINATION OF EXISTING FRAMEWORK AGREEMENTS
AND
ENTERING INTO NEW FRAMEWORK AGREEMENTS

We refer to the circular of the Company dated 18 October 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you on whether the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions) are fair and reasonable and in the interests of the Company and the Shareholders as a whole and how to vote on the resolutions at the EGM. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 5 to 18 of the Circular and the letter from Independent Financial Adviser set out on pages 21 to 49 of the Circular. Your attention is also drawn to the additional information set out in the appendix thereto.

Having taken into account (i) the terms and conditions of the Existing Framework Agreements and the New Framework Agreements and (ii) the advice and recommendations of the Independent Financial Adviser as set out from pages 21 to 49 of the Circular, we are of the opinion that (i) the transactions contemplated under each of the New Framework Agreements are entered into in the usual and ordinary course of business of the Group, are conducted on normal commercial terms between the Group and Powerlong Group and its associates, are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed annual caps for the three years ending 31 December 2023 under the each of the New Framework Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions).

Yours faithfully,
Independent Board Committee

Ms. Ng Yi Kum, Estella
*Independent non-executive
Director*

Mr. Chan Wai Yan, Ronald
*Independent non-executive
Director*

Dr. Lu Xiongwen
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of the letter from Red Sun Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated thereunder the New Framework Agreements and the respective proposed annual caps, for the purpose of inclusion 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

18 October 2021

To: *the Independent Board Committee and the Independent Shareholders of
Powerlong Commercial Management Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO NEW FRAMEWORK AGREEMENTS

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreements, namely, the New Residential Property Management Services Framework Agreement, the New Commercial Operational Services Framework Agreement and the New Common Area and Advertising Space Management Services Framework Agreement, and the transactions contemplated thereunder (the “**Continuing Connected Transactions**”) as well as the proposed annual caps, details of which are set out in the circular to the Shareholders dated 18 October 2021 (the “**Circular**”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the proposed annual caps. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

Reference is made to the Circular in respect of, among other things, the New Framework Agreements entered into between the Company and Powerlong Holdings, in relation to the Residential Property Management Services, Commercial Operational Services and the Common Area and Advertising Space Management Services, and the respective proposed annual caps for the years ending 31 December 2021, 2022 and 2023, respectively (the “**Proposed Annual Caps**”).

On 8 September 2021 (after trading hours), the Company entered into the New Framework Agreements. The Existing Framework Agreements shall terminate on the date on which the New Framework Agreements become effective.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Powerlong Real Estate (BVI) Holdings Limited, a company wholly-owned by Powerlong Holdings, holds 405,000,000 Shares, representing approximately 62.98% the issued shares capital of the Company. Accordingly, Powerlong Holdings is a controlling shareholder and a connected person of the Company and the entering into of each of the New Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the Proposed Annual Caps and the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the Proposed Annual Caps and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As set out in the Letter from the Board, considering that (i) revenue from independent third parties is expected to continue to be the largest source of revenue of the Group for the three years ending 31 December 2023; (ii) the Group has achieved some success in the business expansion of properties developed by independent third parties for which the Group were contracted to manage in 2019, 2020 and 2021; and (iii) the Group is well-positioned to capture potential opportunities via its asset-light business model and strategic acquisition of or investment in other commercial operational service providers, the Board is of the view that there is no undue reliance by the Group on the Powerlong Group.

As set out in the Letter from the Board, each of Mr. Hoi Wa Fong, Ms. Hoi Wa Fan, Ms. Hoi Wa Lam and Mr. Chen Deli is considered to have a material interest in the transactions contemplated under the New Framework Agreements, and has abstained from voting on the Board resolutions to approve the entering into of the New Framework Agreements.

The EGM will be convened and held to seek the approval of the Independent Shareholders for entering into of the New Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions). Powerlong Holdings, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan, Ms. Hoi Wa Lam and Mr. Chen Deli and their respective associates (including Powerlong Real Estate (BVI) Holdings Limited, Huihong Management (PTC) Limited, Sky Infinity Holdings Limited, Mr. Chen Deli, Soar Eagle Enterprises Limited and Tricor Trust (Hong Kong) Limited, who in aggregate held 472,800,000 Shares, representing approximately 73.52% of the issued share capital of the Company, as at the Latest Practicable Date) shall abstain from voting at the EGM for the resolutions to approve such matters.

II. THE INDEPENDENT BOARD COMMITTEE

The Board comprises of three executive Directors, namely, Mr. Hoi Wa Fong, Mr. Chen Deli and Mr. Zhang Yunfeng, two non-executive Directors, namely, Ms. Hoi Wa Fan and Ms. Hoi Wa Lam, and three independent non-executive Directors, namely, Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen has been established to advise the Independent Shareholders in relation to the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps). Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. In the previous two years, save for this appointment and our appointment as the independent financial adviser for certain connected transactions in relation to the subscription of new shares under specific mandate and proposed issue of new shares to a connected person under the share award scheme, details of which are set out in the circular of the Company dated 6 November 2020, Red Sun Capital Limited has not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company for any transaction. Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, the Powerlong Group 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. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. 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 the Powerlong Group made or provided by the Management 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Company 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 nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company, the Powerlong Group and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

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

V. BACKGROUND INFORMATION OF THE CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion on the Continuing Connected Transactions and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

As set out in the Letter from the Board, the Group is primarily engaged in the provision of commercial operational services and residential property management services in the PRC.

Set out below is a summary of the Group's operating results by activities, as extracted from the published annual report of the Company for the year ended 31 December 2020 (the "2020 Annual Report") and the published interim report of the Company for the six months ended 30 June 2021 (the "2021 Interim Report").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of the Group's consolidated financial performance:

	For the year ended		For the six months	
	31 December		ended 30 June	
	2019	2020	2020	2021
	<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	1,620,457	1,921,238	868,621	1,170,561
– Commercial operational services	1,335,109	1,562,925	700,407	942,253
– Residential property management services	285,348	358,313	168,214	228,308
Gross profit	428,407	594,546	254,833	383,364
Profit for the year/period attributable to:	178,614	307,366	144,912	204,793
– shareholders of the Company	178,614	305,064	144,912	203,338
– non-controlling interest	–	2,302	–	1,455

For the year ended 31 December 2019 and 2020

The revenue of the Group increased by approximately RMB300.7 million or 18.6% from approximately RMB1,620.5 million for the year ended 31 December 2019 to approximately RMB1,921.2 million for the year ended 31 December 2020.

For the commercial operational services segment, the revenue increased by approximately RMB227.8 million or 17.1% from approximately RMB1,335.1 million for the year ended 31 December 2019 to approximately RMB1,562.9 million for the year ended 31 December 2020. Such increase was mainly attributable to (i) the revenue from the commercial operation and management services increased by approximately RMB180.2 million or 18.3% because of the increase in the aggregate GFA in operation and increase in per-unit-GFA revenue as the existing retail commercial properties entered a maturity stage of operation; and (ii) the revenue from the provision of market research and positioning, tenant sourcing and opening preparation services increased by approximately RMB71.5 million or 49.9%, driven by the Group having provided market research and positioning, tenant sourcing and opening preparation services to 45 retail commercial properties for the year ended 31 December 2020, compared to 22 for the year ended 31 December 2019.

For the residential property management services segment, the revenue also increased by approximately RMB73.0 million or 25.6% from approximately RMB285.3 million for the year ended 31 December 2019 to approximately RMB358.3 million for the year ended 31 December 2020. Such

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

increase was mainly attributable to (i) the increase in the residential properties GFA under management to approximately 14.4 million sq.m. for the year ended 31 December 2020, representing a year-on-year increase of approximately 25.2%; and (ii) the improvement of service quality and the increase in the number of contracts with residents, especially for other value-added services.

The gross profit of the Group increased by approximately RMB166.1 million or 38.8% from approximately RMB428.4 million for the year ended 31 December 2019 to approximately RMB594.5 million for the year ended 31 December 2020. Such increase in gross profit was primarily due to the business growth and excellent cost control of the Group.

As a result, the net profit of the Group increased by approximately RMB128.8 million or 72.1% from approximately RMB178.6 million for the year ended 31 December 2019 to approximately RMB307.4 million for the year ended 31 December 2020.

Financial performance for the six months ended 30 June 2020 and 2021

The revenue of the Group increased by approximately RMB302.0 million or 34.8% from approximately RMB868.6 million for the six months ended 30 June 2020 to approximately RMB1,170.6 million for the six months ended 30 June 2021.

For the commercial operational services segment, the revenue increased by approximately RMB241.9 million or 34.5% from approximately RMB700.4 million for the six months ended 30 June 2020 to approximately RMB942.3 million for the six months ended 30 June 2021. Such increase was mainly attributable to (i) the revenue from the provision of market research and positioning, tenant sourcing and opening preparation services increased by approximately RMB45.2 million or 49.7%, driven by the Group having provided market research and positioning, tenant sourcing and opening preparation services with respect to 36 retail commercial properties for the six months ended 30 June 2021, compared to 22 for the six months ended 30 June 2020; and (ii) the revenue from the commercial operation and management services increased by approximately RMB189.3 million or 36.8% because of the increase in the aggregate GFA in operation and the improvement in occupancy rate. For the six months ended 30 June 2021, the Group's commercial properties GFA in operation was 8.8 million sq.m., representing a period-on-period increase of 26.6%.

For the residential property management services segment, the revenue also increased by approximately RMB60.1 million or 35.7% from approximately RMB168.2 million for the six months ended 30 June 2020 to approximately RMB228.3 million for the six months ended 30 June 2021. Such increase was mainly attributable to (i) the increase in the residential properties GFA delivered to approximately 16.4 million sq.m. for the six

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

months ended 30 June 2021, representing a year-on-year increase of approximately 40.6%; and (ii) the improvement of service quality and the increase in the number of contracts with residents.

The gross profit of the Group increased by approximately RMB128.6 million or 50.5% from approximately RMB254.8 million for the six months ended 30 June 2020 to approximately RMB383.4 million for the six months ended 30 June 2021. Such increase in gross profit was generally in line with the increase in revenue as set out above.

As a result, the net profit of the Group increased by approximately RMB59.9 million or 41.3% from approximately RMB144.9 million for the six months ended 30 June 2020 to approximately RMB204.8 million for the six months ended 30 June 2021.

Summary of the Group's consolidated financial position:

	As at 31 December		As at
	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Total assets	3,091,088	4,520,423	4,878,341
Total liabilities	1,503,916	2,354,520	2,573,747
Total equity attributable to:	1,587,172	2,165,903	2,304,594
– shareholders of the Company	1,587,172	2,152,938	2,290,174
– non-controlling interests	–	12,965	14,420

As at 31 December 2019 and 2020

The Group's total assets increased from approximately RMB3,091.1 million as at 31 December 2019 to approximately RMB4,520.4 million as at 31 December 2020 which was mainly attributable to (i) the increase in cash and cash equivalents of approximately RMB833.0 million; (ii) the increase in investment properties of approximately RMB481.0 million; and (iii) the increase in operating lease and trade receivables of approximately RMB48.1 million. It was also noted that the Group's total liabilities increased from approximately RMB1,503.9 million as at 31 December 2019 to approximately RMB2,354.5 million as at 31 December 2020 which was mainly attributable to the net effect of (i) the increase in non-current lease liabilities of approximately RMB469.3 million; (ii) the increase in trade and other payables of approximately RMB298.0 million; and (iii) increase in current income tax liabilities of approximately RMB67.8 million. As a result of the above, the total equity of the Group increased from approximately RMB1,587.2 million as at 31 December 2019 to approximately RMB2,165.9 million as at 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2020 and 30 June 2021

The Groups total assets increased from approximately RMB4,520.4 million as at 31 December 2020 to approximately RMB4,878.3 million as at 30 June 2021 which was mainly attributable to (i) the increase in cash and cash equivalents of approximately RMB347.3 million, mainly attributable to the business growth of the Group; and (ii) the increase in operating lease and trade receivables of approximately RMB47.9 million. It was also noted that the Group's total liabilities slightly increased from approximately RMB2,354.5 million as at 31 December 2020 to approximately RMB2,573.7 million as at 30 June 2021 which was mainly attributable to the net effect of (i) the increase in trade and other payable of approximately RMB156.7 million; (ii) the increase in contract liabilities of approximately RMB98.2 million; and (iii) the decrease in current lease liabilities of approximately RMB89.4 million. As a result of the above, the total equity of the Group increased from approximately RMB2,165.9 million as at 31 December 2020 to approximately RMB2,304.6 million as at 30 June 2021.

2. Information of the Powerlong Group

Powerlong Holdings is an investment holding company and the Powerlong Group is a leading real estate developer in the PRC specializing in the development and operation of high quality, large-scale and integrated commercial and residential complexes.

3. Overview of the PRC industry landscape

Based on information published 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 2020 was approximately 2.3% (2019: 6.0%) as the Coronavirus outbreak (the “**Coronavirus Outbreak**”) had caused temporary adverse impact on the PRC economy on national and regional levels. While the PRC economy has continued to recover and recorded a period-on-period growth in GDP of approximately 12.7% compared to the six months ended 30 June 2020, based on preliminary data published by the National Bureau of Statistics of China in July 2021.

Pursuant to the 14th Five Year Plan (the “**14th FYP**”)* (十四五規劃) announced by the PRC government in March 2021, the target urbanisation rate of the resident population* (常住人口城鎮化率) for the next five years from 2021 is approximately 65.0%. In this connection, the PRC government targets to, among others, (i) accelerate the agricultural population urbanisation* (加快農業轉移人口市民化) by implementing two strategies, namely deepen reform of the household registration system* (深化戶籍制度改革) and improve 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) improve urbanisation layout* (完善城鎮化空間佈局) by implementing five strategies, namely promote integrated development of conurbations* (推動城市群一體化發展), construct modernised metropolitan areas* (建設現代化都市圈), optimise and enhance functions of central urban areas in mega-sized-cities* (優化提升超大特大城市中心城區功能), improve habitability and employability in large and medium-sized cities* (完善大中城市宜居宜業功能) and promote urbanisation construction with counties/cites as major carriers* (推進以縣城為重要載體的城鎮化建設).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, the development of the PRC property market continues to be influenced by changes in PRC government policies at a national and regional level, market environment as well as the overall economic development of the PRC. In view of the above, it is expected that the increase in urbanisation rate in the PRC and continuous development of the PRC economy shall continue to drive growth for the PRC property management industry.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Reasons for and benefits of entering into the New Framework Agreements

In connection with the New Residential Property Management Services Framework Agreement, as set out in the Letter from the Board, the Group has been providing residential property management services in the ordinary course of business of the Group to the Powerlong Group and its associates. As the Existing Residential Property Management Services Framework Agreement is due to expire on 31 December 2021 and it is anticipated that the existing annual cap for the year ending 31 December 2021 for the provision of Residential Property Management Services will be insufficient to meet the business needs of the Group, the New Residential Property Management Services Framework Agreement is entered into to facilitate the continuous provision of residential property management services to the Powerlong Group and its associates. The Existing Residential Property Management Services Framework Agreement will be terminated and replaced by the New Residential Property Management Services Framework Agreement on the Effective Date.

In connection with the New Commercial Operational Services Framework Agreement, as set out in the Letter from the Board, the Group has been providing commercial operational services in the ordinary course of business of the Group to the Powerlong Group and its associates. As the Existing Commercial Operational Services Framework Agreement is due to expire on 31 December 2021 and it is anticipated that the existing annual cap for the year ending 31 December 2021 for the provision of Commercial Operational Services will be insufficient to meet the business needs of the Group, the New Commercial Operational Services Framework Agreement is entered into to facilitate the continuous provision of commercial operational services to the Powerlong Group and its associates. The Existing Commercial Operational Services Framework Agreement will be terminated and replaced by the New Commercial Operational Services Framework Agreement on the Effective Date.

As for the New Common Area and Advertising Space Management Services Framework Agreement, we noted from the Letter from the Board, the Group and the Powerlong Group and its associates have agreed to adopt the following common area and advertising space management arrangement since 1 January 2019, pursuant to which the Group will lease the common area and advertising space from the Powerlong Group and its associates and manage the common area and advertising space. Under such arrangement, the Group will pay an annual rent to the Powerlong Group and its associates, while the income generated from the

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common area and advertising space management and received from Independent Third Party customers will not constitute continuing connected transactions for the Group. As the Existing Common Area and Advertising Space Management Services Framework Agreement is due to expire on 31 December 2021 and it is anticipated that the existing annual cap for the year ending 31 December 2021 for the provision of Common Area and Advertising Space Management Services will be insufficient to meet the business needs of the Group, the New Common Area and Advertising Space Management Services Framework Agreement is entered into to facilitate provision of Common Area and Advertising Space Management Services the Powerlong Group and its associates. The Existing Common Area and Advertising Space Management Services Framework Agreement will be terminated and replaced by the New Common Area and Advertising Space Management Services Framework Agreement on the Effective Date.

The Directors consider that the transactions contemplated under the New Framework Agreements are entered into in the usual and ordinary course of business of the Group are conducted on normal commercial terms between the Group and Powerlong Group and/or its associates, are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

In view of that, (i) the Group has well-established and ongoing business relationship with the Powerlong Group, and has provided various services to the Powerlong Group, mainly including residential property management services since 1993 and commercial operational services since 2007, with reference to the prospectus of the Company dated 16 December 2019; (ii) the Group is principally engaged in the provision of commercial operational services and residential property management services in the PRC, and the Continuing Connected Transactions are a furtherance of the Group's principal businesses; (iii) the Proposed Annual Caps, if approved, should 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, which will also generate additional revenue to the Group; and (iv) the Group has the right but not the obligation to provide the relevant services to the Powerlong 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.

2. Principal terms of the New Framework Agreements

2.1 *New Residential Property Management Services Framework Agreement*

The following principal terms of the New Residential Property Management Services Framework Agreement has been extracted from the Letter from the Board:

Date:	8 September 2021
Parties:	(i) the Company; and (ii) Powerlong Holdings.

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Subject: Pursuant to the New Residential Property Management Services Framework Agreement, the Company agreed to provide to the Powerlong Group and/or its associates residential property management services, including but not limited to (i) residential property management services for unsold units and sales offices owned by the Powerlong Group and/or its associates; and (ii) early stage initiation services, including but not limited to providing staff training before the delivery of the properties and initial residential property management services before the completion of property projects, and housing inspection services on properties developed by the Powerlong Group and/or its associates upon completion of construction and before delivery of the same to homeowners.

Term: From the Effective Date to 31 December 2023 (both days inclusive).

Annual caps: The parties have agreed that the annual transaction amount for the provision of Residential Property Management Service under the New Residential Property Management Services Framework Agreement shall not exceed the following annual cap:

For the year ending 31 December	Proposed annual cap <i>(RMB' million)</i>
2021	146.6 ^(Note)
2022	238.2
2023	335.9

Note: Including the provision of Residential Property Management Services contemplated under the Existing Residential Property Management Services Framework Agreement prior to the Effective Date.

Pricing policy

The service fees that the Group will charge for the Residential Property Management Services shall be determined after arm's length negotiations and taking into account (i) the nature of the properties; (ii) the location of the properties; (iii) the rate generally offered by the Group to Independent Third Parties in respect of comparable services; (iv) the anticipated operational costs (including labors cost and material costs); and (v) comparable market prices quoted from at least two independent service providers. The service fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) or lower than the standard fees to be charged from Independent Third Parties.

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2.2 *New Commercial Operational Services Framework Agreement*

The following principal terms of the New Commercial Operational Services Framework Agreement has been extracted from the Letter from the Board:

Date:	8 September 2021
Parties:	(i) the Company; and (ii) Powerlong Holdings.
Subject:	Pursuant to the New Commercial Operational Services Framework Agreement, the Company agreed to provide to the Powerlong Group and/or its associates commercial operational services on the commercial buildings owned or operated by the Powerlong Group and/or its associates, including but not limited to, (i) market research and positioning; (ii) tenant sourcing and opening preparation; and (iii) tenant management rent collection.
Term:	From the Effective Date to 31 December 2023 (both days inclusive).
Annual caps:	The parties have agreed that the annual transaction amount for the provision of Commercial Operational Services under the New Commercial Operational Services Framework Agreement shall not exceed the following annual caps:

	Proposed annual cap (RMB' million)
For the year ending 31 December	
2021	359.8 ^(Note)
2022	495.4
2023	695.2

Note: Including the provision of Commercial Operational Services contemplated under the Existing Commercial Operational Services Framework Agreement prior to the Effective Date.

Pricing policies

The service fees that the Group will charge for the Commercial Operational Services shall be determined after arm's length negotiations with reference to (i) the location and size of the properties; (ii) the anticipated operational cost (including labor costs) for providing

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such services; and (iii) the price offered by the Group to independent property developers for similar services.

2.3 New Common Area and Advertising Space Management Services Framework Agreement

The following principal terms of the New Common Area and Advertising Space Management Services Framework Agreement has been extracted from the Letter from the Board:

Date: 8 September 2021

Parties: (i) the Company; and
(ii) Powerlong Holdings.

Subject: Pursuant to the New Common Area and Advertising Space Management Services Framework Agreement, the Company agreed to manage the common area and advertising space in the properties owned by the Powerlong Group and/or its associates and sublease to the Independent Third Parties.

With an aim of reducing the amount of continuing connected transactions between the Group and the Powerlong Group and its associates, the Group and the Powerlong Group and its associates have agreed to adopt the following common area and advertising space management arrangement since 1 January 2019, pursuant to which the Group will lease the common area and advertising space from the Powerlong Group and its associates and manage the common area and advertising space. Under such arrangement, the Group will pay an annual rent to the Powerlong Group and its associates, while the income generated from the common area and advertising space management and received from Independent Third Party customers will not constitute continuing connected transactions for the Group. The Group believes that such arrangement will provide it with more flexibility and autonomy to manage the common area and advertising space and exercise initiatives to further enhance the service quality in return for higher income.

Term: From the Effective Date to 31 December 2023 (both days inclusive).

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Annual caps: The parties have agreed that the annual transaction amount for the provision of Common Area and Advertising Space Management Services under the New Common Area and Advertising Space Management Services Framework Agreement shall not exceed the following annual caps:

For the year ending 31 December	Proposed annual cap (RMB' million)
2021	106.8 ^(Note)
2022	147.5
2023	191.0

Note: Including the provision of Common Area and Advertising Space Management Services contemplated under the Existing Common Area and Advertising Space Management Services Framework Agreement prior to the Effective Date.

Pricing policies

The fees to be paid by the Group under the New Common Area and Advertising Space Management Services Framework Agreement shall be determined on arm's length basis with reference to, among others, (i) the market rent of the common area and advertising space in similar locations and similar properties; and (ii) the occupancy rate of the common area and advertising space leased by the Group from the Powerlong Group and its associates. In this regard, a higher expected occupancy rate would generally imply a higher potential for the generation of income from subleasing the common area and advertising space to independent third parties, which in turn may affect the perceived rental value of such common area and advertising space.

In relation to the internal control measures, as set out in the Letter from the Board, as a general principle, the price and terms of the individual service agreements in respect of the Services will be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis, on similar basis as the Group transacts business with other independent service providers and shall be on terms which are no less favorable to the Group than those offered by other independent service providers. In this connection, the Group will take into account the terms and conditions of comparable transactions (in terms of the project location, project scale, property type, scope of services, profile of the property owner and/or counterparty, prospect for recurring project opportunities, etc.) that are within the knowledge of the Group.

As set out in the Letter from the Board, the respective pricing policy for the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel of the finance department of the Group and management of the Group to ensure that

all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole. The relevant personnel of the finance department of the Group and management of the Group will conduct regular checks on a quarterly basis and assess whether individual transactions contemplated under continuing connected transactions are conducted in accordance with the terms of the relevant agreement and will also review on a quarterly basis whether the price charged/paid for a specific transaction is fair and reasonable and in accordance with the applicable pricing policy. In addition, the relevant personnel of the finance department of the Group will also review on a quarterly basis whether the transaction amounts for the provision of the respective Services will exceed the applicable annual caps for such transactions. In the event that the finance department becomes aware of any potential non-compliance with the pricing policies and/or that the proposed annual caps may be reached, the finance department will report such matters to the legal and compliance department of the Group who will further report to the senior management of the Group and co-ordinate at the Group level to take appropriate actions. The independent non-executive Directors will continue to review the transactions contemplated under each of the New Framework Agreements and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof.

3. Analysis on the principal terms of the New Framework Agreements and work performed on the internal control procedures

3.1 New Residential Property Management Services Framework Agreement

As advised by the Management, the service fees under the New Residential Property Management Services Framework Agreement for the Residential Property Management Services to be provided by the Group to the Powerlong Group and/or its associates, include, among others, (i) residential property management services for unsold units and sales offices owned by the Powerlong Group and/or its associates; and (ii) early stage initiation services, including but not limited to providing staff training before the delivery of the properties and initial residential property management service before the completion of property projects, and housing inspection services on properties developed by the Powerlong Group and/or its associates upon completion of construction and before delivery of the same to homeowners.

In this connection, we have obtained and reviewed six samples of historical transactions, including both transactions between the Group and (i) Independent Third Parties; and (ii) members of the Powerlong Group, on the Residential Property Management Services. We noted that the rates of service fee of the samples were based on, among others, (i) the nature of the properties; (ii) the location of the properties; (iii) the rate generally offered by the Group to Independent Third Parties in respect of comparable services; and (iv) the anticipated operational costs (including labors cost and material costs).

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Based on our work performed as detailed above, in particular, review of profit margin of transactions contemplated under the Residential Property Management Services, terms of the sampled transactions with members of the Powerlong Group were no less favourable to the Group than similar transactions with Independent Third Parties. On this basis, the Residential Property Management Services were conducted on normal commercial terms and considered to be fair and reasonable.

In addition, we have also obtained and reviewed the internal procedures of the Group governing the transactions contemplated under the New Residential Property Management Services Framework Agreement which involves, among others, the review of terms of relevant transactions, a feedback mechanism by the approval personnel, segregation of duties and approval by the relevant personnel from accounting department of the Group. With a view to ensure that the transactions pursuant to the New Residential Property Management Services Framework Agreement are conducted on normal commercial terms, the relevant personnel and the management of the Group shall review and assess whether the transactions contemplated under the New Residential Property Management Services Framework Agreement are conducted in accordance with the terms of the New Residential Property Management Services Framework Agreement.

3.2 New Commercial Operational Services Framework Agreement

As advised by the Management, the service fees under the New Commercial Operational Services Framework Agreement for the Commercial Operational Services to be provided by the Group on the commercial buildings owned or operated by the Powerlong Group and/or its associates, include, among others, (i) market research and positioning; (ii) tenant sourcing and opening preparation; and (iii) tenant management and rent collection.

In this connection, we have obtained and reviewed six samples of historical transactions, including both transactions between the Group and (i) Independent Third Parties; and (ii) members of the Powerlong Group, in relation to the Commercial Operational Services. We noted that the rates of service fee of the samples were charged based on, among others, (i) the location and size of the properties; (ii) the anticipated operational cost (including labor costs) for providing such services; and (iii) the price offered by the Group to independent property developers for similar services.

Based on our work performed as detailed above, including review of profit margin of transactions contemplated under the Commercial Operational Services, which was within range and no less favourable to the Group than similar transactions with Independent Third Parties, we considered that the Commercial Operational Services were on normal commercial terms and fair and reasonable.

In addition, we have also obtained and reviewed the internal procedures of the Group governing the transactions contemplated under the New Commercial Operational Services Framework Agreement which involves, among others, the review of terms of relevant transactions, a feedback mechanism by the approval personnel, segregation of duties and approval by the relevant personnel from accounting department of the Group. With a view to ensure that the transactions pursuant to the New Commercial Operational Services Framework Agreement are conducted on normal commercial terms, the relevant personnel and the management of the Group shall review and assess whether the transactions contemplated under the New Commercial Operational Services Framework Agreement are conducted in accordance with the terms of the New Commercial Operational Services Framework Agreement.

3.3 New Common Area and Advertising Space Management Services Framework Agreement

As advised by the Management, the annual rent under the New Common Area and Advertising Space Management Services Framework Agreement for the Common Area and Advertising Space Management Services to be paid by the Group to the Powerlong Group and/or its associates, including leasing the common area and advertising space from the Powerlong Group and its associates and managing the common area and advertising space.

In this connection, we have obtained and reviewed six samples of historical transactions, including transactions between the Group and members of the Powerlong Group on Common Area and Advertising Space Management Services. We noted from the samples that the rent payables were based on, among others, rent of similar common area and advertising space in terms of location and nature.

Based on our work performed, in particular, review of rent of transactions contemplated under the Common Area and Advertising Space Management Services, terms of the sampled transactions with members of the Powerlong Group were no more favourable to the market rent of the common area and advertising space in similar locations and similar properties. On this basis, the Common Area and Advertising Space Management Services were conducted on normal commercial terms and considered to be fair and reasonable.

In addition, we have also obtained and reviewed the internal procedures of the Group governing the transactions contemplated under the New Common Area and Advertising Space Management Services Framework Agreement which involves, among others, the review of terms of relevant transactions, a feedback mechanism by the approval personnel, segregation of duties and approval by the relevant personnel from accounting department of the Group. With a view to ensure that the transactions pursuant to the New

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Common Area and Advertising Space Management Services Framework Agreement are conducted on normal commercial terms, the relevant personnel and the management of the Group shall review and assess whether the transactions contemplated under the New Common Area and Advertising Space Management Services Framework Agreement are conducted in accordance with the terms of the New Common Area and Advertising Space Management Services Framework Agreement.

3.4 General controls over Continuing Connected Transactions

We noted from the Management that individual services agreements will be monitored after they are in force. The finance department of the Group is responsible for monitoring the fees for the respective services contemplated under the New Framework Agreements to ensure that they are in accordance with the subject framework agreement and that the relevant proposed annual caps are not exceeded. If and when the finance department becomes aware of any potential non-compliance with the pricing policies and/or that the proposed annual caps will be reached, the finance department will report such matters to the senior management of the Company who will co-ordinate at the Group level to take remedial actions and ensure that the aggregate transaction amount is maintained within the proposed annual caps limit or new annual caps should be proposed, where appropriate.

Furthermore, we understand from the Management that the transactions contemplated under the New Framework Agreements 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 proposed annual caps under the New Framework Agreements.

3.5 Our findings

Having considered our work performed as set out above, in particular, (i) the historical sample transactions together with the relevant documents reviewed by us; (ii) our analysis and work performed on the pricing policies and internal control procedures in connection with the Continuing Connected Transactions as set out in the Letter from the Board, including the basis of service fees charged for the Residential Property Management Services and the Commercial Operational Services, and rent paid for the Common Area and Advertising Space Management Services, being no less favourable to the Group than transactions with Independent Third Parties or comparable market rate, where applicable; and (iii) the Group has the right but not the obligation to provide the relevant services to the Powerlong Group at terms determined in accordance with the respective pricing policies, we considered that effective implementation of the subject internal control policies would ensure the transactions under the New Framework Agreements to be conducted on terms which are fair and reasonable.

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4. Rationale for determining the Proposed Annual Caps in connection with the New Framework Agreements

4.1 Proposed annual caps for the New Residential Property Management Services Framework Agreement (the “Residential PM Services Annual Caps”)

The annual cap amounts and historical transaction amount under the provision of the Residential Property Management Services under Existing the Residential Property Management Services Framework Agreement for the years ended 31 December 2019 and 2020, and the year ending 31 December 2021, and the Residential PM Services Annual Caps for the years ending 31 December 2021, 2022 and 2023 under the New Residential Property Management Services Framework Agreement are set out below:

	For the year ended/ending 31 December				
	2019	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing annual cap under the Existing Residential Property Management Services Framework Agreement	53,600	63,300	74,700	N/A	N/A
Historical transaction amounts under the Existing Residential Property Management Services Framework Agreement	48,100	62,200	59,333 (up to 30 June 2021)	N/A	N/A
Utilisation rate (%)	89.7	98.3	79.4 (up to 30 June 2021)	N/A	N/A
Residential PM Services Annual Caps	N/A	N/A	146,600 (the “2021 Residential PM Services Annual Cap”)	238,200 (the “2022 Residential PM Services Annual Cap”)	335,900 (the “2023 Residential PM Services Annual Cap”)

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As set out in the Letter from the Board, the Residential PM Services Annual Caps for the years ending 31 December 2021, 2022 and 2023 were determined by reference to (i) the actual transaction amount for the provision of Residential Property Management Services for the years ended 31 December 2019 and 2020 and the period from 1 January 2021 to 30 June 2021; and (ii) the projected demand for the Residential Property Management Services from the Powerlong Group and its associates for the remaining term of the Existing Residential Property Management Services Agreement, having regard to the expanded scope of services to cover front-end intermediary, household inspection, repair services and end-of-sale sales services, as well as the increase in gross area of residential properties developed by the Powerlong Group and/or its associates and managed by the Group.

In connection to the above, we had reviewed a schedule prepared by the Management in relation to residential property management services for the three years ending 31 December 2023 (the “**Residential PM Services Schedule**”) and noted that the Residential PM Services Annual Caps were primarily based on the estimated cumulative number of delivered projects of the Powerlong Group and its associates in relation to the Residential Property Management Services of approximately 75, 90 and 110 in 2021, 2022 and 2023, respectively, which comprised of, among others, (i) the expected number of residential property projects under development and held for future development of the Powerlong Group, which the Group may be engaged to provide, among others, property management services to unsold units and sales offices, and housing inspection services on properties developed or to be developed by the Powerlong Group and/or its associates upon completion of construction and before delivery to homeowners as one of the early stage initiation services, the expected number of residential property projects in this connection has been estimated to be approximately 30, 45 and 60 for each of the years ending 31 December 2021, 2022 and 2023, respectively; (ii) the estimated total gross floor area (“**GFA**”) of the residential property projects under development or to be developed by the Powerlong Group, which may require staff training services to be provided by the Group, amounted to approximately 3.0 million sq.m., 5.7 million sq.m., and 8.8 million sq.m. for the years ending 31 December 2021, 2022 and 2023, respectively, which represents a year-on-year growth of approximately 91.8% and 52.7%, respectively. The Management estimated individual contract sum of the aforesaid projects to range from approximately RMB0.5 million to RMB40.0 million and the relevant management fees chargeable for the aforesaid property development projects will be broadly in line with comparable management fees charged to property projects developed by independent third parties. We understand from the Management that the estimated contract sum of these projects were determined after taking account into various factors including, among others, (i) the scale, nature and scope of works; (ii) the complexity of the relevant requirements and specifications; and (iii) level of labour required.

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In assessing the fair and reasonableness of the Residential PM Services Annual Caps, we have considered various factors including, among others, (i) the information as set out in the Residential PM Services Schedule as detailed above; (ii) the information as set out in the annual report of Powerlong Group for the year ended 31 December 2020, including that Powerlong Group maintained a portfolio of land bank, comprised of (a) residential use; and (b) commercial and residential use, with a total GFA of approximately 30.5 million sq.m. as at 31 December 2020, which represented an increase of approximately 15.5% from approximately 26.4 million sq.m. as at 31 December 2019; (iii) the aforesaid total GFA of the land bank of residential property and commercial/residential property, which totalled to approximately 30.5 million sq.m. is substantially higher than the estimated GFA under Residential PM Services Annual Caps as set out in the Residential PM Services Schedule for the years ending 31 December 2021, 2022 and 2023 being approximately 3.0 million sq.m., 5.7 million sq.m., and 8.8 million sq.m., respectively; (iv) the Powerlong Group had 132 residential and commercial/residential property projects as at 31 December 2020, under development and held for future development, across the PRC, including in the Yangtze River Delta region (including Shanghai, Ningbo and Hangzhou), Central and Western Region (including Chongqing), West Strait Economic Zone (including Quanzhou, Xiamen and Fuzhou) and Bobai Rim region (including Tianjin), located primarily in first-tier, new first-tier and second-tier cities, an increase from 123 residential and commercial/residential property projects as at 31 December 2019; (v) the estimated price of the Residential Property Management Services used to determine the Residential PM Services Annual Caps was estimated after taking into account, where relevant, (a) the historical price for the provision of Residential Property Management Services for residential properties of a similar nature and location, of which we have reviewed samples of historical transactions to assess the reasonableness of the estimated price applied; (b) based on the discussion with the Management and our review of the 2021 Work Plan of the Group as set out in the 2020 Annual Report, we understand that one of the stated targets for the Group's residential property management services segment is the uplifting of its operations and service quality for its projects, together with the expansion to the scope of Residential Property Management Services to cover front-end intermediary, household inspection, repair services and end-of-sale sales services as set out in the Letter from the Board, of which the Management factored in when determining the estimated price of the Residential Property Management Services and the aforesaid improved services is also expected to contribute positively towards the financial performance of the Group over time; and (c) the assumption that the Coronavirus Outbreak continues to be effectively managed domestically and the recovery of the PRC economy continues during the relevant period; (vi) as set out in the interim report of the Powerlong Group for the six months ended 30 June 2021, the Powerlong Group acquired additional land parcel, comprised of (a) residential use; and (b) commercial and residential use, of approximately 3.6 million sq.m. during the six months ended 30 June 2021; and (vii) the Residential PM Services Annual Caps offer the Group flexibility and facilitates the provision of residential property management services to the Powerlong Group at a service fee to be charged in accordance with the Group's relevant pricing policies, which would further broadens the revenue

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base of the Group. Based on the above factors, we considered the basis for determining the Residential PM Services Annual Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Nevertheless, it should be noted that the Residential PM Services Annual Caps only represent an estimate by the Group based on the information available at the relevant time, the Powerlong Group may or may not award the Group with contracts up to the annual cap amount, if at all, and therefore the annual caps are not an indication of actual revenue to be generated by the Group from the Powerlong Group.

4.2 Proposed annual caps for the New Commercial Operational Services Framework Agreement (the “Commercial Operational Services Annual Caps”)

The annual cap amounts and historical transaction amount under the provision of the Commercial Operational Services under the Existing Commercial Operational Services Framework Agreement for the years ended 31 December 2019 and 2020, and the year ending 31 December 2021, and the Commercial Operational Services Annual Caps for the years ending 31 December 2021, 2022 and 2023 under the New Commercial Operational Services Framework Agreement are set out below:

	For the year ended/ending 31 December				
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Existing annual cap under the Existing Commercial Operational Services Framework Agreement	222,800	267,200	320,700	N/A	N/A
Historical transaction amounts under the Existing Commercial Operational Services Framework Agreement	202,400	266,700	173,737 (up to 30 June 2021)	N/A	N/A
Utilisation rate (%)	90.8	99.8	54.2 (up to 30 June 2021)	N/A	N/A
Commercial Operational Services Annual Caps	N/A	N/A	359,800 (the “2021 Commercial Operational Services Annual Cap”)	495,400 (the “2022 Commercial Operational Services Annual Cap”)	695,200 (the “2023 Commercial Operational Services Annual Cap”)

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As set out in the Letter from the Board, the Commercial Operational Services Annual Caps for the years ending 31 December 2021, 2022 and 2023 were determined by reference to (i) the actual transaction amount for the provision of Commercial Operational Services for the years ended 31 December 2019 and 2020 and the period from 1 January 2021 to 30 June 2021; and (ii) the projected demand for the Commercial Operational Services from the Powerlong Group and its associates for the remaining term of the Existing Commercial Operational Services Agreement, having regard to the increase in the number of commercial properties delivered or to be delivered by the Powerlong Group and its associates in 2021 and beyond.

In connection to the above, we had reviewed a schedule prepared by the Management in relation to commercial operational services for the three years ending 31 December 2023 (the “**Commercial Operational Services Schedule**”) and noted that the Commercial Operational Services Annual Caps were primarily based on the estimated cumulated number of projects in operation of the Powerlong Group and its associates in relation to the Commercial Operational Services of approximately 68, 85 and 104 in 2021, 2022 and 2023, respectively, which comprised of, among others, (i) the expected number of retail commercial property projects under development and held for future development of the Powerlong Group and its associates, which the Group may be engaged to provide commercial operational services, including market research and positioning services, is estimated to be approximately 20, 20 and 23 in each of the years ending 31 December 2021, 2022 and 2023, respectively; (ii) the estimated total GFA of the commercial property projects under development or to be developed by the Powerlong Group and its associates, which may require tenant sourcing and opening preparation services to be provided by the Group, amounted to approximately 0.9 million sq.m., 1.3 million sq.m., and 1.7 million sq.m. for the years ending 31 December 2021, 2022 and 2023, respectively, which represents a year-on-year growth of approximately 44.4% and 30.8%, respectively. The Management estimated individual contract sum of the aforesaid projects to range from approximately RMB0.2 million to RMB56.7 million and the relevant management fees chargeable for the aforesaid property development projects will be broadly in line with comparable management fees charged to property projects developed by independent third parties. We understand from the Management that the estimated contract sum of these projects were determined after taking account into various factors including, among others, (i) the scale, nature and scope of works; (ii) the complexity of the relevant requirements and specifications; and (iii) level of labour required.

In assessing the fair and reasonableness of the Commercial Operational Services Annual Cap, we have considered various factors including, among others, (i) the information as set out in the Commercial Operational Services Schedule as detailed above; (ii) the information as set out in the annual report of Powerlong Group for the year ended 31 December 2020, including that Powerlong Group maintained a portfolio of land bank, comprised of (a) commercial use; and (b) commercial and residential use, with a total GFA of

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approximately 32.8 million sq.m. as at 31 December 2020, which represented an increase of 32.8% from approximately 24.7 million sq.m. as at 31 December 2019; (iii) the aforesaid total GFA of the land bank of commercial property and commercial/residential property, which totalled to approximately 32.8 million sq.m. is substantially higher than the estimated GFA under Commercial Operational Services Annual Caps as set out in the Commercial Operational Services Schedule for the each of the years ending 31 December 2021, 2022 and 2023, being approximately 0.9 million sq.m., 1.3 million sq.m., and 1.7 million sq.m., respectively; (iv) the Powerlong Group had 157 commercial and commercial/residential property projects as at 31 December 2020, under development and held for future development, across the PRC, including in the Yangtze River Delta region (including Shanghai, Ningbo and Hangzhou), Central and Western Region (including Chongqing), West Strait Economic Zone (including Quanzhou, Xiamen and Fuzhou) and Bobai Rim region (including Tianjin), located primarily in first-tier, new first-tier and second-tier cities, an increase from 128 property projects as at 31 December 2019; (v) the estimated price of the Commercial Operational Services used to determine the Commercial Operational Services Annual Caps was estimated after taking into account, where relevant (a) the historical price for the provision of Commercial Operational Services for commercial properties of a similar nature and location, of which we have reviewed samples of historical transactions to assess the reasonableness of the estimated price applied; (b) based on the discussion with the Management and our review of the 2021 Work Plan of the Group as set out in the 2020 Annual Report, we understand that the stated targets for the Group's commercial operational management services segment included the enhancement in management quality and promotion of intelligent commerce with certain value-added services, such as big data related services, live broadcast platform, online leasing and mobile tenant sourcing, of which the Management factored in when determining the estimated price of the Commercial Operational Management Services and the aforesaid improved services is also expected to contribute positively towards the financial performance of the Group over time; and (c) the assumption that the Coronavirus Outbreak continues to be effectively managed domestically and the recovery of the PRC economy continues during the relevant period; (vi) as set out in the interim report of the Powerlong Group for the six months ended 30 June 2021, the Powerlong Group acquired additional land parcel, comprised of (a) commercial use; and (b) commercial and residential use, of approximately 3.4 million sq.m. during the six months ended 30 June 2021; and (vii) the Commercial Operational Services Annual Caps offer the Group flexibility and facilitates the provision of commercial operational services to the Powerlong Group at a service fee to be charged in accordance with the Group's relevant pricing policies, which would further broadens the revenue base of the Group. Based on the above factors, we considered the basis for determining the Commercial Operational Services Annual Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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Nevertheless, it should be noted that the Commercial Operational Services Annual Caps only represent an estimate by the Group based on the information available at the relevant time, the Powerlong Group may or may not award the Group with contracts up to the annual cap amount, if at all, and therefore the annual caps are not an indication of actual revenue to be generated by the Group from the Powerlong Group.

4.3 Proposed annual caps for the New Common Area and Advertising Space Management Services Framework Agreement (the “CAAS Management Services Annual Caps”)

The annual cap amounts and historical transaction amount under the provision of the Common Area and Advertising Space Management Services under the Existing Common Area and Advertising Space Management Services Framework Agreement for the years ended 31 December 2019 and 2020, and the year ending 31 December 2021, and the CAAS Management Services Annual Caps for the years ending 31 December 2021, 2022 and 2023 under the New Common Area and Advertising Space Management Services Framework Agreement are set out below:

	For the year ended/ending 31 December				
	2019	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing annual cap under the Existing Common Area and Advertising Space Management Services Framework Agreement	73,500	85,300	99,200	N/A	N/A
Historical transaction amounts under the Existing Common Area and Advertising Space Management Services Framework Agreement	68,885	74,766	52,171 (up to 30 June 2021)	N/A	N/A
Utilisation rate (%)	93.7	87.7	52.6 (up to 30 June 2021)	N/A	N/A
CAAS Management Services Annual Caps	N/A	N/A	106,800 (the “2021 CAAS Management Services Annual Caps”)	147,500 (the “2022 CAAS Management Services Annual Caps”)	191,000 (the “2023 CAAS Management Services Annual Caps”)

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As set out in the Letter from the Board, the CAAS Management Services Annual Caps for the years ending 31 December 2021, 2022 and 2023 were determined by reference to (i) the actual rental fees paid by the Group to the Powerlong Group and its associates under the Existing Common Area and Advertising Space Management Services Framework Agreement for the years ended 31 December 2019 and 2020 and the period from 1 January 2021 to 30 June 2021; (ii) the existing GFA of common area and advertising space under the Group's management as of 8 September 2021; (iii) the projected fees payable by the Group based on the existing contracts and the expected increase in the total GFA of common area and advertising space under the Group's management based on the development plan of the Powerlong Group and its associates for the years ending 31 December 2021, 2022 and 2023; and (iv) the estimated increment of rental fees based on the commercial negotiation between the Group and the Powerlong Group and its associates.

In connection to the above, we had reviewed a schedule prepared by the Management in relation to common area and advertising space management services for the three years ending 31 December 2023 (the "**CAAS Management Services Schedule**") and noted that the CAAS Management Services Annual Caps were primarily based on, among others, (a) the estimated GFA of common area and advertising space of the Powerlong Group and its associates for which the Group may be engaged to provide common area and advertising space management services is approximately 4.6 million sq.m., 5.4 million sq.m., and 7.0 million sq.m. for each of the year ending 31 December 2021, 2022 and 2023, respectively, which represents a year-on-year growth of approximately 18.2% and 28.6%, respectively, mainly attributable to the estimated number of project of not less than 50, 70 and 80 in 2021, 2022 and 2023, respectively; (b) the estimated fee payable per GFA of common area and advertising space of the Powerlong Group and its associates for which are expected to be leased by the Group amounted to approximately RMB23.2 per sq.m., RMB27.1 per sq.m., and RMB27.3 per sq.m. as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively, which represents a year-on-year growth of approximately 16.8% and 0.7%, respectively. The Management estimated individual contract sum of the aforesaid projects to range from approximately RMB0.2 million to RMB18.0 million and the relevant fee payable for the aforesaid property development projects will be broadly in line with comparable fee payable to property projects developed by independent third parties. We understand from the Management that the estimated contract sum of these projects were determined after taking account into various factors including, among others, (i) the scale, nature and scope of works; (ii) the complexity of the relevant requirements and specifications; and (iii) level of labour required.

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In assessing the fair and reasonableness of the CAAS Management Services Annual Caps, we have considered various factors including, among others, (i) the information as set out in the CAAS Management Services Schedule as detailed above; (ii) the increase in portfolio of land bank maintained by Powerlong Group, comprised of (a) commercial use; and (b) commercial and residential use as set out in the analysis of Commercial Operational Services Annual Caps as above; (iii) the estimated fee charge for the Common Area and Advertising Space Management Services used to determine the CAAS Management Services Annual Caps was estimated after taking into account, where relevant, (a) the historical fee payable for the Common Area and Advertising Space Management Services for properties of a similar nature and location, of which we have reviewed samples of historical transactions to assess the reasonableness of the estimated fee payable applied; (b) based on the discussion with the Management, we understand that a higher expected occupancy rate would generally imply a higher potential for the generation of income from subleasing the common area and advertising space to independent third parties, which in turn may affect the perceived rental value of such common area and advertising space; and (c) the assumption that the Coronavirus Outbreak continues to be effectively managed domestically and the recovery of the PRC economy continues during the relevant period; and (iv) the transaction contemplated under the New Common Area and Advertising Space Management Services Framework Agreement, will be recognised under short-term lease expenditure as part of cost of services for the revenue generated from commercial operational services segment of the Group, would further broadens the revenue base of the Group. Based on the above factors, we considered the basis for determining the CAAS Management Services Annual Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Nevertheless, it should be noted that the CAAS Management Services Annual Caps only represent an estimate by the Group based on the information available at the relevant time, the Powerlong Group may or may not award the Group with contracts up to the annual cap amount, if at all, and therefore the annual caps are not an indication of actual performance to be generated by the Group from the Powerlong Group.

4.4 Other consideration factors

In addition to the above factors considered and analysis performed by us, we have also conducted the following analysis with a view to determine whether there is material undue reliance by the Group on the Powerlong Group as a result of the New Framework Agreements. Having considered that (i) based on the 2020 Annual Report and prospectus of the Company dated 16 December 2019, the Group's revenue derived from Independent Third Parties increased from approximately 65.4% for the year ended 31 December 2016 to approximately 78.7% for the year ended 31 December 2017, and further increased to not less than 80% for each of the three financial years ended 31

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December 2018, 2019 and 2020, respectively, and the Group's revenue derived from its connected parties decreased from approximately 34.6% for the year ended 31 December 2016 to approximately 21.3% for the year ended 31 December 2017, and further decreased to not more than 20% for each of the three financial years ended 31 December 2018, 2019 and 2020, respectively; (ii) the revenue derived from Independent Third Parties has experienced significant growth historically, as evidenced by its increase from approximately RMB492.2 million for the year ended 31 December 2016 to approximately RMB1,592.3 million for the year ended 31 December 2020, representing a compound annual growth rate ("CAGR") of approximately 34.1%, such is higher than the CAGR of the Group's total revenue, comprised of revenue derived from both Independent Third Parties and connected parties, during the same period (i.e. between 2016 to 2020), being approximately 26.4%; (iii) as set out in the Letter from the Board, revenue from Independent Third Parties is expected to continue to be the largest source of revenue of the Group for the three years ending 31 December 2023 and that the Group is well-positioned to capture potential opportunities via its asset-light business model and strategic acquisition of or investment in other commercial operational service providers; and (iv) the Group has the right but not the obligation to compete for, and if selected, be awarded with the relevant contracts under the New Framework Agreements, we concur with the Company that there is no material undue reliance by the Group on the Powerlong Group as a result of the New Framework Agreements.

VII. RECOMMENDATION

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

- (i) the reasons for and benefits of the New Framework Agreements;
- (ii) the provision of services under the New Framework Agreements is a furtherance and continuance of the Group's existing principal businesses;
- (iii) the services contemplated under the New Framework Agreements shall be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, to be governed by the internal procedures, so that the terms of the transactions contemplated thereunder shall be no less favourable to the Group than similar transactions conducted with independent third parties to the Group under the same conditions; and
- (iv) the basis for determining the proposed annual caps for the services under the respective New Framework Agreement is reasonable, details of which are set out under the section headed "4. Rationale for determining the Proposed Annual Caps in connection with the New Framework Agreements" in this letter above,

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we are of the view that the transactions contemplated under the New Framework Agreements with Powerlong Group, 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 Proposed Annual Caps of the New Framework Agreements 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 relevant ordinary resolution to approve the New Framework Agreements (including the 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 over 14 years of experience in the corporate finance industry.

* *for identification purposes only*

1. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, were as follows:

(i) Long position in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding ⁽¹⁾
Mr. Hoi Wa Fong ⁽²⁾	Interest in a controlled corporation and founder of a trust	45,200,000	7.03%
Mr. Chen Deli ⁽³⁾	Beneficial owner, beneficiary of a trust and interest in a controlled corporation	22,600,000	3.51%

Notes:

- The calculation is based on the total number of 643,100,000 shares in issue as at the Latest Practicable Date.
- As at the Latest Practicable Date, these Shares comprised (i) 45,000,000 Shares which were held by Huihong Management (PTC) Limited, a private trust company wholly-owned by Mr. Hoi Wa Fong, as trustee of the Huihong Trust which was established for the purpose of a share award scheme of the Company. Such scheme was adopted by Huihong Management (PTC) Limited on 31 December 2020. Further details of the scheme adopted by Huihong Management (PTC) Limited are set out in the announcement of the Company dated 31 December 2020. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares held by Huihong Management (PTC) Limited; and (ii) 200,000 Shares which were held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively as nominees in trust for Credit Suisse Trust Limited, the trustee of the Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of the Sky Infinity Trust.
- These Shares comprised (i) 11,250,000 Shares which were allotted and issued by the Company to Mr. Chen Deli (“**Mr. Chen**”) pursuant to the subscription agreement dated 10 September 2020 between the Company and Mr. Chen and were held by Mr. Chen in his personal capacity as at the Latest Practicable Date; (ii) 11,250,000 Shares which were awarded by the Company to Mr. Chen pursuant to the share award scheme adopted by the Company on 10 September 2020 and which had not yet vested onto Mr. Chen and were held by Tricor Trust (Hong Kong) Limited as trustee of such share award scheme as at the Latest Practicable Date; and (iii) 100,000 Shares which were held by Soar Eagle Enterprises Limited, which was wholly and beneficially owned by Mr. Chen Deli. Details of (i) and (ii)

are set out in the Company's announcement dated 10 September 2020 and the Company's circular dated 6 November 2020.

(ii) Long position in shares of associated corporations

Name of Director	Name of associate Corporation	Nature of interest	Number of shares interested	Approximate percentage of interest
Mr. Hoi Wa Fong	Powerlong Holdings	Beneficial owner, founder of a trust and interest of spouse ⁽¹⁾	607,059,400	14.66%
Ms. Hoi Wa Fan	Powerlong Holdings	Beneficial owner and interest of a controlled corporation ⁽²⁾	268,093,000	6.48%
Ms. Hoi Wa Lam	Powerlong Holdings	Beneficial owner	15,868,000	0.38%

Notes:

- Of the 607,059,400 shares in Powerlong Holdings which Mr. Hoi Wa Fong was interested in, (i) 597,568,000 shares were held by Sky Infinity Holdings Limited, which was owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of the Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of the Sky Infinity Trust; (ii) 8,988,000 shares were held by Mr. Hoi Wa Fong in his personal capacity; and (iii) 503,400 shares were held by Ms. Shih Sze Ni Cecilia, the spouse of Mr. Hoi Wa Fong.
- Of the 268,093,000 shares in Powerlong Holdings which Ms. Hoi Wa Fan was interested in, (i) 206,623,000 shares were held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd, which was wholly and beneficially owned by Ms. Hoi Wa Fan; and (ii) 61,470,000 shares were held by Ms. Hoi Wa Fan in her personal capacity.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had, or were deemed to have, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

2. SERVICE CONTRACTS

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

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (other than the Directors or the chief executive of the Company) and companies had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

(i) Long position in shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding ⁽¹⁾
Mr. Hoi Kin Hong ⁽²⁾	Interest in a controlled corporation	405,000,000	62.98%
Powerlong Real Estate (BVI) Holdings Limited ⁽²⁾	Beneficial owner	405,000,000	62.98%
Powerlong Holdings ⁽²⁾	Interest in a controlled corporation	405,000,000	62.98%
Skylong Holdings Limited ⁽²⁾	Interest in a controlled corporation	405,000,000	62.98%
Ms. Wong Lai Chan ⁽³⁾	Interest of spouse	405,000,000	62.98%
Huihong Management (PTC) Limited ⁽⁴⁾	Trustee	45,000,000	6.99%
Ms. Shih Sze Ni Cecilia ⁽⁵⁾	Interest of spouse	45,000,000	6.99%

Notes:

1. The calculation is based on the total number of 643,100,000 Shares in issue as at the Latest Practicable Date.
2. Powerlong Real Estate (BVI) Holdings Limited was wholly-owned by Powerlong Holdings, which was in turn owned as to approximately 43.61% by Skylong Holdings Limited, a company wholly-owned by Mr. Hoi Kin Hong. By virtue of the SFO, each of Powerlong Real Estate Holdings Limited, Skylong Holdings Limited and Mr. Hoi Kin Hong was deemed to be interested in the same number of Shares in which Powerlong Real Estate (BVI) Holdings Limited was interested in. Mr. Hoi Kin Hong and Ms. Wong Lai Chan also held approximately 0.69% and 0.07% of direct interest in Powerlong Holdings, respectively. Mr. Hoi Wa Fong is the son of Mr. Hoi Kin Hong and Ms. Wong Lai Chan.
3. By virtue of the SFO, Ms. Wong Lai Chan, being the spouse of Mr. Hoi Kin Hong, was deemed to be interested in the Shares held by Mr. Hoi Kin Hong.
4. Huihong Management (PTC) Limited, a company wholly-owned by Mr. Hoi Wa Fong, was the trustee of the Huihong Trust which was established for the purpose of a share award scheme of the Company. Such share award scheme was adopted by Huihong Management (PTC) Limited on 31 December 2020, details of which are set out in the Company's announcement dated 31 December 2020. By virtue of the SFO, Mr. Hoi Wa Fong was deemed to be interested in the shares held by Huihong Management (PTC) Limited.
5. Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. By virtue of the SFO, Ms. Shih Sze Ni Cecilia is deemed to be interested in the shares held by Mr. Hoi Wa Fong.

4. MATERIAL ADVERSE CHANGE

The Directors confirm there is no material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

5. DIRECTOR'S INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

8. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Red Sun Capital Limited	a corporation licensed to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO

As at the Latest Practicable Date, Red Sun Capital Limited did not have (i) any shareholding 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 and (ii) any direct or indirect interest in any assets which had, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

Red Sun Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

9. DOCUMENTS ON DISPLAY

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

- (a) the New Commercial Operational Services Framework Agreement;
- (b) the New Common Area and Advertising Space Management Services Framework Agreement;
- (c) the New Residential Property Management Services Framework Agreement;
- (d) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (f) the letter from Red Sun Capital Limited, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular; and
- (g) the letter of consent referred to the paragraph headed "Qualification and Consent of Expert" in this appendix.

10. MISCELLANEOUS

- (a) The Company's share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (b) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Powerlong Commercial Management Holdings Limited 寶龍商業管理控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9909)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of the shareholders of Powerlong Commercial Management Holdings Limited (the “**Company**”) will be held at 2:00 p.m. on Wednesday, 10 November 2021 at Jin Long Hall 2, 2nd Floor, Le Meridien Shanghai Minhang, No. 3199 Cao Bao Road, Minhang District, Shanghai, PRC to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

1. “**THAT**
 - (a) the New Commercial Operational Services Framework Agreement (as defined in the circular of the Company dated 18 October 2021 (the “**Circular**”)) dated 8 September 2021 entered into between the Company and Powerlong Real Estate Holdings Limited (“**Powerlong Holdings**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (b) the proposed annual caps for the three years ending 31 December 2023 for the transactions contemplated under the New Commercial Operational Services Framework Agreement be and are hereby approved, confirmed and ratified; and
 - (c) any one director of the Company (“**Director(s)**”), or any two Directors if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to do all such acts and things and sign, agree, ratify or execute all such documents which he/they in his/their discretion consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the New Commercial Operational Services Framework Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of such Director(s), in the interest of the Company.”
2. “**THAT**
 - (a) the New Common Area and Advertising Space Management Services Framework Agreement (as defined in the Circular) dated 8 September 2021 entered into between the Company and Powerlong Holdings and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the proposed annual caps for the three years ending 31 December 2023 for the transactions under the New Common Area and Advertising Space Management Services Framework Agreement be and are hereby approved, confirmed and ratified; and
 - (c) any one Director, or any two Directors if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to do all such acts and things and sign, agree, ratify or execute all such documents which he/they in his/their discretion consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the New Common Area and Advertising Space Management Services Framework Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of such Director(s), in the interest of the Company.”
3. “**THAT**
- (a) the New Residential Property Management Services Framework Agreement (as defined in the Circular) dated 8 September 2021 entered into between the Company and Powerlong Holdings and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (b) the proposed annual caps for the three years ending 31 December 2023 for the transactions under the New Residential Property Management Services Framework Agreement be and are hereby approved, confirmed and ratified; and
 - (c) any one Director, or any two Directors if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to do all such acts and things and sign, agree, ratify or execute all such documents which he/they in his/their discretion consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the New Residential Property Management Services Framework Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of such Director(s), in the interest of the Company.”

By Order of the Board
Powerlong Commercial Management Holdings Limited
Hoi Wa Fong
Chairman

Hong Kong, 18 October 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more Shares may appoint more than one proxy to attend and vote on the same occasion.
2. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the EGM, either in person or by proxy in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM or any adjournment thereof (as the case may be), the more senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be).
4. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM or any adjournment thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Thursday, 4 November 2021 to Wednesday, 10 November 2021, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 3 November 2021.
6. Please see page ii of the Circular for the measures to be implemented at the EGM by the Company to safeguard the health and safety of the attendees and to prevent the spreading of the novel coronavirus ("COVID-19") pandemic, including:
 - (1) compulsory body temperature check;
 - (2) compulsory wearing of surgical face mask; and
 - (3) no refreshments or drinks will be served.

Attendees who do not comply with the precautionary measures (1) and (2) above may be denied entry into the EGM venue, at the absolute discretion of the Company as permitted by law. The Company wishes to advise the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements. Shareholders should check the websites of the Company and the Stock Exchange for further announcement and update on the EGM arrangements, if any.

As at the date of this notice, the Board comprises three executive Directors, namely, Mr. Hoi Wa Fong, Mr. Chen Deli and Mr. Zhang Yunfeng, two non-executive Directors, namely, Ms. Hoi Wa Fan and Ms. Hoi Wa Lam, and three independent non-executive Directors, namely, Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen.