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

If you have sold or transferred all your shares in **Fineland Living Services Group Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Fineland Living Services Group Limited
方圓生活服務集團有限公司

(formerly known as Fineland Real Estate Services Group Limited 方圓房地產服務集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9978)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the Board is set out on pages 9 to 39 of this circular. A letter from the Independent Board Committee is set out on pages 40 to 41 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 84 of this circular.

A notice convening the Extraordinary General Meeting (the “EGM”) to be held at 11:00 a.m. on Wednesday, 20 December 2023 at 11th Floor, No. 28 Tiyu East Road, Tianhe District, Guangzhou, the PRC is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the shareholders at the EGM is enclosed.

Whether or not you are able to attend the EGM, you are advised to read this circular and to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to 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, Wan Chai, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM (i.e. not later than 11:00 a.m. on Monday, 18 December 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular, together with the form of proxy, will also be published on the websites of the Stock Exchange at www.hkexnews.hk and on the Company’s website at www.finelandassets.com.

23 November 2023

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DEFINITIONS

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

“2020 FE Master Property Management Services Agreement”	the agreement entered into between the Company and Finland Education on 28 January 2021 in relation to the provision of property management services by the Group to the subsidiaries of Finland Education for a term commencing from the date thereof to 31 December 2023
“2020 FGH Master Property Management Services Agreement”	the agreement entered into between the Company and Finland Group Holdings on 28 January 2021 in relation to the provision of property management services by the Group to the subsidiaries of Finland Group Holdings for a term commencing from the date thereof to 31 December 2023
“2020 Master Agency Service Agreement”	the master agency service agreement entered into between the Company (for itself and on behalf of its subsidiaries, as service providers) and Finland Group Holdings (for itself and on behalf of its subsidiaries, as receiving parties) on 3 September 2020 in relation to the provision of real estate agency services in the primary property market to members of the Finland Group for a term commencing from 1 January 2021 to 31 December 2023
“2024 Master Agency Service Agreement”	the renewal master agency service agreement dated 25 October 2023 entered into between the Company (for itself and on behalf of its subsidiaries, as service providers) and Finland Group Holdings (for itself and on behalf of its subsidiaries and associates, as receiving parties), in relation to the continued provision of real estate agency services by the Group to Finland Group during the Term, subject to the Agency Service Proposed Annual Caps
“2024 Master Property Management Services Agreement”	the renewal master property management services agreement dated 25 October 2023 entered into between the Company (for itself and on behalf of its subsidiaries, as service providers) and Mr. Fong (on behalf of Mr. Fong’s Associated Companies, as receiving parties) in relation to the continued provision of property management services by the Group to Mr. Fong’s Associated Companies during the Term, subject to the Property Management Services Proposed Annual Caps

DEFINITIONS

“Agency Implementation Agreement(s)”	implementation agreement(s) entered into between members of the Group and members of the Fineland Group from time to time in respect of real estate agency services contemplated under the 2024 Master Agency Service Agreement
“Agency Service Existing Annual Caps”	the existing annual cap amounts in respect of the fees payable by the Fineland Group to the Group for the provision of real estate agency services in the primary property market by the Group under the 2020 Master Agency Service Agreement for the three years ending 31 December 2023
“Agency Service Proposed Annual Caps”	the proposed annual cap amounts in respect of fees payable by the Fineland Group to the Group for the provision of real estate agency services in the primary property market by the Group during the Term under the 2024 Master Agency Service Agreement
“Aspiring Vision”	Aspiring Vision Holdings Limited, a company incorporated with limited liability on 15 February 2017 in the BVI, which is wholly owned by Ms. Tse, and is one of the Controlling Shareholders
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Fineland Living Services Group Limited (方圓生活服務集團有限公司), (formerly known as Fineland Real Estate Services Group Limited 方圓房地產服務集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2017 whose shares are listed on the Main Board of the Stock Exchange (stock code: 9978)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	the group of controlling shareholder(s) (having the meaning ascribed to it under the Listing Rules) of the Company, namely Mr. Fong, Ms. Tse, Hero Dragon, Fineland Group Holdings, Widethrive Investments, Stand Smooth, Aspiring Vision and Mansion Green

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for consideration and if appropriate, approval of the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements
“Fineland E-Life”	Guangzhou Fineland E-Life Service Co., Ltd. (廣州方圓現代生活服務股份有限公司), a company established under the laws of the PRC with limited liability and an indirectly non-wholly owned subsidiary of the Company. It was acquired by the Company on 28 January 2021
“Fineland Education”	Guangdong Fineland Education Investment Limited* (廣東方圓教育投資有限公司), a company established under the laws of the PRC with limited liability on 20 August 2013 which was wholly owned by Fineland Investment as at the Latest Practicable Date
“Fineland Education Group”	Fineland Education and its subsidiaries and associates
“Fineland Group”	Fineland Group Holdings and its subsidiaries and associates, being the parent group of the Group
“Fineland Group Holdings”	Fineland Group Holdings Company Limited (方圓集團控股有限公司), formerly known as Fineland Real Estate Holdings Company Limited (方圓地產控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2006 that is wholly owned by Widethrive Investments and indirectly wholly owned by Mr. Fong, and is one of the Controlling Shareholders
“Fineland Investment”	Guangdong Fineland Investment Limited* (廣東方圓投資有限公司), a company established under the laws of the PRC with limited liability which was owned as to 42% by Mr. Fong, 34.65% by Mr. Li Yang, 0.35% by Mr. Li Zichun, and 23% by Mr. Zhang Qing as at the Latest Practicable Date

DEFINITIONS

“Greater Bay Area”	the region set out in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area in the PRC, and consisting of four core cities (Hong Kong, Macao, Guangzhou and Shenzhen) and seven non-core cities (Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, and Zhaoqing), and for the Company’s purposes, excluding Hong Kong and Macao Special Administrative Region
“Group”	the Company and its subsidiaries
“Hero Dragon”	Hero Dragon Management Limited, a company incorporated in the BVI on 12 April 2006 with limited liability, which is a wholly owned subsidiary of Fineland Group Holdings, and is one of the Controlling Shareholders
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. Leung Wai Hung, Mr. Tian Qiusheng and Mr. Du Chenhua) established for the purpose of advising the Independent Shareholders in respect of the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements
“Independent Financial Adviser” or “Optima Capital”	Optima Capital Limited, a corporation licensed by the Securities and Futures Commission to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements

DEFINITIONS

“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Latest Practicable Date”	14 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mansion Green”	Mansion Green Holdings Limited, a company incorporated in the BVI on 15 February 2017 with limited liability, whose shares are owned as to 70% by Stand Smooth and 30% by Aspiring Vision, and is one of the Controlling Shareholders
“Model Code”	Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules
“Mr. Chen”	Mr. Chen Xi (陳曦先生), the sole legal and beneficial owner of Beaming Light Holdings Limited, being one of the pre-IPO investors of the Company that held 1.125% of the total issued share capital of the Company as at the Latest Practicable Date, who is also a director of a PRC subsidiary of Fineland Group Holdings, namely Huizhou Huisheng Real Estate Development Company Limited* (惠州市輝盛房地產開發有限公司)
“Mr. Fong”	Mr. Fong Ming (方明先生), one of the Controlling Shareholders and the non-executive Director, who is also a director of Widethrive Investments, Fineland Group Holdings, Hero Dragon and Stand Smooth

DEFINITIONS

“Mr. Fong’s Associated Companies”	companies (including the Fineland Group and the Fineland Education Group) in which Mr. Fong can exercise or control the exercise of 30% or more of the voting power at their general meetings and their subsidiaries
“Mr. Han”	Mr. Han Shuguang (韓曙光先生), an executive Director and the chairman of the Board. He is the sole legal and beneficial owner of Adwan Orient Holdings Limited, being one of the pre-IPO investors of the Company that held 1.125% of the total issued share capital of the Company and was a director of Fineland Group Holdings, Hero Dragon and Stand Smooth as at the Latest Practicable Date
“Mr. Lin”	Mr. Lin Tingfang (林庭芳先生), the sole legal and beneficial owner of Kingson Orient Holdings Limited, being one of the pre-IPO investors of the Company that held 1.125% of the total issued share capital of the Company and was a director of Fineland Group Holdings, Hero Dragon and Stand Smooth as at the Latest Practicable Date
“Mr. Xu”	Mr. Xu Jun (徐珺先生), the sole legal and beneficial owner of Kaffir Holding Limited, being one of the pre-IPO investors of the Company that held 1.125% of the total issued share capital of the Company and was a director of Widethrive Investments, Fineland Group Holdings, Hero Dragon and Stand Smooth as at the Latest Practicable Date
“Ms. Tse”	Ms. Tse Lai Wa (謝麗華女士), one of the Controlling Shareholders and an executive Director, and is a party acting in concert with Mr. Fong under the Deed of Concert Parties executed on 31 March 2017
“Online Referral Platform”	the <i>Fangyuanbao</i> business and platform acquired by the Group in May 2016 and operated by the Group since then, which serves as a referral business and online platform for property developers to reach out to real estate agents without the individual agents directly entering into business relationships with the property developer
“PRC”	the People’s Republic of China (中華人民共和國), except where the context requires otherwise, and for the purpose of this circular only geographical references to the PRC or China exclude Hong Kong, Macao Special Administrative Region and Taiwan

DEFINITIONS

“Property Management Implementation Agreement(s)”	implementation agreements(s) entered into between members of the Group and members of Mr. Fong’s Associated Companies from time to time in respect of the Property Management Services contemplated under the 2024 Master Property Management Services Agreement
“Property Management Services”	property management services, which primarily include (i) in relation to services provided to members of Fineland Group, (a) value-added services to non-property owners such as customer services, cleaning, security and repair and maintenance services to various venues including the sales offices, pre-sale display units, exhibition halls and clubs; and (b) property management services to real estate developers and property owners such as security, cleaning, gardening, repair and maintenance, traffic order maintenance, parking management, maintenance and management of the common areas and equipment of the buildings and their surrounding areas, and community value-added services; and (ii) in relation to services provided to members of the Fineland Education Group such as cleaning, security, repair and maintenance services and community value-added services
“Property Management Services Existing Annual Caps”	the existing annual cap amounts in respect of the fees payable by the Fineland Group and the Fineland Education Group to the Group for the provision of property management services by the Group under the 2020 FGH Master Property Management Services Agreement and the 2020 FE Master Property Management Services Agreement respectively for the three years ending 31 December 2023
“Property Management Services Proposed Annual Caps”	the proposed annual cap amounts in respect of fees payable by Mr. Fong’s Associated Companies (including the Fineland Group and the Fineland Education Group) to the Group for the provision of Property Management Services by the Group during the Term under the 2024 Master Property Management Services Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	registered holder(s) of the Share(s)
“Stand Smooth”	Stand Smooth Group Limited, a company incorporated in the BVI on 22 June 2006, which is wholly owned by Hero Dragon and indirectly wholly owned by Mr. Fong, and is one of the Controlling Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	three-year period commencing from 1 January 2024 to 31 December 2026 (both days inclusive)
“Widethrive Investments”	Widethrive Investments Limited, a company incorporated in the BVI on 29 March 2006 with limited liability, which is directly wholly owned by Mr. Fong, and is one of the Controlling Shareholders

If there is any inconsistency between the Chinese names of the PRC entities, enterprises or nationals and their English translations, the Chinese names shall prevail. The English translation of the PRC entities, enterprises or nationals which are marked with “” are for identification purposes only.*

LETTER FROM THE BOARD



Fineland Living Services Group Limited

方圓生活服務集團有限公司

(formerly known as Fineland Real Estate Services Group Limited 方圓房地產服務集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9978)

Executive Directors

Mr. Han Shuguang (*Chairman*)

Mr. Yi Ruofeng

(resigned with effect from 30 November 2023)

Ms. Tse Lai Wa

Registered office in the Cayman Islands:

Windward 3, Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Non-executive Director

Mr. Fong Ming

Principal Place of Business in

Hong Kong under Part 16 of

the Companies Ordinance (Cap 622):

Unit B, 17/F, United Centre

95 Queensway

Admiralty

Hong Kong

Independent non-executive Directors

Mr. Leung Wai Hung

Mr. Du Chenhua

Mr. Tian Qiusheng

23 November 2023

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

Reference is made to the Company's announcement dated 25 October 2023.

References are made to the announcement and the circular of the Company dated 3 September 2020 and 5 October 2020 respectively in relation to the continuing connected transactions of the provision of real estate agency services by the Group and the Agency Service Existing Annual Caps under the 2020 Master Agency Service Agreement.

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As the 2020 Master Agency Service Agreement will expire on 31 December 2023, the Company (for itself and on behalf of its subsidiaries, as service providers) and Fineland Group Holdings (for itself and on behalf of its subsidiaries and associates, as receiving parties) entered into the 2024 Master Agency Service Agreement on 25 October 2023, pursuant to which the Group will continue to provide real estate agency services to members of the Fineland Group for a further term of three years commencing on 1 January 2024 to 31 December 2026.

References are made to (i) the announcement of the Company dated 15 October 2020 in relation to the acquisition of Fineland E-Life by the Group and the then proposed continuing connected transactions to be entered into following the completion of such acquisition; (ii) the circular of the Company dated 3 December 2020; and (iii) the announcement of the Company dated 28 January 2021 in relation to the completion of such acquisition and the continuing connected transactions of the provision of property management services by the Group and the Property Management Services Existing Annual Caps under the 2020 FGH Master Property Management Services Agreement and 2020 FE Master Property Management Services Agreement.

As the 2020 FGH Master Property Management Services Agreement and the 2020 FE Master Property Management Services Agreement will expire on 31 December 2023, the Company (for itself and on behalf of its subsidiaries, as service providers) and Mr. Fong (on behalf of Mr. Fong's Associated Companies, as receiving parties) entered into the 2024 Master Property Management Services Agreement on 25 October 2023, pursuant to which the Group will continue to provide property management services to Mr. Fong's Associated Companies (which include the Fineland Group and the Fineland Education Group) for a further term of three years commencing on 1 January 2024 to 31 December 2026.

For the avoidance of doubt, the 2024 Master Agency Service Agreement and the 2024 Master Property Management Services Agreement are not inter-conditional upon each other.

The purpose of this circular is to provide you with, inter alia, (i) details of the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements; (ii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in connection with the aforesaid matters in (i); (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the aforesaid matters in (i); and (iv) the notice of the EGM.

LETTER FROM THE BOARD

THE 2024 MASTER AGENCY SERVICE AGREEMENT

- Date : 25 October 2023
- Conditions precedent : The 2024 Master Agency Service Agreement is conditional upon approval by the Independent Shareholders at the EGM of the 2024 Master Agency Service Agreement, the transactions contemplated thereunder and the Agency Service Proposed Annual Caps.
- Parties : (i) Fineland Group Holdings (for itself and on behalf of its subsidiaries and associates, as receiving parties); and
(ii) the Company (for itself and on behalf of its subsidiaries, as service providers).
- Nature of the transactions : The Group will continue to provide the following types of services to members of the Fineland Group:
- (i) *sales agency services* — including (a) conducting on-site promotion and distributing the promotional materials to prospective purchasers; (b) entering into sale and purchase agreements for and on behalf of members of the Fineland Group in respect of the sale of primary properties; (c) uploading property information to the internet and introducing property buyers through third party real estate agencies; and (d) assisting in property sales at property sales fairs and sales offices and being responsible for the operation of the sales offices; and

LETTER FROM THE BOARD

(ii) *integrated services* — including but not limited to property research, consultancy, marketing, sales planning services and leasing agency services such as (a) formulating the overall sales and marketing strategies; (b) overseeing the preparation of marketing materials and assisting in printing such materials; (c) providing regular reports in relation to the market conditions and the corresponding sales and marketing strategies; (d) assisting property developers to identify, approach, and negotiate leasing terms and conditions with prospective lessees for commercial units in their development projects; and (e) providing after-sales services to the purchasers such as assisting the purchasers with obtaining the relevant ownership certificates and applying for mortgages from banks.

Term : The term of the 2024 Master Agency Service Agreement will commence from 1 January 2024 to 31 December 2026, subject to the approval of the 2024 Master Agency Service Agreement, the transactions contemplated thereunder and the Agency Service Proposed Annual Caps by the Independent Shareholders at the EGM.

At least three months prior to its expiry, the parties may agree to extend the 2024 Master Agency Service Agreement, subject to compliance with the then applicable Listing Rules. Either party may terminate the 2024 Master Agency Service Agreement by giving at least one month prior notice.

Implementation agreements : Members of the Group shall, from time to time during the term of the 2024 Master Agency Service Agreement, enter into separate Agency Implementation Agreement(s) with members of the Fineland Group in respect of real estate agency services contemplated thereunder which shall always be in compliance with the Listing Rules and the 2024 Master Agency Service Agreement.

LETTER FROM THE BOARD

Pricing Policy

The services provided by the Group to members of the Fineland Group are also offered to other Independent Third Parties. To ensure that the fees received by the Group are no less favourable than those available from Independent Third Parties, the fees payable to the Group shall be determined by the Group and the Fineland Group on an arm's length basis. The pricing policy applicable is similar to that for similar services rendered to Independent Third Parties. Such pricing policy is explained in greater detail below:

Sales agency services

Integrated services

Fees to be charged for different types of services:

Commission rates are normally based on a fixed percentage or a progressive scale percentage. They usually range from 0.5% to 10%.

(i) For property research, consultancy and marketing services, fees charged are based on a fixed lump-sum fee for each project; (ii) for leasing agency services, commission rates are normally based on a percentage of the rental fees; and (iii) for mortgage application services, fees charged are based on a fixed amount per transaction for assisting in obtaining ownership certificates and a fee based on the amount of mortgage.

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Sales agency services

Integrated services

Factors to be considered for determining the fees charged for different types of services:

Scale and location of the projects and the required level of resources and time costs involved	√	√
Gross floor area and the expected gross transaction amount of the properties for sale/expected monthly rent of the properties for rent	√	√ (for leasing agency services) X (for other integrated services)
Historical costs of services and the fees received by the Group in providing similar services to members of the Finland Group	√	√
Fees received by the Group for providing services of a similar scale and quality to Independent Third Parties, taking into account not less than two transactions entered into with them	√	√

Details of the internal control measures on price determination are set out in the paragraphs headed “Internal Control” below.

Payment Terms

The payment terms will be stipulated in each of the Agency Implementation Agreements, which shall normally be settled by bank transfer on a monthly basis or on an agreed basis of usually not more than a month.

Having considered (i) the above payment terms granted to members of the Finland Group and those granted to Independent Third Parties during the two years ended 31 December 2022 and the eight months ended 31 August 2023; (ii) the checks and balances of the internal control measures to ensure compliance with the 2024 Master Agency Service Agreement as disclosed on pages 18 to 21 of this circular; and (iii) the reasons and benefits

LETTER FROM THE BOARD

for entering into the 2024 Master Agency Service Agreement as disclosed on pages 22 to 23 of this circular, the Directors consider that the above payment terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Agency Service Existing Annual Caps and Historical Transaction Amounts

The table below sets out the Agency Service Existing Annual Caps and the historical transaction amounts for fees received by the Group pursuant to the 2020 Master Agency Service Agreement:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Agency Service Existing Annual Caps	165,000	220,000	280,000
Historical transaction amounts ^(Note 1)	93,562	31,935	9,546 ^(Note 2)

Notes:

1. The historical transaction amounts do not include the outstanding earnest money balance that accrued as a result of the earnest money payment arrangement which is part and parcel of the Group's services provided pursuant to the 2020 Master Agency Service Agreement (the "**Outstanding Earnest Money Balance**"). As at 31 December 2021, 31 December 2022 and 31 August 2023, the Outstanding Earnest Money Balance was RMB7,000,000, RMB34,452,000 and RMB33,169,000, respectively. As at the Latest Practicable Date, the Directors currently expect the Outstanding Earnest Money Balance to be settled by 31 December 2023, and there will be no earnest money payment arrangement under the 2024 Master Agency Service Agreement. For further information about the Outstanding Earnest Money Balance, please refer to the supplemental announcement of the Company dated 20 June 2023.
2. This is the unaudited historical transaction amount for the eight months ended 31 August 2023.

The historical transaction amounts of service fee received by the Group from members of the Fineland Group in respect of the provision of real estate agency services had dropped in 2022 and 2023 as compared to each of the four years ended 31 December 2021. This was primarily due to the sporadic recurrence of the COVID-19 pandemic and the downturn of the PRC property market in the past years, which caused delay in delivery schedules of first-hand properties, and in turn led to a decline in the sale of properties. As a result, the Company recorded a decrease in demand of the real estate agency services since 2022.

However, as (i) the COVID-19 pandemic situation in the PRC has been stabilized; and (ii) the PRC government has implemented certain supportive policies and eased administrative control measures with the aim of revitalising the property market. For instance, in August 2023, the Ministry of Housing and Urban-Rural Development, the People's Bank of China and the China Banking and Insurance Regulatory Commission jointly announced guidance on

LETTER FROM THE BOARD

relaxing residential housing loan rules, in a move aimed at boosting loan applications and house purchases, it will be more relevant to refer to the historical transaction amount for the year ended 31 December 2021 given the exceptional circumstances in 2022 and 2023.

Agency Service Proposed Annual Caps

The table below sets out the Agency Service Proposed Annual Caps for the continuing connected transactions under the 2024 Master Agency Service Agreement during the Term:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Agency Service Proposed Annual Caps ^(Note)	81,000	90,000	99,000

Note: There will be no earnest money payment arrangement for the Group's services to be provided pursuant to the 2024 Master Agency Service Agreement.

The Agency Service Proposed Annual Caps have been prepared by the Directors mainly with reference to the following factors:

- (i) the historical transaction amounts between the Group and the Fineland Group for the period from 1 January 2021 to 31 August 2023;
- (ii) the historical sales amounts of the Fineland Group in the primary property market in the PRC;
- (iii) the historical average commission rates charged by the Group;
- (iv) the business plan in respect of the properties to be developed and launched for sale by the Fineland Group for the two years ending 31 December 2025 (the "**Fineland Business Plan**");
- (v) the expected decrease in sales amount of the properties to be developed and launched for sale by the Fineland Group during the Term as compared to that forecasted for the three years ending 31 December 2023 in the current term, resulting in the anticipated decrease in demand for the Group's real estate agency services including both traditional agency services and agency services through the Group's Online Referral Platform; and
- (vi) the anticipation of 10% growth in the sales area and sales amount of the properties for the year ending 31 December 2026 as compared to the previous financial year.

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With reference to the above factors, the Directors calculated an estimation of transaction amounts between the Group and the Fineland Group in respect of the provision of sales agency services for each of the two years ending 31 December 2024 and 2025 by multiplying the forecasted sales amount pursuant to the Fineland Business Plan by an average ratio of approximately 1.16%. Such ratio is computed by dividing the aggregate historical transaction amounts between the Group and the Fineland Group for the period from 1 January 2020 to 30 June 2023 by the aggregate historical sales amount of the Fineland Group in the primary property market in the PRC for the corresponding period, which represented the Group's involvement in the total property sales of the Fineland Group. The average ratio as calculated for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 ranged from approximately 0.59% to 1.39%, with a median of 1.34% and an average of 1.16%. Hence, the Directors consider it appropriate to use the average of 1.16% as the ratio for calculating the estimated transaction amounts.

The Directors consider the Fineland Business Plan to be a reliable factor in determining the estimated transaction amounts. For the four years ended 31 December 2021 (not taking into account the year ended 31 December 2022 due to the unexpected slowdown in the PRC property market and the sporadic recurrence of the COVID-19 pandemic during that year), the average achievement rate of the forecasted sales, presented as a percentage of the actual sales amount over the forecasted sales amount, by the Fineland Group was approximately 75%.

In addition, given the recent downturn in the PRC property market, downward adjustments have been made for determining the Agency Service Proposed Annual Caps, as compared to the Agency Service Existing Annual Caps, to reflect the current and expected future market conditions.

The Agency Service Proposed Annual Caps are determined based on the principal assumption that, for the duration of the Term, there will not be any adverse change or disruption in market conditions, operations and business environment or government policies which may materially affect the business and affairs of the Group or the Fineland Group.

These projections are assumed solely for determining the Agency Service Proposed Annual Caps and shall not be regarded as any indication, directly or indirectly, as to the respective revenue, profitability or trading prospects of the Group.

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Internal Control

In setting the actual fees for different types of services to be provided by the Group under the 2024 Master Agency Service Agreement, the relevant sales teams of the Group would determine the proposed fees in accordance with the following price determination procedures to ensure that the terms for each type of services offered to the Finland Group are not more favourable than the terms offered to Independent Third Parties:

- (i) *sales agency services* — the Group has set a prescribed floor rate/amount for commission chargeable to both Independent Third Parties and the Finland Group for provision of the sales agency services. The prescribed floor rate/amount is the lowest commission rate/amount as shown in the relevant implementation agreement and/or payment invoice between the Group and the Independent Third Party within the past three years, which is determined on normal commercial terms through arm's length negotiation between the Group and the Independent Third Party. The relevant sales team would then propose the commission rates based on fixed percentage or a progressive scale percentage applicable to the particular project, which shall be equal or higher than the prescribed floor rate/amount, based on factors set out above on a case-by-case basis. The management of the Group regularly reviews the prescribed floor rate/amount for commission chargeable to both the Independent Third Parties and the Finland Group for provision of sales agency services on a half-yearly basis or when there is any change in market conditions such as changes in government policies which may result in a significant impact on supply and demand of the property market or sudden modification in behavior of other industry players that may cause an adverse impact on the demand of the Group's services. The aforesaid changes will be assessed by the Group on a case-by-case basis and the relevant adjustment will be made to the prescribed floor rate/amount as appropriate.
- (ii) *integrated services* — (a) *for property research, consultancy and marketing services*: the relevant sales team would decide whether to charge a separate service fee for provision of property research, consultancy and marketing services having considered whether the Group is engaged to provide the property research, consultancy and marketing services only or both the property research, consultancy and marketing services and the sales agency service to the Finland Group in a particular project. If the Group considers that the commission charged for provision of sales agency services is sufficient to cover the costs incurred for provision of property research, consultancy and marketing services, the Group may not charge a separate service fee. The Group will consider the scale of the projects involved, the estimated commission income for the provision of sales agency services and the resources required for delivering the property research, consultancy and marketing services in deciding whether it is justifiable to not separately charge for provision of property research, consultancy and marketing services. If the relevant sales team is of the view that a separate service fee should be charged, then it would propose a fixed lump-sum fee to be charged for the property research, consultancy and

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marketing services in that particular project based on factors set out above on a case-by-case basis, primarily taking into account the time costs involved for providing such services and the fees received by the Group for providing similar services for projects of comparable complexity to Independent Third Parties. The aforementioned approach is applicable to the provision of property research, consultancy and marketing services to both the Fineland Group and the Independent Third Parties; and *(b) for other integrated services*: the Group has set a prescribed floor rate/amount for the commission or fees chargeable to both Independent Third Parties and the Fineland Group for provision of other integrated services. The prescribed floor rate/amount is the lowest commission rate/amount as shown in the relevant implementation agreement and/or payment invoice between the Group and the Independent Third Party within the past three years, which is determined on normal commercial terms through arm's length negotiation between the Group and the Independent Third Party. The relevant sales team would propose the commission rates based on a percentage of rental fees for leasing agency services, or on a fixed amount for other integrated services as applicable, which shall be equal or higher than the prescribed floor rate, or a minimum fixed amount, based on factors set out above on a case-by-case basis. The management of the Group regularly reviews the prescribed floor rate/amount for commission chargeable or the fixed amount to both the Independent Third Parties and the Fineland Group for provision of other integrated services on a half-yearly basis or when there is any change in market conditions such as changes in government policies which may result in a significant impact on supply and demand of the property market or sudden modification in behavior of other industry players that may cause an adverse impact on the demand of the Group's services. The aforesaid changes will be assessed by the Group on a case-by-case basis and the relevant adjustment will be made to the prescribed floor rate/amount as appropriate.

The Directors consider that the frequency of review of the prescribed floor rates or amounts by on a half-yearly basis is sufficient, especially taking into account (i) it only serves the purpose of setting the lowest benchmark for the sales team to develop and propose an appropriate rate/amount for a particular project based on other factors such as scale and location, level of resources and expected transaction amount; and (ii) the review and approval process for each Agency Implementation Agreement, which considers the prevailing market prices, as described below.

In addition to the above price determination procedures, the proposed fees determined by the sales team as above are subject to the review and approval of the Group's internal control team headed by Ms. OUYANG Xiaoqing, the general manager of risk control department, who has no interests in the transactions contemplated under the 2024 Master Agency Service

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Agreement. The review and approval process is based on the following principles and aims to ensure that under the respective implementation agreements the fees charged to the Finland Group will be in accordance with the prevailing market prices of similar services:

- (i) by reference to the fees charged by the Group to at least two Independent Third Parties for providing services for comparable properties in terms of scale, location and quality, taking into account the transactions entered into with such Independent Third Parties; or
- (ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms by reference to the prevailing market prices for providing services for comparable properties in terms of scale, location and quality offered by other real estate agency service providers.

In order to ensure that the actual fees for the services provided to the Finland Group are conducted on normal commercial terms (or terms no less favourable to the Company than terms available to Independent Third Parties), the Group adopts the following methods and procedures:

- (i) the internal control team will keep proper documentation of the agreements entered into between the Group and its customers and make reference to the market data gathered by the relevant sales departments of the Group from time to time on the prevailing market price for each type of the services for comparable properties in terms of scale, location, type and condition of property and use them as reference prices for determining whether the fees charged for a specific transaction is in accordance with the aforesaid pricing policy;
- (ii) the internal control team will regularly (on a quarterly basis and/or prior to price negotiation) check the standard margin percentage for the different types of services charged by the Group to Independent Third Parties. If pursuant to the proposed fees determined by the relevant sales team, the proposed margin falls short of the standard margin percentage, then the internal control team will require the relevant sales team to provide an explanation on the additional factors (including for example, level of resources and time costs involved for providing such services) that were taken into account when preparing the proposed fees. If necessary, the proposed fees would be adjusted or re-negotiated to ensure fairness and reasonableness;
- (iii) the internal control team will regularly inspect specific terms of the Agency Implementation Agreements and compare them with the terms of agreements for the same type of transactions of the Group entered into with Independent Third Parties;

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- (iv) the internal control team will conduct regular checks to review and assess whether the transactions contemplated under the 2024 Master Agency Service Agreement are actually conducted in accordance with the terms of the respective implementation agreements;
- (v) the finance department will carry out regular assessments of the continuing connected transactions for each financial year and report its findings to the Board including the aggregate transaction amount for the respective year;
- (vi) the independent non-executive Directors will, on an annual basis, review the transactions contemplated under the 2024 Master Agency Service Agreements and confirm, among other matters, such transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole;
- (vii) the external auditors of the Group will, on an annual basis, report on the transactions contemplated under the 2024 Master Agency Service Agreements and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (viii) the internal control team will conduct regular half-yearly reviews of the internal control measures of the Group in relation to the continuing connected transactions of the Company and where any weaknesses are identified, the Company will take measures to address them as soon as practicable to ensure that the above internal control measures in respect of the continuing connected transactions remain complete and effective.

In light of the Agency Service Proposed Annual Caps, the internal control team will be responsible for monitoring the transaction amount contemplated under the 2024 Master Agency Service Agreement on a monthly basis and will prepare a related party transaction report setting out the transaction amount of the corresponding month and an aggregate transaction amount for the respective year.

Having considered (i) the consistent application of the pricing mechanism to transactions contemplated under the 2024 Master Agency Service Agreement and transactions entered into with Independent Third Parties; (ii) additional requirement of the participation of the internal control team, which is responsible for the review and approval of the proposed fees determined by the sales team based on the aforesaid pricing policy and reviewing the various internal control measures of the Group; and (iii) the checks and balances under the internal control measures set out above, the Directors consider that the methods and procedures adopted by the Company can ensure that the services provided by the Group under the 2024 Master Agency Service Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

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Reasons for and benefits of entering into the 2024 Master Agency Service Agreement

The PRC property market had continuously experienced unprecedented downturn, and coupled with the sporadic recurrence of the COVID-19 pandemic, they had undermined the confidence of consumers and investors and caused a lack of market liquidity. Due to the shortage of financing resources, PRC property developers (including Fineland Group and the Group's Independent Third Party customers) have sought for longer settlement period from the Group. As at 30 June 2023, the Group's trade receivables due from the connected persons pursuant to the transactions conducted under the 2020 Master Agency Agreement, the 2020 FGH Master Property Management Services Agreement and the 2020 FE Master Property Management Services Agreement amounted to approximately RMB87.1 million (excluding the Outstanding Earnest Money Balance of approximately RMB33.7 million as at 30 June 2023).

Nevertheless, with the stabilization of the COVID-19 pandemic situation in the PRC and the roll-out of various stimulating policies by the central and local governments in recent months, the Directors remain cautiously optimistic about the future PRC property market and believe that the collection of trade receivables due from the aforementioned connected persons will improve. The maintenance of the strategic business relationships with Fineland Group will continue to allow the realisation of synergies and economies of scale among the Group and the Fineland Group and also provide a stable source of income to the Group. The Directors consider that the provision of real estate agency services in the primary property market by the Group under the 2024 Master Agency Service Agreement would further consolidate the Group's market position in Guangzhou and elsewhere in the Greater Bay Area. The Directors consider that the 2024 Master Agency Service Agreement and the Agency Service Proposed Annual Caps will continue to enable the Group to benefit from such market opportunities and are in line with the Group's business strategy to further expand its primary market real estate agency services.

Notwithstanding the above, the Directors consider that the Group is capable of carrying on its businesses independently of and does not place undue reliance on the Fineland Group. The well-established long-term relationship with the Fineland Group is mutually beneficial and it is highly unlikely that this relationship will suddenly change or be terminated in the future. There has not been any interruption over the past years and the Group has acted as the real estate agent for the majority of the Fineland Group's sales transactions in the primary property market in recent years. If the Fineland Group were to cease its business relationship with the Group, it would have to incur time and costs to re-establish these relationships at similar levels with alternative property agencies.

The Group is also an established real estate agency and was honoured as one of the 2022 Outstanding China Top 100 Real Estate Agencies. It operates independently from the Fineland Group, with its own key functions including sales, marketing, procurement, accounting and finance which carried on completely independently from the Fineland Group. There are various legal entities under the Fineland Group umbrella who were customers of the Group and each member selects its real estate agents independently by performing its own internal

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evaluation and bidding procedures. The Group is not an exclusive agent and is required to submit tenders and carry out the same bidding processes as other competitors in order to secure a mandate. In addition, the Group has a diversified client base of property developers who are Independent Third Parties to whom it provides real estate agency services and is also actively building up relationships with other independent property developers. In 2022, the Group had engaged 22 new customers, and 21 of them were Independent Third Parties. For the eight months ended 31 August 2023, all of the 12 new customers of the Group were Independent Third Parties.

For the eight months ended 31 August 2023, revenue generated from the Fineland Group pursuant to the 2020 Master Agency Service Agreement as a percentage of total revenue was approximately 3.3%.

For further details on reasons why the Group is capable of carrying on its businesses independently of and does not place undue reliance on the Fineland Group, please refer to the section headed “Controlling Shareholders” in the transfer announcement of the Company dated 20 May 2020.

Notwithstanding the above, the slowdown in economic activities in the PRC property market in recent years as highlighted by delayed delivery schedules of first-hand properties have resulted in decrease in revenue in the Group’s real estate agency segment in the past year. As such, the Directors have made necessary downward adjustments to the Agency Service Proposed Annual Caps (as compared to the Agency Service Existing Annual Caps) to reflect the current and expected future market conditions.

In view of the above, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that the terms under the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps) are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its Shareholders as a whole.

THE 2024 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENT

Date : 25 October 2023

Parties : (i) Mr. Fong (on behalf of Mr. Fong’s Associated Companies, as receiving parties); and

(ii) the Company (for itself and on behalf of its subsidiaries, as service providers).

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- Conditions precedent : The 2024 Master Property Management Services Agreement is conditional upon approval by the Independent Shareholders at the EGM of the 2024 Master Property Management Services Agreement, the transactions contemplated thereunder and the Property Management Services Proposed Annual Caps.
- Nature of the transactions : The Group will continue to provide the Property Management Services to Mr. Fong's Associated Companies which include members of the Fineland Group and the Fineland Education Group.
- Term : The term of the 2024 Master Property Management Services Agreement will commence from 1 January 2024 to 31 December 2026, subject to the approval of the 2024 Master Property Management Services Agreement, the transactions contemplated thereunder and the Property Management Services Proposed Annual Caps by the Independent Shareholders at the EGM.
- At least three months prior to its expiry, the parties may agree to extend 2024 Master Property Management Services Agreement, subject to compliance with the then applicable Listing Rules. Either party may terminate the 2024 Master Property Management Services Agreement during the Term by giving at least one month prior notice.
- Implementation agreements : Members of the Group and Mr. Fong's Associated Companies will, from time to time during the term of the 2024 Master Property Management Services Agreement, enter into separate Property Management Implementation Agreement(s) in respect of the Property Management Services contemplated thereunder which shall always be in compliance with the Listing Rules and the 2024 Master Property Management Services Agreement.

Pricing Policies

As a general principle, the pricing and terms of the 2024 Master Property Management Services Agreement with respect to the Property Management Services shall be determined on normal commercial terms, negotiated on an arm's length basis, and the fees shall be no less favourable than those available from Independent Third Parties.

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The pricing policy applicable is similar to that for similar services rendered to Independent Third Parties, having regard to the following:

Types of services	Details of services	Specific pricing policies
<i>Value-added services to non-property owners</i>	customer services, cleaning, security and repair and maintenance services to the sales offices, pre-sale display units, exhibition halls and clubs, etc.	<p>(i) the service fee shall be determined according to the Group's service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 3% to 15%) and tax; and</p> <p>(ii) when determining the management fee profit margin, the Group and Mr. Fong's Associated Companies will consider a number of factors, including type and condition of property, geographical location/region, contractual period, sales cycle, nature and complexity of related projects, customer's expectation of service quality, past profit margin of similar existing contracts, etc., and also the fees received by the Group for providing services of a similar scale and quality to Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.</p>

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| <i>Property management services to real estate developers and property owners</i> | security, cleaning, gardening, repair and maintenance, traffic order maintenance, parking management, maintenance and management of the common areas and equipment of the buildings and their surrounding areas, and community value-added services |
|---|---|
- (i) the service fee shall be determined according to (a) the prevailing market price multiplied by the gross floor area of the relevant property management project and/or the number of car parking spaces; and (b) (in relation to the community value-added services) the service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 5% to 20%) and tax; and
- (ii) when determining the prevailing market price or the management fee profit margin, the Group and Mr. Fong's Associated Companies will consider a number of factors, including the type and condition of property, geographical location/region, scope and quality of services, general situation of owners and residents, pricing guidance on property management fees issued by the local authorities (if any), pricing of property management service fee of surrounding properties, past profit margin of similar existing contracts, and also the fees received by the Group for providing services of a similar scale and quality to Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.

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| <i>Property management services to school(s)</i> | cleaning, security, repair and maintenance services and community value-added services | <p>(i) the service fee shall be determined according to the Group's service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 3% to 15% or (in relation to the community value-added services) ranging from 5% to 20%) and tax; and</p> <p>(ii) when determining the management fee profit margin, the Group and the Finland Education Group will consider a number of factors, including type and condition of property and its status, geographical location/region, contractual period, nature and complexity of related projects, customer's expectation of service quality, past profit margin of similar existing contracts, etc., and also the fees received by the Group for providing services of a similar scale and quality to Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.</p> |
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Payment Terms

The payment terms will be stipulated in each of the Property Management Implementation Agreements, which shall normally be settled by bank transfer on a monthly basis or on an agreed basis of usually not more than three months.

Having considered (i) the above payment terms granted to members of Mr. Fong's Associated Companies and those granted to Independent Third Parties during the two years ended 31 December 2022 and the eight months ended 31 August 2023; (ii) the checks and balances of the internal control measures to ensure compliance with the 2024 Master Property Management Services Agreement as disclosed on pages 28 to 30 of this circular; and (iii) the reasons and benefits for entering into the 2024 Master Property Management Services Agreement as disclosed on pages 33 to 34 of this circular, the Directors consider that the above payment terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Internal Control

According to the Group's prevailing internal policy and procedure manual, the designated officer of the operation team will report to the internal control team headed by Ms. OUYANG Xiaoqing, the general manager of risk control department, who has no interests in the transactions contemplated under the 2024 Master Property Management Services Agreement, with details of the connected transactions to be entered into by the Group pursuant to the 2024 Master Property Management Services Agreement for review and disclosure or further action as required in compliance with Chapter 14A of the Listing Rules. The relevant quality control teams will also conduct market research and investigation from time to time to ensure that the above property management service fee is not lower than the prevailing market price and report to the internal control team. This may include gathering market data from time to time on the prevailing market price for each type of property management services for comparable properties, reviewing the latest government guidance price (if any), minimum wage, social insurance and housing provident funding required for employees on the relevant government websites and researching on the management fee charged by other real estate property management service providers in the relevant locations. For a transaction that falls within the scope of continuing connected transactions, the internal control team will monitor the current continuing connected transaction amount and ensure that the transaction amounts of the potential connected transactions will not result in the Property Management Services Proposed Annual Caps being exceeded. The internal control team will also review and approve each of the Property Management Implementation Agreements to ensure that its provisions are, in all material aspects, consistent with the principles, guidelines, relevant management fee profit margin, guidance price (if any), and other terms and conditions set out in the 2024 Master Property Management Services Agreement and that the fees charged to the Fineland Group and the Fineland Education Group are in accordance with the prevailing market prices or no less favourable than the pricing for providing similar property management services to Independent Third Parties with reference to:

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- (i) the fees charged by the Group to at least two Independent Third Parties for providing property management services for comparable properties in terms of scale, location, quality, etc. as stated under the section headed “Pricing Policies” above; or
- (ii) if there are not sufficient comparable transactions in (i) above, the normal commercial terms by reference to the prevailing market prices for providing property management services for comparable properties in terms of scale, location, quality, etc. as stated under the section headed “Pricing Policies” above, offered by other real estate property management service providers.

In order to ensure that the actual fees for the Property Management Services are conducted on normal commercial terms (or terms no less favourable to the Group than terms available to Independent Third Parties), the Group will also adopt the following methods and procedures:

- (i) the internal control team will keep proper documentation of the agreements entered into between the Group and its customers and make reference to the market data gathered by the relevant quality control teams of the Group from time to time on the prevailing market price for each type of property management service for comparable properties in terms of scale, location, type and condition of property and status, scope and quality, and nature and complexity of required services and use these as reference prices for determining whether the fees charged for a specific transaction is in accordance with the aforesaid pricing policy;
- (ii) the internal control team will regularly inspect specific terms of the Property Management Implementation Agreements and compare them with the terms of agreements for the same type of transactions of the Group entered into with Independent Third Parties;
- (iii) the internal control team will conduct regular checks to review and assess whether the transactions contemplated under the 2024 Master Property Management Services Agreement are actually conducted in accordance with the terms of the respective implementation agreements;
- (iv) the finance department will carry out regular assessments of the continuing connected transactions for each financial year and report its findings to the Board including the aggregate transaction amount for the respective year;

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- (v) the independent non-executive Directors will, on an annual basis, review the transactions contemplated under the 2024 Master Property Management Services Agreement and confirm, among other matters, such transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole;
- (vi) the external auditors of the Group will, on an annual basis, report on the transactions contemplated under the 2024 Master Property Management Services Agreement and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (vii) the internal control team will conduct regular half-yearly reviews of the internal control measures of the Group in relation to the continuing connected transactions of the Company and where any weaknesses are identified, the Company will take measures to address them as soon as practicable to ensure that the above internal control measures in respect of the continuing connected transactions remain complete and effective.

In light of the Property Management Services Proposed Annual Caps, the internal control team will be responsible for monitoring the transaction amount contemplated under the 2024 Master Property Management Services Agreement on a monthly basis and will prepare a related party transaction report setting out the transaction amount of the corresponding month and an aggregate transaction amount for the respective year.

Accordingly, the Directors consider that there will be an adequate internal control mechanism in place as abovementioned to ensure that the transactions contemplated under the 2024 Master Property Management Services Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

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The Property Management Services Existing Annual Caps and Historical Transaction Amounts

The table below sets out the Property Management Services Existing Annual Caps and the historical transaction amounts for fees received by the Group pursuant to 2020 FGH Master Property Management Services Agreement and 2020 FE Master Property Management Services Agreement:

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the year ending 31 December 2023 RMB'000
Property Management Services	49,720	53,740	60,760
Existing Annual Caps			
<i>of which pursuant to</i>			
2020 FGH Master Property	49,000	53,000	60,000
Management Services			
Agreement			
2020 FE Master Property	720	740	760
Management Services			
Agreement			
Historical transaction amounts	42,715	42,565	21,421 ^(Note)
<i>of which pursuant to</i>			
2020 FGH Master Property	42,041	41,936	21,018 ^(Note)
Management Services			
Agreement			
2020 FE Master Property	674	629	403 ^(Note)
Management Services			
Agreement			

Note: This is the unaudited historical transaction amounts for the eight months ended 31 August 2023.

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Property Management Services Proposed Annual Caps

The table below sets out the Property Management Services Proposed Annual Caps for the continuing connected transactions under the 2024 Master Property Management Services Agreement during the Term:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Property Management Services Proposed Annual Caps ^(Note)	32,000	34,000	36,000

Note: There will be no earnest money payment arrangement for the Group's services to be provided pursuant to the 2024 Master Property Management Services Agreement.

The Property Management Services Proposed Annual Caps contemplated under the 2024 Master Property Management Services Agreement are determined on the following bases:

- (i) in relation to the transactions to be entered into with members of the Fineland Group:
 - (a) historical transaction amounts between the Group and members of the Fineland Group for the period from 1 January 2021 to 31 August 2023;
 - (b) the estimated revenue to be recognised in relation to the Property Management Services provided by the Group pursuant to existing contracts;
 - (c) the expected gross floor areas of the sales offices and new property projects of members of the Fineland Group for the two years ending 31 December 2025 which will require the Property Management Services provided by the Group, as well as:
 - (1) in relation to the sales office property management services, the estimated number of staff required and the management fee expected to be generated by those staff members; and
 - (2) in relation to the property management services to real estate developer and property owners, the estimated management fee to be charged for the new property projects by reference to the historical contracts between the Group and members of the Fineland Group; and

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- (d) the anticipation of 5% growth in the Property Management Services to be provided to the Fineland Group for the year ending 31 December 2026 as compared to the previous financial year.
- (ii) in relation to the transactions to be entered into with members of the Fineland Education Group:
 - (a) historical transaction amounts between the Group and the Fineland Education Group for the period from 1 January 2021 to 31 August 2023;
 - (b) the estimated revenue to be recognised in relation to the Property Management Services provided by the Group pursuant to existing contracts;
 - (c) the estimated number of schools of the members of the Fineland Education Group which will require the Property Management Services to be provided by the Group and the expected cost plus a management fee profit margin by reference to historical transactions between the Group and members of the Fineland Education Group; and
 - (d) the anticipation of 3% annual growth in the Property Management Services to be provided to the Fineland Education Group for the three years ending 31 December 2026.

The Property Management Services Proposed Annual Caps are determined based on the principal assumption that, for the duration of the Term, there will not be any adverse change or disruption in market conditions, operations and business environment or government policies which may materially affect the business and affairs of the Group, the Fineland Group and the Fineland Education Group.

These projections are assumed solely for determining the Property Management Services Proposed Annual Caps and shall not be regarded as any indication, directly or indirectly, as to the respective revenue, profitability or trading prospects of the Group.

Reasons for and benefits of entering into the 2024 Master Property Management Services Agreement

The Property Management Services contemplated under the 2024 Master Property Management Services Agreement are of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the counterparties to the 2024 Master Property Management Services Agreement.

The Company considered it necessary for Listing Rules compliance purposes and administrative convenience to enter into a framework agreement with the ultimate controlling shareholder of the relevant contract counterparties in order to better document and manage these continuing connected transactions. The 2024 Master Property Management Services Agreement serves to streamline the Property Management Services between members of the

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Group and members of the Fineland Group and the Fineland Education Group by providing a single basis upon which the Company could comply with the applicable reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules and thereby reducing the administrative burden and costs of the Company in complying with these requirements.

Members of the Fineland Group and the Fineland Education Group are with respectable experience and reputation in their respective areas of businesses or services and have had long standing relationships with the Group over the years. However, due to the slowdown in economic activities in the PRC property market in recent years, the Fineland Group has reduced its investment in new property projects, which in turn, results in a decrease in demand for Property Management Services by the Fineland Group. Therefore, the Directors have made necessary downward adjustments to the Property Management Services Proposed Annual Caps (as compared to the Property Management Services Existing Annual Caps) to reflect the current and expected future market conditions. Nevertheless, and notwithstanding the Group's trade receivable balance due from the connected persons pursuant to the transactions conducted under the 2020 Master Agency Agreement, the 2020 FGH Master Property Management Services Agreement and the 2020 FE Master Property Management Services Agreement as disclosed on page 22 of this circular, with the roll-out of various stimulating policies by the central and local governments in recent months, the Directors remain cautiously optimistic about the future PRC property market and believe that the maintenance of the strategic business relationships with Fineland Group and the Fineland Education Group will continue to allow the realisation of synergies and economies of scale amongst the Group, the Fineland Group and the Fineland Education Group.

In view of the above, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that the terms under the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company and the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2017. The Group is principally engaged in living services, mainly focusing in Guangzhou and elsewhere in the Greater Bay Area, as well as other parts of the PRC, through two business segments, namely comprehensive real estate agency services and professional property management services.

LETTER FROM THE BOARD

Fineland Education

Fineland Education is a company established under the laws of the PRC with limited liability on 20 August 2013. The Fineland Education Group (including Fineland Education) is principally engaged in the business of education services, including childcare services, preschool education and compulsory education, etc. As at the Latest Practicable Date, it was wholly owned by Fineland Investment which was in turn owned as to 42% by Mr. Fong, 34.65% by Mr. Li Yang, 0.35% by Mr. Li Zichun, and 23% by Mr. Zhang Qing. Each of Mr. Li Yang, Mr. Li Zichun and Mr. Zhang Qing is an Independent Third Party.

Fineland Group Holdings

Fineland Group Holdings is an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2006. It is one of the Controlling Shareholders of the Company and is ultimately wholly owned by Mr. Fong. The Fineland Group (including Fineland Group Holdings and its subsidiaries and associates) is principally engaged in the business of the development and sale of residential and commercial properties, and investment in commercial real estate, including office buildings, hotels and serviced apartments in the PRC.

Mr. Fong

Mr. Fong is one of the Controlling Shareholders and the non-executive Director. Mr. Fong is in control of Fineland Group Holdings and Fineland Education through his equity interests in each of them and is a director of Fineland Group Holdings.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Fong and Fineland Group Holdings were both Controlling Shareholders and connected persons of the Company. Accordingly, the transactions under each of the 2024 Master Agency Service Agreement and the 2024 Master Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of each of the Agency Service Proposed Annual Caps and Property Management Services Proposed Annual Caps exceeds 5%; and (ii) each of the Agency Service Proposed Annual Caps and Property Management Services Proposed Annual Caps is more than HK\$10,000,000, the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Annual Caps) and the transactions contemplated under each of these agreements are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

APPROVAL BY THE BOARD

(i) Mr. Fong (due to his shareholding interests in the Fineland Group and the Fineland Education Group); (ii) Ms. Tse (due to the acting-in-concert arrangement with Mr. Fong); and (iii) Mr. Han (due to his directorship in the Fineland Group) are regarded as having material interests in the transactions contemplated under the 2024 Master Agency Service Agreement and the 2024 Master Property Management Services Agreement. As such, they have abstained from voting on the resolutions approving the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements.

Save as disclosed above, none of the other Directors has a material interest who is required to abstain from voting on the Board resolutions approving the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Leung Wai Hung, Mr. Tian Qiusheng and Mr. Du Chenhua, being all independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements. None of the members of the Independent Board Committee has any material interest in the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements. The letter from the Independent Board Committee is set out on pages 40 to 41 of this circular.

The Company has also appointed Optima Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements. The letter from Optima Capital is set out on pages 42 to 84 of this circular.

CLOSURE OF REGISTER

To ascertain the members' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 15 December 2023 to Wednesday, 20 December 2023 (both days inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares,

LETTER FROM THE BOARD

accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 14 December 2023.

EGM AND PROXY ARRANGEMENT

The notice convening the EGM to be held at 11:00 a.m. on Wednesday, 20 December 2023 at 11th Floor, No. 28 Tiyu East Road, Tianhe District, Guangzhou, the PRC is set out on pages EGM-1 to EGM-3 of this circular. At the EGM, ordinary resolutions will be proposed for the purpose of considering and, if thought fit, approving the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to 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, Wan Chai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 11:00 a.m. on Monday, 18 December 2023) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you so wish.

VOTING ARRANGEMENT

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, a resolution to be considered and, if thought fit, approved at the EGM will be voted by way of a poll by the Shareholders. An announcement on the poll results will be made by the Company after the EGM, in the manner prescribed under Rule 13.39(5) of the Listing Rules, on the results of the EGM.

LETTER FROM THE BOARD

Shareholders with material interests as at the Latest Practicable Date, namely (i) Mr. Fong, through Mansion Green (due to his shareholding interests in the Fineland Group and the Fineland Education Group and his role as director in Fineland Group Holdings); (ii) Ms. Tse, through Mansion Green (due to the acting-in-concert arrangement with Mr. Fong); (iii) Mr. Han, Mr. Xu, Mr. Lin and Mr. Chen (due to their respective directorships held in the Fineland Group); and (iv) each of their respective associates, who in aggregate hold 240,000,000 Shares, representing approximately 60% of the issued share capital of the Company, will be required to abstain from voting on the relevant resolutions to be proposed at the EGM. As at the Latest Practicable Date, (i) Mr. Fong and Ms. Tse indirectly through Mansion Green, held 216,000,000 Shares, representing approximately 54.0% of the issued share capital of the Company; (ii) Mr. Fong separately directly held 6,000,000 Shares, representing approximately 1.5% of the issued share capital of the Company; and (iii) each of Mr. Han, Mr. Xu, Mr. Lin and Mr. Chen indirectly held 4,500,000 Shares, representing approximately 1.125% each of the issued share capital of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) save for the deed of concert parties dated 31 March 2017 entered into between Mr. Fong and Ms. Tse, none of the above-mentioned Shareholders has entered into or is bound upon any voting trust or other agreement or arrangement or understanding;
- (ii) none of the above-mentioned Shareholders is subject to any obligation or entitlement causing he/she/it has or may have, temporarily or permanently, passed control over the exercise of the voting right in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis; and
- (iii) there was no discrepancy between the beneficial shareholding interest of the above mentioned Shareholders and the number of Shares in respect of which he/she/it will control or will be entitled to exercise control over the voting right at the EGM.

Save as disclosed above, no other Shareholder is required to abstain from voting on the relevant resolutions at the EGM due to their interests in the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Board and the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions approving the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 40 to 41 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and to the letter from the Independent Financial Adviser as set out on pages 42 to 84 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements.

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

Yours faithfully,
By order of the Board
Fineland Living Services Group Limited
HAN Shuguang
Chairman



Fineland Living Services Group Limited

方圓生活服務集團有限公司

(formerly known as Fineland Real Estate Services Group Limited 方圓房地產服務集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9978)

23 November 2023

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 23 November 2023 (the “**Circular**”) despatched by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the 2024 Master Agency Service Agreement (including Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements, details of which are set out in the “Letter from the Board” in the Circular. Optima Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 9 to 39 of the Circular and the “Letter from the Independent Financial Adviser” containing its advice to us set out on pages 42 to 84 of the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser and consider that (i) the terms of the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps) and the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2024 Master Agency Service

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Agreement and the 2024 Master Property Management Services Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated under each of the agreements.

Yours faithfully,
Independent Board Committee
Leung Wai Hung,
Tian Qiusheng and Du Chenhua
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

23 November 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We, Optima Capital Limited (“**Optima Capital**”), have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the 2024 Master Agency Service Agreement and the transactions contemplated thereunder (the “**Agency Service**”) together with the proposed annual caps for the Agency Service for the three years ending 31 December 2026 (the “**Agency Service Proposed Annual Caps**”); and (ii) the 2024 Master Property Management Services Agreement and the transactions contemplated thereunder (the “**Property Management Services**”, together with the Agency Service, the “**Continuing Connected Transactions**”) together with the proposed annual caps for the Property Management Services for the three years ending 31 December 2026 (the “**Property Management Services Proposed Annual Caps**”). Details of the Agency Service (including the Agency Service Proposed Annual Caps) and the Property Management Services (including the Property Management Services Proposed Annual Caps) are contained in the letter from the Board (the “**Board Letter**”) in the circular of the Company dated 23 November 2023 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 25 October 2023, the Company and Fineland Group Holdings entered into the 2024 Master Agency Service Agreement, pursuant to which the Group agreed to provide the Agency Service to members of the Fineland Group for a term of three years commencing from 1 January 2024 to 31 December 2026. An annual cap in respect of the fees payable by the Fineland Group to the Group for provision of the Agency Service was set in the 2024 Master Agency Service Agreement for each of the three years ending 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On even date, the Company and Mr. Fong (on behalf of Mr. Fong's Associated Companies) entered into the 2024 Master Property Management Services Agreement, pursuant to which the Group agreed to provide the Property Management Services to Mr. Fong's Associated Companies for a term of three years commencing from 1 January 2024 to 31 December 2026. An annual cap in respect of the fees payable by Mr. Fong's Associated Companies to the Group for provision of the Property Management Services was set in the 2024 Master Property Management Services Agreement for each of the three years ending 31 December 2026.

Mansion Green is the controlling Shareholder holding 54.0% of the issued share capital of the Company and is an indirect subsidiary of Fineland Group Holdings, which is indirectly wholly-owned by Mr. Fong. On the other hand, Fineland Education is wholly-owned by Fineland Investment, which is in turn owned as to 42% by Mr. Fong. Accordingly, each of Mr. Fong, Fineland Group Holdings and Fineland Education is a connected person of the Company, and the respective transactions contemplated under the 2024 Master Agency Service Agreement and the 2024 Master Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Agency Service Proposed Annual Caps under the 2024 Master Agency Service Agreement and the Property Management Services Proposed Annual Caps under the 2024 Master Property Management Services Agreement exceeds 5%; and (ii) each of the Agency Service Proposed Annual Caps and the Property Management Services Proposed Annual Caps is more than HK\$10,000,000, the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps), the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the Continuing Connected Transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the 2024 Master Agency Service Agreement, the 2024 Master Property Management Services Agreement, and the respective transactions contemplated thereunder (including the Agency Service Proposed Annual Caps and the Property Management Services Proposed Annual Caps). Shareholders with material interests, namely (i) Mr. Fong (due to his shareholding interests in the Fineland Group and the Fineland Education Group); (ii) Ms. Tse (due to the acting in concert arrangement with Mr. Fong); (iii) Mr. Han, Mr. Xu, Mr. Lin and Mr. Chen (due to their respective directorships held in the Fineland Group); and (iv) each of their respective associates, will abstain from voting on the ordinary resolutions to be proposed at the EGM for approving the aforesaid transactions and the related annual caps.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Leung Wai Hung, Mr. Tian Qiusheng and Mr. Du Chenhua, has been established to advise and make recommendations to the Independent Shareholders in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

respect of the terms of the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps) and the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps), and the respective transactions contemplated thereunder. We, Optima Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, Mr. Fong, Fineland Group Holdings, Fineland Education, their respective connected persons or associates. During the two years immediately prior to the date of our appointment, we have not (i) acted in the capacity as a financial adviser or independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. We are therefore considered eligible to give independent advice in respect of the terms of 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps) and the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the Continuing Connected Transactions. Apart from normal professional fees paid or payable to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Mr. Fong, Fineland Group Holdings, Fineland Education, their respective connected persons or associates. Accordingly, we consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

II. BASIS OF OUR OPINION

In formulating our advice and recommendations, we have relied on the information and facts supplied and the opinions expressed by the directors and management of the Company (together, the “**Management**”) and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were provided and expressed, and continue to be true, accurate and complete in all material respects up to the date hereof.

We have reviewed, among other things, (i) the 2024 Master Agency Service Agreement and the 2024 Master Property Management Services Agreement; (ii) the announcement of the Company dated 25 October 2023 in respect of the Continuing Connected Transactions (the “**Announcement**”); (iii) the circular of the Company dated 5 October 2020 in respect of the 2020 Master Agency Service Agreement; (iv) the circular of the Company dated 3 December 2020 in respect of the 2020 FE Master Property Management Services Agreement and the 2020 FGH Master Property Management Services Agreement (collectively, the “**2020 Master Property Management Services Agreements**”); (v) the annual reports of the Company for the two years ended 31 December 2021 (the “**2021 Annual Report**”) and 2022 (the “**2022 Annual Report**”); (vi) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); and (vii) the information contained in the Circular;

We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, the Fineland Group and/or the Fineland Education Group, nor have we carried out any independent verification of the information supplied.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Principal business of the Group, the Fineland Group and the Fineland Education Group

1.1 Principal business of the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2017. The Group is principally engaged in provision of living services, mainly focusing in Guangzhou and elsewhere in the Greater Bay Area, as well as other parts of the PRC, through two business segments, namely comprehensive real estate agency services and professional property management services.

The Group provides (i) real estate agency services to its customers which are principally property developers and their designated agents; and (ii) property management services to real estate developers and property owners, including standard property management services and ancillary services such as cleaning, gardening, security, repair and maintenance and butler services. The Group provides services for residential and non-residential properties, including city facilities, office buildings, industry parks, schools, etc.

1.2 Principal business of the Fineland Group

Fineland Group Holdings is an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2006 and is the Controlling Shareholder. The Fineland Group (including Fineland Group Holdings and its subsidiaries and associates) is principally engaged in the business of the development and sale of residential and commercial properties, and investment in commercial real estate, including office buildings, hotels and service apartments in the PRC.

1.3 Principal business of the Fineland Education Group

Fineland Education is a company established under the laws of the PRC with limited liability on 20 August 2013. The Fineland Education Group (including Fineland Education and its subsidiaries and associates) is principally engaged in provision of

education services, including childcare services, preschool education and compulsory education, etc. The Fineland Education Group is operating primary schools and kindergartens in Guangdong.

1.4 Our view

Having considered the respective principal activities of the Group, the Fineland Group and the Fineland Education Group, we are of the view that the 2024 Master Agency Service Agreement and the 2024 Master Property Management Services Agreement are entered into in the ordinary and usual course of business of the Group.

2. The 2024 Master Agency Service Agreement

2.1 Background of and reasons for the 2024 Master Agency Service Agreement

2.1.1 The 2020 Master Agency Service Agreement

On 3 September 2020, the Company and Fineland Group Holdings entered into the 2020 Master Agency Service Agreement in relation to the arrangement for the Agency Service provided by the Group to the Fineland Group, details of which are set out in the announcement of the Company dated 3 September 2020 and the circular of the Company dated 5 October 2020. The 2020 Master Agency Service Agreement and the transactions contemplated thereunder (including the relevant annual caps for the three years ending 31 December 2023) were approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 27 October 2020. As the 2020 Master Agency Service Agreement will expire on 31 December 2023 and the Agency Service is expected to continue in the future, the Company and Fineland Group Holdings entered into the 2024 Master Agency Service Agreement to govern the continuing Agency Service for a further term of three years up to 31 December 2026. The entering into of the 2024 Master Agency Service Agreement is a renewal of the 2020 Master Agency Service Agreement.

2.1.2 Commercial rationale for the 2024 Master Agency Service Agreement

The Group has maintained a stable business relationship with the Fineland Group in the past, the Management considers that the provision of real estate agency services in the primary property market by the Group under the 2024 Master Agency Service Agreement would further consolidate the Group's market position in Guangzhou and elsewhere in the Greater Bay Area. The Management considers that the 2024 Master Agency Service Agreement and the Agency Service Proposed Annual Caps will continue to enable the Group to benefit from market opportunities and are in line with the Group's business strategy to further expand its primary market real estate agency services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Management considers that the Group is capable of carrying on its businesses independently of and does not place undue reliance on the Fineland Group. We noted that the service fees received by the Group from members of the Fineland Group in respect of the Agency Service for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023 amounted to approximately RMB93.6 million, RMB31.9 million and RMB9.5 million respectively, representing approximately 16.4%, 6.2% and 3.3% of the consolidated revenue of the Group for the corresponding year/period. The income generated from the Agency Service did not account for a significant portion of the Group's consolidated revenue. Furthermore, it is noted that the 2024 Master Agency Service Agreement does not impose any obligation on the part of the Group to restrict the Group to provide real estate agency services to other Independent Third Parties, we are of the view that the entering into of the 2024 Master Agency Service Agreement would enable the Group to capture the market opportunities and to further expand its primary market real estate agency services.

2.1.3 Auditor and independent non-executive Directors' review of past transactions

As stated in the 2021 Annual Report and the 2022 Annual Report, the auditor of the Company has performed procedures in respect of the 2020 Master Agency Service Agreement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), “*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*”, and Practice Note 740 (Revised), “*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*”, issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company had issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules for each of the two years ended 31 December 2021 and 2022. In addition, the independent non-executive Directors had also reviewed and confirmed that the Agency Service during each of the two years ended 31 December 2021 and 2022 had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the 2020 Master Agency Service Agreement governing such transactions and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

2.1.4 Our view

Taking into account the background and commercial reasons for the 2024 Master Agency Service Agreement and the results of the review of the Agency Service in the past two financial years by the auditor of the Company and the independent non-executive Directors respectively as described above, we are of the view that it is in the commercial interest of the Group to continue its business relationship with the Fineland Group, and the entering into of the 2024 Master

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agency Service Agreement to govern the principal terms of the transactions contemplated thereunder and ensure compliance with the Listing Rules is in the interests of the Company and the Shareholders as a whole.

2.2 Principal terms of the 2024 Master Agency Service Agreement

The 2024 Master Agency Service Agreement is a framework agreement which sets out the principles upon which detailed terms of the transactions are to be determined between the parties to the 2024 Master Agency Service Agreement. With respect to each project, the Group and members of the Fineland Group will further enter into separate implementation agreements (the “**Agency Implementation Agreements**”) that prescribe specific terms and conditions of each property project.

The principal terms of the 2024 Master Agency Service Agreement are summarised below:

2.2.1 Scope of services

The Group shall provide the following services to members of the Fineland Group:

- (i) *Sales agency services* — including (a) conducting on-site promotion and distributing the promotional materials to prospective purchasers; (b) entering into sale and purchase agreements for and on behalf of members of the Fineland Group in respect of the sale of primary properties; (c) uploading property information to the internet and introducing property buyers through third party real estate agencies; and (d) assisting in property sales at property sales fairs and sales offices and being responsible for the operation of the sales offices; and
- (ii) *Integrated services* — including but not limited to property research, consultancy, marketing, sales planning services and leasing agency services such as (a) formulating the overall sales and marketing strategies; (b) overseeing the preparation of marketing materials and assisting in printing such materials; (c) providing regular reports in relation to the market conditions and the corresponding sales and marketing strategies; (d) assisting property developers to identify, approach, and negotiate leasing terms and conditions with prospective lessees for commercial units in their development projects; and (e) providing after-sales services to the purchasers such as assisting the purchasers with obtaining the relevant ownership certificates and applying for mortgages from banks.

2.2.2 Pricing policies

The real estate agency services provided by the Group to members of the Fineland Group are also offered to other Independent Third Parties. The fees to be received by the Group for services rendered under the 2024 Master Agency Service Agreement are to be determined on normal commercial terms, negotiated on an arm's length basis, and should be no less favourable than those available from Independent Third Parties.

The pricing policy applicable to the Fineland Group is similar to that for similar services rendered to Independent Third Parties, which shall take into account a number of factors including (i) the scale and location of the projects, the required level of resources and time costs involved; (ii) the gross floor area ("GFA") and the expected gross transaction amounts or expected monthly rent of the properties for sale/rent; (iii) the historical costs of services and the fees received by the Group in providing similar services to members of the Fineland Group; and (iv) the fees received by the Group for providing services of a similar scale and quality to other Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location and quality offered by other real estate agency service providers.

We have reviewed and compared the terms of the contracts in respect of real estate agency services entered into between (i) the Group and members of the Fineland Group; and (ii) the Group and Independent Third Parties. Set out below is the summary of our review.

In respect of the sales agency services

The sales agency services include traditional agency service and sales agency services through Online Referral Platform.

With respect to the provision of traditional agency service, the Group generally charges a commission based on (i) a fixed percentage; or (ii) a progressive scale percentage, ranging from 0.5% to 10%, of the completed sales. The commission rate is determined between the Company and the property developer on a case-by-case basis after taking into account the aforesaid relevant factors.

We noted from the internal control policy of the Group, the Group has set a prescribed floor rate as the lowest benchmark for determining the commission rate to be charged to customers of the Group for the provision of the traditional

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

agency services. The commission rate for each provision of traditional agency services to be charged by the Group shall not be lower than the prescribed floor rate.

The Management advised that the prescribed floor rate represents the lowest commission rate charged by the Group to the Independent Third Party within the past three years. The prescribed floor rate is determined on normal commercial terms through arm's length negotiation between the Group and the Independent Third Party. The prescribed floor rate for commission chargeable to both Independent Third Parties and the Fineland Group for provision of traditional agency services is the same. Further, the Management advised that they review the prescribed floor rate on a half-yearly basis or when there is any change in market conditions such as changes in government policies which may result in a significant impact on supply and demand of the property market or sudden modification in behavior of other industry players that may cause an adverse impact on the demand of the Group's services. The aforesaid changes will be assessed by the Group on a case-by-case basis and relevant adjustment will be made to the prescribed floor rate as appropriate.

Having considered that (i) the current prescribed floor rate represents the lowest commission rate charged by the Group to the Independent Third Party within the past three years; (ii) the prescribed floor rate is determined on normal commercial terms through arm's length negotiation between the Group and the Independent Third Party; and (iii) the Management has regularly reviewed and assessed the prescribed floor rate, we consider it is fair and reasonable to use the prescribed floor rate as the lowest benchmark for determining the commission rate to be charged by the Group for the provision of traditional agency services.

We have, on a random basis, reviewed five samples of contract entered into between the Group and members of the Fineland Group and five samples of contract entered into between the Group and the Independent Third Parties in respect of provision of traditional agency services for the two years ended 31 December 2022 and the eight months ended 31 August 2023. Given that all 10 selected samples were selected on a random basis and distributed over the period spanning the two years ended 31 December 2022 and the eight months ended 31 August 2023, we consider the selected samples are fair and representative. We noted that, for each sample, (i) the scope of services was similar; and (ii) the commission rate charged by the Group to members of the Fineland Group and the Independent Third Parties was not lower than the abovementioned prescribed floor rate and fell within the range as stipulated under the pricing policy of 0.5% to 10%. Given the Group has adhered to the same pricing principle in determining the commission rates for its traditional agency services chargeable to both the Independent Third Parties and the

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Fineland Group, we consider that the commission rate charged by the Group to members of the Fineland Group are no less favourable than those charged by the Group to the Independent Third Parties.

With respect to the provision of sales agency services through the Group's Online Referral Platform, the Group generally charges a commission based on (i) a fixed percentage; (ii) a progressive scale percentage; (iii) a fixed sum; or (iv) a progressive scale sum of the completed sales. Online Referral Platform is an online platform that serves as a bridge between the property developers and other real estate agents. When a property developer engages the Group for using the Online Referral Platform, the Group will upload the relevant property information onto Online Referral Platform. If a third party real estate agent has a potential buyer who is interested in buying the property, the real estate agent will directly liaise with the Group and the Group will then arrange for a site visit and act as the bridge between the real estate agent and the property developer. For each of the successful purchase from the customer referred by the real estate agent, the property developer will pay the Group the commission for the transaction, and the Group will split the commission with the real estate agent that brings in the buyer.

We noted from the internal control policy of the Group, the Group has set a prescribed floor rate/amount as the lowest benchmark for determining the commission rate/amount to be charged to customers of the Group for provision of sales agency services through Online Referral Platform. The commission rate/amount for each provision of sales agency services through Online Referral Platform to be charged by the Group shall not be lower than the prescribed floor rate/amount.

According to the internal control policy of the Group, the prescribed floor rate/amount represents the lowest rate/amount charged by the Group to the Independent Third Party within the past three years. The prescribed floor rate/amount is determined on normal commercial terms through arm's length negotiation between the Group and the Independent Third Party. The prescribed floor rate/amount for commission chargeable to both Independent Third Parties and the Fineland Group for provision of sales agency services through Online Referral Platform is the same. The Management also advised that they review the prescribed floor rate/amount on a half-yearly basis or when there is any change in market conditions such as changes in government policies which may result in a significant impact on supply and demand of the property market or sudden modification in behavior of other industry players that may cause an adverse impact on the demand of the Group's services. The aforesaid changes will be assessed by the Group on a case-by-case basis and relevant adjustment will be made to the prescribed floor rate/amount as appropriate.

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Having considered that (i) the current prescribed floor rate/amount represents the lowest commission rate/amount charged by the Group to the Independent Third Party within the past three years; (ii) the prescribed floor rate/amount is determined on normal commercial terms through arm's length negotiation between the Group and the Independent Third Party; and (iii) the Management has regularly reviewed and assessed the prescribed floor rate/amount, we consider it is fair and reasonable to use the prescribed floor rate/amount as the lowest benchmark for determining the commission rate/amount to be charged by the Group for the provision of sales agency services through Online Referral Platform.

We have, on a random basis, reviewed five samples of contract entered into between the Group and members of the Fineland Group and five samples of contract entered into between the Group and the Independent Third Parties in respect of provision of sales agency services through Online Referral Platform for the two years ended 31 December 2022 and the eight months ended 31 August 2023. Given that all 10 selected samples were selected on a random basis and distributed over the period spanning the two years ended 31 December 2022 and the eight months ended 31 August 2023, we consider the selected samples are fair and representative. We noted that for each sample, (i) the scope of services was similar; and (ii) the commission charged by the Group to members of the Fineland Group and the Independent Third Parties was not lower than the abovementioned prescribed floor rate/amount and fell within the range as stipulated under the pricing policy. Given the Group has adhered to the same pricing principle in determining the commission rate/amount for its sales agency services through Online Referral Platform chargeable to both the Independent Third Parties and the Fineland Group, we consider that the commission rate/amount charged by the Group to the members of the Fineland Group are no less favourable than those charged by the Group to the Independent Third Parties.

In respect of the integrated services

The integrated services mainly include (i) property research, consultancy and marketing services; (ii) leasing agency services; and (iii) other integrated services.

With respect to the provision of property research, consultancy and marketing services, the Group generally charges a fixed lump-sum fee for each project. Such fee is determined by the Group on a case-by-case basis in accordance with the Group's pricing policy. We noted from the internal control policy of the Group, the Group has established guide prices based on two factors, namely the scale and location of the property project and the required level of resources and time costs involved, for fees chargeable to both

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Independent Third Parties and the Fineland Group for the provision of property research, consultancy and marketing services. As advised by the Management, it is common for the Group to provide both property research, consultancy and marketing services together with the sales agency services to the property developer (including the Fineland Group and Independent Third Parties) for a single property project and the Group may not charge a separate service fee for provision of property research, consultancy and marketing services if the Group considers the commission charged for provision of sales agency services is sufficient to cover the costs incurred for provision of the property research, consultancy and marketing services and generate positive return as a whole for the project.

According to our review, on a random basis, of the five samples of contract entered into between the Group and members of the Fineland Group and five samples of contract entered into between the Group and the Independent Third Parties in respect of the provision of traditional sales agency services by the Group, it is noted that the Group provided both property research, consultancy and marketing services and traditional sales agency services in each sample. We also noted that, for each sample, (i) the Group did not charge any service fee for the provision of property research, consultancy and marketing services; and (ii) the commission rate charged by the Group to members of the Fineland Group and the Independent Third Parties in respect of the sales agency service was not lower than the aforementioned prescribed floor rate. We consider such nil fee arrangement between the Group and members of the Fineland Group is no less favourable than the arrangements between the Group and Independent Third Parties. Given that all 10 selected samples were selected on a random basis and distributed over the period spanning the two years ended 31 December 2022 and the eight months ended 31 August 2023, we consider the selected samples are fair and representative.

We understood from the Management that the Group had only entered into four, two and one transaction(s) with members of the Fineland Group for the provision of integrated services, representing approximately 0.07%, 0.02% and 0.16% of the consolidated revenue of the Group, for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023, respectively. As advised by the Management, the integrated services are provided on a value-added basis and are not the primary business of the Group. There was only one set of comparable transactions which provided similar integrated services to both member of the Fineland Group and the Independent Third Party during the two years ended 31 December 2022 and the eight months ended 31 August 2023. We have reviewed the aforesaid sample contract entered into between the Group and the Fineland Group and compared against the contract entered into between the Group and the Independent Third

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Party for the provision of integrated services. We noted that the fee charged by the Group to the member of the Finland Group is no less favourable than that charged to the Independent Third Party.

2.2.3 Term and termination

The term of the 2024 Master Agency Service Agreement will commence from 1 January 2024 to 31 December 2026, subject to the approval of the 2024 Master Agency Service Agreement and the transactions contemplated thereunder (including the Agency Service Proposed Annual Caps) by the Independent Shareholders at the EGM.

At least three months prior to its expiry, the parties may agree to extend the 2024 Master Agency Service Agreement, subject to compliance with the then applicable Listing Rules. Either party may terminate the 2024 Master Agency Service Agreement by giving at least one month prior notice.

2.2.4 Payment terms

The payment terms will be stipulated in each of the Agency Implementation Agreements between the Group and members of the Finland Group, which shall normally be settled by bank transfer on a monthly basis or on an agreed period basis of usually not more than a month.

We have, on a random basis, reviewed 10 samples of contracts entered into between the Group and members of the Finland Group and 10 samples of contracts entered into between the Group and the Independent Third Parties in respect of the provision of sales agency services for the two years ended 31 December 2022 and the eight months ended 31 August 2023. Given that all 20 selected samples were selected on a random basis and distributed over the period spanning the two years ended 31 December 2022 and the eight months ended 31 August 2023, we consider the selected samples are fair and representative. We noted that the service fees were settled on a monthly basis, and the credit terms granted to members of the Finland Group fell within the same range as those granted to the Independent Third Parties. We consider that the payment terms offered to members of the Finland Group are in line with those available to the Independent Third Parties.

2.2.5 Our view

In view of the above and having considered that (i) the terms of contracts entered into between the Group and members of the Finland Group were similar to the terms of contracts entered into between the Group and the Independent Third Parties; (ii) the service fees charged to members of the Finland Group were comparable to or no less favorable than those charged by the Group to the Independent Third Parties; (iii) the payment terms offered to members of the

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Fineland Group were comparable to or no less favorable than those available to the Independent Third Parties; (iv) the Group has adhered to the same pricing policy in determining the service fees chargeable to members of the Fineland Group and the Independent Third Parties; and (v) the internal control procedures are in place to monitor the transactions under the 2024 Master Agency Service Agreement as set out the section headed “4. Internal control and risk management measures” below, we consider the terms of the 2024 Master Agency Service Agreement are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

2.3 The Agency Service Proposed Annual Caps

2.3.1 The proposed Agency Service Proposed Annual Caps

Pursuant to the 2024 Master Agency Service Agreement, the proposed Agency Service Proposed Annual Caps are as follows:

	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000
Agency Service Proposed Annual Caps	81,000	90,000	99,000

We have discussed with the Management and understood that the Agency Service Proposed Annual Caps were determined after taking into account (i) the historical transaction amounts between the Group and the Fineland Group for the period from 1 January 2021 to 31 August 2023; (ii) the historical sales amounts of the Fineland Group in the primary property market in the PRC; (iii) the historical average commission rates charged by the Group; (iv) the business plan in respect of the properties to be developed and launched for sale by the Fineland Group (the “**Fineland Business Plan**”) for the two years ending 31 December 2025; and (v) the anticipation of 10% growth in the sales area and sales amount of the properties for the year ending 31 December 2026 as compared to the previous financial year.

2.3.2 Historical figures and expected growth

Set out below are the existing annual caps for the Agency Service under the 2020 Master Agency Service Agreement (the “**Agency Service Existing Annual Caps**”), the historical transaction amounts for the two years ended 31 December

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2022 and the annualised transaction amount for the year ending 31 December 2023 based on the unaudited historical transaction amount for the eight months ended 31 August 2023:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Historical transaction amounts <i>(Note 1)</i>	93,562	31,935	14,319 ^{<i>(Note 2)</i>}
Agency Service Existing Annual Caps	165,000	220,000	280,000
Utilisation rate	56.7%	14.5%	5.1%

Notes:

1. The historical transaction amounts do not include the outstanding earnest money balance that accrued as a result of the earnest money payment arrangement which is part and parcel of the Group's services provided pursuant to the 2020 Master Agency Service Agreement (the "**Outstanding Earnest Money Balance**"). As at 31 December 2021, 31 December 2022 and 31 August 2023, the Outstanding Earnest Money Balance was RMB7,000,000, RMB34,452,000 and RMB33,169,000, respectively. As at the Latest Practicable Date, the Management expected the Outstanding Earnest Money Balance to be settled by 31 December 2023. For further information about the Outstanding Earnest Money Balance, please refer to the supplemental announcement of the Company dated 20 June 2023. There will be no earnest money payment arrangement for the Group's services to be provided pursuant to the 2024 Master Agency Service Agreement.
2. The figure represents the estimated transaction amount for the Agency Service for the year ending 31 December 2023 calculated by annualising the unaudited historical transaction amount for the eight months ended 31 August 2023 of approximately RMB9,546,000.

For the two years ended 31 December 2021 and 2022, the service fees received by the Group from members of the Fineland Group amounted to approximately RMB93.6 million and RMB31.9 million respectively, representing approximately 56.7% and 14.5% of the Agency Service Existing Annual Caps for the corresponding year. Based on the unaudited historical transaction amount for the eight months ended 31 August 2023, the annualised transaction amount for the year ending 31 December 2023 amounting to approximately RMB14.3 million, representing approximately 5.1% of the Agency Service Existing Annual Caps for the year ending 31 December 2023.

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We understood from the Management that due to the slowdown in economic activities in the PRC property market and the sporadic recurrence of the COVID-19 pandemic, the real estate industry has faced significant downward pressure. This situation has been witnessed through several instances of delayed delivery schedules of first-hand properties in the PRC market over the past few years, subsequently leading to a decrease in demand for the Group's real estate agency services. According to the 2022 Annual Report and the 2023 Interim Report, the Group's business operations and performance in real estate agency services segment have been severely affected, resulting in a decrease in total revenue for the Group's real estate agency segment by approximately 58.8% and 74.0%, and a reduction in total transaction amounts for the Agency Service by approximately 65.9% and 72.4%, for the year ended 31 December 2022 and the six months ended 30 June 2023 as compared to the previous year/period, respectively. Therefore, the Agency Service Existing Annual Caps resulted in low utilisation rates for the two years ended 31 December 2022 and the eight months ended 31 August 2023. In light of the above, the Management has made necessary downward adjustments to the Agency Service Proposed Annual Caps (as compared to the Agency Service Existing Annual Caps) to reflect the current and expected future market conditions.

Despite the slowdown in the PRC property market, the PRC government has implemented certain supportive policies and eased administrative control measures with the aim of revitalising the property market. In November 2022, the People's Bank of China and the China Banking and Insurance Regulatory Commission jointly announced 16 measures to ensure the sustainable development of the housing sector and encourage financial institutions to support real estate financing. The focus of these supporting policies has shifted from ensuring the timely delivery of real estate projects to protecting market players, aiming to mitigate the liquidity risks for real estate developers. In March 2023, the PRC government set a target of 5% GDP growth for 2023. In August 2023, the Ministry of Housing and Urban-Rural Development, the People's Bank of China and the China Banking and Insurance Regulatory Commission jointly announced guidance on relaxing residential housing loan rules, in a move aimed at boosting loan applications and house purchases. The Management is of the view that these policies will be helpful in boosting homebuyer confidence and releasing reasonable housing demand, thereby increasing the demand for the Agency Service to be provided by the Group.

2.3.3 Assessment on the Agency Service Proposed Annual Caps

In assessing the fairness and reasonableness of the Agency Service Proposed Annual Caps for the Agency Service, we have reviewed and discussed with the Management the bases for determining the Agency Service Proposed Annual Caps.

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The estimated transaction amounts between the Group and the Fineland Group in respect of provision of sales agency services (the “**Estimated Agency Service Amount**”) for each of the two years ending 31 December 2024 and 2025 are calculated by multiplying the forecasted sale amounts pursuant to the Fineland Business Plan by an average ratio (the “**Ratio**”) of approximately 1.16%. The Ratio is computed by dividing the aggregate historical transaction amounts between the Group and the Fineland Group for the period from 1 January 2020 to 30 June 2023 by the aggregate historical sale amounts of the Fineland Group in the primary property market in the PRC for the corresponding period, which represents the Group’s involvement in the total sales of the Fineland Group.

We also noted the Ratio as calculated for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 ranging from approximately 0.59% to 1.39%, with a median of 1.34% and an average of 1.16%. We consider it is appropriate to use the average of 1.16% as the Ratio for calculating the Estimated Agency Service Amounts.

We understood from the Management that the Fineland Business Plan is prepared by the Fineland Group with reference to, among others, the ongoing projects and its landbanks. As the forecasted sales amount as set out in the Fineland Business Plan is a key component in arriving at the Estimated Agency Service Amount, we have compared the forecasted sales amount in the business plan of the Fineland Group for the five years ended 31 December 2022 with the actual sales amount in the corresponding years. It is noted that the average achievement rate of the forecasted sales, presented as a percentage of the actual sales amount over the forecasted sales amount, was above 60%. As advised by the Management, a low achievement rate resulted in 2022 was primarily due to the economic slowdown in the PRC property market and the sporadic recurrence of the COVID-19 pandemic, which were not accounted for during the formulation of the then business plan by the Fineland Group as well as the determination of the Agency Service Existing Annual Caps. Given the recent downturn in the PRC property market, downward adjustments have been made for determining the Agency Service Proposed Annual Caps, as compared to the Agency Service Existing Annual Caps, to reflect the current and expected future market conditions. The Agency Service Proposed Annual Caps for the two years ending 31 December 2024 and 2025 are set at RMB81.0 million and RMB90.0 million, representing a reduction of approximately 71.1% and 67.9% as compared to the Agency Service Existing Annual Cap for the year ending 31 December 2023, respectively.

It is noted that the Fineland Business Plan has not prepared for the year ending 31 December 2026. We understood from the Management that it is because the Fineland Group considers that it is premature to prepare a full-blown sales plan for the year ending 31 December 2026 at this stage. The Management is of the view that following the implementation of supportive policies by the PRC government,

the PRC property market is expected to recover and the demand for the Agency Service provided by the Group is anticipated to grow in line with the market. As such, with reference to the growth of approximately 11.9% in the Estimated Agency Service Amount for the year ending 31 December 2025 as compared to that for the year ending 31 December 2024, the Management is of the view and we concur that it is fair and reasonable to apply an expected annual growth of 10% in arriving the Estimated Agency Service Amount for the year ending 31 December 2026.

Based on the above, the Estimated Agency Service Amounts for the three years ending 31 December 2024, 2025 and 2026 are estimated to be approximately RMB79.3 million, RMB88.8 million and RMB97.6 million, respectively.

2.3.4 Our view

Having considered the above, we are of the view that the Agency Service Proposed Annual Caps estimated by the Management for the three years ending 31 December 2024, 2025 and 2026 are fair and reasonable.

3. The 2024 Master Property Management Services Agreement

3.1 Background of and reasons for the 2024 Master Property Management Services Agreement

3.1.1 The 2020 Master Property Management Services Agreements

Following completion of the acquisition of Fineland E-Life by the Group on 28 January 2021, the Company had entered into each of the 2020 FGH Master Property Management Services Agreement and the 2020 FE Master Property Management Services Agreement with Fineland Group Holdings and Fineland Education, respectively, in relation to the arrangement for the Property Management Services provided by the Group to the Fineland Group and the Fineland Education Group, details of which are set out in (i) the announcements of the Company dated 15 October 2020 and 28 January 2021 in relation to the acquisition of Fineland E-Life by the Group and the then continuing connected transactions entered into following completion of such acquisition; and (ii) the relevant circular of the Company dated 3 December 2020. The 2020 Master Property Management Services Agreements and the transactions contemplated thereunder (including the relevant annual caps for the three years ending 31 December 2023) were approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 28 December 2020. As the 2020 Master Property Management Services Agreements will expire on 31 December 2023 and the Property Management Services are expected to continue in the future, the Company and Mr. Fong (on behalf of Mr. Fong's Associated Companies) entered into the 2024 Master Property Management Services Agreement to govern the continuing Property Management Services for a

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further term of three years up to 31 December 2026. The entering into of the 2024 Master Property Management Services Agreement is a renewal of the 2020 Master Property Management Services Agreements.

3.1.2 Commercial rationale for the 2024 Master Property Management Services Agreement

The Management considers the Property Management Services contemplated under the 2024 Master Property Management Services Agreement are of a recurrent nature and will be conducted on a regular and continuing basis in the ordinary and usual course of business of the Group and the counterparties to the 2024 Master Property Management Services Agreement. Members of the Fineland Group and the Fineland Education Group are with respectable experience and reputation in their respective areas of businesses or services and have had long standing relationships with the Group over the years. The Management is of the view that the maintenance of the strategic business relationships with the Fineland Group and the Fineland Education Group will continue to allow the realisation of synergies and economies of scale among the Group, the Fineland Group and the Fineland Education Group.

3.1.3 Auditor and independent non-executive Directors' review of past transactions

As stated in the 2021 Annual Report and the 2022 Annual Report, the auditor of the Company has performed procedures in respect of the 2020 Master Property Management Services Agreements in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), “*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*”, and Practice Note 740 (Revised), “*Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*”, issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company had issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules for each of the two years ended 31 December 2021 and 2022. In addition, the independent non-executive Directors had also reviewed and confirmed that the Property Management Services during each of the two years ended 31 December 2021 and 2022 had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the 2020 Master Property Management Services Agreement governing such transactions and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

3.1.4 Our view

Taking into account the background and commercial reasons for the 2024 Master Property Management Services Agreement and the results of the review of the Property Management Services in the past two financial years by the auditor of

the Company and the independent non-executive Directors respectively as described above, we are of the view that it is in the commercial interest of the Group to continue its business relationship with Mr. Fong's Associated Companies, and the entering into of the 2024 Master Property Management Services Agreement to govern the principal terms of the transactions contemplated thereunder and ensure compliance with the Listing Rules is in the interests of the Company and the Shareholders as a whole.

3.2 Principal terms of the 2024 Master Property Management Services Agreement

The 2024 Master Property Management Services Agreement is a framework agreement which sets out the principles upon which detailed terms of the transactions are to be determined between the parties to the 2024 Master Property Management Services Agreement. With respect to each project, the Group and members of Mr. Fong's Associated Companies will further enter into separate implementation agreements (the "**Property Management Implementation Agreements**") that prescribe specific terms and conditions of each property project.

The principal terms of the 2024 Master Property Management Services Agreement are summarised below:

3.2.1 Scope of services

The Group shall provide the following services to members of Mr. Fong's Associated Companies:

- (i) *Value-added services to non-property owners* — providing customer services, cleaning, security and repair and maintenance services to the sales offices, pre-sale display units, exhibition halls, clubs, etc.;
- (ii) *Property management services to real estate developers and property owners* — providing security, cleaning, gardening, repair and maintenance, traffic order maintenance, parking management, maintenance and management of the common areas and equipment of the buildings and their surrounding areas, and community value-added services; and
- (iii) *Property management services to schools* — providing cleaning, security, repair and maintenance services and community value-added services to schools.

3.2.2 Pricing policies

The property management services provided by the Group to members of Mr. Fong's Associated Companies are also offered to other Independent Third Parties. The pricing and terms of the 2024 Master Property Management Services Agreement with respect to the Property Management Services are to be determined on normal

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commercial terms, negotiated on an arm's length basis, and the fees shall be no less favourable than those available from Independent Third Parties. The pricing policy applicable to Mr. Fong's Associated Companies is similar to that for similar services rendered to Independent Third Parties, having regard to the followings:

Types of services

Pricing policies

- Value-added services to non-property owners* :
- (i) the service fee shall be determined according to the Group's service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 3% to 15%) and tax; and
 - (ii) when determining the management fee profit margin, the Group and Mr. Fong's Associated Companies will consider a number of factors, including type and condition of property, geographical location/region, contractual period, sales cycle, nature and complexity of related projects, customer's expectation of service quality, past profit margin of similar contracts, etc., and also the fees received by the Group for providing services of a similar scale and quality to Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.

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- Property management services to real estate developers and property owners* : (i) the service fee shall be determined according to (a) the prevailing market price multiplied by the GFA of the relevant property management project and/or the number of car parking spaces; and (b), in relation to the community value-added services, the service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 5% to 20%) and tax; and
- (ii) when determining the prevailing market price or the management fee profit margin, the Group and Mr. Fong's Associated Companies will consider a number of factors, including the type and condition of property, geographical location/region, scope and quality of services, general situation of owners and residents, pricing guidance on property management fees issued by the local authorities (if any), pricing of property management service fee of surrounding properties, past profit margin of similar contracts, and also the fees received by the Group for providing services of a similar scale and quality to Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.

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- Property management services to schools* : (i) the service fee shall be determined according to the Group's service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 3% to 15% or, in relation to community value-added services, 5% to 20%) and tax; and
- (ii) when determining the management fee profit margin, the Group and the Fineland Education Group will consider a number of factors, including type and condition of property and its status, geographical location/region, contractual period, nature and complexity of related projects, customer's expectation of service quality, past profit margin of similar contracts, etc., and also the fees received by the Group for providing services of a similar scale and quality to Independent Third Parties, taking into account not less than two transactions entered into with them. If there are insufficient comparable transactions, the Group will make reference to the prevailing market prices for providing services for comparable properties in terms of scale, location, and quality, etc., offered by other real estate property management service providers.

We have reviewed and compared the terms of the contracts (including the payment terms, the fee and the scope of services) in respect of the property management services entered into between (i) the Group and members of Mr. Fong's Associated Companies; and (ii) the Group and the Independent Third Parties. Set out below is the summary of our review.

In respect of value-added services to non-property owners

We have, on a random basis, reviewed five samples of contracts entered into between the Group and members of the Fineland Group and five samples of contracts entered into between the Group and the Independent Third Parties

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for the two years ended 31 December 2022 and the eight months ended 31 August 2023. Given that all 10 selected samples were selected on a random basis and distributed over the period spanning the two years ended 31 December 2022 and the eight months ended 31 August 2023, we consider the selected samples are fair and representative. We noted that, for each sample, (i) the service fee was determined according to the service cost plus management fee profit margin and tax; (ii) the management fee profit margin of the contracts entered into between the Group and members of the Finland Group fell within the range as stipulated under the pricing policy of the Group of 3% to 15%; (iii) the scopes of services of these samples were similar; (iv) the payment terms offered to the members of the Finland Group were similar to those offered to the Independent Third Parties; and (v) the service fee was settled on a monthly basis.

In respect of property management services to real estate developers and property owners

We understood from the Management that the Group provides property management services to real estate developers and property owners and the service fees are determined in accordance with the factors as listed above. The Management advised that the prevailing market price will be determined taken into account the pricing guidance issued by the local authorities regarding property management. The pricing guidance has stipulated the suggested ceiling service fee per sq. m. (and a floating range of certain percentage) and the suggested ceiling service fee per parking space. The Group will make reference to such guidance for determination of the service fee per sq. m. and the service fee per parking space chargeable to both members of the Finland Group and Independent Third Parties. The Group adheres to the same pricing principle for determination of the service fee to both members of the Finland Group and Independent Third Parties.

We have, on a random basis, reviewed five samples of contracts entered into between the Group and members of the Finland Group and five samples of contracts entered into between the Group and the Independent Third Parties for the two years ended 31 December 2022 and the eight months ended 31 August 2023. Given that all 10 selected samples were selected on a random basis and distributed over the period spanning the two years ended 31 December 2022 and the eight months ended 31 August 2023, we consider the selected samples are fair and representative. Based on our review, we noted that, for each sample, (i) the service fee was calculated by multiplying the service fee per sq. m. as set out in each sample and the GFA of the relevant property management project, and if the scope of service involved the management of parking spaces, the service fee was charged on a fixed fee based on the number of parking spaces; (ii) the service fee per sq. m. and the

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service fee per parking space of the sample were equal to or below the suggested ceiling service fees as set out in the guidance issued by the respective local authorities; (iii) the scopes of services as set out in these samples are similar; (iv) the service fee per sq. m. and/or the service fee per parking space charged by the Group to members of the Fineland Group in the samples were no less favourable than those charged to Independent Third Parties for the same geographical region; (v) the payment terms offered to the members of the Fineland Group are similar to those offered to the Independent Third Parties; and (vi) the service fee was settled within a period of three months. Given the Group has adhered to the same pricing principle in determining the service fee per sq. m. and the service fee per parking space for provision of the property management services chargeable to both the Independent Third Parties and members of the Fineland Group, we consider that the service fees charged by the Group to members of the Fineland Group are no less favourable than those charged by the Group to the Independent Third Parties.

The Group also offers community value-added services alongside property management services to real estate developers and property owners. We understood from the Management that the revenue contribution from the provision of community value-added services to Mr. Fong's Associated Companies was minimal, accounting for approximately 0.11%, 0.69% and 0.02% of the consolidated revenue of the Group for the two years ended 31 December 2022 and the eight months ended 31 August 2023, respectively. We have, on a random basis, reviewed the breakdown of five samples of transactions and the relevant management fee profit margin for the provision of community value-added services to the Fineland Group. Given that all five selected samples of transactions were selected on a random basis and distributed over the period spanning the two years ended 31 December 2022 and the eight months ended 31 August 2023, we consider the selected samples are fair and representative. It is noted that the management fee profit margins fell within the range as stipulated under the pricing policy of the Group of 5% to 20%.

In respect of property management services to schools

We understood from the Management that the Group provided Property Management Services to one primary school and other educational properties to members of the Fineland Education Group during the two years ended 31 December 2022 and the eight months ended 31 August 2023. As advised by the Management, the revenue contribution from the provision of property management services to the aforesaid other educational properties was minimal, accounting for approximately 0.02%, 0.01% and 0.03% of the consolidated revenue of the Group for the two years ended 31 December 2021

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and 2022 and the eight months ended 31 August 2023, respectively. The Group ceased/will cease to provide property management services to them upon expiration of their service contracts during the three years ending 31 December 2023. As further advised by the Management, it is expected that only the contract for the provision of property management services to the one primary school will be renewed for the three years ending on 31 December 2026.

We have reviewed the contract in respect to the one primary school entered into between the Group and member of the Finland Education Group for the service period commencing from 1 January 2023 to 31 December 2023, and compared against a sample of contract entered into between the Group and an Independent Third Party in respect of the provision of property management services to school for the same service period. We noted that, for each sample, (i) the service fee was determined according to the service cost plus management fee profit margin and tax; (ii) the management fee profit margin of the contract entered into between the Group and the Finland Education Group fell within the range as stipulated under the pricing policy of the Group of 3% to 15%; (iii) the scopes of services of these samples were similar; and (iv) the payment terms offered to the member of the Finland Group were no less favourable to those offered to the Independent Third Party. Given the Group has adhered to the same pricing principle in determining the service fee for the provision of property management services to schools chargeable to both Independent Third Parties and members of the Finland Education Group, we consider that the service fee charged by the Group to members of the Finland Education Group are no less favourable than those charged by the Group to the Independent Third Parties.

3.2.3 Term and termination

The term of the 2024 Master Property Management Services Agreement will commence from 1 January 2024 to 31 December 2026, subject to the approval of the 2024 Master Property Management Services Agreement and the transactions contemplated thereunder (including the Property Management Services Proposed Annual Caps) by the Independent Shareholders at the EGM.

At least three months prior to its expiry, the parties may agree to extend 2024 Master Property Management Services Agreement, subject to compliance with the then applicable Listing Rules. Either party may terminate the 2024 Master Property Management Services Agreement during the term by giving at least one month prior notice.

3.2.4 Payment terms

The payment terms will be stipulated in each of the Property Management Implementation Agreements between the Group and members of Mr. Fong's Associated Companies, which shall normally be settled by bank transfer on a monthly basis or on an agreed period basis of usually not more than three months.

We have reviewed and compared the payments terms in respect of the property management services offered to members of Mr. Fong's Associated Companies and Independent Third Parties as set out in the section headed "3.2.2 Pricing policies" above, we consider that the payment terms offered to members of Mr. Fong's Associated Companies were comparable to or no less favourable than those charged and offered by the Group to the Independent Third Parties.

3.2.5 Our view

In view of the above and having considered that (i) the terms of contracts entered into between the Group and members of Mr. Fong's Associated Companies were similar to the terms of contracts entered into between the Group and the Independent Third Parties; (ii) the service fee charged to members of Mr. Fong's Associated Companies were comparable to or no less favorable than those charged by the Group to the Independent Third Parties; (iii) the payment terms offered to the members of Mr. Fong's Associated Companies were comparable to or no less favorable than those charged and offered by the Group to the Independent Third Parties; (iv) the Group has adhered to the same pricing principle in determining the service fee chargeable to members of Mr. Fong's Associated Companies and the Independent Third Parties; and (v) the internal control procedures in place to monitor the transactions under the 2024 Master Property Management Services Agreement as set out the section headed "4. Internal control and risk management measures" below, we consider the terms of the 2024 Master Property Management Services Agreement are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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3.3 *The Property Management Services Proposed Annual Caps*

3.3.1 *The proposed Property Management Services Proposed Annual Caps*

Pursuant to the 2024 Master Property Management Services Agreement, the proposed Property Management Services Proposed Annual Caps are set as follows:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Property Management Services Proposed Annual Caps ^(Note)	32,000	34,000	36,000

Note: There will be no earnest money payment arrangement for the Group's services to be provided pursuant to the 2024 Master Property Management Services Agreement.

We have discussed with the Management and understood that the Property Management Services Proposed Annual Caps represents the aggregate estimated transaction amounts between the Group and members of the Fineland Group and the Fineland Education Group in respect of the provision of (i) value-added services to non-property owners (the “**Estimated Value-added Service Amounts**”); (ii) property management services to real estate developers and property owners (the “**Estimated Real Estate Management Service Amounts**”); and (iii) property management services to schools (the “**Estimated School Management Service Amounts**”) for the three years ending 31 December 2026 (collectively, the “**Estimated Property Management Service Amounts**”).

The Estimated Property Management Service Amounts are determined after taking into account (i) the historical transaction amounts between the Group and members of Mr. Fong's Associated Companies for the period from 1 January 2021 to 31 August 2023; (ii) the estimated revenue to be recognised in relation to the Property Management Services provided by the Group pursuant to existing contracts; (iii) the expected GFA of the sales offices and new property projects of members of the Fineland Group which will require the Property Management Services provided by the Group, including (a) in relation to the sales office property management services, the estimated number of staff required and the management fee expected to be generated by those staff members; and (b) in relation to the property management services to real estate developer and property owners, the estimated management fee to be charged for the new property projects by reference to the historical contracts between the Group and members of the Fineland Group; (iv) the estimated number of schools of the members of the Fineland Education Group which will require the Property Management Services to be provided by the

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Group and the expected cost of managing such schools plus a management fee profit margin by reference to historical transactions between the Group and members of the Fineland Education Group; (v) the anticipation of 5% growth in the Estimated Value-added Service Amount and the Estimated Real Estate Management Service Amount for the year ending 31 December 2026 as compared to the previous financial year; and (vi) the anticipation of 3% annual growth in the Estimated School Management Service Amount for the three years ending 31 December 2026.

3.3.2 Historical figures and expected growth

Set out below are the existing annual caps for the Property Management Services under the 2020 Master Property Management Services Agreements (the “**Property Management Services Existing Annual Caps**”), the historical transaction amounts for the two years ended 31 December 2022 and the annualised transaction amount for the year ending 31 December 2023 based on the unaudited historical transaction amount for the eight months ended 31 August 2023:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Historical transaction amounts	42,715	42,565	32,132 ^(Note)
<i>Of which pursuant to</i>			
(i) 2020 FGH Master Property Management Services Agreement	42,041	41,936	31,527 ^(Note)
(ii) 2020 FE Master Property Management Services Agreement	674	629	605 ^(Note)
Property Management Services Existing Annual Caps	49,720	53,740	60,760
<i>Of which pursuant to</i>			
(i) 2020 FGH Master Property Management Services Agreement	49,000	53,000	60,000
(ii) 2020 FE Master Property Management Services Agreement	720	740	760
Utilisation rate	85.9%	79.2%	52.9%

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Note: The figure represents the estimated transaction amount for the Property Management Services for the year ending 31 December 2023 calculated by annualising the unaudited historical transaction amount for the eight months ended 31 August 2023 of approximately RMB21,421,000, of which approximately RMB21,018,000 pursuant to the 2020 FGH Master Property Management Services Agreement and RMB403,000 pursuant to the 2020 FE Master Property Management Services Agreement.

For the two years ended 31 December 2021 and 2022, the aggregate property management service fees received by the Group from members of Mr. Fong's Associated Companies amounted to approximately RMB42.7 million and RMB42.6 million respectively, representing approximately 85.9% and 79.2% of the Property Management Services Existing Annual Caps for the corresponding year. Based on the unaudited historical transaction amount for the eight months ended 31 August 2023, the annualised transaction amount for the year ending 31 December 2023 amounting to approximately RMB32.1 million, representing approximately 52.9% of the Property Management Services Existing Annual Caps for the year ending 31 December 2023.

We have discussed with the Management and understood that the Property Management Services is of a recurrent nature and conducting on a regular and continuing basis. The revenue generated from the provision of Property Management Services to the members of Mr. Fong's Associated Companies remained stable for the two years ended 31 December 2021 and 2022. However, due to the slowdown in economic activities in the PRC property market in recent years, the Fineland Group has reduced its investment in new property projects, which in turn, resulted in a decrease in demand for the Property Management Services provided by the Group as well as a lower utilisation rate in the Property Management Services Existing Annual Cap for the eight months ended 31 August 2023. Given the recent downturn in the PRC property market, downward adjustments have been made for determining the Property Management Services Proposed Annual Caps, as compared to the Property Management Services Existing Annual Caps, to reflect the current and expected future market conditions.

Nevertheless, with the roll-out of various stimulating policies by the central and local governments in recent months, the Management remains cautiously optimistic about the future PRC property market and believes that the maintenance of the strategic business relationships with the Fineland Group and the Fineland Education Group will continue to allow the realisation of synergies and economies of scale among the Group, the Fineland Group and the Fineland Education Group.

3.3.3 Assessment on the Property Management Services Proposed Annual Caps

In assessing the fairness and reasonableness of the Property Management Services Proposed Annual Caps for the Property Management Services, we have reviewed and discussed with the Management the bases for determining the Property Management Services Proposed Annual Caps.

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In respect of the Estimated Value-added Service Amounts

The Estimated Value-added Service Amounts for the two years ending 31 December 2024 and 2025 are determined based on (i) the expected timeline for setting up the sales offices in accordance with the Fineland Business Plan; (ii) the estimated GFA of each property project; (iii) the ratio of the estimated GFA managed by each staff; and (iv) the ratio of the estimated service fee generated by each staff. The Estimated Value-added Service Amount for the year ending 31 December 2026 is calculated by multiplying the Estimated Value-added Service Amount for the year ending 31 December 2025 by an annual growth rate of 5%.

In arriving at the Estimated Value-added Service Amounts, the Management has calculated the ratios of (i) the estimated GFA managed by each staff and (ii) the estimated service fee generated by each staff deployed by the Group, with reference to four representative historical transactions between the Group and members of the Fineland Group across four of the major business regions of the Group in Guangdong and Hainan for the service period commencing from January 2022 to December 2023. The ratio of the estimated GFA managed by each staff is calculated by dividing the aggregate GFA of each property project by the respective aggregate number of staff deployed by the Group. The ratio of the estimated service fee generated by each staff is calculated by dividing the monthly service fees charged to members of the Fineland Group in respect of each property project by the respective number of staff deployed by the Group. We have obtained and reviewed the aforesaid four contracts and invoices and, on a random basis, five samples of contract entered into between the Group and the Independent Third Parties regarding the provision of value-added services to non-property owners by the Group during the same period. Considering that the four samples involving members of the Fineland Group represent all the samples adopted by the Management in arriving the aforesaid ratios, and the five samples involving Independent Third Parties were selected on a random basis within the same period as the Fineland Group, we consider these samples are fair and representative. The ratios calculated by the Management and us based on the contracts entered into between the Group and members of the Fineland Group are the same, and the ratios calculated based on the contracts entered into between the Group and the Independent Third Parties are close to the ratios adopted by the Management in arriving at the Property Management Services Proposed Annual Caps for the provision of value-added services to non-property owners.

As advised by the Management, the Group generally deploys staff including supervisor, security guard, tea lady and janitor to the sales office and public areas of the property site based on the GFA of the property project. The

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estimated service fee for each property project is derived by (i) dividing the estimated GFA of the property project by the ratio of estimated GFA managed by each staff; (ii) multiplying the result by the ratio of estimated service fee generated by each staff; and (iii) multiplying the result by the number of months which will require the provision of value-added services to non-property owners based on the expected timeline for setting up the sales offices by the Fineland Group.

We noted that the estimated number and sales amount of property projects to be developed and launched for sale by the Fineland Group, pursuant to the Fineland Business Plan, are reduced for the two years ending 31 December 2025 as compared to the two years ended 31 December 2022. We understood from the Management, due to the slowdown in economic activities in the PRC property market in recent years, the Fineland Group has reduced its investment in new property projects and prepared the Fineland Business Plan for the next two years with caution. Having considered that the demand for value-added services to non-property owners is primarily associated with the number and sales amount of property projects that are being developed and launched for sale, we consider it is fair and reasonable to determine the Estimated Value-added Service Amounts for the two years ending 31 December 2025 based on the Fineland Business Plan provided by the Fineland Group.

We also understood from the Management that the Fineland Business Plan has not prepared for the year ending 31 December 2026 as the Fineland Group considers that it is premature to prepare a full-blown sales plan for the year ending 31 December 2026 at this stage. We have also discussed with the Management regarding the fairness and reasonableness of applying an annual growth rate of 5% in arriving at the Estimated Value-added Service Amount for the year ending 31 December 2026. The Management is of the view that following the implementation of supportive policies in the property market by the PRC government, the PRC property market is expected to recover and the demand for the Property Management Services provided by the Group is anticipated to grow in line with the market. Having considered that the PRC property market environment is unpredictable, an annual growth rate of 5% is moderate and it allows certain extent of flexibility to the Group to promptly cope with any unanticipated increase in demand for the provision of value-added services to non-property owners to members of the Fineland Group without the need of re-complying with the relevant Listing Rules, we consider it is reasonable to apply an annual growth rate of 5% in arriving at the Estimated Value-added Service Amount for the year ending 31 December 2026.

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Based on the above, the Estimated Value-added Service Amounts for the three years ending 31 December 2024, 2025 and 2026 are estimated to be approximately RMB16.1 million, RMB17.2 million and RMB18.0 million, respectively.

In respect of the Estimated Real Estate Management Service Amounts

The Estimated Real Estate Management Service Amounts for the year ending 31 December 2024 and 2025 represent the sum of (i) the estimated revenue in relation to the provision of property management services to real estate developers and property owners to be recognised by the Group based on the existing contracts entered into between the Group and members of the Fineland Group and (ii) the forecasted management fee in respect of each property project which is calculated by multiplying (a) the estimated GFA to be delivered by the members of the Fineland Group based on the Fineland Business Plan and (b) a ratio (the “**Service Fee Ratio**”) calculated by dividing the aggregate management fee in respect of nine representative property projects charged to members of the Fineland Group during 2021 to 2023 by the aggregate GFA of nine representative property projects delivered by the members of the Fineland Group during the period of 2021 to 2023.

The Estimated Real Estate Management Service Amount for the year ending 31 December 2026 is calculated by multiplying the Estimated Real Estate Management Service Amount for the year ending 31 December 2025 by an annual growth rate of 5%.

We understood from the Management that the Group will manage the properties after the completion of the construction but before the delivery of the properties and members of the Fineland Group shall be responsible for the management fee of the property project during such period. The Management also advised that, in order to promote the sale of the properties, the Fineland Group also pay the management fee on behalf of the property owner after delivery of the property for a certain period. The Fineland Group will formulate and change its promotion plan based on the sales feedback of the property project on a case-by-case basis and thus it would be impracticable to formulate such plan and estimate the management fee which shall be payable by the members of the Fineland Group for each property project as at the Latest Practicable Date. As an alternative, the Management used the Service Fee Ratio and forecasted the management fee based on the delivery schedule of each project according to the Fineland Business Plan. The Management considers, and we concur, the Service Fee Ratio demonstrates the relationship between the management fee payable by, and the GFA of property delivered by, members of the Fineland Group. We have discussed with the Management regarding the basis for selecting these nine property projects for the calculation

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of the Service Fee Ratio. The Management advised that these nine property projects represented all property projects primarily delivered during the period from 2021 to 2023 and covered seven different regions in Guangdong, Hainan and the Greater Bay Area. As such, the Management considers these nine property projects to be representative in deriving the Service Fee Ratio. The Management has also advised that it may not be appropriate to calculate the Service Fee Ratio based on properties delivered prior to 2021, as market condition could have changed since then.

We have also discussed with the Management regarding the fairness and reasonableness of applying an annual growth rate of 5% in arriving at the Estimated Real Estate Management Service Amount for the year ending 31 December 2026. The Management is of the view that following the implementation of supportive policies in the property market by the PRC government, the PRC property market is expected to recover and the demand for the Property Management Services provided by the Group is anticipated to grow in line with the market. Having considered that the PRC property market environment is unpredictable, an annual growth rate of 5% is moderate and it allows some extent of flexibility to the Group to promptly cope with any unanticipated increase in demand for the provision of property management services to real estate developers and property owners to members of the Fineland Group without the need of re-complying with the relevant Listing Rules, we consider it is reasonable to apply an annual growth rate of 5% in arriving at the Estimated Real Estate Management Service Amount for the year ending 31 December 2026.

Based on the above, the Estimated Real Estate Management Service Amounts for the three years ending 31 December 2024, 2025 and 2026 are estimated to be approximately RMB15.1 million, RMB15.8 million and RMB16.6 million, respectively.

In respect of the Estimated School Management Service Amounts

The Estimated School Management Service Amounts are determined based on the estimation that the Group will provide Property Management Services to one primary school of the Fineland Education Group for the three years ending 31 December 2026. Based on the estimated management fee of approximately RMB572,000 for the provision of property management services to that primary school for the year ending 31 December 2023, which is the aggregate amount of (i) the historical management fee received by the Group in respect of that primary school for the six months ended 30 June 2023; and (ii) the estimated management fee to be recognised as revenue for the six months ending 31 December 2023 pursuant to the existing contract, the Estimated School Management Service Amounts for the three years ending 31 December

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2026 are derived by applying an annual growth rate of 3% to the estimated management fee generated from that school in the respective previous financial year.

We have also discussed with the Management regarding the fairness and reasonableness for applying an annual growth rate of 3%. The Management advised that the annual growth rate of 3% is determined by considering the inflation of service costs over the past three years. We noted that the management fee received/to be received by the Group for provision of property management services to that primary school of the Finland Education Group increased/will be increased by approximately 0.03% and 0.19% for the year ended 31 December 2022 and the year ending 31 December 2023 as compared to the previous financial year, respectively.

Having considered that the annual growth rate of 3% is moderate and it allows certain extent of flexibility to the Group to cater for inflation of any cost of services and promptly cope with any unanticipated increase in demand for the provision of property management services to schools to members of the Finland Education Group without the need of re-complying with the relevant Listing Rules, we consider it is reasonable to apply an annual growth rate of 3% in arriving at the Estimated School Management Service Amounts for the three years ending 31 December 2026.

Based on the above, the Estimated School Management Service Amounts for the three years ending 31 December 2024, 2025 and 2026 are estimated to be approximately RMB570,000, RMB590,000 and RMB610,000, respectively.

3.3.4 Our view

Having considered the above, we are of the view that the Property Management Services Proposed Annual Caps estimated by the Management for the three years ending 31 December 2026 are fair and reasonable.

4. Internal control and risk management measures

The Group has established internal control measures for reporting and monitoring continuing connected transactions which will be complied by the Group to ensure compliance with Chapter 14A of the Listing Rules.

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In respect of the internal control measures for the 2024 Master Agency Service Agreement

In setting the actual fees for different types of services to be provided by the Group under the 2024 Master Agency Service Agreement, the relevant sales teams of the Group would determine the proposed fees in accordance with the following price determination procedures to ensure that the terms for each type of services offered to the Fineland Group are not more favourable than the terms offered to Independent Third Parties:

- (i) *Sales agency services* — the Group has set a prescribed floor rate/amount for commission chargeable to both Independent Third Parties and the Fineland Group for provision of the sales agency services. The prescribed floor rate/amount is the lowest commission rate/amount as shown in the relevant implementation agreement and/or payment invoice between the Group and the Independent Third Party within the past three years, which is determined on normal commercial terms through arm's length negotiation between the Group and the Independent Third Party. The relevant sales team would then propose the commission rates based on a fixed percentage or a progressive scale percentage of the completed sales applicable to the particular project, which shall be equal to or higher than the prescribed floor rate/amount, based on factors set out in the section headed “2.2.2 Pricing policies” above on a case-by-case basis. The Management regularly reviews the prescribed floor rate/amount for commission chargeable to both Independent Third Parties and the Fineland Group for provision of sales agency services on a half-yearly basis or when there is any change in market conditions such as changes in government policies which may result in a significant impact on supply and demand of the property market or sudden modification in behavior of other industry players that may cause an adverse impact on the demand of the Group's services. The aforesaid changes will be assessed by the Group on a case-by-case basis and the relevant adjustment will be made to the prescribed floor rate/amount as appropriate.
- (ii) *Integrated services* — (a) *for property research, consultancy and marketing services*: the relevant sales team would decide whether to charge a separate service fee for provision of property research, consultancy and marketing services having considered whether the Group is engaged to provide the property research, consultancy and marketing services only or both the property research, consultancy and marketing services and the sales agency service to the Fineland Group in a particular project. If the Group considers that the commission charged for provision of sales agency services is sufficient to cover the costs incurred for provision of property research, consultancy and marketing services, the Group may not charge a separate service fee. The Group will consider the scale of the projects involved, the estimated commission income for the provision of sales agency services and the

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resources required for delivering the property research, consultancy and marketing services in deciding whether it is justifiable to not separately charge for provision of property research, consultancy and marketing services. If the relevant sales team is of the view that a separate service fee should be charged, then it would propose a fixed lump-sum fee to be charged for the property research, consultancy and marketing services in that particular project based on factors set out in the section headed “2.2.2 Pricing policies” above on a case-by-case basis, primarily taking into account the time costs involved for providing such services and the fees received by the Group for providing similar services for projects of comparable complexity to Independent Third Parties. The aforementioned approach is applicable to the provision of property research, consultancy and marketing services to both the Fineland Group and Independent Third Parties; and (b) *for other integrated services*: the Group has set a prescribed floor rate/amount for the commission or fees chargeable to both Independent Third Parties and the Fineland Group for provision of other integrated services. The prescribed floor rate/amount is the lowest commission rate/amount as shown in the relevant implementation agreement and/or payment invoice between the Group and the Independent Third Party within the past three years, which is determined on normal commercial terms through arm’s length negotiation between the Group and the Independent Third Party. The relevant sales team would propose the commission rates based on a percentage of rental fees for leasing agency services, or on a fixed amount for other integrated services (excluding leasing agency services) as applicable, which shall be equal to or higher than the prescribed floor rate/amount, or a minimum fixed amount, based on factors set out in the section headed “2.2.2 Pricing policies” above on a case-by-case basis. The Management regularly reviews the prescribed floor rate/amount for commission chargeable or the fixed amount to both Independent Third Parties and the Fineland Group for provision of other integrated services on a half-yearly basis or when there is any change in market conditions such as changes in government policies which may result in a significant impact on supply and demand of the property market or sudden modification in behavior of other industry players that may cause an adverse impact on the demand of the Group’s services. The aforesaid changes will be assessed by the Group on a case-by-case basis and the relevant adjustment will be made to the prescribed floor rate/amount as appropriate.

The Management considers that the frequency of review of the prescribed floor rates or amounts by on a half-yearly basis is sufficient, especially taking into account (i) it only serves the purpose of setting the lowest benchmark for the sales team to develop and propose an appropriate rate/amount for a particular project based on other factors such as scale and location, level of resources and expected transaction amount; and (ii) the review and approval process for each Agency Implementation Agreement, which considers the prevailing market prices, as described below.

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In addition to the above price determination procedures, the proposed fees determined by the sales team as above are subject to the review and approval of the Group's internal control team headed by Ms. OUYANG Xiaoqing, the general manager of risk control department, who has no interests in the transactions contemplated under the 2024 Master Agency Service Agreement. The review and approval process is based on the following principles and aims to ensure that under the respective implementation agreements the fees charged to the Finland Group will be in accordance with the prevailing market prices of similar services:

- (i) by reference to the fees charged by the Group to at least two Independent Third Parties for providing services for comparable properties in terms of scale, location and quality, taking into account the transactions entered into with such Independent Third Parties; or
- (ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms by reference to the prevailing market prices for providing services for comparable properties in terms of scale, location and quality offered by other real estate agency service providers.

In order to ensure that the actual fees for the services provided to the Finland Group are conducted on normal commercial terms (or terms no less favourable to the Company than terms available to Independent Third Parties), the Group adopts the following methods and procedures:

- (i) the internal control team will keep proper documentation of the agreements entered into between the Group and its customers and make reference to the market data gathered by the relevant sales departments of the Group from time to time on the prevailing market price for each type of the services for comparable properties in terms of scale, location, type and condition of property and use them as reference prices for determining whether the fees charged for a specific transaction is in accordance with the aforesaid pricing policy;
- (ii) the internal control team will regularly (on a quarterly basis and/or prior to price negotiation) check the standard margin percentage for the different types of services charged by the Group to Independent Third Parties. If pursuant to the proposed fees determined by the relevant sales team, the proposed margin falls short of the standard margin percentage, then the internal control team will require the relevant sales team to provide an explanation on the additional factors (including for example, level of resources and time costs involved for providing such services) that were taken into account when preparing the proposed fees. If necessary, the proposed fees would be adjusted or re-negotiated to ensure fairness and reasonableness;

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- (iii) the internal control team will regularly inspect specific terms of the Agency Implementation Agreements and compare them with the terms of agreements for the same type of transactions of the Group entered into with Independent Third Parties;
- (iv) the internal control team will conduct regular checks to review and assess whether the transactions contemplated under the 2024 Master Agency Service Agreement are actually conducted in accordance with the terms of the respective implementation agreements;
- (v) the finance department will carry out regular assessments of the continuing connected transactions for each financial year and report its findings to the Board including the aggregate transaction amount for the respective year;
- (vi) the independent non-executive Directors will, on an annual basis, review the transactions contemplated under the 2024 Master Agency Service Agreements and confirm, among other matters, such transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (vii) the external auditors of the Group will, on an annual basis, report on the transactions contemplated under the 2024 Master Agency Service Agreement and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (viii) the internal control team will conduct regular half-yearly reviews of the internal control measures of the Group in relation to the continuing connected transactions of the Company and where any weaknesses are identified, the Company will take measures to address them as soon as practicable to ensure that the above internal control measures in respect of the continuing connected transactions remain complete and effective.

In light of the Agency Service Proposed Annual Caps, the internal control team will be responsible for monitoring the transaction amount contemplated under the 2024 Master Agency Service Agreement on a monthly basis and will prepare a related party transaction report setting out the transaction amount of the corresponding month and an aggregate transaction amount for the respective year.

Having considered (i) the consistent application of the pricing mechanism to transactions contemplated under the 2024 Master Agency Service Agreement and transactions entered into with Independent Third Parties; (ii) additional requirement of the participation of the internal control team, which is responsible for the review and approval of the proposed fees determined by the sales team based on the aforesaid

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pricing policy and reviewing the various internal control measures of the Group; and (iii) the checks and balances under the internal control measures set out above, the Management considers that the methods and procedures adopted by the Company can ensure that the services provided by the Group under the 2024 Master Agency Service Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

In respect of the internal control measures for the 2024 Master Property Management Services Agreement

According to the Group's prevailing internal policy and procedure manual, the designated officer of the operation team will report to the internal control team headed by Ms. OUYANG Xiaoqing, the general manager of risk control department, who has no interests in the transactions contemplated under the 2024 Master Property Management Services Agreement, with details of the connected transactions to be entered into by the Group pursuant to the 2024 Master Property Management Services Agreement for review and disclosure or further action as required in compliance with Chapter 14A of the Listing Rules. The relevant quality control teams will also conduct market research and investigation from time to time to ensure that the property management service fee is not lower than the prevailing market price and report to the internal control team. This may include gathering market data from time to time on the prevailing market price for each type of property management services for comparable properties, reviewing the latest government guidance price (if any), minimum wage, social insurance and housing provident funding required for employees on the relevant government websites and researching on the management fee charged by other real estate property management service providers in the relevant locations.

For a transaction that falls within the scope of continuing connected transactions, the internal control team will monitor the current continuing connected transaction amounts and ensure that the transaction amounts of the potential connected transactions will not result in the Property Management Services Proposed Annual Caps being exceeded. The internal control team will also review and approve each of the Property Management Implementation Agreements to ensure that its provisions are, in all material aspects, consistent with the principles, guidelines, relevant management fee profit margin, guidance price (if any), and other terms and conditions set out in the 2024 Master Property Management Services Agreement and that the fees charged to the

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Fineland Group and the Fineland Education Group are in accordance with the prevailing market prices or no less favourable than the pricing for providing similar property management services to Independent Third Parties with reference to:

- (i) the fees charged by the Group to at least two Independent Third Parties for providing property management services for comparable properties in terms of scale, location, quality, etc. as stated under section headed “The 2024 Master Property Management Services Agreement — Pricing policies” in the Board Letter; or
- (ii) if there are not sufficient comparable transactions in (i) above, the normal commercial terms by reference to the prevailing market prices for providing property management services for comparable properties in terms of scale, location, quality, etc. as stated under the section headed “The 2024 Master Property Management Services Agreement — Pricing policies” in the Board Letter, offered by other real estate property management service providers.

In order to ensure that the actual fees for the Property Management Services are conducted on normal commercial terms (or terms no less favourable to the Group than terms available to Independent Third Parties), the Group will also adopt the following methods and procedures:

- (i) the internal control team will keep proper documentation of the agreements entered into between the Group and its customers and make reference to the market data gathered by relevant quality control teams of the Group from time to time on the prevailing market price for each type of property management services for comparable properties in terms of scale, location, type and condition of property and status, scope and quality, and nature and complexity of required services and use these as reference prices for determining whether the fees charged for a specific transaction is in accordance with the aforesaid pricing policy;
- (ii) the internal control team will regularly inspect specific terms of the Property Management Implementation Agreements and compare them with the terms of agreements for the same type of transactions of the Group entered into with Independent Third Parties;
- (iii) the internal control team will conduct regular checks to review and assess whether the transactions contemplated under the 2024 Master Property Management Services Agreement are actually conducted in accordance with the terms of the respective implementation agreements;
- (iv) the finance department will carry out regular assessments of the continuing connected transactions for each financial year and report its findings to the Board including the aggregate transaction amount for the respective year;

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- (v) the independent non-executive Directors will, on an annual basis, review the transactions contemplated under the 2024 Master Property Management Services Agreement and confirm, among other matters, such transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole;
- (vi) the external auditor of the Group will, on an annual basis, report on the transactions contemplated under the 2024 Master Property Management Services Agreement and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (vii) the internal control team will conduct regular half-yearly reviews of the internal control measures of the Group in relation to the continuing connected transactions of the Company and where any weaknesses are identified, the Company will take measures to address them as soon as practicable to ensure that the above internal control measures in respect of the continuing connected transactions remain complete and effective.

In light of the Property Management Services Proposed Annual Caps, the internal control team will be responsible for monitoring the transaction amount contemplated under the 2024 Master Property Management Services Agreement on a monthly basis and will prepare a related party transaction report setting out the transaction amount of the corresponding month and an aggregate transaction amount for the respective year.

Accordingly, the Management considers that there will be an adequate internal control mechanism in place as abovementioned to ensure that the transactions contemplated under the 2024 Master Property Management Services Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

We have reviewed the internal control manual and samples of historical documents and records maintained by the Group for walkthrough purpose to understand the nature of the Agency Service, the Property Management Services and the aforesaid internal control procedures. Among which, we observed that the Group's personnel with appropriate level of authorities are involved in the approval and/or review process in relation to the Continuing Connected Transactions. We also noted that the auditor of the Company has issued unqualified letter in respect of its review on the continuing connected transactions for the years ended 31 December 2021 and 2022. Whilst our scope of work as an independent financial adviser does not include a review of the effectiveness of the internal control measures of the Group, we are of the view that based on our work described above and having regard to the nature of the Continuing Connected

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Transactions, the internal control measures of the Group are appropriate to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms and to safeguard the interests of the Company and the Shareholders as a whole.

IV. OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the terms of the 2024 Master Agency Service Agreement and the 2024 Master Property Management Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; (ii) the Agency Service Proposed Annual Caps and the Property Management Services Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the transactions contemplated under each of the 2024 Master Agency Service Agreement and the 2024 Master Property Management Services Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps) and the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the respective transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Ng Ka Po
Managing Director, Corporate Finance

Mr. Ng Ka Po is a responsible officer of Optima Capital and a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Ng has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(i) Directors and chief executives

Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives in the Shares, underlying shares and debentures of the Company and 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 or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Long position in the Shares:

Name	Nature of interest	Total number of Shares held	Percentage of Shareholding
Mr. Fong Ming	Interest in controlled corporation and a legal and beneficial owner ^(Note 1)	222,000,000	55.5%
Ms. Tse Lai Wa	Interest in controlled corporation ^(Note 1)	216,000,000	54%
Mr. Yi Ruofeng	Interest in controlled corporation ^(Note 2)	6,120,000	1.53%
Mr. Han Shuguang	Interest in controlled corporation ^(Note 3)	4,500,000	1.125%

Notes:

1. 216,000,000 shares are registered in the name of Mansion Green, which is held as to 70% by Mr. Fong's holding companies (including Stand Smooth, Hero Dragon, Finland Group Holdings and Widethrive Investments, and as to 30% by Aspiring Vision, which is wholly-owned by Ms. Tse.
2. Shares are held by Totoro Holding Limited, which is wholly-owned by Mr. Yi Ruofeng.
3. Shares are held by Adwan Orient Holdings Limited, which is wholly-owned by Mr. Han.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Substantial Shareholders***Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares and Debentures***

As at the Latest Practicable Date, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Long position in the Shares:

Name	Nature of interest	Total number of Shares held	Percentage of Shareholding
Ms. He Kangkang (何康康) ^(Note 1)	Interest of spouse	222,000,000	55.5%
Mr. Zheng Muming (鄭木明) ^(Note 2)	Interest of spouse	216,000,000	54%
Mansion Green	Legal and beneficial owner	216,000,000	54%
Widethrive Investments ^(Note 3)	Interest in a controlled corporation	216,000,000	54%
Finland Group Holdings ^(Note 3)	Interest in a controlled corporation	216,000,000	54%

Name	Nature of interest	Total number of Shares held	Percentage of Shareholding
Hero Dragon ^(Note 3)	Interest in a controlled corporation	216,000,000	54%
Stand Smooth ^(Note 3)	Interest in a controlled corporation	216,000,000	54%
Aspiring Vision ^(Note 3)	Interest in a controlled corporation	216,000,000	54%

Notes:

1. Ms. He Kangkang (何康康) is the spouse of Mr. Fong. Under the SFO, Ms. He Kangkang is deemed to be interested in the same number of Shares in which Mr. Fong is interested in.
2. Mr. Zheng Muming (鄭木明) is the spouse of Ms. Tse. Under the SFO, Mr. Zheng Muming is deemed to be interested in the same number of Shares in which Ms. Tse is interested in.
3. Mansion Green is the registered owner of 216,000,000 Shares, representing 54% of the issued share capital of the Company. Mansion Green is owned as to 30% by Aspiring Vision, which is in turn wholly-owned by Ms. Tse, and as to 70% by Stand Smooth. Stand Smooth is wholly owned by Hero Dragon, which is wholly-owned by Finland Group Holdings, which in turn is wholly owned by Widethrive Investments, and ultimately wholly-owned by Mr. Fong. Accordingly, Widethrive Investments, Finland Group Holdings, Hero Dragon, Stand Smooth, Aspiring Vision, Mr. Fong and Ms. Tse are therefore deemed to be interested in the same number of Shares as to which Mansion Green is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares and debentures which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. NO MATERIAL ADVERSE CHANGE

Reference is made to the interim report of the Company for the six months ended 30 June 2023 (the “**Interim Report**”) in which the unaudited net loss of the Company for the six months ended 30 June 2023 was approximately RMB18.6 million, compared to the unaudited net profit of approximately RMB17.4 million for the six months ended 30 June 2022. The net loss was mainly attributable to the significant increase in impairment losses for the receivables from the provision of property management services segment and real estate agency services segment.

Save as disclosed in the Interim Report, the Directors confirm that as at the Latest Practicable Date, there had not been any material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. COMPETING INTERESTS

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

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE

(i) Interests in asset acquired, disposed of or leased by, or to be acquired, disposed of or leased by the Group

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any direct or indirect material interest in any asset which have been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up), 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.

(ii) Interest in contracts and arrangements

As at the Latest Practicable Date, (i) Mr. Fong (due to his shareholding interests in the Finland Group and the Finland Education Group) and (ii) Ms. Tse (due to the acting-in-concert arrangement with Mr. Fong) have material interests in the following:

- (i) the master property management services agreement dated 28 January 2021 entered into between the Company and Finland Education in relation to the provision of property management services by the Group to subsidiaries of the Finland Education for a term of three years commencing on 28 January 2021 and ending on 31 December 2023.

As at the Latest Practicable Date, (i) Mr. Fong (due to his shareholding interests in the Fineland Group and the Fineland Education Group); (ii) Ms. Tse (due to the acting-in-concert arrangement with Mr. Fong); and (iii) Mr. Han (due to his directorship in the Fineland Group) have material interests in the following:

- (i) the master property management services agreement dated 28 January 2021 entered into between the Company and Fineland Group Holdings in relation to the provision of property management services by the Group to subsidiaries of Fineland Group Holdings for a term of three years commencing on 28 January 2021 and ending on 31 December 2023;
- (ii) the master agency service agreement dated 3 September 2020 entered into between the Company and Fineland Group Holdings in relation to the provision of real estate agency services in the primary property market by the Group to subsidiaries of Fineland Group Holdings for a term of three years commencing on 1 January 2021 and ending on 31 December 2023;
- (iii) the master lease agreement dated 28 January 2021 entered into between the Company and Fineland Group Holdings pursuant to which any subsidiaries of the Company as tenant may continue, amend, renew the existing lease agreements or enter into new leases with subsidiaries of Fineland Group Holdings for a term of three years commencing retrospectively on 1 January 2021 and ending on 31 December 2023;
- (iv) the 2024 master agency service agreement dated 25 October 2023 entered into between the Company and Fineland Group Holdings in relation to the provision of real estate agency services by the Group to members of the Fineland Group for a term of three years commencing on 1 January 2024 and ending on 31 December 2026;
- (v) the 2024 master property management services agreement dated 25 October 2023 entered into between the Company and Mr. Fong in relation to the provision of property management services by the Group to Mr. Fong's Associated Companies for a term of three years commencing on 1 January 2024 and ending on 31 December 2026; and
- (vi) the 2024 master lease agreement dated 25 October 2023 entered into between the Company and Fineland Group Holdings pursuant to which any subsidiaries of the Company as tenant may continue, amend, renew the existing lease agreements or enter into new leases with members of the Fineland Group for a term of three years commencing on 1 January 2024 and ending on 31 December 2026.

Save as disclosed above and in this circular, there was no contract or arrangement subsisting as at the Latest Practicable Date, in which a Director was materially interested and which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or been proposed to enter, into any service contract with the Company or any other members of the Group which is not expiring or may not be terminable by the Group within one year without payment of compensation (other than statutory compensation).

7. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinions or advices which are contained in this circular:

Name	Qualification
Optima Capital	A corporation licensed by the Securities and Futures Commission to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The expert named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 23 November 2023 and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Optima Capital did not have any beneficial shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, directly or indirectly in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the Stock Exchange's website and the Company's website for a period of fourteen (14) days from the date of this circular (both days inclusive):

- (i) the 2024 master agency service agreement dated 25 October 2023 entered into between the Company and Fineland Group Holdings in relation to the provision of real estate agency services by the Group to members of the Fineland Group for a term of three years commencing on 1 January 2024 and ending on 31 December 2026; and
- (ii) the 2024 master property management services agreement dated 25 October 2023 entered into between the Company and Mr. Fong in relation to the provision of property management services by the Group to Mr. Fong's Associated Companies for a term of three years commencing on 1 January 2024 and ending on 31 December 2026.

9. GENERAL

In case of inconsistencies, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Fineland Living Services Group Limited

方圓生活服務集團有限公司

(formerly known as Fineland Real Estate Services Group Limited 方圓房地產服務集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9978)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Fineland Living Services Group Limited (the “Company”) will be held at 11:00 a.m. on Wednesday, 20 December 2023 at 11th Floor, No. 28 Tiyu East Road, Tianhe District, Guangzhou, the PRC for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolutions. Words and expressions that are not expressly defined in this notice of EGM shall bear the same meaning as those defined in the circular of the Company dated 23 November 2023 (the “Circular”).

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the 2024 Master Agency Service Agreement dated 25 October 2023, a copy of which is tabled at the meeting and marked “A” and signed by the chairman of the meeting for the purpose of identification, entered into between the Company and Fineland Group Holdings and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Agency Service Proposed Annual Caps for the three years ending 31 December 2026 (as set out in the Circular) be and are hereby approved; and
- (c) any one of the directors of the Company be and is hereby authorised to take such actions and execute such documents, instruments and agreements for and on behalf of the Company as he or she may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the 2024 Master Agency Service Agreement (including the Agency Service Proposed Annual Caps) and the transactions contemplated thereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “THAT:

- (a) the 2024 Master Property Management Services Agreement dated 25 October 2023, a copy of which is tabled at the meeting and marked “B” and signed by the chairman of the meeting for the purpose of identification, entered into between the Company and Mr. Fong and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the Property Management Services Proposed Annual Caps for the three years ending 31 December 2026 (as set out in the Circular) be and are hereby approved; and
- (c) any one of the directors of the Company be and is hereby authorised to take such actions and execute such documents, instruments and agreements for and on behalf of the Company as he or she may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the 2024 Master Property Management Services Agreement (including the Property Management Services Proposed Annual Caps) and the transactions contemplated thereunder.”

Yours faithfully,

By order of the Board

Fineland Living Services Group Limited

HAN Shuguang

Chairman

Hong Kong, 23 November 2023

Notes:

1. A member of the Company entitled to attend and vote at the EGM shall be entitled to appoint one or if he is a holder of two or more shares of the Company, more than one proxies to attend and vote in his stead. A proxy needs not be a member of the Company but must be present in person at the EGM to represent the member. Completion and return of the form of proxy will not preclude a member of the Company from attending the EGM and voting in person should he so wish. In such event, his form of proxy will be deemed to have been revoked.
2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. A form of proxy for the EGM is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 48 hours before the time for holding the EGM (i.e. not later than 11:00 a.m. on Monday, 18 December 2023) or any adjournment thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. To ascertain the members' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Friday, 15 December 2023 to Wednesday, 20 December 2023 (both days inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 14 December 2023.
5. Members of the Company or their proxies shall produce documents of their proof of identity when attending the EGM.
6. If typhoon signal No. 8 or above, "extreme conditions caused by super typhoons" or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of Company at www.finelandassets.com and on the HKEXnews website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the date, time and place of the rescheduled meeting.

As at the date of this notice, the executive Directors are Mr. HAN Shuguang, Mr. YI Ruofeng and Ms. TSE Lai Wa; the non-executive Director is Mr. FONG Ming; and the independent non-executive Directors are Mr. LEUNG Wai Hung, Mr. TIAN Qiusheng and Mr. DU Chenhua.