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

If you have sold or transferred all your shares in **KWG Living Group Holdings Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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KWG Living Group Holdings Limited

合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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

A letter from the Board is set out on pages 7 to 28 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter from Lego Corporate Finance, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 67 of this circular.

A notice convening the EGM of the Company to be held at Yunshan Conference Room, 38th Floor, International Finance Place, No. 8 Huaxia Road, Pearl River New Town, Guangzhou, People's Republic of China on Friday, 13 January 2023 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the meeting is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the appointed time for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (i) Compulsory body temperature checks
- (ii) Wearing of surgical face masks
- (iii) No provision of refreshments and corporate gifts

Any attendee who does not comply with the precautionary measures (i) and (ii) above may be denied entry to the EGM venue.

For the health and safety of the shareholders, Shareholders are strongly encouraged to appoint the chairman of the EGM as their proxy instead of attending the EGM in person. If any Shareholders wishes to attend in person, the Shareholder is advised to pay attention to the latest epidemic-control and protection arrangements implemented by the Central Government of the People's Republic of China and the Government of the Hong Kong Special Administrative Region.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements at short notice. Shareholders shall check the Company's website (www.kwgliving.com) and/or the HKEXnews website (www.hkexnews.hk) for future announcements and updates on the EGM arrangements.

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DEFINITIONS

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

“associate(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commercial Operational Services”	commercial operational services to be provided by the Group to KWG Group and its associates under the Old Commercial Operational and Value-added Services Framework Agreement or the New Commercial Operational and Value-added Services Framework Agreement (as the case may be), such as preliminary planning and consultancy, tenant sourcing and management, and marketing and promotion services, for commercial properties owned by KWG Group and/or its associates
“Commercial Pre-sale Management Services”	the pre-sale management services to be provided by the Group to KWG Group and its associates under the Old Commercial Property Management Services Framework Agreement or the New Commercial Property Management Services Framework Agreement (as the case may be), such as cleaning, security and maintenance services for pre-sale display units and sales offices of commercial properties owned by KWG Group and its associates
“Commercial Property Management Services”	the commercial property management services to be provided by the Group to KWG Group and its associates under the Old Commercial Property Management Services Framework Agreement or the New Commercial Property Management Services Framework Agreement (as the case may be), such as file management, cleaning, security, gardening, and repair and maintenance services for commercial properties developed by KWG Group and its associates which are (a) unsold or sold but not yet delivered to the new owners; (b) pending to be leased out; or (c) owned by KWG Group and its associates for their own use
“Commercial Value-added Services”	value-added services to be provided by the Group to KWG Group and its associates under the Old Commercial Operational and Value-added Services Framework Agreement or the New Commercial Operational and Value-added Services Framework Agreement (as the case may be), such as providing assistance in leasing out common areas, advertising spaces and empty floor space, for properties owned by KWG Group and/or its associates

DEFINITIONS

“Company”	KWG Living Group Holdings Limited (合景悠活集團控股有限公司), a company incorporated in the Cayman Islands with limited liability on 11 September 2019, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 3913)
“connected person(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held at Yunshan Conference Room, 38th Floor, International Finance Place, No. 8 Huaxia Road, Pearl River New Town, Guangzhou, People’s Republic of China on Friday, 13 January 2023 at 3:00 p.m. or any adjournment thereof (as the case may be), the notice of which is set out on pages EGM-1 to EGM-3 of this circular
“Excel Wave”	Excel Wave Investments Limited (卓濤投資有限公司), a company incorporated in the British Virgin Islands with limited liability on 10 April 2008, which is wholly-owned by Mr. KONG Jiantao
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hero Fine”	Hero Fine Group Limited (英明集團有限公司), a company incorporated in the British Virgin Islands with limited liability on 25 October 2007, which is wholly-owned by Mr. KONG Jianmin
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established by the Board, comprising all the independent non-executive Directors, namely Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum, to advise the Independent Shareholders in respect of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor)

DEFINITIONS

“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the relevant resolutions with respect to the Non-exempt Agreements
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“KWG Group”	KWG Holdings and its subsidiaries
“KWG Holdings”	KWG Group Holdings Limited (合景泰富集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 28 July 2006, the shares of which are listed on the Stock Exchange (stock code: 1813)
“Latest Practicable Date”	16 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“New Commercial Operational and Value-added Services Framework Agreement”	the commercial operational and value-added services framework agreement entered into by the Company and KWG Holdings on 21 November 2022
“New Commercial Property Management Services Framework Agreement”	the commercial property management services framework agreement entered into by the Company and KWG Holdings on 21 November 2022

DEFINITIONS

“New Property Agency Services Framework Agreement”	the property agency services framework agreement entered into by the Company and KWG Holdings on 21 November 2022
“New Residential Property Management Services Framework Agreement”	the residential property management services framework agreement entered into by the Company and KWG Holdings on 21 November 2022
“Non-exempt Agreements”	the (1) New Residential Property Management Services Framework Agreement; (2) New Property Agency Services Framework Agreement; (3) New Commercial Property Management Services Framework Agreement; and (4) New Commercial Operational and Value-added Services Framework Agreement
“Old Commercial Operational and Value-added Services Framework Agreement”	the commercial operational and value-added services framework agreement entered into by the Company and KWG Holdings on 14 October 2020
“Old Commercial Property Management Services Framework Agreement”	the commercial property management services framework agreement entered into by the Company and KWG Holdings on 14 October 2020 (as amended and supplemented by the supplemental agreement dated 29 September 2021)
“Old Framework Agreements”	the (1) Old Residential Property Management Services Framework Agreement; (2) Old Property Agency Services Framework Agreement; (3) Old Commercial Property Management Services Framework Agreement; and (4) Old Commercial Operational and Value-added Services Framework Agreement
“Old Property Agency Services Framework Agreement”	the property agency services framework agreement entered into by the Company and KWG Holdings on 14 October 2020 (as amended and supplemented by the supplemental agreement dated 29 September 2021)
“Old Residential Property Management Services Framework Agreement”	the residential property management services framework agreement entered into by the Company and KWG Holdings on 14 October 2020 (as amended and supplemented by the supplemental agreement dated 29 September 2021)

DEFINITIONS

“Peace Kind”	Peace Kind Investments Limited (和康投資有限公司), a company incorporated in the British Virgin Islands with limited liability on 10 October 2018, which is wholly-owned by Mr. KONG Jiannan
“Plus Earn”	Plus Earn Consultants Limited (晉得顧問有限公司), a company incorporated in the British Virgin Islands with limited liability on 18 May 2006, which is wholly-owned by Mr. KONG Jianmin
“PRC”	the People’s Republic of China
“Property Agency Services”	the property agency services to be provided by the Group to KWG Group and its associates under the Old Property Agency Services Framework Agreement or the New Property Agency Services Framework Agreement (as the case may be) for properties developed by KWG Group and its associates
“Prospectus”	the prospectus of the Company dated 19 October 2020
“Residential Pre-sale Management Services”	the pre-sale management services to be provided by the Group to KWG Group and its associates under the Old Residential Property Management Services Framework Agreement or the New Residential Property Management Services Framework Agreement (as the case may be), such as cleaning, security and maintenance services for pre-sale display units and sales offices owned by KWG Group and its associates
“Residential Property Management Services”	the property management services to be provided by the Group to KWG Group and its associates under the Old Residential Property Management Services Framework Agreement or the New Residential Property Management Services Framework Agreement (as the case may be), such as cleaning, security, gardening and repair and maintenance services for residential properties developed by KWG Group and its associates which are unsold or sold but not yet delivered to the property owners
“Right Rich”	Right Rich Consultants Limited (正富顧問有限公司), a company incorporated in the British Virgin Islands with limited liability on 21 April 2006, which is wholly-owned by Mr. KONG Jiantao
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wealth Express”	Wealth Express Investments Limited (富迅投資有限公司), a company incorporated in the British Virgin Islands with limited liability on 3 October 2012, which is wholly owned by Mr. KONG Jiantao



KWG Living Group Holdings Limited

合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

Executive Directors:

KONG Jiannan (*Chief Executive Officer*)
YANG Jingbo

Non-executive Director:

KONG Jianmin (*Chairman*)

Independent Non-executive Directors:

LIU Xiaolan
FUNG Che Wai, Anthony
NG Yi Kum

Registered Office:

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

Principal Place of Business in Hong Kong:

Units 8503–05A, Level 85,
International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

21 December 2022

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 21 November 2022 in relation to, among others, the Non-exempt Agreements and the transactions contemplated thereunder.

The purposes of this circular are to provide the Shareholders with, among other things, (i) further information on the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Agreements and the transactions contemplated thereunder (including

LETTER FROM THE BOARD

the proposed annual caps therefor); and (iv) a notice of the EGM to consider and, if thought fit, to approve the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor).

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to (i) the Prospectus in relation to, among others, the Old Residential Property Management Services Framework Agreement, Old Property Agency Services Framework Agreement, the Old Commercial Property Management Services Framework Agreement and the Old Commercial Operational and Value-added Services Framework Agreement (i.e. the Old Framework Agreements); and (ii) the announcement of the Company dated 29 September 2021 and the circular of the Company dated 26 October 2021 in relation to the revision of annual caps under the Old Residential Property Management Services Framework Agreement, Old Property Agency Services Framework Agreement and the Old Commercial Property Management Services Framework Agreement.

As the abovementioned agreements will expire on 31 December 2022 and the Company will continue to conduct the transactions contemplated thereunder upon their expiry, on 21 November 2022, the Company and KWG Holdings entered into, among others, the (i) New Residential Property Management Services Framework Agreement; (ii) New Property Agency Services Framework Agreement; (iii) New Commercial Property Management Services Framework Agreement; and (iv) New Commercial Operational and Value-added Services Framework Agreement (i.e. the Non-exempt Agreements).

The principal terms of each of the Non-exempt Agreements are set out below:

(1) New Residential Property Management Services Framework Agreement

Date

21 November 2022

Parties

- (a) The Company (for itself and on behalf of its subsidiaries); and
- (b) KWG Holdings (for itself and on behalf of its subsidiaries).

Term

Subject to compliance with the Listing Rules, from 1 January 2023 to 31 December 2025 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

LETTER FROM THE BOARD

Subject matter

Under the New Residential Property Management Services Framework Agreement, the Group has agreed to provide KWG Group and its associates with residential property management services, including but not limited to Residential Pre-sale Management Services and Residential Property Management Service. The relevant parties shall enter into individual residential property management services agreements, terms of which shall be consistent with the principal terms of the New Residential Property Management Services Framework Agreement in all material aspects.

Pricing policy

The fees to be charged for the Residential Pre-sale Management Services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the rates generally offered by the Group to Independent Third Parties in respect of comparable services and the fees for similar services and types of properties in the market.

The fees to be charged for the Residential Property Management Services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to rates generally offered by the Group to Independent Third Parties and the fees for similar services and type of properties in the market in accordance with the measures set out in the section headed "INTERNAL CONTROL MEASURES" of this circular. In addition, such fees shall not be higher than the standard fees filed with the relevant government authorities (if applicable), and where the group is engaged by KWG Group or its associates for the Residential Property Management Services through standard public tender procedures as required under the relevant PRC laws or regulations, shall be consistent with the fees submitted in the relevant tender documents.

Payment arrangement

The payment mechanism for all fees and payments due to the Group pursuant to the transactions contemplated under the New Residential Property Management Services Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

LETTER FROM THE BOARD

Historical transaction amount

The existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 are as follows:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>
<i>Residential Pre-sale</i>			
<i>Management Services</i>	245,100	358,700	430,500
<i>Residential Property</i>			
<i>Management Services</i>	<u>57,400</u>	<u>137,900</u>	<u>165,500</u>
Total	<u>302,500</u>	<u>496,600</u>	<u>596,000</u>

The actual transaction amounts for the two years ended 31 December 2021 and the nine months ended 30 September 2022 under the Old Residential Property Management Services Framework Agreement are as follows:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the nine months ended 30 September 2022 <i>RMB'000</i>
<i>Residential Pre-sale</i>			
<i>Management Services</i>	244,866	320,738	176,908
<i>Residential Property</i>			
<i>Management Services</i>	<u>57,246</u>	<u>115,864</u>	<u>107,240</u>
Total	<u>302,112</u>	<u>436,602</u>	<u>284,148</u>

The utilisation rates of the corresponding existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 (annualised) were approximately 99.9%, 87.9% and 63.6%, respectively. The decreasing trend of the utilisation rates was primarily due to the generally poor sentiments of the property market and the fluctuating conditions of the COVID-19 pandemic, which have resulted in a lower-than-expected average monthly management fee and GFA delivered by KWG Group and its associates for which the Group is engaged to provide Residential Pre-sale Management Services and Residential Property Management Services.

LETTER FROM THE BOARD

Proposed annual caps

The proposed annual caps under the New Residential Property Management Services Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Residential Pre-sale</i>			
<i>Management Services</i>			
<i>— to KWG Group</i>	182,000	182,000	182,000
<i>— to KWG Group's associates</i>	<u>77,500</u>	<u>77,500</u>	<u>77,500</u>
	<u>259,500</u>	<u>259,500</u>	<u>259,500</u>
 <i>Residential Property</i>			
<i>Management Services</i>			
<i>— to KWG Group</i>	133,800	154,600	178,600
<i>— to KWG Group's associates</i>	<u>64,300</u>	<u>74,200</u>	<u>85,700</u>
	<u>198,100</u>	<u>228,800</u>	<u>264,300</u>
Total	<u>457,600</u>	<u>488,300</u>	<u>523,800</u>

The proposed annual caps for the New Residential Property Management Services Framework Agreement were determined based on: (i) the historical transaction amounts of the Residential Pre-sale Management Services and Residential Property Management Services under the Old Residential Property Management Services Framework Agreement and the relatively low utilisation rate of the corresponding annual cap for the year ending 31 December 2022; (ii) the existing contracts under which the Group has been engaged by KWG Group and its associates to provide the Residential Pre-sale Management Services and Residential Property Management Services; (iii) the projected transaction amounts in respect of the residential properties developed by KWG Group and its associates for which the Group is engaged to provide the Residential Pre-sale Management Services and Residential Property Management Services under the existing contracts; (iv) the estimated project number of approximately 64 (including existing, new and renewed projects) for the year ending 31 December 2023 for which KWG Group and its associates will require the Residential Pre-sale Management Services with an assumption that the overall project number for each of the two years ending 31 December 2025 will remain stable; and (v) the expected increase in GFA under management from approximately 2.1 million sq.m. for the year ending 31 December 2022 to approximately 3.4 million sq.m.

LETTER FROM THE BOARD

for the year ending 31 December 2025 for which KWG Group and its associates will require the Residential Property Management Services, which is determined based on the conservative estimation of a 10% annual increase in the GFA under management delivered by KWG Group and its associates as well as the vacancy rate of the relevant properties, with reference to the increase of approximately 14% of the delivered GFA under management for the ten months ended 31 October 2022 as compared with that for the year ended 31 December 2021 and the overall real estate market sentiment in the PRC which is gradually stabilising.

In view of the above, the Board considers the proposed annual caps under the New Residential Property Management Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

The Group has been engaged by KWG Group and its associates to provide Residential Pre-sale Management Services and Residential Property Management Services. It is expected that the Group will continue to do so in its ordinary and usual course of business upon expiry of the Old Residential Property Management Services Framework Agreement.

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

(2) New Property Agency Services Framework Agreement

Date

21 November 2022

Parties

- (a) The Company (for itself and on behalf of its subsidiaries); and
- (b) KWG Holdings (for itself and on behalf of its subsidiaries).

Term

Subject to compliance with the Listing Rules, from 1 January 2023 to 31 December 2025 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

Under the New Property Agency Services Framework Agreement, the Group has agreed to provide KWG Group and its associates with the Property Agency Services. The relevant parties shall enter into individual property agency services agreements, terms of which shall be consistent with the principal terms of the New Residential Property Management Services Framework Agreement in all material aspects.

Pricing policy

The fees for the Property Agency Services shall be charged at a commission rate with reference to the price of the properties sold, and the commission rate shall be determined on arm's length basis with reference to the commission rates generally offered by the Group to Independent Third Parties and the commission rates for similar services and type of properties in the market in accordance with the measures set out in the section headed "INTERNAL CONTROL MEASURES" of this circular.

Payment arrangement

The payment mechanism for all fees and payments due to the Group pursuant to the transactions contemplated under the New Property Agency Services Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

LETTER FROM THE BOARD

Historical transaction amount

The existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 under the Old Property Agency Services Framework Agreement are as follows:

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2021 RMB'000	For the year ending 31 December 2022 RMB'000
<i>Property Agency Services</i>	<u>225,900</u>	<u>635,300</u>	<u>762,400</u>

The actual transaction amounts for the two years ended 31 December 2021 and the nine months ended 30 September 2022 under the Old Property Agency Services Framework Agreement are as follows:

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2021 RMB'000	For the nine months ended 30 September 2022 RMB'000
<i>Property Agency Services</i>	<u>225,460</u>	<u>427,829</u>	<u>107,645</u>

The utilisation rates of the corresponding existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 (annualised) were approximately 99.8%, 67.3% and 18.8%, respectively. The decreasing trend of the utilisation rates was primarily due to the generally poor sentiments of the property market and the fluctuating conditions of the COVID-19 pandemic, which have resulted in a lower-than-expected sales performance of certain developed residential properties projects of KWG Group and its associates.

LETTER FROM THE BOARD

Proposed annual caps

The proposed annual caps under the New Property Agency Services Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Property Agency Services</i>			
<i>— to KWG Group</i>	169,100	212,100	257,100
<i>— to KWG Group's associates</i>	55,100	72,100	87,100
Total	224,200	284,200	344,200

The annual caps under the New Property Agency Services Framework Agreement were determined based on (i) the historical transaction amounts under the Old Property Agency Services Framework Agreement; (ii) the existing contracts under which the Group has been engaged by KWG Group and its associates to provide the Property Agency Services; (iii) the expected increase of approximately three percentage points from the year ending 31 December 2022 (annualised) to the year ending 31 December 2023, and further by approximately five percentage points during each of the two years ending 31 December 2025, in the coverage by the Group in providing the Property Sales Agency Services for the relevant properties of KWG Group and its associates based on the Group's expected expansion of sales channels in providing the Property Agency Services for the three years ending 31 December 2025; (iv) the commission rate to be charged by the Group to KWG Group and its associates which is expected to remain in line with the average commission rate charged during the nine months ended 30 September 2022; and (v) the increase in estimated sales amount of the relevant properties of KWG Group and its associates to be generated through the provision of the Property Agency Services by the Group, which is expected to exhibit a year-on-year increase of 60% from the year ending 31 December 2022 (annualised) to the year ending 31 December 2023 and then remain constant throughout the three years ending 31 December 2025.

The decrease in the proposed annual caps for the Property Agency Service as compared to the existing annual cap for the year ending 31 December 2022 is mainly because the Company expects that for the three years ending 31 December 2025, the primary business target of KWG Group and its associates will be to pick up the previously affected sales schedule and performance of the developed properties project as mentioned above, and taking into account the relatively low utilisation rate of the corresponding annual cap for the year ending 31 December 2022. The increase in the proposed annual caps for the Property Agency Service

LETTER FROM THE BOARD

during the three years ending 31 December 2025 is primarily due to the increase in estimated sales amount of the relevant properties of KWG Group and its associates to be generated through the provision of the Property Agency Services by the Group for the three years ending 31 December 2025.

In view of the above, the Board considers the proposed annual caps under the New Property Agency Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the New Property Agency Services Framework Agreement

The Company considers that entering into of the New Property Agency Services Framework Agreement would (i) further strengthen the Group's capabilities in Property Agency Services for provision of integrated and customised marketing solutions; and (ii) boost the sales volume and amounts for the properties developed by KWG Group and its associates, and therefore increase the commission income of the Group.

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the New Property Agency Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

(3) New Commercial Property Management Services Framework Agreement

Date

21 November 2022

Parties

- (a) The Company (for itself and on behalf of its subsidiaries); and
- (b) KWG Holdings (for itself and on behalf of its subsidiaries).

Term

Subject to compliance with the Listing Rules, from 1 January 2023 to 31 December 2025 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

LETTER FROM THE BOARD

Subject matter

Under the New Commercial Property Management Services Framework Agreement, the Group has agreed to provide KWG Group and its associates with commercial property management services, including but not limited to Commercial Pre-sale Management Services and Commercial Property Management Services. The relevant parties shall enter into individual commercial property management services agreements, terms of which shall be consistent with the principal terms of the New Commercial Property Management Services Framework Agreement in all material aspects.

Pricing policy

The fees to be charged for the Commercial Pre-sale Management Services and Commercial Property Management Services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to rates generally offered by the Group to Independent Third Parties and the fees for similar services and type of properties in the market in accordance with the measures set out in the section headed "INTERNAL CONTROL MEASURES" of this circular.

Payment arrangement

The payment mechanism for all fees and payments due to the Group pursuant to the transactions contemplated under the New Commercial Property Management Services Framework Agreement should be specified in the relevant specific agreement to be entered into by the Parties.

Historical transaction amount

The existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 are as follows:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>
<i>Commercial Pre-sale Management Services</i>	23,300	29,100	36,400
<i>Commercial Property Management Services</i>	<u>100,200</u>	<u>157,400</u>	<u>188,900</u>
Total	<u>123,500</u>	<u>186,500</u>	<u>225,300</u>

LETTER FROM THE BOARD

The actual transaction amounts for the two years ended 31 December 2021 and the nine months ended 30 September 2022 under the Old Commercial Property Management Services Framework Agreement are as follows:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the nine months ended 30 September 2022 <i>RMB'000</i>
<i>Commercial Pre-sale Management Services</i>	23,084	19,091	19,965
<i>Commercial Property Management Services</i>	<u>97,195</u>	<u>131,109</u>	<u>114,590</u>
Total	<u><u>120,279</u></u>	<u><u>150,200</u></u>	<u><u>134,555</u></u>

Proposed annual caps

The proposed annual caps under the New Commercial Property Management Services Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
<i>Commercial Pre-sale Management Services</i>			
— to KWG Group	28,500	29,900	31,400
— to KWG Group's associates	<u>3,000</u>	<u>4,800</u>	<u>6,800</u>
	<u>31,500</u>	<u>34,700</u>	<u>38,200</u>
<i>Commercial Property Management Services</i>			
— to KWG Group	165,900	186,200	215,000
— to KWG Group's associates	<u>28,200</u>	<u>38,000</u>	<u>44,000</u>
	<u>194,100</u>	<u>224,200</u>	<u>259,000</u>
Total	<u><u>225,600</u></u>	<u><u>258,900</u></u>	<u><u>297,200</u></u>

LETTER FROM THE BOARD

The annual caps under the New Commercial Property Management Services Framework Agreement were determined based on (i) the historical transaction amount under the Old Commercial Property Management Services Framework Agreement; (ii) the existing contracts under which the Group has been engaged by KWG Group and its associates to provide Commercial Pre-sale Management Services and Commercial Property Management Services; (iii) the estimated project number of projects of approximately 13 for each of the three years ending 31 December 2025 (as compared to 11 projects for the year ending 31 December 2022) for which the Group anticipates that it may be engaged by KWG Group and its associates to provide the Commercial Pre-sale Management Services; and (iv) the estimated growth in GFA from approximately 0.5 million sq.m. for the year ending 31 December 2022 to approximately 0.7 million sq.m. for the year ending 31 December 2025 under management for which the Group anticipates it may be engaged by KWG Group and its associates to provide the Commercial Pre-sale Management Services and Commercial Property Management Services.

The decrease in the proposed annual caps for the Commercial Pre-sale Management Services as compared to the existing annual cap for the year ending 31 December 2022 is mainly due to the decrease in demand of KWG Group and its associates for the Commercial Pre-sale Management Services as a result of adjustments to the size of sales offices and the scope of services. The increase in the proposed annual caps during the three years ending 31 December 2025 is primarily due to the increase in the expected GFA under management for which the Group anticipates that it may be engaged by KWG Group and its associates to provide the Commercial Property Management Services.

In view of the above, the Board considers the proposed annual caps under the New Commercial Property Management Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the New Commercial Property Management Services Framework Agreement

The Group has been engaged by KWG Group and its associates to provide Commercial Pre-sale Management Services and Commercial Property Management Service. It is expected that the Group will continue to do so in its ordinary and usual course of business upon expiry of the Old Commercial Property Management Services Framework Agreement.

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the New Commercial Property Management Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

(4) New Commercial Operational and Value-added Services Framework Agreement

Date

21 November 2022

Parties

- (a) The Company (for itself and on behalf of its subsidiaries); and
- (b) KWG Holdings (for itself and on behalf of its subsidiaries).

Term

Subject to compliance with the Listing Rules, from 1 January 2023 to 31 December 2025 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

Under the New Commercial Operational and Value-added Services Framework Agreement, the Group has agreed to provide KWG Group and its associates with Commercial Operational Services and Commercial Value-added Services. The relevant parties shall enter into individual commercial operational and value-added services agreements, terms of which shall be consistent with the principal terms of the New Commercial Operational and Value-added Services Framework Agreement in all material aspects.

Pricing policy

The fees to be charged for the Commercial Operational Services and the Commercial Value-added Services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs) with a margin of not more than 50%, with reference to rates generally offered by the Group to Independent Third Parties and the fees for similar services and type of properties in the market in accordance with the measures set out in the section headed "INTERNAL CONTROL MEASURES" of this circular.

Payment arrangement

The payment mechanism for all fees and payments due to the Group pursuant to the transactions contemplated under the New Commercial Operational and Value-added Services Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

LETTER FROM THE BOARD

Historical transaction amount

The existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 are as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ending 31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Commercial Operational Services</i>	95,300	136,900	156,800
<i>Commercial Value-added Services</i>	<u>13,000</u>	<u>13,900</u>	<u>16,100</u>
Total	<u>108,300</u>	<u>150,800</u>	<u>172,900</u>

The actual transaction amounts for the two years ended 31 December 2021 and the nine months ended 30 September 2022 under the Old Commercial Operational and Value-added Services Framework Agreement are as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the nine months ended 30 September 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Commercial Operational Services</i>	95,045	126,480	85,593
<i>Commercial Value-added Services</i>	<u>12,404</u>	<u>13,859</u>	<u>11,687</u>
Total	<u>107,449</u>	<u>140,339</u>	<u>97,280</u>

LETTER FROM THE BOARD

Proposed annual caps

The proposed annual caps under the New Commercial Operational and Value-added Services Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Commercial Operational Services</i>			
— to KWG Group	116,200	122,600	140,700
— to KWG Group's associates	3,000	4,000	5,000
	119,200	126,600	145,700
 <i>Commercial Value-added Services</i>			
— to KWG Group	17,100	18,800	20,700
Total	136,300	145,400	166,400

The annual caps under the New Commercial Operational and Value-added Services Framework Agreement were determined based on (i) the historical transaction amounts of the Commercial Operational Services and Commercial Value-added Services under the Old Commercial Operational and Value-added Services Framework Agreement; (ii) the existing contracts under which the Group has been engaged by KWG Group and its associates to provide Commercial Operational Services and Commercial Value-added Services; and (iii) the estimated increase in the number of projects from 18 projects for the year ending 31 December 2022 to approximately 25 projects for the year ending 31 December 2025 for which the Group anticipates it may be engaged by KWG Group and its associates to provide Commercial Operational Services and Commercial Value-added Services based on the property development plan and delivery schedule of KWG Group and its associates for the three years ending 31 December 2025. The increase in the proposed annual caps during the three years ending 31 December 2025 is primarily due to the aforesaid increase in expected project number for which the Group anticipates it may be engaged by KWG Group and its associates to provide Commercial Operational Services and Commercial Value-added Services.

In view of the above, the Board considers the proposed annual caps under the New Commercial Operational and Value-added Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Reasons for and benefits of entering into the New Commercial Operational and Value-added Services Framework Agreement

The Group has been engaged by KWG Group and its associates to provide Commercial Operational Services and Commercial Value-added Services. It is expected that the Group will continue to do so in its ordinary and usual course of business upon expiry of the Old Commercial Operational and Value-added Services Framework Agreement.

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the New Commercial Operational and Value-added Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

INTERNAL CONTROL MEASURES

In order to ensure the pricing terms of the Non-exempt Agreement are on normal commercial terms, not less favourable to the Group than terms offered to the Group by the Independent Third Parties and in accordance with the pricing policy under the relevant agreement, before entering into any individual agreement for:

- (i) contract which is not awarded through standard public tender procedures under the New Residential Property Management Services Framework Agreement, the operation department of the Group will collect the following information:
 - (a) at least two other contemporaneous transactions of the Group of similar services (in terms of nature, size and location of the properties, the scope of services and the anticipated operational costs) carried out with Independent Third Parties within 6 months; and
 - (b) prices charged by at least two other property management companies in the PRC (if available) of comparable transactions with Independent Third Parties collected through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information disclosed by other listed companies.

After collecting the relevant information, the operation department of the Group would determine a price to be offered to KWG Group which will not be less than the prices offered to the Group by Independent Third Parties. In addition, for the New Residential Property Management Services Framework Agreement, after determining the prices as aforesaid, the Group has to file such proposed prices with the relevant government authorities and the prices ultimately offered to KWG Group shall not be higher than such standard fees so filed with the relevant government authorities. If the prices need to be revised subsequently, updated

LETTER FROM THE BOARD

filings will be made with the government authorities. For contracts under the New Residential Property Management Services Framework Agreement which are awarded through standard public tender procedures regulated by applicable PRC laws and regulations, the price offered to KWG Group shall be consistent with the fees submitted in the relevant tender documents.

- (ii) the New Property Agency Services Framework Agreement, the New Commercial Property Management Services Framework Agreement and the New Commercial Operational and Value-added Services Framework Agreement, the operation department of the Group will collect the following information:
 - (a) at least two other contemporaneous transactions of the Group of similar services (in terms of nature, size and location of the properties, the scope of services and the anticipated operational costs) carried out with Independent Third Parties within 6 months (if applicable); and
 - (b) prices charged by at least two other property management companies in the PRC (if available) of comparable transactions with Independent Third Parties collected through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information disclosed by other listed companies.

After collecting the relevant information, the operation department of the Group would determine a price to be offered to KWG Group which will not be less than the prices offered to the Group by Independent Third Parties.

The Company has also established procedures for monitoring its continuing connected transactions in which various departments of the Group will be responsible for the implementation, monitoring and review of such procedures. Regular checks will be conducted on a quarterly basis to review and assess whether the transactions contemplated under the Non-exempt Agreements are conducted in accordance with the terms of its respective agreement and the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy.

Further, the finance department will monitor the actual transaction amounts and monthly report will be made by the management team in relation to the aggregate transaction amounts and utilization rates of the annual caps to ensure that the annual caps under each of the Non-exempt Agreements will not be exceeded. In addition, where a threshold of 85% of the utilization rate is met, the finance department will alert the management team to consider revising the annual caps in accordance with the relevant requirements of the Listing Rules.

The independent non-executive Directors will continue to review the transactions contemplated under the Non-exempt Agreements and the auditors of the Company will also conduct an annual review on the pricing terms and annual cap of the relevant continuing connected transactions thereof.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES TO THE NON-EXEMPT AGREEMENTS

The Group is a comprehensive property management service provider in the PRC, providing comprehensive property management services for both residential properties and non-residential properties.

KWG Group is a large-scale property developer in the PRC with a leading position in the Greater Bay Area and is principally engaged in property development, property investment, and hotel operation. KWG Holdings is an exempted company incorporated in the Cayman Islands with limited liability on 28 July 2006, the shares of which are listed on the Stock Exchange (Stock Code: 1813).

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the ultimate controlling shareholders of each of the Company and KWG Holdings pursuant to the respective shareholders' agreements entered into among their respective controlled entities. Therefore, KWG Holdings, as an associate of the controlling shareholders of the Company, is a connected person of the Company. The transactions contemplated under the Non-exempt Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the highest proposed annual cap for each of the Non-exempt Agreements is expected to be more than 5%, each of the Non-exempt Agreements and the transactions contemplated respectively thereunder (including the proposed annual caps therefor) will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOARD APPROVAL

At the Board meeting held to approve the Non-exempt Agreements, each of Mr. KONG Jianmin and Mr. KONG Jiannan is considered as having a material interest in the transactions contemplated under the Non-exempt Agreements. Accordingly, each of Mr. KONG Jianmin and Mr. KONG Jiannan has abstained from voting on the Board resolution for approving the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor). Save as disclosed, none of the Directors was required to abstain from voting on the relevant Board resolutions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders on the Non-exempt Supplemental Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor). Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The EGM which will be convened and held at Yunshan Conference Room, 38th Floor, International Finance Place, No. 8 Huaxia Road, Pearl River New Town, Guangzhou, People's Republic of China on Friday, 13 January 2023 at 3:00 p.m. Notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Under Article 66 of the Articles, a resolution put to the vote at the EGM shall be decided by way of a poll, save that the chairman of the EGM may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The results of the poll will be published on the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk) pursuant to Rule 13.39(5) of the Listing Rules.

A proxy form for use at the EGM is enclosed. It can also be downloaded from the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk). Whether or not you are able to attend the EGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time for holding the EGM or any adjournment thereof (as the case may be). Completion and delivery of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjournment thereof if you so wish.

On 14 October 2020, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind entered into a shareholders' agreement (the "**Shareholders' Agreement**"), pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are a group of persons who are together entitled to exercise or control the exercise of 30% or more of the voting rights at general meetings of the Company and therefore are a group of controlling shareholders of the Company under the Listing Rules. As at the Latest Practicable Date, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind are deemed to be interested in 1,069,354,546 Shares, while Mr. KONG Jianmin, Mr. KONG Jiannan and Mr. KONG Jiantao are deemed to be interested in 1,071,654,546 Shares, 1,070,805,546 Shares and 1,069,354,546 Shares, respectively. Accordingly, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan and their respective associates shall abstain from voting on the proposed resolutions approving the Non-exempt Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Save for the above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the other Shareholders is required to abstain from voting on the resolutions in respect of the Non-exempt Agreements to be proposed at the EGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM (or at any adjournment thereof), the register of members of the Company will be closed from Tuesday, 10 January 2023 to Friday, 13 January 2023 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 9 January 2023.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 29 to 30 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolutions to approve the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor); and (ii) the letter from the Independent Financial Adviser as set out on pages 31 to 67 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor).

The Independent Board Committee, having taken into account, among other things, the advice of the Independent Financial Adviser, is of the view that the terms of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms or better and will be conducted 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, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the approval of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor).

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole and therefore recommends you to vote in favour of the ordinary resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendix headed “General Information” to this circular.

Yours faithfully
By order of the Board
KWG Living Group Holdings Limited
KONG Jianmin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders in respect of approving the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor).



KWG Living Group Holdings Limited

合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

21 December 2022

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 21 December 2022 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

Lego Corporate Finance has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in connection with each of the Non-exempt Agreements and the transactions contemplated thereunder. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out in its letter on pages 31 to 67 of the Circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the information as set out in the letter from the Board, the terms and conditions of the Non-exempt Agreements and the transactions contemplated thereunder, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we are of the view that the terms of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms or better and will be conducted 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 in relation to the approval of Non-exempt Agreements and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully
For and on behalf of the
Independent Board Committee
KWG Living Group Holdings Limited

LIU Xiaolan
Independent
Non-executive Director

FUNG Che Wai, Anthony
Independent
Non-executive Director

NG Yi Kum
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps), which has been prepared for the purpose of inclusion in this circular.



21 December 2022

To: *The Independent Board Committee and the Independent Shareholders of KWG Living Group Holdings Limited*

Dear Sirs and Madams,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps), details of which are set out in the letter from the Board (“**Letter from the Board**”) contained in the circular of the Company dated 21 December 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

References are made to (i) the Prospectus in relation to, among others, the Old Framework Agreements; and (ii) the announcement of the Company dated 29 September 2021 and the circular of the Company dated 26 October 2021 in relation to the revision of annual caps under the Old Residential Property Management Services Framework Agreement, Old Property Agency Services Framework Agreement and the Old Commercial Property Management Services Framework Agreement.

As the abovementioned agreements will expire on 31 December 2022 and the Company will continue to conduct the transactions contemplated thereunder upon their expiry, on 21 November 2022 (after trading hours), the Company and KWG Holdings entered into, among others, (i) the New Residential Property Management Services Framework Agreement; (ii) the New Property Agency Services Framework Agreement; (iii) the New Commercial Property Management Services Framework Agreement; and (iv) the New Commercial Operational and Value-added Services Framework Agreement (i.e. the Non-exempt Agreements).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the ultimate controlling shareholders of each of the Company and KWG Holdings pursuant to the respective shareholders' agreements entered into among their respective controlled entities. Therefore, KWG Holdings, as an associate of the controlling shareholders of the Company, is a connected person of the Company. The transactions contemplated under the Non-exempt Agreements constitute continuing connected transactions for the Company. The transactions contemplated under the New Framework Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the highest proposed annual cap for each of the Non-exempt Agreements is expected to be more than 5%, each of the Non-exempt Agreements and the transactions contemplated respectively thereunder (including the proposed annual caps therefor) will be subject to the reporting, annual review, announcement, circular (including independent financial advice) 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, among others, the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps). According to the Letter from the Board, as at the Latest Practicable Date, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind was deemed to be interested in 1,069,354,546 Shares, while Mr. KONG Jianmin, Mr. KONG Jiannan and Mr. KONG Jiantao are deemed to be interested in 1,071,654,546 Shares, 1,070,805,546 Shares and 1,069,354,546 Shares, respectively. Accordingly, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan and their respective associates shall abstain from voting on the proposed resolutions approving the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders on the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor).

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser in accordance with the requirements of the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor), and to make a recommendation as to, among others, whether the terms of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of such transactions are in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the past two years, save for the engagement in connection with the Non-exempt Agreements dated 21 November 2022 and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2025 therefor only), we had not been engaged by the Company for the provision of any other services (including but not limited to any engagements in respect of the entering into of the Old Framework Agreements and the then relevant proposed annual caps therefor, as well as any previous engagements in respect of the Non-exempt Agreements under which we acted as a financial advisor or an independent financial adviser). As at the Latest Practicable Date, save for the normal professional fees for our services provided to the Company in relation to the engagements described above, there were no other arrangements whereby we would receive any fees and/or benefits from the Group, nor that there were any other engagements between us and the Group in respect of the Non-exempt Agreements, therefore we consider such relationship would not affect our independence. We were not aware of any relationships or interests between us and the Group, KWG Group or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates that could reasonably be regarded as relevant to our independence. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor).

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, *inter alia*, the announcement of the Company dated 21 November 2022, the Non-exempt Agreements, the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report 2021**”) and the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report 2022**”). We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the transactions contemplated under the Non-exempt Agreements, and the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes (if any) as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for entering into the Non-exempt Agreements and the transactions contemplated

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thereunder to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the entering into of the transactions contemplated under the New Framework Agreements, we have taken into consideration of the following principal factors and reasons:

1. Information on the Group and KWG Group

The Group is a comprehensive property management service provider in the PRC, providing comprehensive property management services for both residential properties and non-residential properties. The Group's residential property management service segment comprises (i) pre-sale management services; (ii) property management services; and (iii) community value-added services, including (a) property agency services; (b) home-living services; and (c) common area value-added services. The Group's non-residential property management and commercial operational service segment comprises (i) pre-sale management services; (ii) commercial property management services; (iii) commercial operational services; and (iv) other value-added services, primarily including common area value-added services.

KWG Group is a large-scale property developer in the PRC with a leading position in the Greater Bay Area and is principally engaged in property development, property investment, and hotel operation. KWG holdings is an exempted company incorporated in the Cayman Islands with limited liability on 28 July 2006, the shares of which are listed on the Stock Exchange (Stock Code: 1813).

2. Reasons for and benefits of entering into the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps)

Having accounted for approximately 59.5% and approximately 40.5% of the Group's total annual revenue for the year ended 31 December 2021, respectively, the business segments of residential property management services and non-residential property management and commercial operational services have been the two important revenue contributors of the Group. For the year ended 31 December 2021, the respective revenue of the two segments have increased significantly for not less than 80% as compared to the preceding year. For the six months ended 30 June 2022, the respective revenue of both segments continued to exhibit an increase from the preceding corresponding period, with that of the non-residential property management and commercial operational services segment having increased substantially by approximately 168.5%. According to the Interim Report 2022, as at 30 June 2022,

the contracted GFA and GFA under management of the Group showed increasing trends in respect of both residential and non-residential properties. The Group continued to focus on its residential and non-residential property management services and optimised its national geographic presence. As at 30 June 2022, the Group had established business presence in 104 cities in China in respect of residential property management, while non-residential properties managed were located in 89 cities.

In performing its ordinary and usual course of business, the Group has been from time to time providing the relevant services to KWG Group and its associates under each of the Old Framework Agreements. It is expected that the Group shall continue to do so upon expiry of the aforesaid agreements. Leveraging on the long term business relationship between the Group and KWG Group as well as the background and operation scale of KWG Group, the entering into of the Non-exempt Agreements would allow the Group to continue securing an income stream of service fees, which would in turn help enhance its profitability and returns to the Shareholders.

Considering the above, we are of the view that the entering into of the Non-exempt Agreements and the transaction contemplated thereunder (including the proposed annual caps therefor) are in the interests of the Company and the Independent Shareholders as a whole.

3. Principal terms of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor)

3.1 The New Residential Property Management Services Framework Agreement

On 21 November 2022 (after trading hours), the Group and KWG Holdings entered into the New Residential Property Management Services Framework Agreement pursuant to which the Group has agreed to provide KWG Group and its associates with residential property management services including (i) the Residential Pre-sale Management Services; and (ii) the Residential Property Management Services for the period from 1 January 2023 to 31 December 2025 (both days inclusive).

Pursuant to the New Residential Property Management Services Framework Agreement, the fees to be charged for the Residential Pre-sale Management Services and the Residential Property Management Services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs, with reference to the rates generally offered by the Group to Independent Third Parties in respect of comparable services and the fees for similar services and types of properties in the market.

The Residential Pre-sale Management Services

In assessing the fairness and reasonableness of the terms of the Residential Pre-sale Management Services under the New Residential Property Management Services Framework Agreement, we have randomly selected and reviewed five sample agreements entered into by the Group with KWG Group during the period from approximately 1 October 2021 up to and including the date of the Non-exempt Agreements (the “**Review Period**”) in respect of provision of the Residential Pre-sale Management Services under the Old Residential Property Management Services Framework Agreement, and compared the underlying pricing terms to those offered by the Group under three corresponding sample agreements, being all agreements entered into by the Group with the Independent Third Parties during the Review Period or prior to and remained effective during the Review Period in respect of similar services and types of properties. Based on our assessment, the pricing terms offered by the Group to KWG Group and its associates in respect of the Residential Pre-sale Management Services are no less favourable than those offered to the Independent Third Parties.

The Residential Property Management Services

In assessing the fairness and reasonableness of the terms of the Residential Property Management Services under the New Residential Property Management Services Framework Agreement, we have randomly selected and reviewed five sample agreements entered into by the Group with KWG Group in respect of the Residential Property Management Services under the Old Residential Property Management Services Framework Agreement either during the Review Period or prior to and remained effective during the Review Period, and compared the underlying pricing terms to those offered by the Group under five corresponding sample agreements entered into by the Group with the Independent Third Parties during the Review Period in respect of similar services and types of properties. Based on our assessment, the pricing terms offered by the Group to KWG Group and its associates in respect of the Residential Property Management Services are no less favourable than those offered to the Independent Third Parties.

In view of the above, we consider that the terms of the New Residential Property Management Services Framework Agreement are fair and reasonable and on normal commercial terms.

3.2 The New Property Agency Services Framework Agreement

On 21 November 2022 (after trading hours), the Group and KWG Holdings entered into the New Property Agency Services Framework Agreement pursuant to which the Group has agreed to provide KWG Group and its associates with the Property Agency Services for the period from 1 January 2023 to 31 December 2025 (both days inclusive).

Pursuant to the New Property Agency Services Framework Agreement, the fees to be charged for the Property Agency Services shall be charged at a commission rate with reference to the price of the properties sold, and the commission rate shall be determined on arm's length basis with reference to, among others, the commission rates for similar services and type of properties in the market.

In assessing the fairness and reasonableness of the terms of the New Property Agency Services Framework Agreement, we have randomly selected and reviewed five sample agreements entered into by the Group with KWG Group in respect of the Property Agency Services under the Old Property Agency Services Framework Agreement during the Review Period (the "**Property Agency Sample Agreements**"), and noted that the underlying commission rates range from 1.5% to 3.5% of the total sale price of the relevant properties, with the average and median rates of 2.5% and 3.0%, respectively. On the other hand, we have attempted to make reference to the corresponding sample agreements entered into by the Group or KWG Group with the Independent Third Parties in respect of services directly comparable to those under the Old Property Agency Services Framework Agreement. Yet, as advised by the Management, no such sample agreements had ever been entered into either by the Group or KWG Group as at the date of the New Property Agency Services Framework Agreement.

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Accordingly, for the purpose of our assessment, we have alternatively conducted a comparison with comparable transactions which (i) involved the provision and receipt of similar sales agency services; and (ii) were announced by other listed companies in Hong Kong on the website of the Stock Exchange during the Review Period. On a best-effort basis, we have identified an exhaustive list of three comparable transactions (the “**Property Agency Comparables**”) having met the aforesaid selection criteria and based on our best knowledge, details of which are set out in Table 1 below.

Table 1: A summary of the Property Agency Comparables

Dates of the relevant announcement/circular	Stock code	Company	Commission rate based on the sale price of the relevant properties	Commission rate adopted for analysis purposes (the “Property Agency Comparables Rates”)
3 November 2022	3316	Binjiang Service Group Co. Ltd.	0.1% to 2%	1.05% <i>(Note 1)</i>
21 April 2022/ 16 June 2022	2205	Kangqiao Service Group Limited	Approximately 5%	5%
7 April 2022/ 26 May 2022	733	Hopefluent Group Holdings Limited	0.5% to 1.2% <i>(Note 2)</i>	0.85% <i>(Note 1)</i>
			Average:	2.3%
			Median:	1.05%

Source: The official website of the Stock Exchange (<https://www.hkexnews.hk/>)

Notes:

1. Calculated by taking the average of the minimum commission rate and the maximum commission rate with reference to the disclosed range of commission rates.
2. With reference to the relevant commission rates offered to the underlying listed issuer by other property developers as disclosed in the relevant circular dated 26 May 2022.

As shown in Table 1 above, the average and median Property Agency Comparables Rates are 2.3% and 1.05%, respectively. Accordingly, the average and median of the commission rates charged by the Group to KWG Group under the Property Agency Sample Agreements are higher than the average Property Agency Comparables Rate and the median Property Agency Comparables Rate, respectively.

In view of the above, we consider that the terms of the New Property Agency Services Framework Agreement are fair and reasonable and on normal commercial terms.

3.3 The New Commercial Property Management Services Framework Agreement

On 21 November 2022 (after trading hours), the Group and KWG Holdings entered into the New Commercial Property Management Services Framework Agreement pursuant to which the Group has agreed to provide KWG Group and its associates with commercial property management services including (i) the Commercial Pre-sale Management Services; and (ii) the Commercial Property Management Services for the period from 1 January 2023 to 31 December 2025 (both days inclusive).

Pursuant to the New Commercial Property Management Services Framework Agreement, the fees to be charged for the Commercial Pre-sale Management Services and the Commercial Property Management Services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs, with reference to the rates generally offered by the Group to Independent Third Parties in respect of comparable services and the fees for similar services and types of properties in the market.

The Commercial Pre-sale Management Services

In assessing the fairness and reasonableness of the terms of the Commercial Pre-sale Management Services under the New Commercial Property Management Services Framework Agreement, we have randomly selected and reviewed five sample agreements entered into by the Group with KWG Group during the Review Period or prior to and remained effective during the Review Period in respect of provision of the Commercial Pre-sale Management Services under the Old Commercial Property Management Services Framework Agreement (the "**Commercial Pre-sale Management Sample Agreements**"), and noted that the underlying mark-up rates range from approximately 35% to approximately 42% of the respective corresponding operational costs. On the other hand, we have attempted to make reference to the corresponding sample agreements entered into by the Group or KWG Group with the Independent Third Parties in respect of services comparable to the Commercial Pre-sale Management Services under the Old Commercial Pre-Sale Management Services Framework Agreement. Yet, as advised by the Management, no such sample agreements had ever been entered into either by the Group or KWG Group as at the date of the New Commercial Property Management Framework Agreement.

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Accordingly, we have alternatively conducted a comparison with comparable transactions which (i) involved the provision and receipt of similar property management services in respect of display units and/or sales centres of, among others, commercial properties; and (ii) were announced by other listed companies in Hong Kong on the website of the Stock Exchange during the Review Period. On a best-effort basis, we have identified an exhaustive list of six comparable transactions having met the aforesaid selection criteria and explicitly disclosed the relevant adopted pricing basis in the relevant announcement(s)/circular(s) (the “**Commercial Pre-Sale Management Comparables**”), details of which are set out in Table 2 below.

Table 2: A summary of the Commercial Pre-Sale Management Comparables

Dates of the relevant announcement/circular	Stock code	Company	Mark-up rate charged on the relevant cost
29 July 2022	9666	Jinke Smart Services Group Co., Ltd.	10%
15 July 2022	1668	China South City Holdings Limited	10%
31 December 2021/ 6 February 2022	6093	Hevol Service Group Co. Limited	35%
10 December 2021	124	Guangdong Land Holdings Limited	10%
1 December 2021/ 28 February 2022	265	Orient Victory Travel Group Company Limited	15%
11 November 2021	832	Central China Real Estate Limited	10% to 20%
		Minimum:	10%
		Maximum:	35%

Source: The official website of the Stock Exchange (<https://www.hkexnews.hk/>)

As shown in Table 2 above, the mark-up rates charged under the Commercial Pre-Sale Management Comparables range from 10% to 35% of the sale price of the relevant properties. Accordingly, the mark-up rates charged by the Group to KWG Group under the Commercial Pre-Sale Management Sample Agreements are no less favourable than the mark-up rates charged under the Commercial Pre-Sale Management Comparables.

The Commercial Property Management Services

In assessing the fairness and reasonableness of the terms of the Commercial Property Management Services under the New Commercial Property Management Services Framework Agreement, we have randomly selected and reviewed five sample agreements entered into by the Group with KWG Group in respect of the Commercial Property Management Services under the Old Commercial Property Management Services Framework Agreement either during the Review Period or prior to and remained effective during the Review Period, and compared the underlying pricing terms to those offered by the Group under five corresponding sample agreements entered into by the Group with the Independent Third parties during the Review Period in respect of similar services and types of properties. Based on our assessment, the pricing terms offered by the Group to KWG Group and its associates in respect of the Commercial Property Management Services are no less favourable than those offered to the Independent Third Parties.

In view of the above, we consider that the terms of the New Commercial Property Management Services Framework Agreement are fair and reasonable and on normal commercial terms.

3.4 The New Commercial Operational and Value-added Services Framework Agreement

On 21 November 2022 (after trading hours), the Group and KWG Holdings entered into the New Commercial Operational and Value-added Services Framework Agreement pursuant to which the Group has agreed to provide KWG Group and its associates with commercial property management services including (i) the Commercial Pre-sale Management Services; and (ii) the Commercial Property Management Services for the period from 1 January 2023 to 31 December 2025 (both days inclusive).

Pursuant to the New Commercial Operational and Value-added Services Framework Agreement, the fees to be charged for the Commercial Operational Services and the Commercial Value-added Services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs, with reference to the rates generally offered by the Group to Independent Third Parties in respect of comparable services and the fees for similar services and types of properties in the market.

The Commercial Operational Services

In assessing the fairness and reasonableness of the terms of the Commercial Operational Services under the New Commercial Operational and Value-added Services Framework Agreement, we have randomly selected and reviewed five sample agreements entered into by the Group with KWG Group during the Review Period or prior to and remained effective during the Review Period in respect of provision of the Commercial Operational Services under the Old Commercial Operational and Value-added Services Framework Agreement (the “**Commercial Operational Sample Agreements**”). Based on our review and the discussions with the Management, cost-plus pricing basis with reference to the anticipated operational cost and/or commission-based pricing basis with reference to the rental income to be generated by KWG Group from the relevant operations were generally adopted under the Commercial Operational Sample Agreements with the relevant mark-up rates and the relevant commission rates being ranged from 25% to 32% with an average of approximately 29.7% and 15% to 18% with an average of approximately 16.5%, respectively, while references have also been made to factors including size, geographical locations and operating period of the subject commercial properties. On the other hand, we have attempted to make reference to the corresponding sample agreements entered into by the Group or KWG Group with the Independent Third Parties in respect of services and properties directly comparable to those under the Old Commercial Operational and Value-added Services Framework Agreement. Yet, as advised by the Management, no such sample agreements had ever been entered into either by the Group or KWG Group as at the date of the New Commercial Operational and Value-added Services Framework Agreement.

Accordingly, we have alternatively conducted a comparison with comparable transactions which (i) involved the provision and receipt of, among others, services in similar nature as the Commercial Operational Services in respect of commercial properties with the respective corresponding pricing basis similar as those adopted under the Commercial Operational Sample Agreements; and (ii) were announced by other listed companies in Hong Kong on the website of the Stock Exchange during the Review Period. On a best-effort basis, only one comparable transaction having met the aforesaid selection criteria and explicitly disclosed the relevant adopted pricing basis in the relevant announcements/circular(s) has

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been identified in respect of each of the cost-plus pricing basis and commission pricing basis, being the relevant transactions disclosed by Gemdale Properties and Investment Corporation Limited (stock code: 535) (the “**Commercial Operational Cost-Plus Comparables**”) and Hang Lung Properties Limited (stock code: 101). In order to obtain a more meaningful sample size for our analysis, we have therefore attempted to extend the review period to additionally cover those comparable transactions having met the aforesaid selection criteria with the adopted mark-up rates and/or commission rates explicitly disclosed in the initial announcements/circulars published during the period from 22 November 2020 up to and including 21 November 2021. Yet, on a best-effort basis, we failed to identify any comparable transactions having met the above extended selection criteria.

Considering the above, for the purpose of our analysis, we have accordingly made reference to the adopted pricing basis as disclosed in the listing prospectuses of other listed companies in Hong Kong which provide services similar in nature as the Commercial Operational Services in respect of commercial properties. In respect of the commission pricing basis, we have made reference to the relevant commission rates as disclosed in the listing prospectuses of three listed companies in Hong Kong (collectively with the transaction as disclosed by Hang Lung Properties Limited (stock code: 101) mentioned above, the “**Commercial Operational Commission Comparables**”). In respect of the cost-plus pricing basis, we have, however, on a best-effort basis failed to identify any relevant comparable transactions with their adopted mark-up rates disclosed in the listing prospectuses. Accordingly, in assessing the fairness and reasonableness of the mark-up rates adopted under the Commercial Operational Sample Agreements, we have alternatively made reference to the relevant segment profit margin of the Group for the year ended 31 December 2021. Based on the revenue of approximately RMB1,318.9 million and the profits of approximately RMB353.1 million of the Group’s segment of non-residential property management and commercial operational services for the year ended 31 December 2021 disclosed in the Annual Report 2021, the relevant segment profit margin amounts to approximately 26.8% (the “**Segment Profit Margin**”). Set out below in Table 3 is a summary of the details of the Commercial Operational Cost-plus Comparables and the Commercial Operational Commission Comparables.

Table 3: A summary of the details of the Commercial Operational Cost-plus Comparables and the Commercial Operational Commission Comparables

Dates of the relevant announcement/circular/listing prospectus	Stock code	Company	Underlying mark-up rate charged	Underlying commission rate charged
13 December 2021	535	Gemdale Properties and Investment Corporation Limited	N/A	20%
21 June 2021	606	SCE Intelligent Commercial Management Holdings Limited	N/A	5%
14 January 2021	6668	E-Star Commercial Management Company Limited	N/A	3% to 5%
25 November 2020	1209	China Resources Mixc Lifestyle Services Limited	N/A	5%
21 September 2022	101	Hang Lung Properties Limited	2.5%	N/A

Source: The official website of the Stock Exchange (<https://www.hkexnews.hk/>)

As shown in Table 3 above, the underlying commission rates charged under the Commercial Operational Commission Comparables range from 3% to 20%. Accordingly, the commission rates charged by the Group to KWG Group and its associates under the Commercial Operational Sample Agreements are no less favourable than those charged under the Commercial Operational Commission Comparables. On the other hand, the mark-up rate charged under the Commercial Operational Mark-up Comparable is 2.5%. As such, the mark-up rates charged by the Group to KWG Group under the Commercial Operational Sample Agreements are no less favourable than that charged under the Commercial Operational Cost-plus Comparable, and the average of the mark-up rates charged by the Group to KWG Group under the Commercial Operational Sample Agreements is above the Segment Profit Margin.

The Commercial Value-added Services

In assessing the fairness and reasonableness of the terms of the Commercial Value-added Services under the New Commercial Operational and Value-added Services Framework Agreement, we have reviewed an exhaustive list of one sample agreement entered into by the Group with KWG Group to and remained effective during the Review Period in respect of provision of the Commercial Value-added Services under the Old Commercial Operational and Value-added Services Framework Agreement (the “**Commercial Value-added Sample Agreement**”), and compared the underlying pricing terms to those offered by the Group under one corresponding sample agreement, being all agreement entered into by the Group with the Independent Third Parties during the Review Period or prior to and remained effective during the Review Period in respect of similar services and types of properties. Based on our assessment, the pricing terms offered by the Group to KWG Group and its associates under the Commercial Value-added Sample Agreement are no less favourable than those offered to the Independent Third Parties. Accordingly, we are of the view that the pricing terms of the Commercial Value-added Services under the New Commercial Operational and Other Value-added Services Framework Agreement are fair and reasonable and on normal commercial terms.

In view of the above, we consider that the terms of the New Commercial Operational and Other Value-added Services Framework Agreement are in line with the market practice and fair and reasonable and on normal commercial terms.

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4. The proposed annual caps under the Non-exempt Agreements for the three years ending 31 December 2025

4.1 The proposed annual caps under the New Residential Property Management Services Framework Agreement

Table 4 below sets out (i) the actual transaction amounts for the two years ended 31 December 2021 and the nine months ended 30 September 2022 as provided by the Management; (ii) the existing annual caps for the three years ending 31 December 2022; and (iii) the proposed annual caps for the three years ending 31 December 2025 under the New Residential Property Management Services Framework Agreement.

Table 4: A summary of the actual transaction amounts, the existing annual caps and the proposed annual caps under the New Residential Property Management Services Framework Agreement

	Actual transaction amounts for the year ended 31 December		Actual transaction amounts for the nine months ended 30 September	Existing annual cap for the year ended/ending 31 December			Proposed annual caps for the year ending 31 December		
	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	2023 (RMB'000)	2024 (RMB'000)	2025 (RMB'000)
Residential Pre-sale Management Services	244,866	320,738	176,908	245,100	358,700	430,500	259,500	259,500	259,500
Residential Property Management Services	57,246	115,864	107,240	57,400	137,900	165,500	198,100	228,800	264,300
Total	302,112	436,602	284,148	302,500	496,600	596,000	457,600	488,300	523,800

The proposed total annual cap for the New Residential Property Management Services Framework Agreement for the year ending 31 December 2023 amounts to RMB457.6 million, and is expected to increase during the three years ending 31 December 2025.

The proposed annual caps in respect of the Residential Pre-sale Management Services for the three years ending 31 December 2025 (the “Proposed Residential Pre-sale Management Annual Cap(s)”)

The Proposed Residential Pre-sale Management Annual Cap for the year ending 31 December 2023 amounts to RMB259.5 million, and is expected to remain constant during the two years ending 31 December 2025.

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We have reviewed the relevant calculations provided by the Management and noted that the Proposed Residential Pre-sale Management Annual Caps were determined primarily with reference to (i) the estimated transaction amount per contract of the Group to be engaged by KWG Group and its associates to provide the Residential Pre-sale Management Service; (ii) the expected number of contracts of the Group to be engaged by KWG Group and its associates to provide the Residential Pre-sale Management Services during the three years ending 31 December 2025; and (iii) a buffer of 10% allowed for the potential fluctuations in the anticipated average transaction amount per the aforesaid contract entered into by the Group for the year ending 31 December 2023. Details of the above factors including but not limited to the quantitative analysis and trends are set out below.

As shown in Table 1 above, the actual transactions amounts of the Residential Pre-sale Management Services provided by the Group to KWG Group and its associates were approximately RMB244.9 million and approximately RMB320.7 million for each of the two years ended 31 December 2021, and that for the nine months ended 30 September 2022 was approximately RMB176.9 million, representing a hypothetical annualised transaction amount of RMB235.9 million. Accordingly, the respective utilisation rates of the corresponding existing annual caps for the year ended/ending 31 December 2020, 2021 and 2022 were approximately 99.9%, approximately 89.4% and approximately 54.8%. We have enquired with the Management regarding the decreasing trend of the utilisation rates throughout the three years ending 31 December 2022, and learnt that the overall challenging business environment of the property market as well as the fluctuating condition of the COVID-2019 pandemic in the PRC have resulted in a delay in the development and sales schedule of certain residential projects of KWG Group and its associates, and hence a lower-than-expected number of contracts have been engaged by KWG Group and its associates in providing the Residential Pre-sale Management Services since the second half of 2021. We have, in this regard, reviewed the interim reports of KWG Group for each of the six months ended 30 June 2021 and 2022, respectively, and noticed that the amount of gross-presales of KWG Group exhibited a decrease during the six months ended 30 June 2022 from that for the preceding corresponding period.

In estimating the number of contracts to be engaged by KWG Group and its associates to provide Residential Pre-sale Management Services during the three years ending 31 December 2025, the Management has adopted a relatively conservative basis by assuming that the number of the relevant contracts to be engaged by KWG Group and its associates for each of the three years ending 31 December 2025 would be 64, which is consistent with the actual number of the relevant contracts engaged during the nine months ended 30 September 2022. We have, in this regard, reviewed the development plan of the corresponding sales centres and display units of

KWG Group and its associates in respect of its residential projects and noticed that the timetable of such plan is in line with the estimations adopted by the Management, under which 64 sales centres are expected to be operated by KWG Group and its associates in respect of residential properties and the relevant pre-sale management services are expected to be provided by the Group during the year ending 31 December 2023.

When estimating the transaction amounts per contract to be engaged by KWG Group and its associates to provide the Residential Pre-sale Management Services, the Management has initially made reference to the historical average transaction amount per contract under the Old Residential Property Management Services Framework Agreement, which has increased year-on-year by approximately 18.4% during the year ending 31 December 2022 (on an annualised basis based on the average transaction amount per contract for the nine months ended 30 September 2022), and assumed that such average transaction amount per contract would then initially remain at the same level for each of the three years ending 31 December 2025. Considering that the aforesaid year-on-year increment of approximately 18.4% for the year ending 31 December 2022 was calculated with reference to the annualised transaction amount per contract calculated based on the historical average transaction amount per contract for the nine months ended 30 September 2022, and that the annual average transaction amount per contract has been increasing throughout the three years ending 31 December 2022 (on an annualised basis) with the respective corresponding annual increases of approximately 13.2% and approximately 18.4% for the year ended 31 December 2021 and the year ending 31 December 2022 (on an annualised basis), we are of the view that the aforesaid trend of the transaction amounts per contact as estimated by the Management is fair and reasonable. In addition, in determining the Proposed Residential Pre-sale Management Annual Caps, the Management has also allowed for a buffer of 10% for the potential fluctuations in the anticipated average transaction amount per contract of the Group to be engaged by KWG Group and its associates to provide the labour-intensive Residential Pre-sale Management Services during the year ending 31 December 2023. Based on our discussions with the Management, such potential fluctuations would be primarily resulted from the fluctuating operating cost to be incurred by the Group for providing the Residential Pre-sale Management Services under different residential projects, which would in turn be attributable to (i) the inflation in the PRC; and (ii) the differences in scales and requirements of sales centres under different residential projects, thereby affecting among others, the required number of staff, the required number and standards of facilities as well as the required level of cleaning services to be provided by the Group. We have, in this regard, made reference to the historical pattern and noticed that the average transaction amount per contract has been on a growing trend throughout the year ended 31 December 2021 and the year ending 31 December 2022 (on an annualised basis).

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Accordingly, despite the decreasing trend of utilisation rates achieved under the Old Residential Pre-sale Management Services Framework Agreement throughout the three years ending 31 December 2022, considering (i) the adoption of a relatively conservative estimation regarding the number of contracts to be engaged by KWG Group and its associates to provide the Residential Pre-sale Management Services for the three years ending 31 December 2025, which is consistent with the actual number of contracts engaged during the nine months ended 30 September 2022; and (ii) the estimation of the amount per contract after taking into account the growing trend under the review period and the expected inflation in the PRC and accordingly the application of the corresponding buffer of 10% for the year ending 31 December 2023, we consider that the determinations of the Proposed Residential Pre-sale Management Annual Caps are fair and reasonable.

*The proposed annual caps in respect of the Residential Property Management Services for the three years ending 31 December 2025 (the “**Proposed Residential Property Management Annual Cap(s)**”)*

The Proposed Residential Property Management Annual Cap for the year ending 31 December 2023 amounts to RMB198.1 million, and is expected to increase during the two years ending 31 December 2025.

Based on our review of the relevant calculations, the Proposed Residential Property Management Annual Caps were determined primarily with reference to (i) the expected GFA under management for which the Group anticipates that it may be engaged by KWG Group and its associates to provide the Residential Property Management Services during the three years ending 31 December 2025, which is in turn estimated with reference to corresponding historical GFA under management for which the Group has been engaged by KWG Group and its associates as well as the vacancy rate of the relevant properties; (ii) the estimated average monthly management fee to be charged; and (iii) the expected average period of the Residential Property Management Services required for the relevant properties. Details of the above factors including but not limited to the quantitative analysis and trends are set out below.

As shown in Table 4 above, the actual transactions amounts of the Residential Property Management Services provided by the Group to KWG Group were approximately RMB57.2 million and approximately RMB115.8 million for each of the two years ended 31 December 2021, and that for the nine months ended 30 September 2022 was approximately RMB107.2 million, representing a hypothetical annualised transaction amount of RMB142.9 million. Accordingly, the respective utilisation rates of the corresponding existing annual caps for the year ended/ending 31 December 2020, 2021 and 2022 were approximately 99.7%, approximately 84.0% and approximately 86.4%. As advised by the Management, affected by the

challenging conditions of the property market and the fluctuating conditions of the COVID-2019 pandemic, the development schedule of certain residential projects of KWG Group for the year ended 31 December 2021 have been delayed, resulting in a lower-than-expected number of properties made available for sale for certain residential property projects and hence the demand for the Residential Property Management Services.

In estimating the Proposed Residential Property Management Annual Caps, we noted that the Management has assumed that the GFA under management for which KWG Group and its associates will require the Residential Property Management Services for the year ending 31 December 2022 would remain at the same level of approximately 2.1 million sq.m. as that for the ten months ended 31 October 2022, and would increase annually throughout the three years ending 31 December 2025 and reach approximately 3.4 million sq.m. in the year ending 31 December 2025. We have, in this regard, enquired with the Management and learnt that the relevant individual agreements entered into between the Group and KWG Group and its associates in relation to the Residential Property Management Services for the ten months ended 31 December 2022, whereby the underlying GFA under management of approximately 2.1 million sq.m. has been assumed by the Management as the relevant GFA under management for which KWG Group and its associates will require the Residential Property Management Services for the year ending 31 December 2022, remained valid and effective as at the Latest Practicable Date. Accordingly, we are of the view that the assumption of the Management that the GFA under management for which KWG Group and its associates will require the Residential Property Management Services for the year ending 31 December 2022 would remain the same as that for the ten months ended 31 October 2022 is fair and reasonable. Further, we learnt that in compiling the aforesaid trend, the Management has primarily made reference to (i) the actual GFA under management for which the Group had been delivered by KWG Group and its associates for the ten months ended 31 October 2022; (ii) an estimated annual increase of 10% from the aforesaid actual delivered GFA under management for the ten months ended 31 October 2022 throughout the approximately three years ending 31 December 2025; and (iii) the expected average vacancy rate of the relevant properties which shall in turn affect the expected GFA of the relevant properties requiring the Residential Property Management from the Group. For our due diligence purpose, we have obtained and reviewed the respective breakdowns of the GFA under management for which the Group had been delivered by KWG Group and its associates for the year ended 31 December 2021 and the ten months ended 31 October 2022 in respect of residential properties, and noticed that the total corresponding GFA under management delivered has exhibited an increase of approximately 14.0% throughout the review period. Accordingly, the estimated annual increase of 10% as adopted by the Management is relatively conservative with reference to the historical trend. Further, we noted that the Management has also assumed that the vacancy rate of the

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relevant properties for the overall year ending 31 December 2022 would be the same as the historical vacancy rate for the nine months ended 30 September 2022, and that such rate would be increased by two percentage points (representing an increase of 20%) during the year ending 31 December 2023 and remain constant thereafter during the two years ending 31 December 2025. Based on our review, the aforesaid trend is generally conservative as compared to the trend of the historical average vacancy rate, which has been increased by approximately three percentage points (representing an increase of approximately 51.1%) from the year ended 31 December 2020 to the year ended 31 December 2021 and then remained constant thereafter towards the year ending 31 December 2022 (on an annualised basis with reference to the historical rate for the nine months ended 30 September 2022).

In addition, we noticed that in estimating the Proposed Residential Property Management Annual Caps, the Management has also assumed a slight annual increment of 5% in the average monthly management fee for the Residential Property Management Services to be charged by the Group to KWG Group and its associates. We have, in this regard, reviewed the historical average monthly management fee for each of the two years ended 31 December 2021 and the nine months ended 30 September 2022 and noticed that the historical annual increment was at a level of approximately 8%. As such, the estimation adopted by the Management regarding the average monthly management fee throughout the three years ending 31 December 2025 is considered to be relatively conservative.

Furthermore, in respect of the expected average period of the Residential Property Management Services required for the relevant properties, it is noted that expected average period for the year ending 31 December 2023 adopted by the Management is consistent with that for the year ending 31 December 2022 (on an annualised basis with reference to the historical average period for the nine months ended 30 September 2022), and such expected average period shall remain constant throughout the three years ending 31 December 2025.

Accordingly, despite the decreasing trend of utilisation rates achieved under the Old Residential Property Management Services Framework Agreement throughout the three years ending 31 December 2022, considering that (i) the estimated annual increase of 10% in GFA under management to be delivered by KWG Group and its associates in respect of residential properties over the three years ending 31 December 2025 is relatively conservative with reference to the historical increment of approximately 14.0% of the delivered GFA under management delivered for the ten months ended 31 October 2022 as compared to that for the year ended 31 December 2021; (ii) the estimated vacancy rate of the relevant properties for the overall year ending 31 December 2022 would be the same as the historical rate for the nine months ended 30 September 2022, and the

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overall estimated trend of such rate during the three years ending 31 December 2025 is generally conservative as compared to the trend of the historical rate during the three years ending 31 December 2022 (on an annualised basis); (iii) the relatively conservative estimation of the trend of the average monthly management fee over the three years ending 31 December 2025 against the historical trend; and (iv) the expected average period of the Residential Property Management Services required for the relevant projects for each of the three years ending 31 December 2025 is consistent with the historical average period for the year ending 31 December 2022 (on an annualised basis), we are of the view that the determinations of the Proposed Residential Property Management Annual Caps are fair and reasonable.

4.2 The proposed annual caps under the New Property Agency Services Framework Agreement

Table 5 below sets out (i) the actual transaction amounts for the two years ended 31 December 2021 and the nine months ended 30 September 2022 as provided by the Management; (ii) the existing annual caps for the three years ending 31 December 2022; and (iii) the proposed annual caps for the three years ending 31 December 2025 under the New Property Agency Services Framework Agreement

Table 5: A summary of the actual transaction amounts, the existing annual caps and the proposed annual caps under the New Property Agency Services Framework Agreement

	Actual transaction amounts for the year ended 31 December		Actual transaction amounts for the nine months ended 30 September 2022	Existing annual cap for the year ended/ending 31 December			Proposed annual caps for the year ending 31 December		
	2020	2021		2020	2021	2022	2023	2024	2025
	(RMB'000)	(RMB'000)		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Property Agency Services	225,460	427,829	107,645	225,900	635,300	762,400	224,200	284,200	344,200

The proposed total annual cap for the New Property Agency Services Framework Agreement (the “**Proposed Property Agency Annual Cap(s)**”) for the year ending 31 December 2023 amounts to RMB224.2 million, and is expected to increase during the three years ending 31 December 2025.

Based on our review of the relevant calculations, the Proposed Property Agency Annual Caps were determined primarily with reference to (i) the expected sales amount of residential properties of KWG Group and its associates to be generated through the provision of the Property Agency Services by the Group during the three years ending 31 December 2025; and (ii) the expected commission rate to be charged for the Property Agency Services. Details of the above factors including but not limited to the quantitative analysis and trends are set out below.

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As shown in Table 2 above, the actual transactions amounts of the Property Agency Services provided by the Group to KWG Group and its associates were approximately RMB225.5 million and approximately RMB427.8 million for each of the two years ended 31 December 2021, and that for the nine months ended 30 September 2022 was approximately RMB107.6 million, representing a hypothetical annualised transaction amount of RMB143.5 million. Accordingly, the respective utilisation rates of the corresponding existing annual caps for the year ended/ending 31 December 2020, 2021 and 2022 were approximately 99.8%, approximately 67.3% and approximately 18.8%. Based on our discussions with the Management, the decreasing trend of the utilisation rates throughout the three years ending 31 December 2022 was primarily due to the generally poor sentiments of the property market and the fluctuating conditions of the COVID-2019 pandemic, which have resulted in a lower-than-expected sales performance of certain developed residential properties projects of KWG Group and its associates.

In determining the Proposed Property Agency Annual Caps, the Management has taken into account of the estimated sales amount of the relevant properties of KWG Group and its associates to be generated through the provision of the Property Agency Services by the Group, which is assumed to be increasing throughout the three years ending 31 December 2025. Based on our review of the relevant calculations, we noted that the aforesaid estimated sales amount is in turn estimated by the Management with reference to (i) the estimated sales amount of the relevant properties of KWG Group and its associates, which is expected to exhibit an year-on-year increase of 60% from the year ending 31 December 2022 (on an annualised basis) to the year ending 31 December 2023 and then remain constant throughout the three years ending 31 December 2025; and (ii) the expected coverage of such sales amount by the Group, which is expected to increase by approximately three percentage points from the year ending 31 December 2022 (on an annualised basis) to the year ending 31 December 2023, and further by approximately five percentage points during each of the two years ending 31 December 2025. As advised by the Management, considering the generally recovering situation of the COVID-2019 pandemic, it would be the primary business target of KWG Group and its associates to accelerate its pace to pick up the previously affected sales schedule and performance of the developed properties project throughout the three years ending 31 December 2025. On the other hand, according to our independent research conducted from the public domain, the proposal of “ensuring the delivery of buildings (保交樓)” housing policies was first introduced at the meeting held by the Political Bureau of the Central Committee of the PRC in July 2022 pursuant to which, “housing properties are for accommodation, not for speculation” shall continue to be the core principal of the real estate industry development in the PRC and various provincial supporting policies shall be established from time to time by the central government to help stimulate the confidence in, and enhance the stability of the overall real estate market in the PRC, thereby potentially imposing positive impacts on the sales performance of the relevant properties of KWG Group and its associates in the future. Further, we have obtained and reviewed the sales

schedule and target of a list of the relevant projects of KWG Group and its associates for the year ending 31 December 2023, and noticed that the sales target of KWG Group and its associates are generally consistent with the estimated sales amount of the relevant properties of KWG Group and its associates adopted by the Management. With respect to the expected annual increase in the coverage by the Group in providing the Property Sales Agency Services for the relevant properties of KWG Group and its associates during each of the three years ending 31 December 2023, as advised by the Management, the Group has been, and will continue making efforts to improve its sales capabilities to sell the relevant properties of KWG Group and its associates in order to strike for a higher agency income in the future. Currently, the Property Agency Services have been provided by the Group to KWG Group and its associates solely through the sales centres of KWG Group and its associates. Going forward, it is expected that the Group would look into expanding its sales channels for providing the Property Agency Services including but not limited to physical property agency stores of the Group. Further, we learnt that the relevant properties of KWG Group and its associates for which the Group has been providing the Property Agency Services are usually located in the high-tier cities in the PRC with relatively higher selling prices than those located in the lower-tier cities. Based on the discussions between the Management and KWG Group with reference to the sales and development plan of KWG Group, it is expected that the pool of the relevant properties of KWG Group and its associates shall be increasingly consisted of those located in the first-tier cities and second-tier cities in the PRC throughout the three years ending 31 December 2025, of which the underlying sales agency services of an increasing proportion shall be expected to be responsible by the Group. In this regard, we noted from the interim report of KWG Group for the six months ended 30 June 2022 that among the then prevailing projects for sale of KWG Group, 90% of the relevant pre-sales amount were from tier-one and tier-two cities, and KWG Group shall continue to develop its business intensively in high-tier cities in the future. In light of the above and the expected expansion of sales channels of the Group for providing the Property Agency Services, we are of the view that the estimation of the Management on the expected increase in coverage by the Group throughout the three years ending 31 December 2025 are justifiable.

In addition, we have also assessed the expected level of commission rate for the Property Agency Services to be charged by the Group to KWG Group and its associates for the three years ended 31 December 2025 adopted in the Management's determination of the Proposed Property Agency Services Annual Caps. Based on our assessment, the adopted expected commission rate for each of the three years ending 31 December 2025 is in line with the average commission rate charged by the Group to KWG Group and its associates during the nine months ended 30 September 2022.

Accordingly, despite the decreasing trend of utilisation rates achieved under the Old Property Agency Services Framework Agreement throughout the three years ending 31 December 2022, considering the above analysis, in particular, (i) the primary business target of KWG Group and its associates to pick up the sales

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performance of the previously affected property projects; (ii) the favourable housing proposal introduced by the central government which would be conducive to the market sentiments and overall stability of the real estate market in the PRC; and (iii) the expected increase in the coverage by the Group in providing the Property Sales Agency Services for the relevant properties of KWG Group and its associates, which are in support of the expected increase in the sales amount of properties of KWG Group and its associates to be generated through the provision of the Property Agency Services by the Group, we are of the view that the determinations of the Proposed Property Agency Annual Caps are fair and reasonable.

4.3 The proposed annual caps under the New Commercial Property Management Services Framework Agreement

Table 6 below sets out (i) the actual transaction amounts for the two years ended 31 December 2021 and the nine months ended 30 September 2022 as provided by the Management; (ii) the existing annual caps for the three years ending 31 December 2022; and (iii) the proposed annual caps for the three years ending 31 December 2025 under the New Commercial Property Management Services Framework Agreement.

Table 6: A summary of the actual transaction amounts, the existing annual caps and the proposed annual caps under the New Commercial Property Management Services Framework Agreement

	Actual transaction amounts for the nine months ended			Existing annual cap for the year ended/ending			Proposed annual caps for the year ending		
	Actual transaction amounts for the year ended 31 December 2020 (RMB'000)	Actual transaction amounts for the year ended 31 December 2021 (RMB'000)	Actual transaction amounts for the nine months ended 30 September 2022 (RMB'000)	Existing annual cap for the year ended/ending 2020 (RMB'000)	Existing annual cap for the year ended/ending 2021 (RMB'000)	Existing annual cap for the year ended/ending 2022 (RMB'000)	Proposed annual caps for the year ending 2023 (RMB'000)	Proposed annual caps for the year ending 2024 (RMB'000)	Proposed annual caps for the year ending 2025 (RMB'000)
Commercial Pre-sale Management Services	23,084	19,091	19,965	23,300	29,100	36,400	31,500	34,700	38,200
Commercial Property Management Services	97,195	131,109	114,590	100,200	157,400	188,900	194,100	224,200	259,000
Total	120,279	150,200	134,555	123,500	186,500	225,300	225,600	258,900	297,200

The proposed total annual cap for the New Commercial Property Management Services Framework Agreement for the year ending 31 December 2023 amounts to RMB225.6 million, and is expected to increase during the three years ending 31 December 2025.

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*The proposed annual caps in respect of the Commercial Pre-sale Management Services for the three years ending 31 December 2025 (the “**Proposed Commercial Pre-sale Management Annual Cap(s)**”)*

The Proposed Commercial Pre-sale Management Annual Cap for the year ending 31 December 2023 amounts to RMB31.5 million, and is expected to increase during the two years ending 31 December 2025.

We have reviewed the relevant calculations provided by the Management and noted that the Proposed Commercial Pre-sale Management Annual Caps were determined primarily with reference to (i) the estimated transaction amount per contract of the Group to be engaged by KWG Group and its associates to provide the Residential Pre-sale Management Services; (ii) the expected number of contracts of the Group to be engaged by KWG Group and its associates to provide the Commercial Pre-sale Management Services; and (iii) a buffer of 10% allowed per year for the potential fluctuations in the anticipated average amount per the aforesaid contract entered into by the Group during the two years ending 31 December 2025. Details of the above factors including but not limited to the quantitative analysis and trends are set out below.

As shown in Table 6 above, the actual transactions amounts of the Commercial Pre-sale Management Services provided by the Group to KWG Group and its associates were approximately RMB23.1 million and approximately RMB19.1 million for each of the two years ended 31 December 2021, and that for the nine months ended 30 September 2022 was approximately RMB20.0 million, representing a hypothetical annualised transaction amount of RMB26.7 million. Accordingly, the respective utilisation rates of the corresponding existing annual caps for the year ended/ending 31 December 2020, 2021 and 2022 were approximately 99.1%, approximately 65.6% and approximately 73.4%. As advised by the Management, similar to the case for the residential properties, the overall challenging business environment of the property market as well as the fluctuating condition of the COVID-2019 pandemic in the PRC have resulted in a delay in the development and sales schedule of certain commercial projects of KWG Group and its associates, and hence a lower-than-expected number of contracts have been engaged by KWG Group and its associates in providing the Commercial Pre-sale Management Services.

In determining the Proposed Commercial Pre-sale Management Annual Caps, the Management has primarily made reference to the existing number of contracts of 11 engaged by KWG Group and its associate to provide the Commercial Pre-sale Management Services in respect of commercial properties for the nine months ended 30 September 2022, and assumed that such number would be increased by approximately 18% to 13 during the year ended 31 December 2023 and remain constant throughout the two years ending 31 December 2025. For our due diligence purpose, we have reviewed

the list of the actual operating sales centres and display units of KWG Group and its associates in respect of their commercial properties for the nine months ended 30 September 2022 and the relevant development plan for the year ending 31 December 2023, and noticed that the timetable of such plans are in line with the estimations adopted by the Management.

When estimating the transaction amounts per contract to be engaged by KWG Group and its associates to provide the Commercial Pre-sale Management Services, it is noted that the Management has initially made reference to the historical average transaction amount per contract under the Old Commercial Property Management Services Framework Agreement, which has decreased year-on-year by approximately 23.8% during the year ending 31 December 2022 (on an annualised basis based on the average transaction amount per contract for the nine months ended 30 September 2022), and assumed that such average transaction amount would initially remain at the same level for each of the three years ending 31 December 2025. We have, in this regard, enquired with the Management and learnt that the aforesaid year-on-year decrease in the historical average transaction amount per contract during the year ending 31 December 2022 and the estimated constant trend for the three years ending 31 December 2025 are primarily due to the decreases in scale of the sales offices and the relevant scope of services required by KWG Group and its associates, which are in turn primarily attributable to the cost-saving intention of KWG Group, as well as the general decrease in the size of the commercial properties projects of KWG Group and its associates for year ending 31 December 2022; while the Management has initially made reference to such historical circumstances and assumed that the cost-saving intention of KWG Group shall continue and the scale of sales offices and scope of services to be required shall be generally approximate to those in the year ending 31 December 2022. Based on the foregoing, we are of the view that the trend of the average transaction amount per contract as initially estimated by the Management for the three years ending 31 December 2025 are fair and reasonable. Notwithstanding the above trend of the historical transaction amounts per contract, the Management has also additionally considered a buffer of 10% allowed for the potential fluctuations in the anticipated average transaction amount per contract of the Group to be engaged by KWG Group and its associates to provide the Commercial Pre-sale Management Services during the two years ending 31 December 2025. Based on our discussions with the Management, such potential fluctuations would be primarily resulted from the fluctuating operating cost to be potentially incurred by the Group for providing the Commercial Pre-sale Management Services under different commercial projects considering the labour-intensive nature of the services, which would in turn be attributable to (a) the inflation in the PRC; and (b) any potential differences in scales and requirements of sales centres under different commercial projects, thereby affecting, among others, the required

number and qualifications of staff, the required number and standards of facilities as well as the required level of cleaning services to be provided by the Group.

Accordingly, despite the decreasing trend of utilisation rates achieved under the Old Commercial Pre-sale Management Services Framework Agreement throughout the three years ending 31 December 2022, considering that (i) the estimation regarding the number of contracts to be engaged by KWG Group and its associates to provide the Commercial Pre-sale Management Services for the three years ending 31 December 2025 was made with reference to the actual number of relevant contracts engaged for the nine months ended 30 September 2022 and in line with the relevant development plan of KWG Group and its associates; and (ii) the estimation of the amount per contract taking into account the expected inflation in the PRC as well as the differences in scales and requirements of sales centres under different commercial projects, and accordingly the application of the corresponding buffer of 10% for each of the two years ending 31 December 2024 and 2025, we consider that the determinations of the Proposed Commercial Pre-sale Management Annual Caps are fair and reasonable.

*The proposed annual caps in respect of the Commercial Property Management Services for the three years ending 31 December 2025 (the “**Proposed Commercial Property Management Annual Cap(s)**”)*

The Proposed Commercial Property Management Annual Cap for the year ending 31 December 2023 amounts to RMB194.1 million, and is expected to increase during the two years ending 31 December 2025.

Based on our review of the relevant calculations, the Proposed Commercial Property Management Annual Caps were determined primarily with reference to (i) the expected GFA under management for which the Group anticipates that it may be engaged by KWG Group and its associates to provide the Commercial Property Management Services during the three years ending 31 December 2025, which is in turn estimated with reference to the corresponding historical GFA under management for which the Group has been engaged by KWG Group and its associates as well as the vacancy rate of the relevant properties; (ii) the estimated average monthly management fee to be charged; and (iii) the expected average period of the Commercial Property Management Services required for the relevant projects. Details of the above factors including but not limited to the quantitative analysis and trends are set out below.

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As shown in Table 6 above, the actual transactions amounts of the Commercial Property Management Services provided by the Group to KWG Group were approximately RMB97.2 million and approximately RMB131.1 million for each of the two years ended 31 December 2021, and that for the nine months ended 30 September 2022 was approximately RMB114.6 million, representing a hypothetical annualised transaction amount of RMB152.8 million. Accordingly, the respective utilisation rates of the corresponding existing annual caps for the year ended/ending 31 December 2020, 2021 and 2022 were approximately 97.0%, approximately 83.3% and approximately 80.9%. As advised by the Management, affected by the challenging conditions of the property market and the fluctuating conditions of the COVID-2019 pandemic, the development schedule of certain commercial projects of KWG Group for the year ended 31 December 2021 have been delayed, resulting in a lower-than-expected number of properties made available for sale for certain commercial property projects and hence the demand for the Commercial Property Management Services.

We noted that in estimating the Proposed Commercial Property Management Annual Caps, the Management has assumed that the GFA under management for which KWG Group and its associates will require the Commercial Property Management Services for the year ending 31 December 2022 would remain at the same level as that for the ten months ended 31 October 2022, which would then increase by approximately 20.9% during the year ending 31 December 2023 and approximately 10% during each of the two years ending 31 December 2025. We have, in this regard, enquired with the Management and learnt that the relevant individual agreements entered into between the Group and KWG Group and its associates in relation to the Commercial Property Management Services for the ten months ended 31 December 2022, whereby the underlying GFA under management has been assumed by the Management as the relevant GFA under management for which KWG Group and its associates will require the Commercial Property Management Services for the year ending 31 December 2022, remained valid and effective as at the Latest Practicable Date. In forecasting the aforesaid trend, we noted that the Management has made reference to (i) the actual GFA under management delivered by KWG Group and its associates for the ten months ended 31 October 2022; and (ii) an estimated annual increase of 10% from the aforesaid actual GFA under management for the ten months ended 31 October 2022 throughout the approximately three years ending 31 December 2025. For our due diligence purpose, we have obtained the historical relevant GFA under management for each of the two years ended 31 December 2021 and the nine months ended 30 September 2022, and noticed that the estimation of the annual increase of 10% in the GFA under management adopted by the Management in determining the Proposed Commercial Property Management Annual Caps is slightly more conservative as compared to the historical corresponding annual increase of not less than 12% exhibited throughout the two years ended 31 December 2021 and the nine months ended 30 September 2022. Further, we noted that

the Management has also assumed that the vacancy rate of the relevant properties for the year ending 31 December 2022 would be in line with that for the nine months ended 30 September 2021, and that such rate would be increased by two percentage points (representing an increase of 10%) during the year ending 31 December 2023 and remain consistent during the two years ending 31 December 2025. Based on our review, the aforesaid trend is generally consistent with the trend of the historical average vacancy rate of the relevant properties, which has been increased by approximately two percentage points (representing an increase of approximately 9.9%) from the year ended 31 December 2020 to the year ended 31 December 2021 and then remained constant thereafter towards the year ending 31 December 2022 (on an annualised basis with reference to the historical coverage for the nine months ended 30 September 2022).

Accordingly, considering that the relevant individual agreements entered into between the Group and KWG Group and its associates in relation to the Commercial Property Management Services for the ten months ended 31 December 2022 remained valid and effective as at the Latest Practicable Date, as well as the estimated trends of the contributing factors as analysed above, including but not limited to (i) the estimated annual increase of 10% from the actual GFA under management delivered by KWG Group and its associates for the ten months ended 31 October 2022 throughout the approximately three years ending 31 December 2025, which represents a relatively conservative estimation as compared to the relevant historical increment throughout the two years ended 31 December 2021 and the year ending 31 December 2022; and (ii) the estimated annual increase of 10% in the vacancy rate during the year ending 31 December 2023 and the generally constant trend thereafter as supported by the similar historical trend, we are of the view that the assumption of the Management, under which the GFA under management for which KWG Group and its associates will require the Commercial Property Management Services for the year ending 31 December 2022 would remain the same as that for the ten months ended 31 October 2022, and such figure would increase by approximately 20.9% during the year ending 31 December 2023 and approximately 10% during each of the two years ending 31 December 2025, is fair and reasonable.

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In addition, we noticed that in determining the Proposed Commercial Property Management Annual Caps, the Management has also assumed a slight annual increment of 5% in the average monthly management fee for the Commercial Property Management Services to be charged by the Group to KWG Group and its associates. We have, in this regard, reviewed the historical average monthly management fee for the two years ended 31 December 2021 and the nine months ended 30 September 2022, and noticed that the estimation adopted by the Management regarding the average monthly management fee throughout the three years ending 31 December 2025 is generally in line with the historical annual increment.

Furthermore, in respect of the expected average period of the Commercial Property Management Services required for the relevant properties, it is noted that the expected average period for the year ending 31 December 2023 is in line with that for the year ending 31 December 2022 (on an annualised basis with reference to the historical average period for the nine months ended 30 September 2022), and such expected average period shall remain constant throughout the three years ending 31 December 2025.

Accordingly, despite the decreasing trend of utilisation rates achieved under the Old Commercial Property Management Services Framework Agreement throughout the three years ending 31 December 2022, considering that (i) the estimated annual increase of 10% in GFA under management to be delivered by KWG Group and its associates in respect of commercial properties over the three years ending 31 December 2025 represents a slightly conservative estimation against the corresponding historical annual increase of not less than 12% in the delivered GFA under management throughout the two years ending 31 December 2023; (ii) the estimated vacancy rate of the relevant properties for the overall year ending 31 December 2022 would be the same as the historical rate for the nine months ended 30 September 2022, and the overall estimated trend of such rate during the three years ending 31 December 2025 is generally in line with the trend of the historical rate during the three years ending 31 December 2022 (on an annualised basis); (iii) the estimation of the trend of the average monthly management fee over the three years ending 31 December 2025 is in line with the corresponding historical trend; and (iv) the expected average period of the Commercial Property Management Services required for the relevant projects remains the same as those of the projects throughout the three years ending 31 December 2022 (on an annualised basis), we are of the view that the determinations of the Proposed Commercial Property Management Annual Caps are fair and reasonable.

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4.4 The proposed annual caps under the New Commercial Operational Management and Other Value-added Services Framework Agreement

Table 7 below sets out (i) the actual transaction amounts for the two years ended 31 December 2021 and the nine months ended 30 September 2022 as provided by the Management; (ii) the existing annual caps for the three years ending 31 December 2022; and (iii) the proposed annual caps for the three years ending 31 December 2025 under the New Commercial Operational Management and Other Value-added Services Framework Agreement.

Table 7: A summary of the actual transaction amounts, the existing annual caps and the proposed annual caps under the New Commercial Operational Management and Other Value-added Services Framework Agreement

	Actual transaction amounts for the year ended 31 December		Actual transaction amounts for the nine months ended 30 September	Existing annual cap for the year ended/ending 31 December			Proposed annual caps for the year ending 31 December		
	2020	2021		2020	2021	2022	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Commercial Operational Management Services	95,045	126,480	85,593	95,300	136,900	156,800	119,200	126,600	145,700
Commercial Other Value-added Services	12,404	13,859	11,687	13,000	13,900	16,100	17,100	18,800	20,700
Total	107,449	140,339	97,280	108,300	150,800	172,900	136,300	145,400	166,400

The proposed total annual cap for the New Commercial Operational Management and Other Value-added Services Framework Agreement for the year ending 31 December 2023 amounts to RMB136.3 million, and is expected to increase during the three years ending 31 December 2025.

The proposed annual caps in respect of the Commercial Operational Management Services for the three years ending 31 December 2025 (the “Proposed Commercial Operational Management Annual Cap(s)”)

The Proposed Commercial Operational Management Annual Cap for the year ending 31 December 2023 amounts to RMB119.2 million, and is expected to increase during the two years ending 31 December 2025.

Based on our review of the relevant calculations, the Proposed Commercial Operational Management Annual Caps were determined primarily with reference to, among others, the estimated transaction amounts of the Commercial Operational Management Services provided to (a) office buildings; (b) shopping malls during pre-opening stage; and (c) shopping malls during operation stage during the three years ending 31

December 2025. Further details on the above factors including but not limited to the quantitative analysis and trends of the contributing factors thereof are set out below.

As shown in Table 7 above, the actual transactions amounts of the Commercial Operational Management Services provided by the Group to KWG Group and its associates were approximately RMB95.0 million and approximately RMB126.5 million for each of the two years ended 31 December 2021, and that for the nine months ended 30 September 2022 was approximately RMB85.6 million, representing a hypothetical annualised transaction amount of RMB114.1 million. Accordingly, the respective utilisation rates of the corresponding existing annual caps for the year ended/ending 31 December 2020, 2021 and 2022 were approximately 99.7%, approximately 92.4% and approximately 72.8%. As advised by the Management, similar to the case for the residential properties, the overall challenging business environment of the property market as well as the fluctuating condition of the COVID-2019 pandemic in the PRC have resulted in a delay in the development and operation schedule of certain commercial projects of KWG Group and its associates, and hence a lower-than-expected number of contracts have been engaged by KWG Group and its associates in providing the Commercial Operational Management Services.

In respect of the Commercial Operational Management Services provided to office buildings, we noted that the estimated transaction amount, which is determined based on the estimated operating costs for the underlying services provided and the expected margin to be charged to KWG Group and its associates, would increase by 10% from that for the year ending 31 December 2022 (on an annualised basis with reference to the historical transaction amount for the nine months ended 30 September 2022) to that for the year ending 31 December 2023, and remain constant thereafter during the two years ending 31 December 2025. Such increase for the year ending 31 December 2023 is attributable to the estimated increase of approximately 10% in the operating costs after applying a corresponding buffer of 10% allowed for the year ending 31 December 2023 due to the expected inflation in the PRC. On the other hand, we noted that same expected margin to be charged to KWG Group and its associates has been adopted by the Management for each of the three years ending 31 December 2025, which is in turn consistent with the historical average margin for the nine months ended 31 September 2022.

In respect of the Commercial Operational Management Services provided to shopping malls, we noted that the overall transaction amount is expected to exhibit a generally increasing trend throughout the three years ending 31 December 2025 as mainly due to the estimated increase in the estimated transaction amount attributable to the services provided to the shopping malls during operation stage, offset by the estimated decrease in the

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estimated transaction amount attributable to the services provided to the shopping malls during the pre-operation stage during the two years ending 31 December 2025.

Based on our review of the relevant calculations of the Proposed Commercial Operational Management Annual Caps, the estimated transaction amount in respect of the Commercial Operational Management Services provided to shopping malls during operation stage, which is determined based on the estimated total rental income and the expected commission rate to be charged to KWG Group and its associates, is expected to increase throughout each of the three years ending 31 December 2025. We noted that such increase is attributable to the increase in the estimated total rental income throughout the three years ending 31 December 2025, which is primarily resulted from the estimated increase in the GFA rentable of the shopping malls as certain shopping malls are expected to be in operation after the pre-opening stage. On the other hand, it is noted that the same expected commission rate to be charged to KWG Group and its associates has been adopted for each of the three years ending 31 December 2025, which is in turn consistent with the historical average for the nine months ended 31 September 2022. In respect of the Commercial Operational Management Services provided to shopping malls during pre-opening stage, the estimated transaction amount is expected to increase slightly from that for the year ending 31 December 2022 (on an annualised basis with reference to the historical transaction amount for the nine months ended 30 September 2022) to that for the year ending 31 December 2023, which would then decrease during the year ending 31 December 2024 and remain constant during the year ending 31 December 2025. The aforesaid general decreasing trend throughout the three years ending 31 December 2025 was primarily due to the fact that certain shopping malls are expected to complete gradually the pre-opening stage in both 2024 and 2025, and would require the Commercial Operational Management Services to be provided during operation stage instead, leading to the expected decrease in the GFA rentable for such service. On the other hand, it is noted that same expected margin to be charged to KWG Group and its associates has been adopted for each of the three years ending 31 December 2025, which is consistent with the historical average for the nine months ended 31 September 2022. For our due diligence purpose, we have also reviewed the development plan of the corresponding shopping malls of KWG Group and its associates for each of the three years ending 31 December 2025, and noticed that the timetable of such plan is in line with the estimations adopted by the Management in the sense that the aggregate number of projects of KWG Group and its associates in respect of shopping malls is expected to increase from 12 for the year ending 31 December 2022 to 19 for the year ending 31 December 2025. Further, according to the interim report of KWG Group for the six months ended 30 June 2022, despite the epidemic recurrence, the 11 shopping malls of KWG Group which are located in six core first and second-tier cities in the PRC managed to achieve an overall increase in its rental income during the first

half of 2022 as compared to the preceding corresponding period. Also, we noted that in 2022, KWG Group has won several industrial awards which demonstrates the recognition of its brand within the industry. As such, we are of the view that the targeted GFA rentable of the shopping malls for which the Group shall be engaged to provide the Commercial Operational Management Services are achievable.

Accordingly, despite the decreasing trend of utilisation rates achieved under the Old Commercial Operational Management Services Framework Agreement throughout the three years ending 31 December 2022, considering the above analysis, in particular, (i) the expected net increase in GFA rentable of the shopping malls of KWG Group and its associates in the three years ending 31 December 2025 as supported by, among others, the period-over-period increase in rental income attributable to them during the six months ended 30 June 2022, the market recognition as well as the development and operation schedule of KWG Group and its associates regarding its shopping malls, and the development plan of KWG Group and its associates in relation to its shopping malls during the three years ending 31 December 2025; and (ii) that the estimated fee rates of the Commercial Operational Management Services in respect of office buildings and shopping malls adopted for the three years ending 31 December 2025 are in line with the respective corresponding historical average fee rates charged for the nine months ended 30 September 2022, we are of the view that the determinations of the Proposed Commercial Operational Management Annual Caps are fair and reasonable.

*The proposed annual caps in respect of the Commercial Other Value-added Services for the three years ending 31 December 2025 (the “**Proposed Commercial Other Value-added Annual Cap(s)**”)*

The Proposed Commercial Other Value-added Annual Cap for the year ending 31 December 2023 amounts to RMB17.1 million, and is expected to increase by 10% each year during the three years ending 31 December 2025.

Based on our review of the relevant calculations, the Proposed Commercial Other Value-added Annual Caps were determined primarily with reference to the historical transaction amounts of the Commercial Other Value-added Services provided under the Old Commercial Operational Management and Other Value-added Services Framework Agreement, further details including the quantitative factors and trends of the contributing factors of which are set out below.

As shown in Table 7 above, the actual transactions amounts of the Commercial Other Value-added Services provided by the Group to KWG Group were approximately RMB12.4 million and approximately RMB13.9 million for each of the two years ended 31 December 2021, and that for the nine months ended 30 September 2022 was approximately RMB11.7 million,

representing a hypothetical annualised transaction amount of RMB15.6 million. Accordingly, the respective utilisation rates of the corresponding existing annual caps for the year ended/ending 31 December 2020, 2021 and 2022 were approximately 95.4%, approximately 99.7% and approximately 96.8%.

Further, the Proposed Commercial Other Value-added Annual Cap for the year ended 31 December 2022 of RMB17.1 million represents an increase of 10% from the hypothetical annualised transaction amount of RMB15.6 million for the year ending 31 December 2022, and is expected to increase by 10% each year during the two years ending 31 December 2025. In this regard, we have assessed the movements in the historical transaction amounts for the two years ended 31 December 2021 and the hypothetical annualised transaction amount for the year ending 31 December 2023, and noted that the historical transaction amounts exhibited a year-on-year growth of approximately 12.1% in each of the two years ended/ending 31 December 2022.

Accordingly, considering (i) the consistently high utilisation rates of over 95% of the existing annual caps for the Commercial Other Value-added Services during the three years ending 31 December 2022; and (ii) the annual increase of approximately 12.1% in the historical transaction amount or the hypothetical annualised transaction amount during the two years ending 31 December 2022, we are of the view that the determinations of the Proposed Commercial Other Value-added Annual Caps, which shall increase by 10% each year during the three years ending 31 December 2025, are fair and reasonable.

5. Internal control measures

The Group will adopt several internal control measures in order to ensure that the pricing terms of the Non-exempt Agreements are on normal commercial terms and fair reasonable, and that the proposed annual caps will not be exceeded. For details of the aforesaid internal control measures, please refer to the section headed “INTERNAL CONTROL MEASURES” in the Letter from the Board.

Among others, we noted that references to various sources would be made when determining the prices to be offered by the Group to KWG Group and its associates under the Non-exempt Agreements, including other contemporaneous similar transactions of the Group carried out with Independent Third Parties, other comparable transactions in the market to be referenced from different sources such as industry talents from other property management services providers and public information of other listed companies, and, where applicable, the standard fees filed with the relevant government authority or the fees submitted in the relevant tender documents.

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Also, we noted that segregation of duties will be applied by the Group at different stages of the pricing procedures of the Non-exempt Agreements. In particular, determination of prices prior to the entering into of the individual agreements and monitoring of the actual transaction amounts, monthly reports as well as the utilisation rates with a threshold of 85% after the entering into of the individual agreements will be performed separately by the operation department and the finance department of the Group, thereby preventing any department from gaining complete control over the pricing process and reducing the risks of frauds and errors. In addition, review of the transactions contemplated under the Non-exempt Agreements shall continue to be performed by the independent non-executive Directors and annual review of the relevant pricing terms and annual caps will be performed by the auditors of the Company pursuant to the requirements of the Listing Rules.

In light of the foregoing, we are of the view that there are appropriate measures in place to govern the conduct of the transactions contemplated under the Non-exempt Agreements, as well as to ensure that the service fees are on normal commercial terms and fair and reasonable, and that the proposed annual caps will not be exceeded.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the terms of the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor) will be conducted in the ordinary and usual course of business of the Group, and the terms of Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution(s) to be proposed for approving the Non-exempt Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor) at the EGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the accounting and investment banking industries.

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

(a) Interests of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive are taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the Shares and the underlying Shares

Name of Director	Number of Shares held			Total	% of the issued voting Shares ⁽¹⁾
	Personal Interests (beneficial owner)	Corporate Interests (Interests of controlled corporation)	Other interests		
KONG Jianmin	2,300,000	849,718,661 ⁽²⁾	219,635,885 ⁽⁴⁾	1,071,654,546	52.90
KONG Jiannan	—	81,827,772 ⁽³⁾	988,977,774 ⁽⁴⁾	1,070,805,546	52.86
YANG Jingbo	29,500 ⁽⁵⁾	—	100,500 ⁽⁶⁾	130,000	0.01

Notes:

- (1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,025,858,916 Shares) as at the Latest Practicable Date.
- (2) Plus Earn and Hero Fine are wholly-owned and controlled by Mr. KONG Jianmin. By virtue of the SFO, Mr. KONG Jianmin is deemed to be interested in the Shares in which Plus Earn and Hero Fine are interested.
- (3) Peace Kind and Expert Vision International Limited (“**Expert Vision**”) are wholly-owned and controlled by Mr. KONG Jiannan. By virtue of the SFO, Mr. KONG Jiannan is deemed to be interested in the Shares in which Peace Kind and Expert Vision are interested.

- (4) On 14 October 2020, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind entered into the Shareholders' Agreement, pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Mr. KONG Jianmin and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.
- (5) These Shares represent the 1st tranche of 33,500 Shares awarded to such Director which were vested on 19 April 2022 pursuant to the share award scheme adopted by the Company on 23 July 2021 (the "Share Award Scheme"), out of which, 4,000 Shares were sold at an average price of HK\$3.24 on the same date to cover the PRC withholding tax.
- (6) These Shares represent the interests in the Shares granted to such Director by the Company under the Share Award Scheme, which remain unvested.

Long positions in the shares of associated corporation of the Company

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity</u>	<u>Number of shares held</u>	<u>% of the issued voting shares⁽¹⁾</u>
KONG Jianmin	Plus Earn	Beneficial owner	1,000	100

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as the Directors or chief executive of the Company were aware of, persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name of substantial Shareholder	Number of Shares held			Total	% of the issued voting Shares ⁽¹⁾
	Personal Interests (beneficial owner)	Corporate Interests (Interests of controlled corporation)	Other interests		
Plus Earn ⁽⁴⁾	678,390,949	—	390,963,597 ⁽³⁾	1,069,354,546	52.79
Hero Fine ⁽⁴⁾	171,327,712	—	898,026,834 ⁽³⁾	1,069,354,546	52.79
Peace Kind ⁽⁴⁾	80,376,772	—	988,977,774 ⁽³⁾	1,069,354,546	52.79
KONG Jiantao	—	139,259,113 ⁽²⁾	930,095,433 ⁽³⁾	1,069,354,546	52.79
Right Rich	136,667,833	—	932,686,713 ⁽³⁾	1,069,354,546	52.79
Excel Wave	2,079,450	—	1,067,275,096 ⁽³⁾	1,069,354,546	52.79
Wealth Express	511,830	—	1,068,842,716 ⁽³⁾	1,069,354,546	52.79

Notes:

- (1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,025,858,916 Shares) as at the Latest Practicable Date.
- (2) Right Rich, Excel Wave and Wealth Express are wholly-owned and controlled by Mr. KONG Jiantao. By virtue of the SFO, Mr. KONG Jiantao is deemed to be interested in the Shares in which Right Rich, Excel Wave and Wealth Express are interested.
- (3) On 14 October 2020, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind entered into the Shareholders' Agreement, pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Mr. KONG Jianmin and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.
- (4) Mr. KONG Jiannan is the sole director of Peace Kind and Mr. KONG Jianmin is the sole director of Plus Earn and Hero Fine.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

4. DIRECTORS' INTERESTS IN ASSETS

Save for the property lease agreement dated 14 October 2020 (the annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 being RMB18.1 million, RMB22.7 million and RMB29.6 million, respectively) and the property lease agreement dated 21 November 2022 (the annual caps for the three years ending 31 December 2025 being RMB30 million, RMB34.2 million and RMB38.6 million, respectively), both entered into between the Company and KWG Holdings, under which the Group will lease certain properties and car parking lots from KWG Group and in which each of Mr. KONG Jianmin, a non-executive Director, and Mr. KONG Jiannan, an executive Director, is considered as having a material interest, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' SERVICE CONTRACTS

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

6. DIRECTOR'S INTERESTS IN CONTRACTS OR ARRANGEMENTS

Save for the Non-exempt Agreements and the Old Framework Agreements in which each of Mr. KONG Jianmin, a non-executive Director, and Mr. KONG Jiannan, an executive Director, is considered as having a material interest, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made.

9. EXPERT AND CONSENT

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

Name	Qualification
Lego Corporate Finance	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2021 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, 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.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk) from the date of this circular up to and including the date of the EGM (being not less than 14 days):

- (a) the New Residential Property Management Services Framework Agreement;
- (b) the New Property Agency Services Framework Agreement;
- (c) the New Commercial Property Management Services Framework Agreement;
- (d) the New Commercial Operational and Value-added Services Framework Agreement; and
- (e) the written consent of Lego Corporate Finance as referred to in the section headed "Expert and Consent" in this appendix.

11. MISCELLANEOUS

This circular and the accompanying proxy form have been prepared in both English and Chinese. In the event of discrepancies, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



KWG Living Group Holdings Limited

合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of KWG Living Group Holdings Limited (the “**Company**”) will be convened and held at Yunshan Conference Room, 38th Floor, International Finance Place, No. 8 Huaxia Road, Pearl River New Town, Guangzhou, People’s Republic of China on Friday, 13 January 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the residential property management services framework agreement dated 21 November 2022 and entered into between the Company and KWG Group Holdings Limited (“**KWG Holdings**”) (the “**New Residential Property Management Services Framework Agreement**”) and the transactions contemplated thereunder (including the proposed annual caps therefor) be and are hereby confirmed and approved and the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder.”
2. “**THAT** the property agency services framework agreement dated 21 November 2022 and entered into between the Company and KWG Holdings (the “**New Property Agency Services Framework Agreement**”) and the transactions contemplated thereunder (including the proposed annual caps therefor) be and are hereby confirmed and approved and the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the New Property Agency Services Framework Agreement and the transactions contemplated thereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. “**THAT** the commercial property management services framework agreement dated 21 November 2022 and entered into between the Company and KWG Holdings (the “**New Commercial Property Management Services Framework Agreement**”) and the transactions contemplated thereunder (including the proposed annual caps therefor) be and are hereby confirmed and approved and the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the New Commercial Property Management Services Framework Agreement and the transactions contemplated thereunder.”

4. “**THAT** the commercial operational and value-added services framework agreement dated 21 November 2022 and entered into between the Company and KWG Holdings (the “**New Commercial Operational and Value-added Services Framework Agreement**”) and the transactions contemplated thereunder (including the proposed annual caps therefor) be and are hereby confirmed and approved and the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the New Commercial Operational and Value-added Services Framework Agreement and the transactions contemplated thereunder.”

By order of the Board
KWG Living Group Holdings Limited
KONG Jianmin
Chairman

Hong Kong, 21 December 2022

Notes:

1. Any Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her, a proxy need not be a shareholder of the Company.

2. In case of joint registered holders of any shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint persons be present at the EGM personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

3. To be valid, the Proxy Form duly completed and signed in accordance with the instructions printed hereon together with the power of attorney or other authority, if any, under which it is signed or a notarized copy thereof must be delivered to the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof (as the case may be).

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. Completion and delivery of the Proxy Form will not preclude you from attending and voting in person at the EGM or any adjourned thereof if you so wish. In such event, the Proxy Form shall be deemed to be revoked.
5. For the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM (or at any adjournment thereof), the register of members of the Company will be closed from Tuesday, 10 January 2023 to Friday, 13 January 2023 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 9 January 2023.
6. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the EGM must be taken by poll. Under Article 66 of the Articles, a resolution put to the vote at the EGM shall be decided by way of a poll, save that the chairman of the EGM may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.
7. The Chinese version of this notice is for reference only. Should there be any discrepancies, the English version shall prevail.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (i) Compulsory body temperature checks
- (ii) Wearing of surgical face masks
- (iii) No provision of refreshments and corporate gifts

Any attendee who does not comply with the precautionary measures (i) and (ii) above may be denied entry to the EGM venue.

For the health and safety of the shareholders, Shareholders are strongly encouraged to appoint the chairman of the EGM as their proxy instead of attending the EGM in person. If any Shareholders wishes to attend in person, the Shareholder is advised to pay attention to the latest epidemic-control and protection arrangements implemented by the Central Government of the People's Republic of China and the Government of the Hong Kong Special Administrative Region.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements at short notice. Shareholders shall check the Company's website (www.kwgliving.com) and/or the HKEXnews website (www.hkexnews.hk) for future announcements and updates on the EGM arrangements.