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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in Yuexiu Services Group Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 6626)**

### **PROPOSED CONTINUING CONNECTED TRANSACTIONS — (1) 2022 PROPERTY MANAGEMENT AND VALUE-ADDED SERVICES FRAMEWORK AGREEMENT; AND (2) 2023 BANK DEPOSITS AGREEMENT; (3) NOTICE OF GENERAL MEETING; AND (4) CLOSURE OF REGISTER OF MEMBERS**

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



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A letter from the Board is set out on pages 8 to 24 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 25 to 26 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 44 of this circular.

A notice convening the general meeting of the Company to be held at Plaza I-IV, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 30 December 2022 at 10:00 a.m. is set out on pages GM-1 to GM-3 of this circular. Whether or not you are able to attend and vote at the general meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the general meeting or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the general meeting or any adjourned meeting if you so wish.

#### **PRECAUTIONARY MEASURES FOR THE GENERAL MEETING**

In order to prevent and control the spread of novel coronavirus ("COVID-19") pandemic and to safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the General Meeting:

- limited attendance in person at the General Meeting venue;
- compulsory wearing of surgical face masks at all the times at the General Meeting venue;
- scanning of the "LeaveHomeSafe" venue QR code;
- complying with the requirements of the "Vaccine Pass Direction"<sup>#</sup>;
- compulsory body temperature checks and hand sanitizing before entry into the General Meeting venue;
- no provision of refreshments and gift coupons/souvenirs; and
- any other additional precautionary measures as appropriate.

<sup>#</sup> "Vaccine Pass Direction" is defined under the Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the laws of Hong Kong)

Any person who does not comply with the precautionary measures may be denied entry into or required to leave the General Meeting venue. The Company would like to remind all Shareholders that physical attendance at the General Meeting is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the General Meeting as their proxy to vote on the relevant resolutions at the General Meeting. Completion and return of the proxy forms will not preclude the Shareholders from attending and voting in person at the General Meeting or any adjournment thereof should they subsequently so wish, and in such case, the proxy forms previously submitted shall be deemed to be revoked. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

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## **PRECAUTIONARY MEASURES FOR THE GENERAL MEETING**

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In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the General Meeting:

### **LIMITED ATTENDANCE IN PERSON AT THE GENERAL MEETING VENUE**

The Company will limit attendance in person at the General Meeting venue in accordance with prevailing requirements or guidelines published by the HKSAR Government and/or regulatory authorities at the time of the General Meeting. Given the limited capacity of the General Meeting venue to ensure social distancing, only Shareholders and/or their representatives and relevant staff will be admitted to the General Meeting. Admission to the General Meeting venue will not be granted in excess of the capacity of the General Meeting venue.

### **HEALTH AND SAFETY MEASURES AT THE GENERAL MEETING**

- (i) All attendees are requested to wear surgical face masks at the General Meeting venue at all times, and to maintain a safe distance with other attendees;
- (ii) each attendee must scan the “LeaveHomeSafe” venue QR code and comply with the requirements of the Vaccine Pass Direction# prior to entry into the General Meeting venue;
- (iii) only a limited number of seats will be available, with no standing arrangement, in the venue of the General Meeting in order to ensure social distancing and therefore, where necessary, the Company may limit the number of attendees entering the venue of the General Meeting;
- (iv) compulsory body temperature checks will be conducted on all attendees at the entrance of the General Meeting venue. Any attendees with a body temperature of over 37.2 degree Celsius or with flu-like symptoms may be denied entry into the General Meeting venue or be required to leave the General Meeting venue;
- (v) all attendees must wash their hands with alcohol-based hand sanitizer before entering the General Meeting venue;
- (vi) no refreshments and gift coupons/souvenirs will be provided; and
- (vii) any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Government, the regulatory authorities and/or the General Meeting venue, or as considered appropriate in light of the development of the COVID-19 pandemic.

To the extent permitted under applicable laws, the Company reserves the right to deny entry into the General Meeting venue or request any person to leave the General Meeting venue in order to ensure the safety of the attendees at the General Meeting.

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## PRECAUTIONARY MEASURES FOR THE GENERAL MEETING

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Attendees are requested (i) to consider carefully the risk of attending the General Meeting, which will be held in an enclosed environment, (ii) to follow any prevailing requirements or guidelines of the HKSAR Government relating to COVID-19 in deciding whether or not to attend the General Meeting, and (iii) not to attend the General Meeting if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

In the interest of all stakeholders' health and safety and in response to the recent guidelines on prevention and control of COVID-19 pandemic, Shareholders are reminded that **physical attendance in person at the General Meeting is not necessary for the purpose of exercising voting rights. As an alternative, by completing proxy form in accordance with the instructions printed thereon, Shareholders may appoint the Chairman of the General Meeting as proxy to vote on the relevant resolutions at the General Meeting instead of attending the General Meeting or any adjourned meeting in person.** Completion and return of the proxy forms will not preclude the Shareholders from attending and voting in person at the General Meeting or any adjournment thereof should they subsequently so wish, and in such case, the proxy forms previously submitted shall be deemed to be revoked.

The proxy form is attached to this circular for registered Shareholders who opt to receive physical circulars. Alternatively, the proxy form can be downloaded from the "Investor Relations" section of the Company's website at [www.yuexiuservices.com](http://www.yuexiuservices.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). If you are not a registered Shareholder (if your shares are held via banks, brokers or custodians), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of a proxy.

If Shareholders choosing not to attend the General Meeting in person have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company via email: [ir@yuexiuproperty.com](mailto:ir@yuexiuproperty.com).

<sup>#</sup> "Vaccine Pass Direction" is defined under the *Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the laws of Hong Kong)*

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## DEFINITIONS

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

“2022 Property Management and Value-Added Services Framework Agreement”	the framework agreement entered into among the Company, GZYX and Yuexiu Property on 22 November 2022 for the provision of Property Management and Value-Added Services by the Group to GZYX, Yuexiu Property and their respective associates
“2023 Bank Deposits Agreement”	the framework agreement entered into between the Company and CHB on 22 November 2022 pursuant to which the Group may, in its ordinary and usual course of business, place and maintain Bank Deposits with the CHB Group
“2023 YXP Bank Deposits Agreement”	the framework agreement for bank deposits service entered into between Yuexiu Property and CHB on 3 November 2022, pursuant to which Yuexiu Property and its subsidiaries (including the Group) may, in its ordinary and usual course of business, place and maintain bank deposits with the CHB Group on normal commercial terms from time to time during the term of such agreement. For the avoidance of doubt, the Bank Deposits to be placed by the Group with the CHB Group under the 2023 Bank Deposits Agreement will form part of the bank deposits of Yuexiu Property and its subsidiaries with the CHB Group under the 2023 YXP Bank Deposit Agreement. Please refer to the announcement and the circular of Yuexiu Property dated 3 November 2022 and 24 November 2022, respectively for further details
“associate”	has the meaning ascribed to it under the Listing Rules
“Bank Deposits”	has the meaning given to it in the section headed “Proposed Continuing Connected Transaction — 2023 Bank Deposits Agreement”
“Bank Deposits Agreement”	the framework agreement entered into between the Company and CHB on 11 June 2021 pursuant to which the Group may, in its ordinary and usual course of business, place and maintain Bank Deposits with the CHB Group for a term commencing from the Listing Date up to and including 31 December 2022, details of which are set out in the Prospectus
“Board”	board of Directors
“CHB”	Chong Hing Bank Limited, a company incorporated in Hong Kong with limited liability
“CHB Group”	CHB and its subsidiaries

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## DEFINITIONS

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“Company”	Yuexiu Services Group Limited (越秀服務集團有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 6626)
“Commercial Operation and Management Services”	has the meaning given to it in the section headed “Proposed Continuing Connected Transaction — 2022 Property Management and Value-Added Services Framework Agreement”
“Commercial Operation and Management Services Framework Agreement”	the framework agreement entered into among the Company, GZYX and Yuexiu Property on 7 June 2021 for the provision of commercial operation and management services on commercial properties by the Group to GZYX, Yuexiu Property and their respective associates for a term commencing from the Listing Date up to and including 31 December 2023, details of which are set out in the Prospectus
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“GCD China”	Guangzhou Construction & Development Holdings (China) Limited (城市建設開發集團(中國)有限公司), a company with limited liability incorporated in the British Virgin Islands and is directly wholly owned by Yuexiu Property. GCD China is a controlling shareholder of the Company
“General Meeting”	the general meeting of Shareholders to be held at Plaza I-IV, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 30 December 2022 at 10:00 a.m. to consider and, if thought fit, to approve the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Greater Bay Area”	Guangdong-Hong Kong-Macao Greater Bay Area
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“GZ Metro”	Guangzhou Metro Group Co., Ltd.* (廣州地鐵集團有限公司), a limited liability company established in the PRC and a direct wholly-owned subsidiary of Guangzhou Municipal People’s Government of the PRC

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## DEFINITIONS

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“GZM & YXP JVs”	refers to the companies jointly held, directly or indirectly, by GZ Metro and Yuexiu Property and each of which is either (i) a non wholly-owned subsidiary of Yuexiu Property and held, directly or indirectly, as to 10% or more by GZ Metro (excluding any indirect interests in such subsidiary held through Yuexiu Property); or (ii) an associate of both GZ Metro and Yuexiu Property
“GZYX”	Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司), a company established in the PRC with limited liability, which is majority owned by the Guangzhou Municipal People’s Government of the PRC and is the ultimate controlling shareholder of Yuexiu Property and the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSAR Government”	the Government of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Hung Shing Ming, Ms. Hui Lai Kwan and Mr. Chan Yuen Hang Kenneth
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licenced to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement
“Independent Shareholders”	the Shareholders who are not prohibited from voting at the General Meeting in respect of the 2022 Property Management and Value-Added Services Framework Agreement, the 2023 Bank Deposits Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Third Parties”	any entity or person who is not a connected person of the Company
“Latest Practicable Date”	8 December 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Date”	28 June 2021, being the date on which the shares of the Company were listed on the Stock Exchange

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Market Positioning Consultancy and Tenant Sourcing Services”	has the meaning given to it in the section headed “Proposed Continuing Connected Transaction — 2022 Property Management and Value-Added Services Framework Agreement”
“Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement”	the framework agreement entered into among the Company, GZYX and Yuexiu Property on 7 June 2021 for the provision of market positioning consultancy and tenant sourcing services on commercial properties by the Group to GZYX, Yuexiu Property and their respective associates for a term commencing from the Listing Date up to and including 31 December 2023, details of which are set out in the Prospectus
“Notice of General Meeting”	the notice included in this circular in respect of the General Meeting to consider and, if though fit, approve the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated 16 June 2021 in relation to its global offering
“Property Management and Value-Added Services”	has the meaning given to it in the section headed “Proposed Continuing Connected Transaction — 2022 Property Management and Value-Added Services Framework Agreement”
“Property Management Services”	has the meaning given to it in the section headed “Proposed Continuing Connected Transaction — 2022 Property Management and Value-Added Services Framework Agreement”
“Property Management Services Framework Agreement”	the framework agreement entered into among the Company, GZYX and Yuexiu Property on 7 June 2021 for the provision of property management services on non-commercial properties by the Group to GZYX, Yuexiu Property and their respective associates for a term commencing from the Listing Date up to and including 31 December 2023, details of which are set out in the Prospectus



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## DEFINITIONS

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“RMB”	renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571) as amended from time to time
“Shareholder(s)”	registered holders of the shares in the Company from time to time
“Standard Documentation”	any standard documentation, as prescribed by the CHB Group in compliance with applicable legal and regulatory requirements and in accordance with usual banking practices in Hong Kong, applicable to the transactions contemplated under the 2023 Bank Deposits Agreement
“Share(s)”	ordinary share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Value-added Services”	has the meaning given to it in the section headed “Proposed Continuing Connected Transaction — 2022 Property Management and Value-Added Services Framework Agreement”
“Value-Added Services Framework Agreement”	the framework agreement entered into among the Company, GZYX and Yuexiu Property on 7 June 2021 for the provision of value-added services by the Group to GZYX, Yuexiu Property and their respective associates for a term commencing from the Listing Date up to and including 31 December 2023, details of which are set out in the Prospectus
“Yuexiu Property”	Yuexiu Property Company Limited (越秀地產股份有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00123) and a controlling shareholder of the Company
“Yuexiu Transport”	Yuexiu Transport Infrastructure Limited (越秀交通基建有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01052)
“YXE”	Yue Xiu Enterprises (Holdings) Limited (越秀企業(集團)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of GZYX
“%”	per cent.

\* For identification purpose only

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LETTER FROM THE BOARD

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*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 6626)**

*Executive Directors:*

Mr. Zhang Jianguo  
Mr. Mao Liangmin  
Mr. Zhang Jin

*Registered office:*

26/F, Yue Xiu Building  
160 Lockhart Road  
Wanchai  
Hong Kong

*Non-executive Directors:*

Mr. Lin Feng (*Chairman of the Board*)  
Mr. Yao Xiaosheng  
Mr. Yang Zhaoxuan

*Independent Non-executive Directors:*

Mr. Hung Shing Ming  
Ms. Hui Lai Kwan  
Mr. Chan Yuen Hang Kenneth

12 December 2022

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED CONTINUING CONNECTED TRANSACTIONS —**  
**(1) 2022 PROPERTY MANAGEMENT AND VALUE-ADDED**  
**SERVICES FRAMEWORK AGREEMENT; AND**  
**(2) 2023 BANK DEPOSITS AGREEMENT; AND**  
**(3) NOTICE OF GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 23 November 2022 in relation to, among other things, the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with (i) further information on the details of each of the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the General Meeting.

### **PROPOSED CONTINUING CONNECTED TRANSACTION - 2022 PROPERTY MANAGEMENT AND VALUE-ADDED SERVICES FRAMEWORK AGREEMENT**

Reference is made to the Prospectus in relation to (i) the Property Management Services Framework Agreement; (ii) the Commercial Operation and Management Services Framework Agreement; (iii) the Value-Added Services Framework Agreement; and (iv) the Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement.

While the aforesaid framework agreements will expire on 31 December 2023, based on the business volume, service quality and capacity of the Group and the business needs, growth and operation development of GZYY, Yuexiu Property and their respective associates, the Board envisages that the existing annual caps for the transactions contemplated under the aforesaid framework agreements will no longer be sufficient to support the development need of the Group. Accordingly, on 22 November 2022, the Company entered into the 2022 Property Management and Value-Added Services Framework Agreement with GZYY and Yuexiu Property, pursuant to which the Group may provide, and GZYY, Yuexiu Property and their respective associates (including GZM & YXP JVs) may procure, the Property Management and Value-Added Services for a term commencing on the effective date of the agreement and ending on 31 December 2024.

#### **Principal Terms**

The principal terms of the 2022 Property Management and Value-Added Services Framework Agreement are as follows:

Date: 22 November 2022

Parties: (a) the Company (as service provider);  
(b) GZYY (as service user); and  
(c) Yuexiu Property (as service user)

Conditions precedent: The 2022 Property Management and Value-Added Services Framework Agreement is conditional upon the parties obtaining the necessary approvals or waivers for the entering into of the 2022 Property Management and Value-Added Services Framework Agreement and the transactions contemplated thereunder, including but not limited to the approval by the Independent Shareholders of the 2022 Property Management and Value-Added Services Framework Agreement and the transactions contemplated thereunder (including the annual caps) at the General Meeting.

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## LETTER FROM THE BOARD

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If the conditions precedent are not fulfilled on or before 31 March 2023 or such other date as the Company, GZYY and Yuexiu Property may agree in writing, the 2022 Property Management and Value-Added Services Framework Agreement shall terminate with immediate effect without liability on any party.

Term:

The term of the 2022 Property Management and Value-Added Services Framework Agreement shall commence on the date on which all conditions precedent are fulfilled and shall continue up to and including 31 December 2024.

Subject to compliance with the Listing Rules, the 2022 Property Management and Value-Added Services Framework Agreement may be renewed by the Company, GZYY and Yuexiu Property by agreement in writing.

The 2022 Property Management and Value-Added Services Framework Agreement will supersede the Property Management Services Framework Agreement, the Commercial Operation and Management Services Framework Agreement, the Value-Added Services Framework Agreement and the Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement from its effective date, being the date on which all conditions precedent are fulfilled.

Service scope:

The Group may provide property management services and value-added services (the “**Property Management and Value-Added Services**”) to properties owned, operated or used by GZYY, Yuexiu Property and their respective associates which include (i) property management services on non-commercial properties (the “**Property Management Services**”); (ii) commercial operation and management services on commercial properties, including but not limited to commercial property management services and carpark space management and operation services (the “**Commercial Operation and Management Services**”); (iii) value-added services including but not limited to non-property owner value-added services and community value-added services (the “**Value-added Services**”); and (iv) market positioning consultancy and tenant sourcing services on commercial properties, including but not limited to market research and positioning services, tenant sourcing, tenant management and rent collection services (the “**Market Positioning Consultancy and Tenant Sourcing Services**”).

The parties shall enter into a separate agreement for detailed service scope, fees and payment terms subject to the needs of various projects of GZYY, Yuexiu Property or their respective associates as and when necessary.

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## LETTER FROM THE BOARD

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Pricing policy: The service fees that the Group will charge for the Property Management and Value-Added Services shall be determined after arm's length negotiations and in good faith between the parties with reference to (i) the location, type, quality and size of the properties; (ii) the scope and standard of the services to be provided; (iii) the anticipated operational cost (including labour costs, material costs and administrative costs) for providing such services and the anticipated increase in the relevant costs due to inflation and economic and social development; (iv) the local government's pricing guidance/regulations on fees in the PRC; (v) the rate generally offered by the Group to Independent Third Parties in respect of similar services; and (vi) the prevailing market rate generally offered by independent service providers in respect of similar services.

Payment terms: Payment terms shall be determined by the parties with reference to those offered by the Group to Independent Third Parties in respect of similar services. Unless otherwise agreed by the parties after arm's length negotiation in the separate agreement of the specific Property Management and Value-Added Services, service fees shall be paid on a monthly or quarterly basis.

### Historical Transaction Amounts

The table below sets out the total amounts of service fees paid to the Group by GZYG, Yuexiu Property and their respective associates (including GZM & YXP JVs) for the Property Management and Value-Added Services for the year/period indicated:

	<b>Year ended 31 December</b>		<b>Six months ended</b>
	<b>2020</b>	<b>2021</b>	<b>30 June</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Historical transaction amounts for:</b>			
(i) Property Management Services	10,155	11,394	7,612
(ii) Commercial Operation and Management Services	12,295	35,695	20,800
(iii) Value-added Services	350,282	437,515	265,750
(iv) Market Positioning Consultancy and Tenant Sourcing Services	53,438	110,538	74,166
<b>Total</b>	<b>426,170</b>	<b>595,142</b>	<b>368,328</b>

*Note: Certain amounts are subject to rounding adjustments.*

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## LETTER FROM THE BOARD

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The Directors confirm that the transaction amounts from the Listing Date to the Latest Practicable Date are within the respective original annual caps under the (i) the Property Management Services Framework Agreement; (ii) the Commercial Operation and Management Services Framework Agreement; (iii) the Value-Added Services Framework Agreement; and (iv) the Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement.

### Annual Caps

The table below sets out the maximum annual service fees payable to the Group under the 2022 Property Management and Value-Added Services Framework Agreement for the three years ending 31 December 2024:

	Year ending 31 December		
	2022	2023	2024
	(RMB'000)	(RMB'000)	(RMB'000)
<b>Annual caps for:</b>			
(i) Property Management Services	19,500	60,081	79,420
(ii) Commercial Operation and Management Services	62,120	195,371	213,923
(iii) Value-added Services	630,340	1,001,944	1,363,508
(iv) Market Positioning, Consultancy and Tenant Sourcing Services	166,379	207,973	249,551
<b>Total</b>	<b>878,339</b>	<b>1,465,369</b>	<b>1,906,402</b>

The original annual caps for the years ending 31 December 2022 and 31 December 2023 under the (i) the Property Management Services Framework Agreement were RMB15,703,000 and RMB18,833,000; (ii) the Commercial Operation and Management Services Framework Agreement were RMB41,665,000 and RMB52,803,000; (iii) the Value-Added Services Framework Agreement were RMB569,599,000 and RMB711,999,000; and (iv) the Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement were RMB166,379,000 and RMB207,973,000, respectively.

The annual caps for various services under the 2022 Property Management and Value-Added Services Framework Agreement were determined with reference to:

- (1) regarding the Property Management Services, (i) the continuous growth trend in historical transaction amounts since 2020; (ii) the number, GFA under management and terms (including service fees) of existing projects/ service contracts as of the date of the 2022 Property Management and Value-Added Services Framework Agreement; (iii) the unaudited related service fees generated from the Property Management Services for the six months ended 30 June 2022 of approximately RMB7.6 million; (iv) the high retention rates for property management service contracts entered into with GZYY, Yuexiu Property and their respective associates; (v) the expected increase in demand for the Group's Property Management Services with reference to the pipeline projects and related historical business achieved by GZYY, Yuexiu Property and their respective associates; (vi) the expected increase in service fees to be charged considering the expected inflation and increment in

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## LETTER FROM THE BOARD

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operational costs incurred by the Group; and (vii) the contemplated Property Management Services to be provided to Yuexiu Transport, being indirectly owned, as at the date of the 2022 Property Management and Value-Added Services Framework Agreement, as to 44.2% by GZYY, and therefore, an associate of GZYY, for the three years ending 31 December 2024.

- (2) regarding the Commercial Operation and Management Services, (i) the continuous growth trend in historical transaction amounts since 2020; (ii) the number, GFA under management and terms (including service fees) of existing projects/service contracts as of the date of the 2022 Property Management and Value-Added Services Framework Agreement; (iii) the unaudited related service fees generated from the Commercial Operation and Management Services for the six months ended 30 June 2022 of approximately RMB20.8 million; (iv) the expected increase in demand for the Group's Commercial Operation and Management Services with reference to the pipeline projects and the related historical business achieved by GZYY, Yuexiu Property and their respective associates; and (v) the expected increase in service fees to be charged considering the expected inflation and increment in operational costs incurred by the Group;
- (3) regarding the Value-Added Services, (i) the continuous growth trend in historical transaction amounts since 2020; (ii) the number and terms (including service fees) of existing service contracts as of the date of the 2022 Property Management and Value-Added Services Framework Agreement; (iii) the unaudited related service fees generated from the Value-added Services for the six months ended 30 June 2022 of approximately RMB265.8 million; (iv) the expected increase in demand for the Group's Value-Added services with reference to the pipeline projects and the related historical business achieved by GZYY, Yuexiu Property and their respective associates; (v) the new service content to be provided by the Group, including delivery coordination service to property owners and the community renovation and refurbishment services to Yuexiu Property and its associates; and (vi) the expected increase in service fees to be charged considering the expected inflation and increment in operational costs incurred by the Group;
- (4) regarding the Market Positioning Consultancy and Tenant Sourcing Services, (i) the continuous growth trend in historical transaction amounts since 2020; (ii) the number, GFA under management and terms (including service fees) of existing projects/service contracts as of the date of the 2022 Property Management and Value-Added Services Framework Agreement; (iii) the unaudited related service fees generated from the Market Positioning Consultancy and Tenant Sourcing Services for the six months ended 30 June 2022 of approximately RMB74.2 million; (iv) the expected increase in demand for the Group's Market Positioning Consultancy and Tenant Sourcing Services with reference to the pipeline projects and the related historical business achieved by GZYY, Yuexiu Property and their respective associates; and (v) the expected increase in service fees to be charged considering the expected inflation and increment in operational costs incurred by the Group.

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## LETTER FROM THE BOARD

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Among others, subject to the 2022 Property Management and Value-Added Services Framework Agreement becoming unconditional, it is expected that GZYX, Yuexiu Property and their respective associates may procure additional Property Management and Value-Added Services from the Group in view of their sales pipeline in December 2022, including without limitation (i) Property Management Services for non-commercial properties to be delivered; (ii) Commercial Operation and Management Services including renovation services for shopping malls and office units; and (iii) Value-added Services including sales office and display unit management, preliminary planning and design consultancy services and delivery coordination services, as well as carpark space sales assistance service. It is industry practice that more property projects are delivered by property developers in December of a year.

### **Reasons for and Benefits of Entering into of the 2022 Property Management and Value-Added Services Framework Agreement**

To streamline the management of future connected transactions in respect of the provision of Property Management and Value-Added Services by the Group to GZYX, Yuexiu Property and their respective associates, and taking into account (i) the need to increase the annual caps for the Group to provide various Property Management and Value-Added Services as it taps into the business potential of different sectors within GZYX and Yuexiu Property and as further set out above; and (ii) the services provided under the Property Management Services Framework Agreement, the Commercial Operation and Management Services Framework Agreement, the Value-Added Services Framework Agreement and the Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement are of similar nature (i.e. all of them are of revenue nature), the Company has consolidated these four framework agreements into the 2022 Property Management and Value-Added Services Framework Agreement.

The groups of GZYX and Yuexiu Property have been growing steadily in terms of operation size. According to the publicly available information, for Yuexiu Property, the unaudited value of its aggregate contracted sales (including contracted sales by joint venture projects) for the period from January to October 2022 amounted to approximately RMB91,114 million, representing a period-on-period increase of approximately 11%. The Yuexiu Property group has newly acquired 16 land parcels in PRC with a total GFA of approximately 3.46 million sq.m. in the first half of 2022, and its total landbank was approximately 28.60 million sq.m. as of 30 June 2022. For GZYX, in addition to the growth in its property sector via Yuexiu Property and its subsidiaries, as of 31 December 2021, assets for its financial sector have exceeded RMB300 billion, toll mileage of its highways and bridges across the PRC has reached 960 kilometres and its food sector has been striving for the leading position in the food industry in the Greater Bay Area. All such developments brought continuous demand of the Group's Property Management and Value-added Services for properties such as offices, manufacturing plants and highways etc. As the Group has extended its service content provided to GZYX and Yuexiu Property, such as delivery coordination services, the entering into of the 2022 Property Management and Value-Added Service Framework Agreement will further solidify the Group's position as an integrated property management service provider while it strives to diversify its revenue stream and increase profitability.



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## LETTER FROM THE BOARD

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In light of the above, the Directors (other than the Directors who have abstained from voting on the relevant Board resolutions of the Company) consider that the terms of the 2022 Property Management and Value-Added Services Framework Agreement and the annual caps thereunder are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms or better to the Company and in the ordinary and usual course of business of the Group, and that the entering into of the 2022 Property Management and Value-Added Services Framework Agreement is in the interest of the Company and the Shareholders as a whole.

### **Listing Rules Implications**

As at the date of the Latest Practicable Date, GZYS and Yuexiu Property are controlling shareholders of the Company and are therefore connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2022 Property Management and Value-Added Services Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the annual caps under the 2022 Property Management and Value-Added Services Framework Agreement exceeds 5%, the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **General**

Save for Mr. Lin Feng, Mr. Zhang Jianguo and Mr. Yao Xiaosheng, none of the other Directors has or is deemed to have a material interest in the 2022 Property Management and Value-Added Services Framework Agreement and the transactions contemplated thereunder, including the annual caps. Hence, only Mr. Lin Feng, Mr. Zhang Jianguo and Mr. Yao Xiaosheng are required to abstain from voting on the relevant Board resolution(s) of the Company.

GCD China and its associates will abstain from voting at the General Meeting in respect of the proposed resolutions to approve the 2022 Property Management and Value-Added Services Framework Agreement and the annual caps thereunder. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the 2022 Property Management and Value-Added Services Framework Agreement and the annual caps thereunder and would be required to abstain from voting on the relevant resolutions to be proposed at the General Meeting.

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## LETTER FROM THE BOARD

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### PROPOSED CONTINUING CONNECTED TRANSACTION — 2023 BANK DEPOSITS AGREEMENT

Reference is made to the Prospectus in relation to the Bank Deposits Agreement.

As the Bank Deposits Agreement is due to expire on 31 December 2022, on 22 November 2022, the Company entered into the 2023 Bank Deposits Agreement with CHB to renew the Bank Deposits Agreement for a term of three years commencing from 1 January 2023.

#### Principal Terms

The principal terms of the 2023 Bank Deposits Agreement are as follows:

- Date: 22 November 2022
- Parties: (a) the Company; and  
(b) CHB.
- Conditions precedent: The 2023 Bank Deposits Agreement is conditional upon the following conditions being satisfied:
- (i) the 2023 YXP Bank Deposits Agreement becoming unconditional, including without limitation, Yuexiu Property having obtained the approval by its independent shareholders of the 2023 YXP Bank Deposits Agreement and the transactions contemplated thereunder (including the annual caps) at its general meeting;
  - (ii) the Company having obtained the necessary approvals or waivers for entering into of the 2023 Bank Deposits Agreement and the transactions contemplated thereunder, including the approval by the Independent Shareholders of the 2023 Bank Deposits Agreement and the transactions contemplated thereunder (including the annual caps) at the General Meeting; and
  - (iii) the Company having complied with all other requirements under the Listing Rules and as may be imposed by the Stock Exchange as a condition to the 2023 Bank Deposits Agreement and the transactions contemplated thereunder, if any.

If the conditions precedent are not fulfilled on or before 31 March 2023 or such other date as the Company and CHB may agree in writing, the 2023 Bank Deposits Agreement shall terminate forthwith and no party shall be entitled to any rights or benefits or be subject to any obligations under or in respect of the 2023 Bank Deposits Agreement.

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## LETTER FROM THE BOARD

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**Term:** Subject to the fulfillment or waiver of the conditions precedent, the term of the 2023 Bank Deposits Agreement shall commence from 1 January 2023 or the date on which all conditions precedent are fulfilled or waived (whichever is later) and shall continue up to and including 31 December 2025.

Subject to compliance with the Listing Rules, the 2023 Bank Deposits Agreement may be renewed by the Company and CHB by agreement in writing.

**Subject matter:** The Group may, in its ordinary and usual course of business, place and maintain bank deposits (the “**Bank Deposits**”) with the CHB Group on normal commercial terms from time to time during the term, and the placing and maintenance of any the Bank Deposits shall be subject to the terms and conditions of the CHB Group applicable to independent customers similar to the Group from time to time.

**Pricing policy:** The 2023 Bank Deposits Agreement provides that the interest rates and other terms applicable to any Bank Deposits shall from time to time be determined based on (i) in the case of deposits in Hong Kong, interest rates and other terms offered to the Group by or obtained by the Group from at least two other independent banks in Hong Kong; and (ii) in the case of deposits in the PRC, interest rates for deposits in the PRC set with reference to the standard interest rates published by the People’s Bank of China and interest rates and other terms offered to the Group by or obtained by the Group from at least two other independent banks in the PRC.

Standard Documentation, in such form acceptable to the CHB Group and the Group, may be executed in order to give effect to, or facilitate, the transactions.

In order to ensure that the interest rates and other terms of the Bank Deposits are on normal commercial terms and no less favourable to the Group, the Group will compare the quotations offered by the CHB Group with those of at least two other independent banks. It may also take into account factors, including (among others) quality of services, safety of deposits, bank reputation and cooperation history, in making decisions to place deposits with any banks.

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## LETTER FROM THE BOARD

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### Historical Highest Daily Balance

The table below sets out the highest daily outstanding balance (including accrued interests) of the Bank Deposits actually placed by the Group with the CHB Group on any given day during each of the year/period indicated:

	Year ended 31 December		Six months ended
	2020	2021	30 June
	(audited)	(audited)	(unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)
Highest daily outstanding balance of the Bank Deposits	15,624	586,576	613,195

The Directors confirm that the highest daily outstanding balance (including the accrued interests) of the Bank Deposits actually placed by the Group with the CHB Group from the Listing Date to the Latest Practicable Date are within the highest daily outstanding balance under the Bank Deposits Agreement. The transactions contemplated under the 2023 Bank Deposits Agreement do not constitute transaction as defined under Chapter 14 of the Listing Rules.

### Daily Cap for Future Balance

The table below sets out the highest daily outstanding balance (including accrued interests) of the Bank Deposits to be placed by the Group with the CHB Group on any given day for the three years ending 31 December 2025:

	Year ending 31 December		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Highest daily outstanding balance of the Bank Deposits	2,293,500	2,522,850	2,775,135

The above annual caps under the 2023 Bank Deposits Agreement were determined with reference to (i) the historical highest daily outstanding balance of the Bank Deposits actually placed by the Group with the CHB Group on any given day since the Listing Date; (ii) the Group's cash and cash equivalents of approximately RMB4,149.6 million (unaudited) as of 30 June 2022; and (iii) the expected increase of total assets, and the level of cash and cash equivalents as well as charged deposits to be held or maintained by the Group from time to time as the scale of its business and operation continues to grow. The said highest daily outstanding balance would allow the Group to benefit more from a healthy competition amongst the CHB Group and the other banks. By way of illustration, the amounts of Bank Deposits required to be made by the Group would be particularly high when the Group receives proceeds from a major fund raising exercise (e.g. bond issue and issue of Shares) and when the Group is engaged in a significant acquisition or disposal.

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## LETTER FROM THE BOARD

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### **Reasons for and Benefits of Entering into of the 2022 Bank Deposits Agreement**

The Group is principally engaged in the provision of non-commercial property management and value-added services and commercial property management and operational services. It has to maintain deposits with banks, primarily in Hong Kong and the PRC, from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business.

CHB, as a reputable and long-established authorized institution in Hong Kong, is able to provide different banking and related financial services in support of the Group's business and treasury activities. The Company believes that it would be in the interest of the Group to engage the services of the CHB Group, being the placing of Bank Deposits with the CHB Group in this case, on a non-exclusive basis subject always to the Group's internal control procedures and the applicable annual caps.

In light of the above, the Directors consider that the terms of the 2023 Bank Deposits Agreement and the annual caps therefor are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms or better to the Company and in the ordinary and usual course of business of the Group, and that the entering into of the 2023 Bank Deposits Agreement is in the interest of the Company and the Shareholders as a whole.

### **Listing Rules Implications**

As at the Latest Practicable Date, CHB is a subsidiary of YXE, a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2023 Bank Deposits Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the annual caps under the 2023 Bank Deposits Agreement exceeds 5%, the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **General**

None of the Directors has or is deemed to have a material interest in the 2023 Bank Deposits Agreement and the transactions contemplated thereunder, including the annual caps. Hence, none of the Directors is required to abstain from voting on the relevant Board resolution(s) of the Company.

GCD China and its associates will abstain from voting at the General Meeting in respect of the proposed resolutions to approve the 2023 Bank Deposits Agreement and the annual caps thereunder. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the 2023 Bank Deposits Agreement and the annual caps thereunder and would be required to abstain from voting on the relevant resolutions to be proposed at the General Meeting.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL MEASURES FOR THE CONTINUING CONNECTED TRANSACTIONS

In order to further safeguard the interests of the Shareholders as a whole, the Group will implement the following internal control measures in relation to the proposed continuing connected transactions under the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement:

- (i) the account department of the Group will regularly monitor the continuing connected transactions contemplated under the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement to ensure that the proposed annual caps will not be exceeded, in particular, the Group will cease to enter into any new individual agreement if such will cause the total contractual income to exceed the proposed annual caps for that financial year;
- (ii) the heads of the respective operational departments of the Group will supervise and monitor that the individual agreements are in line with the pricing policy and principal terms of the relevant framework agreements;
- (iii) the heads of the respective operational departments of the Group will conduct regular reviews to keep abreast of (i) the price level charged by the Group from independents customers for providing comparable services (where applicable); and (ii) the prevailing fee level in the market and the market conditions, for the purpose of considering if the price charged for, or payable for, a specific transaction is fair and reasonable and is in accordance with the pricing policy terms of the relevant framework agreements;
- (iv) the audit committee of the Board will meet at least twice a year to review the implementation of the above measures for the transactions contemplated under the relevant framework agreements and report to the Board;
- (v) the Company will provide information and supporting documents to its independent non-executive Directors and auditors for them to conduct annual review of the continuing connected transactions of the Group;
- (vi) the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the relevant framework agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole as required by the Listing Rules; and

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## LETTER FROM THE BOARD

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(vii) the auditor of the Company will be engaged to report on the continuing connected transactions of the Group disclosed in the annual report in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor will issue a letter containing their conclusions in respect of the continuing connected transactions disclosed in the annual report in accordance with Rule 14A.56 of the Listing Rules. According to the letter, the auditor will express a conclusion whether anything has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for the transactions involving the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant framework agreement governing such transactions; and (iv) have exceeded the respective annual caps.

### INFORMATION OF THE PARTIES

#### The Group

The Group is an urban operation service provider in the PRC and a key market player offering integrated property management services in the Greater Bay Area. Its major businesses comprise (i) non-commercial property management and value-added services, which consist of property management services, value-added services to non-property owners and community value-added services; and (ii) commercial property management and operational services, which consist of commercial operation and management services and market positioning consultancy and tenant sourcing services.

#### GZYX

GZYX, the ultimate controlling shareholder of Yuexiu Property and the Company, is a company established in the PRC with limited liability and is majority owned by the Guangzhou Municipal People’s Government of the PRC. GZYX and its subsidiaries (other than the Group) are engaged in various businesses, including (i) real estate and property development business; (ii) commercial banking, asset management, finance leasing, futures, business investment and other financial services; (iii) transportation, infrastructure and construction business; and (iv) livestock breeding, dairy industry, food processing and other businesses.

#### Yuexiu Property

Yuexiu Property, a controlling shareholder of the Company which indirectly holds the shares of the Company through its direct wholly-owned subsidiary, namely GCD China, is a company incorporated in Hong Kong with limited liability and listed on the Main Board of the Stock Exchange (Stock Code: 00123). Yuexiu Property and its subsidiaries (other than the Group) are principally engaged in property development and investment, deepening the implementation of the “1+4” national strategic layout and cultivation of the Greater Bay Area market, and focusing on expanding their business in Eastern China, Central China, Northern China and Western China.

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## LETTER FROM THE BOARD

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### CHB

CHB is incorporated in Hong Kong with limited liability. CHB and its subsidiaries are principally engaged in provision of banking and related financial services. CHB is a subsidiary of YXE, a controlling shareholder of the Company.

### FORMATION OF AN INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the continuing connected transactions under the 2022 Property Management and Value-Added Services Framework Agreement, the 2023 Bank Deposits Agreement and their respective annual caps are fair and reasonable, and whether the continuing connected transactions under such agreements are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the General Meeting, after taking into account the recommendations of the Independent Financial Adviser.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this circular, which contains its recommendation to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 27 to 44 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

### GENERAL MEETING

The General Meeting will be held at Plaza I-IV, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 30 December 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the resolutions set out in the notice of the General Meeting, which is set out on pages GM-1 to GM-3 of this circular. Whether or not you are able or intend to attend and vote at the General Meeting in person, you are requested to complete and return the enclosed form of proxy to the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

The voting in respect of the resolutions to be proposed at the General Meeting will be conducted by way of a poll.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, GCD China and its associates were interested in an aggregate of 1,018,600,000 Shares, representing approximately 66.92% of the total issued share capital of the Company. GCD China and its associates will abstain from voting at the General Meeting in respect of the proposed resolutions to approve the 2022 Property Management and Value-Added Services Framework Agreement, the 2023 Bank Deposits Agreement and the annual caps thereunder. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the 2022 Property Management and Value-Added Services Framework Agreement, the 2023 Bank Deposits Agreement and the annual caps thereunder, therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the General Meeting.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 28 December 2022 to Friday, 30 December 2022 (both days inclusive) in order to determine entitlements for attending and voting at the General Meeting. In order to qualify for attending and voting at the General Meeting, all share transfer accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Friday, 23 December 2022.

### **RECOMMENDATION**

The Directors (including the independent non-executive Directors whose views have been set out in the Letter from the Independent Board Committee in this circular after taking into consideration the advice of the Independent Financial Adviser but excluding the Directors who have abstained from voting on the relevant Board resolutions of the Company) consider that the continuing connected transactions contemplated under the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement have been conducted by the Company in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the respective transactions (including the proposed annual caps) contemplated under the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions set out in the notice of the General Meeting.

### **FURTHER INFORMATION**

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

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**LETTER FROM THE BOARD**

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Since the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement are subject to the fulfillment of the conditions precedent set out therein and the transactions contemplated thereunder may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

Yours faithfully,  
By Order of the Board of  
**Yuexiu Services Group Limited**  
**ZHANG Jianguo**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement and the transactions contemplated thereunder.*



*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 6626)**

12 December 2022

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED CONTINUING CONNECTED TRANSACTIONS —**  
**(1) 2022 PROPERTY MANAGEMENT AND VALUE-ADDED**  
**SERVICES FRAMEWORK AGREEMENT; AND**  
**(2) 2023 BANK DEPOSITS AGREEMENT**

We refer to the circular of the Company dated 12 December 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement are conducted by the Company in its ordinary and usual course of business, are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board set out on pages 8 to 24 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 27 to 44 of the Circular which contains its opinion in respect of transactions contemplated under the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement.

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the transactions contemplated under the 2022 Property Management and Value-Added Services Framework Agreement and the 2023 Bank Deposits Agreement are conducted by the Company in its ordinary and usual course of business, are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the notice of the General Meeting.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee of  
**Yuexiu Services Group Limited**

**HUNG Shing Ming**  
*Independent Non-executive  
Director*

**HUI Lai Kwan**  
*Independent Non-executive  
Director*

**CHAN Yuen Hang Kenneth**  
*Independent Non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in the Circular.*



**SOMERLEY CAPITAL LIMITED**  
20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

12 December 2022

*To: The Independent Board Committee and the Independent Shareholders of Yuexiu Services Group Limited*

Dear Sirs,

**PROPOSED CONTINUING CONNECTED TRANSACTIONS —  
(1) 2022 PROPERTY MANAGEMENT AND VALUE-ADDED SERVICES  
FRAMEWORK AGREEMENT; AND  
(2) 2023 BANK DEPOSITS AGREEMENT**

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and Independent Shareholders in connection with the entering into of (i) 2022 Property Management and Value-Added Services Framework Agreement with GZYY and Yuexiu Property; and (ii) 2023 Bank Deposits Agreement with CHB. Details of 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement are contained in the circular to the Shareholders dated 12 December 2022 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As GZYY and Yuexiu Property are the controlling shareholders of the Company, each of them is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under 2022 Property Management and Value-Added Services Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the annual caps under 2022 Property Management and Value-Added Services Framework Agreement exceeds 5%, the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As CHB is a subsidiary of YXE, a controlling shareholder of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under 2023 Bank Deposits Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio under the Listing Rules in respect

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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of the annual caps under 2023 Bank Deposits Agreement exceeds 5%, the transactions contemplated under 2023 Bank Deposits Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As stated in the letter from the Board, the Company has established the Independent Board Committee comprising all three independent non-executive Directors to advise the Independent Shareholders as to whether the continuing connected transactions under 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement and their respective annual caps are fair and reasonable, and whether the continuing connected transactions under such agreements are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the General Meeting. We have been appointed to advise the Independent Board Committee in this regard.

During the past two years, Somerley Capital Limited ("**Somerley**") is acting or has acted as the independent financial adviser (the "**IFA Engagements**") to the independent board committee and independent shareholders / unitholders of the Company, Yuexiu Property, Yuexiu Transport Infrastructure Limited ("**Yuexiu Transport**") and Yuexiu Real Estate Investment Trust ("**Yuexiu REIT**") in relation to connected transactions and/or continuing connected transactions and CHB in relation to its privatisation proposal. GZYX is the controlling shareholder of each of Yuexiu Property, Yuexiu Transport and CHB and the substantial unitholder of Yuexiu REIT. For details of those announced transactions for which we have been engaged as the independent financial adviser in the past two years, please refer to the Company's announcement dated 20 May 2022, Yuexiu Property's announcements dated 23 December 2020, 8 February 2021 and 31 December 2021, Yuexiu Transport's announcement dated 17 October 2022, Yuexiu REIT's announcements dated 24 October 2021 and 22 November 2022 and CHB's announcement dated 19 May 2021. The above IFA Engagements were limited to providing independent financial advisory services to each of the Company, Yuexiu Property, Yuexiu Transport, Yuexiu REIT and CHB pursuant to the Listing Rules, the Code on Real Estate Investment Trusts and the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (the "**SFC**"), as the case may be, and Somerley, in return, has received fixed normal advisory fees from them. Somerley is not aware of any circumstances as set out in Rule 13.84 under the Listing Rules or any other matters which may cause it to have a conflict of interest in acting as the independent financial adviser regarding 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement and their respective annual caps.

We, Somerley, are not associated with the Company, GZYX, Yuexiu Property, CHB, their respective substantial shareholders or associates, and accordingly, are considered eligible to give independent advice on 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement and their respective annual caps. Apart from normal professional fees payable to us by the Company in connection with this engagement, no arrangement exists whereby we will receive any other fees or benefits from the Company, GZYX, Yuexiu Property, CHB, their substantial shareholders or associates.

In formulating our opinion and recommendation, we have reviewed, among other things, 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Agreement, the Company's annual report for the financial year ended 31 December 2021 (the "2021 Annual Report") and interim report for the six months ended 30 June 2022 (the "2022 Interim Report"), and the information set out in the Circular. We have also discussed with the management of the Group regarding the businesses of and the commercial implications of 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement on the Group.

In addition, we have relied on the information and facts supplied, and the opinions and intention expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete and will remain true, accurate and complete up to the time of the General Meeting. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

#### 1. Information on the Group

The Group is an urban operation service provider in the PRC and a key market player offering integrated property management services in the Greater Bay Area. Its major businesses comprise (i) non-commercial property management and value-added services, which consist of property management services, value-added services to non-property owners and community value-added services; and (ii) commercial property management and operational services, which consist of commercial operation and management services and market positioning consultancy and tenant sourcing services.

#### 2. Information on GZYX, Yuexiu Property and CHB

GZYX, the ultimate controlling shareholder of Yuexiu Property and the Company, is a company established in the PRC with limited liability and is majority owned by the Guangzhou Municipal People's Government of the PRC. GZYX and its subsidiaries (other than the Group) are engaged in various businesses, including (i) real estate and property development; (ii) commercial banking, asset management, finance leasing, futures, business investment and other financial services; (iii) transportation, infrastructure and construction business; and (iv) livestock breeding, dairy industry, food processing and other businesses.

Yuexiu Property, a controlling shareholder of the Company which indirectly holds the shares of the Company through its direct wholly-owned subsidiary, namely GCD China, is a company incorporated in Hong Kong with limited liability and listed on the Main Board of the Stock Exchange

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(stock code: 00123). Yuexiu Property and its subsidiaries (other than the Group) are principally engaged in property development and investment, deepening the implementation of the “1+4” national strategic layout and cultivation of the Greater Bay Area market, and focusing on expanding their business in Eastern China, Central China, Northern China and Western China.

CHB is incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of YXE. CHB is an authorised institution supervised by the Hong Kong Monetary Authority under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). The CHB Group is principally engaged in provision of banking and related financial services.

### **3. Reasons for and benefits of the entering into of 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement**

As stated in the letter from the Board, while the Property Management Services Framework Agreement, the Commercial Operation and Management Services Framework Agreement, the Value-Added Services Framework Agreement and the Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement (the “**Previous Agreements**”) will expire on 31 December 2023, based on the business volume, service quality and capacity of the Group and the business needs, growth and operation development of GZYX, Yuexiu Property and their respective associates, the Board envisages that the existing annual caps for the transactions contemplated under the aforesaid Previous Agreements will no longer be sufficient to support the development need of the Group. To streamline the management of future connected transactions in respect of the provision of Property Management and Value-Added Services (as defined in section 4 below) by the Group to GZYX, Yuexiu Property and their respective associates, and taking into account (i) the need to increase the annual caps for the Group to provide various Property Management and Value-Added Services as it taps into the business potential of different sectors within GZYX and Yuexiu Property; and (ii) the services provided under the Previous Agreements are of similar nature (i.e. all of them are of revenue nature), the Company has consolidated the Previous Agreements into 2022 Property Management and Value-Added Services Framework Agreement. The groups of GZYX and Yuexiu Property have been growing steadily in terms of operation size. According to the publicly available information, the unaudited value of the aggregate contracted sales (including contracted sales by joint venture projects) of Yuexiu Property for the period from January to October 2022 amounted to approximately RMB91,114 million, representing a period-on-period increase of approximately 11%. The Yuexiu Property group has newly acquired 16 land parcels in PRC with a total GFA of approximately 3.46 million sq.m. in the first half of 2022, and its total landbank was approximately 28.60 million sq.m. as of 30 June 2022. For GZYX, in addition to the growth in its property sector via Yuexiu Property and its subsidiaries, as of 31 December 2021, assets for its financial sector have exceeded RMB300 billion, toll mileage of its highways and bridges across the PRC has reached 960 kilometres and its food sector has been striving for the leading position in the food industry in the Greater Bay Area. All such developments brought continuous demand of the Group’s Property Management and Value-added Services for properties such as offices, manufacturing plants and highways etc. As the Group has extended its service content provided to GZYX and Yuexiu Property, such as delivery coordination services, the entering into of 2022 Property Management and Value-Added Service Framework Agreement will further solidify the Group’s position as an integrated property management service provider while it strives to diversify its revenue stream and increase profitability.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the letter from the Board, the Group is principally engaged in the provision of non-commercial property management and value-added services and commercial property management and operational services. It has to maintain deposits with banks, primarily in Hong Kong and the PRC, from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business. CHB, as a reputable and long-established authorized institution in Hong Kong, is able to provide different banking and related financial services in support of the Group's business and treasury activities. The Company believes that it would be in the interest of the Group to engage the services of the CHB Group, being the placing of Bank Deposits with the CHB Group in this case, on a non-exclusive basis always subject to the Group's internal control procedures and the applicable annual caps.

Based on the above and having also considered that (i) 2022 Property Management and Value-Added Services Framework Agreement helps secure a long-term business relationship as regards the Property Management and Value-Added Services with GZYG and Yuexiu Property and is expected to bring an additional income source and make considerable contribution to the Group's revenue; and (ii) 2023 Bank Deposits Agreement which is entered into on a non-exclusive basis allows flexibility to the Group's cash management and helps secure the best terms from the banks (including CHB), we concur with the Directors' view (other than the Directors who have abstained from voting on relevant Board resolutions of the Company) that the transactions under 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement are in the interests of the Company and the Shareholders as a whole.

#### **4. Principal terms of 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement**

##### **4.1 2022 Property Management and Value-Added Services Framework Agreement**

The principal terms of 2022 Property Management and Value-Added Services Framework Agreement are as follows:

<b>Date</b>	: 22 November 2022
<b>Parties</b>	: (a) Service provider: the Group (b) Service users: GZYG and Yuexiu Property
<b>Term</b>	: The term of 2022 Property Management and Value-Added Services Framework Agreement shall commence from the date on which all conditions precedent are fulfilled and shall continue up to and including 31 December 2024.

Subject to compliance with the Listing Rules, 2022 Property Management and Value-Added Services Framework Agreement may be renewed by the Company, GZYG and Yuexiu Property by agreement in writing.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- Service scope** : The Group may provide property management services and value-added services (the “**Property Management and Value-Added Services**”) to properties owned, operated or used by GZYY, Yuexiu Property and their respective associates, which include (i) property management services on non-commercial properties (the “**Property Management Services**”); (ii) commercial operation and management services on commercial properties, including but are not limited to commercial property management services and carpark space management and operation services (the “**Commercial Operation and Management Services**”); (iii) value-added services including but not limited to non-property owner value-added services and community value-added services (the “**Value-added Services**”); and (iv) market positioning consultancy and tenant sourcing services on commercial properties, including but not limited to market research and positioning services, tenant sourcing, tenant management and rent collection services (the “**Market Positioning Consultancy and Tenant Sourcing Services**”). The parties shall enter into a separate agreement for detailed service scope, fees and payment terms subject to the needs of various projects of GZYY, Yuexiu Property or their respective associates as and when necessary.
- Pricing policy** : The service fees that the Group will charge for the Property Management and Value-Added Services shall be determined after arm’s length negotiations and in good faith between the parties with reference to (i) the location, type, quality and size of the properties; (ii) the scope and standard of the services to be provided; (iii) the anticipated operational cost (including, labour costs, material costs and administrative costs) for providing such services and the anticipated increase in the relevant costs due to inflation and economic and social development; (iv) the local government’s pricing guidance/regulations on fees in the PRC; (v) the rate generally offered by the Group to Independent Third Parties in respect of similar services; and (vi) the prevailing market rate generally offered by independent service providers in respect of similar services.
- Payment terms** : Payment terms shall be determined by the parties with reference to those offered by the Group to Independent Third Parties in respect of similar services. Unless otherwise agreed by the parties after arm’s length negotiation in the separate agreement of the specific Property Management and Value-Added Services, service fees shall be paid on a monthly or quarterly basis.

For more details of the key terms of 2022 Property Management and Value-Added Services Framework Agreement, please refer to the letter from the Board.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed with the management of the Group and were advised that prices of the Property Management and Value-Added Services provided to GZYG, Yuexiu Property and their respective associates were determined with reference to the prices charged to Independent Third Parties for similar services.

We have reviewed 5 sample contracts entered into by the Group with GZYG or Yuexiu Property or their respective associates and 5 by the Group with Independent Third Parties in past two and a half years, which is considered to be a fair and representative sample given (a) they have been randomly selected; and (b) they had covered services under each of the Previous Agreements which have been consolidated under 2022 Property Management and Value-Added Framework Agreement. It is noted that (i) the prices charged by the Group to GZYG, Yuexiu Property or their associates were no less favourable than those charged by the Group to Independent Third Parties for similar services; and (ii) the service fees were paid by the Group to GZYG, Yuexiu Property or their associates on a monthly or quarterly basis, similar to that to Independent Third Parties, and thus we consider the terms under 2022 Property Management and Value-Added Framework Agreement to be fair and reasonable and in the interests of the Company and Shareholders as a whole.

### 4.2 2023 Bank Deposits Agreement

The principal terms of 2023 Bank Deposits Agreement are as follows:

- Date** : 22 November 2022
- Parties** : (a) the Company; and  
(b) CHB
- Term** : Subject to the fulfilment or waiver of the conditions precedent, the term of 2023 Bank Deposits Agreement shall commence from 1 January 2023 or the date on which all conditions precedent are fulfilled or waived (whichever is later) and shall continue up to and including 31 December 2025.
- Subject to compliance with the Listing Rules, 2023 Bank Deposits Agreement may be renewed by the Company and CHB by agreement in writing.
- Subject matter** : The Group may, in its ordinary and usual course of business, place and maintain bank deposits (the “**Bank Deposits**”) with the CHB Group on normal commercial terms from time to time during the term, and the placing and maintenance of any Bank Deposits shall be subject to the terms and conditions of the CHB Group applicable to independent customers similar to the Group from time to time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Pricing policy** : 2023 Bank Deposits Agreement provides that the interest rates and other terms applicable to any Bank Deposits shall from time to time be determined based on (i) in the case of deposits in Hong Kong, interest rates and other terms offered to the Group by or obtained by the Group from at least two other independent banks in Hong Kong; and (ii) in the case of deposits in the PRC, interest rates for deposits in the PRC set with reference to the standard interest rates published by the People's Bank of China and interest rates and other terms offered to the Group by or obtained by the Group from at least two other independent banks in the PRC.

Standard documentation, in such form acceptable to the CHB Group and the Group, may be executed in order to give effect to, or facilitate, the transactions.

In order to ensure that the interest rates and other terms of the Bank Deposits are on normal commercial terms and no less favourable to the Group, the Group will compare the quotations offered by the CHB Group with those of at least two other independent banks. It may also take into account factors, including (among others) quality of services, safety of deposits, bank reputation and cooperation history, in making decisions to place deposits with any banks.

For more details of the key terms of 2023 Bank Deposits Agreement, please refer to the letter from the Board.

We have discussed with the management of the Group and were advised that (i) for demand deposits, the deposit rates offered by the banks (including CHB) are the same to all depositors including the Group; (ii) for time deposits, the deposits will only be placed with the CHB Group if the deposit rates offered by the CHB Group are more favourable than those offered by Independent Third Parties; and (iii) most of the Group's deposits with CHB Group are placed in Hong Kong.

We have reviewed all time deposits placed with the CHB Group by the Group in the past two and a half years and the deposit rate quotations obtained from the CHB Group and independent banks for each placement of time deposit. It is noted that (i) the Group obtained quotations from at least two independent banks for each time deposit placement the Group planned to make; and (ii) the quotation offered by the CHB Group was no less favourable than those offered by independent banks for each term deposit placed with the CHB Group, and thus we consider the terms under 2023 Bank Deposits Agreement to be fair and reasonable and in the interests in the Company and Shareholders as whole.

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### 5. Internal control

As set out in the letter from the Board, in order to further safeguard the interests of the Shareholders as a whole, the Group will implement the following internal control measures in relation to the proposed continuing connected transactions under 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement:

- (i) the account department of the Group will regularly monitor the continuing connected transactions contemplated under the 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement to ensure that the proposed annual caps will not be exceeded, in particular, the Group will cease to enter into any new individual agreement if such will cause the total contractual income to exceed the proposed annual caps for that financial year;
- (ii) the heads of the respective operational departments of the Group will supervise and monitor that the individual agreements are in line with the pricing policy and principal terms of the relevant framework agreements;
- (iii) the heads of the respective operational departments of the Group will conduct regular reviews to keep abreast of (a) the price level charged by the Group to independent customers for providing comparable services (where applicable); and (b) the prevailing fee level in the market and the market conditions, for the purpose of considering if the price charged for, or payable for, a specific transaction is fair and reasonable and is in accordance with the pricing policy terms of the relevant framework agreements;
- (iv) the audit committee of the Board will meet at least twice a year to review the implementation of the above measures for the transactions contemplated under the relevant framework agreements and report to the Board;
- (v) the Company will provide information and supporting documents to its independent non-executive Directors and auditors for them to conduct annual review of the continuing connected transactions of the Group;
- (vi) the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the relevant framework agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole as required by the Listing Rules; and
- (vii) the auditors of the Company will be engaged to report on the continuing connected transactions of the Group disclosed in the annual report in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor will issue a letter containing their conclusions in respect of the continuing

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connected transactions disclosed in the annual report in accordance with Rule 14A.56 of the Listing Rules. According to the letter, the auditor will express a conclusion whether anything has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for the transactions involving the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant framework agreement governing such transactions; and (iv) have exceeded the respective annual caps.

In view of the above and having also considered that the above internal control measures are similar to those adopted by other Hong Kong listed companies for monitoring continuing connected transactions, we are of the view that there are adequate internal control measures to monitor the transactions to be contemplated under 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement.

### 6. Annual Caps

#### 6.1 2022 Property Management and Value-Added Services Framework Agreement

Set out below are the total amounts of service fees paid to the Group by GZYZ, Yuexiu Property and their respective associates (including GZM & YXP JVs) for the Property Management and Value-Added Services for the two years ended 31 December 2021 and the six months ended 30 June 2022 as extracted from the letter from the Board and analysis on the annual cap utilisation:

	<b>Year ended 31 December</b>		<b>Six months ended 30 June</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Property Management Services	10,155	11,394	7,612
Commercial Operation and Management Services	12,295	35,695	20,800
Value-added Services	350,282	437,515	265,750
Market Positioning Consultancy and Tenant Sourcing Services	53,438	110,538	74,166
Sum of the historical transaction amounts	426,170	595,142	368,328
Sum of the previous annual caps under the Previous Agreements (the “ <b>Previous PM Annual Caps</b> ”)	n.a. <sup>(1)</sup>	629,546	793,346 <sup>(2)</sup>
Annual cap utilisation	n.a. <sup>(1)</sup>	95%	n.a. <sup>(2)</sup>

*Notes:*

1. As the Company has been listed since June 2021, annual caps were not applicable for 2020.

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2. It refers to the sum of the annual caps for the full year of 2022.
3. The Directors confirm that the transaction amounts from the Listing Date to the Latest Practicable Date are within the Previous PM Annual Caps.

As shown in the above table, (i) the total amounts of fees paid to the Group by GZYX, Yuexiu Property and their respective associates for the Property Management and Value-Added Services in 2021 increased by approximately 40% as compared to those paid in 2020 and utilised 95% of the Previous PM Annual Caps for 2021; and (ii) the total amounts of fees paid to the Group by GZYX, Yuexiu Property and their respective associates for the Property Management and Value-Added Services achieved a 24% increase in the first half of 2022 as compared to half of fees paid in the full year of 2021 and has already utilised nearly 47% of the Previous PM Annual Caps for 2022.

Set out below are the maximum annual service fees payable to the Group (the “**PM Annual Caps**”) under the 2022 Property Management and Value-Added Services Framework Agreement for each of the three years ending 31 December 2024:

	<b>For the financial year ending 31 December</b>			
	<b>2022</b>		<b>2023</b>	<b>2024</b>
	<b>1st half of</b>	<b>2nd half of</b>		
	<b>2022</b>	<b>2022</b>		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property Management Services	7,612	11,888	54,619	69,060
Commercial Operation and Management Services	20,800	41,320	177,611	186,020
Value-added Services	265,750	364,590	910,858	1,185,660
Market Positioning Consultancy and Tenant Sourcing Services	74,166	92,213	189,066	217,001
Total		878,339	1,332,154	1,657,741
Buffer		— <sup>(1)</sup>	133,215	248,661
<b>PM Annual Caps</b>		<b>878,339</b>	<b>1,465,369</b>	<b>1,906,402</b>

*Notes:*

1. No buffer has been applied on top of the total sum of estimated service fees in 2022 in the above table, except for a buffer of 5% applied for the PRC vacant property management service fees under the Property Management Services and the carpark space sales assistance service fees under the Value-added Services in 2022.
2. Due to rounding, the figures shown above may not add up to the PM Annual Caps.

We have discussed with the management of the Group and were advised that the PM Annual Caps have been determined after taking into consideration factors including (i) the actual service fees paid to the Group in 2021 and in the first half of 2022 (“**1H2022**”); (ii) historical service fee rates charged by the Group; (iii) existing/potential projects awarded or to be awarded by GZYX, Yuexiu Property and their respective associates in 2022-2024; (iv) the GZYX’s, Yuexiu Property’s and their respective associates’ business plans for the next three years; and (v) recent PRC property market sentiment.

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We have also discussed with the management of the Group about the surge in estimated service fees payable to the Group in the second half of 2022 (“2H2022”) as compared to the actual service fees paid to the Group in 1H2022. We were advised by the management of the Group that several factors would contribute to the surge in 2H2022: (i) it is industry practice that more property projects are delivered by property developers in the second half of a year as compared to the first half of a year; (ii) GZYX and Yuexiu Property and their respective associates may procure additional Property Management and Value-Added Services from the Group in view of their sales pipeline in 2H2022, such as the carpark space sales assistance service whose service fees would be paid to the Group in the form of one-off commission instead of recurring monthly fee; and (iii) the Group plans to roll out some new Property Management and Value-Added Services in 2H2022.

### *Property Management Services*

As advised by the management of the Group, the Property Management Services include three major categories: PRC vacant property management service, Hong Kong non-commercial property management service, and other property management service.

The PRC vacant property management service fees payable to the Group are projected based on (i) the actual vacant property management service fees of RMB7.6 million paid to the Group by Yuexiu Property in the 1H2022; and (ii) estimated annual growth rate of the service fees in each region (Northeast China: 88%; Eastern China: 97%; Central China: 67%; Nan Sha: 0%; Pearl River Delta: 0%; Guangzhou: 18%; and Chengdu: 61%). The estimated service fees payable to the Group in 2022 is the annualised amount of the actual service fees paid in 1H2022 plus a buffer of 5% to allow some operation flexibility. As advised by the management of the Group, the estimated annual growth rate in each region has been determined with reference to the compound annual growth rate of the estimated Yuexiu Property’s vacant property area in 2022-2024. It is noted in the projection provided by the Group that the major contributors in 2023 and 2024 are projects from Northeast China and Chengdu, amounting to RMB11.0 million in 2023 and RMB19.2 million in 2024, which accounts for over 50% of total estimation in the respective year. We have been provided with Yuexiu Property’s confirmation in relation to the estimated vacant property area, and noted that Yuexiu Property’s confirmation aligns with the estimated vacant property area used in the projection of the PRC vacant property management service fees.

Hong Kong non-commercial property management service fees payable to the Group are projected based on (i) monthly service fee and annual increment as agreed in the existing Hong Kong non-commercial property management service contracts, if any; and (ii) potential Hong Kong non-commercial property management service projects to be awarded by Yuexiu Property and its associates. We have reviewed the full list comprising one existing Hong Kong non-commercial property management service contract entered into with GZYX and its associates and one potential Hong Kong non-commercial property management service project to be awarded by Yuexiu Property and its associates and Yuexiu Property’s confirmation in this regard, and noted that their projected fees agreed to their respective contracts and Yuexiu Property’s confirmation.

Other property management service is referred to the Property Management Services provided to non-commercial properties other than PRC vacant properties and Hong Kong non-commercial properties, such as factories, elderly care homes, industrial parks, expressways. Property management service fees from those properties are projected based on (a) existing property management service



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contracts; and (b) fee quotations provided for potential property management service projects or estimated fees following commercial discussion with GZYX or Yuexiu Property. We have reviewed the full list comprising 5 existing property management service contracts and 14 potential property management service projects and Yuexiu Property's and GZYX's confirmations in this regard, and noted that their projected fees agreed to their respective agreements or quotations and Yuexiu Property's and GZYX's confirmations.

### *Commercial Operation and Management Services*

As advised by the management of the Group, the Group provides Commercial Operation and Management Services to commercial properties such as office buildings, shopping malls and wholesale markets as well as related carpark spaces. The commercial operation and management service fees are projected based on the existing or potential projects awarded or to be awarded by GZYX or Yuexiu Property or their respective associates. We (i) have reviewed the full lists of existing and potential projects (showing a total of 161 projects in 2022, 167 projects in 2023 and 167 projects in 2024) awarded or to be awarded by GZYX or Yuexiu Property in relation to commercial operation and management services; and (ii) have been provided with GZYX's and Yuexiu Property's confirmations in this regard. We noted that the projected fees agreed to both the full list of existing and potential projects and confirmations from GZYX and Yuexiu Property.

### *Value-added Services*

As advised by the management of the Group, the Value-Added Services can be separated into non-property owner value-added services and community value-added services. The non-property owner value-added services include preliminary planning and design consultancy service, sales office and display unit management service, contract signing service, construction service, carpark space sales assistance service, delivery coordination service and the community renovation and refurbishment service. The community value-added services include community commercial operation and management service, agency service and other community value-added services.

Preliminary planning and design consultancy service fees payable to the Group are projected based on (i) the GFA of 1.03 million sq.m., which is held by Yuexiu Property as to 95% interest or above, out of a total of the new land acquired by Yuexiu Property of 5.4 million sq.m. in 2022 so far; (ii) estimated increases of 10% in the GFA of the new land acquired by Yuexiu Property in each of 2023 and 2024; and (iii) service fee of RMB5 per sq.m. as set out in the existing service contracts. We have reviewed the list of new land acquired by Yuexiu Property in 2022 so far prepared by the Company and noted it agreed to the information disclosed in the announcements published by Yuexiu Property in relation to the new land acquisition. According to the Yuexiu Property's annual report for the year ended 31 December 2021 and announcement dated 3 November 2022 in relation to unaudited sales statistics as at 31 October 2022, Yuexiu Property achieved a 20% YoY increase in its contracted sales in 2021 while only a 11% YoY increase for the first ten months of 2022 (the "**Yuexiu Property Contracted Sales Growth**"). In view of recent PRC property market downturn, we thus consider the estimated increase used in 2023-2024 (the "**Estimated Increase**") which are slightly below the Yuexiu Property Contracted Sales Growth to be fair and reasonable. We have reviewed the preliminary planning and design consultancy service contracts provided by the Company and noted that the service fee per sq.m. in the projection agreed to the service contract.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The estimated fees for sales office and display unit management service have been determined based on (i) the 2022 sales forecast of RMB123.5 billion as announced by Yuexiu Property and the estimated 2023 and 2024 sales forecasts of Yuexiu Property after having applied the Estimated Increase of 10% in each year; and (ii) the estimated fee rate of 0.16% charged on sales achieved in next three years. We have been provided with (i) Yuexiu Property's confirmation in relation to their sales forecast in the next three years; and (ii) fee rates charged by the Group on the sales achieved in 2021, and noted that (i) the confirmations from Yuexiu Property agreed to the sales forecast adopted to produce the projected fees; and (ii) the estimated fee rates charged fall within the range of 0.14% - 0.33% charged by the Group in 2021.

Contract signing service fees payable to the Group are projected based on (i) Yuexiu Property's contracted sales target in 2022 having applied the Estimated Increase of 10% for each of 2023 and 2024; (ii) 32% of Yuexiu Property's contracted sales amount handled by the Group in 2021; and (iii) the average service fee rate of 0.13% charged by the Group in Greater Bay Area in the first 6 months of 2022. We have reviewed the calculation of the projection and noted that the 2022 Yuexiu Property's contracted sales target adopted agreed to that disclosed in Yuexiu Property's announcement dated 3 November 2022 in relation to contracted sales. In view of the Yuexiu Property Contracted Sales Growth and the recent PRC property market downturn, we consider the estimated annual increase of 10% in 2023-2024 to be fair and reasonable. As advised by the management of the Group, the Group mainly provides contract signing service to Yuexiu Property and its respective associates in Greater Bay Area. We have also reviewed a full list of contract signing service contracts as at 30 June 2022 and noted that the average service fee rate of 0.13% adopted in the projection agreed to that of Greater Bay Area projects.

Construction service fees payable to the Group are projected based on (i) the estimated construction service fees of RMB40.5 million payable to the Group in 2022; and (ii) the adoption of the Estimated Increase of 10% for each of 2023 and 2024. As advised by the management of the Group, the estimated construction service fees in 2022 have been determined with reference to the existing contracts. We have reviewed the full list comprising a total of 58 existing construction service contracts and noted that the estimated construction service fees agreed to those contracts. In view of the Yuexiu Property Contracted Sales Growth and the recent PRC property market downturn, we consider the estimated annual increases in 2023-2024 to be fair and reasonable.

The estimated carpark space sales assistance service fees in 2022 is the actual service fees of RMB49 million paid by Yuexiu Property and its associates in 1H2022 plus the estimated service fees payable by Yuexiu Property and its associates of RMB148 million in 2H2022 and a buffer of 5% to allow some operation flexibility. As advised by the management of the Group, it has been an industry practice that more carpark space are delivered by property developers in the second half of a year and therefore, carpark space sales are normally higher in the second half of a year than the first half of a year. The estimated service fees payable by Yuexiu Property and its associates in 2H2022 thus have been projected based on (i) an estimated increase in sales assistance service fees in 2H2022 which is with reference to the Group's historical surge by 74% in carpark space sales assistance service fees in the second half of 2021 ("**2H2021**") as compared to the first half of 2021 ("**1H2021**") and increases of 77% - 132% in similar service income of its peer companies according to their latest annual/interim reports; and (ii) the total value of the carpark spaces delivered/ to be delivered by Yuexiu Property and its associates RMB834 million in 2H2022 that require the sales assistance service from the Group. The estimated carpark space sales assistance service fees in 2023-2024 have been projected based on

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) the 2022 sales forecast of RMB123.5 billion as announced by Yuexiu Property and estimated 2023 and 2024 sales forecasts of Yuexiu Property after having applied the Estimated Increase of 10% in each year; (ii) estimated percentages (2023: 0.60%; and 2024: 0.90%) of the sales targets that would require carpark space sales assistance service from the Group in each of 2023 and 2024; and (iii) estimated commission fee rates in 2023-2024. We have been provided with and reviewed (i) the Group's historical carpark sales assistance service fees in both 1H2021 (RMB52 million) and 2H2021 (RMB90 million); (ii) Yuexiu Property's confirmations in relation to (a) the total value of its carpark space of RMB834 million delivered/to be delivered in 2H2022 that require sales assistance service from the Group; (b) the 2022 sales forecast of RMB123.5 billion as announced by Yuexiu Property and the estimated 2023 and 2024 sales forecasts of Yuexiu Property after having applied the Estimated Increase of 10% in each year; and (c) its intentions to enhance the cooperation with the Group; (iii) 0.1% of the sales target that handled by the Group in 1H2022; and (iv) the historical commission fee range. We have also reviewed the peer companies' historical service income for similar services as disclosed in their annual/interim reports and noted that the estimated increase of 73% in 2H2022 is close to the historical increase of 74% achieved by the Group in 2H2021 and is lower than those achieved by its peers of 77% - 132%. We have reviewed the projection provided by the Group and noted that (i) the value of carpark space of RMB834 million handled or to be handled by the Group in 2H2022 and the sales forecast for 2022-2024 align the aforementioned Yuexiu Property's confirmation; and (ii) the estimated commission rate in 2023-2024 falls within the range of historical commission rates.

Delivery coordination service fees payable to the Group are projected based on (i) GFA to be delivered by Yuexiu Property in 2023-2024 (2023: 4.7 million sq.m.; and 2024: 5.6 million sq.m.); and (ii) estimated service fee of RMB3 per sq.m.. We have reviewed the list of property projects to be delivered by Yuexiu Property in 2023-2024 (2023: 4.7 million sq.m.; and 2024: 5.6 million sq.m.) and Yuexiu Property's confirmation in this regard, and noted that they agreed to the GFA to be delivered by Yuexiu Property in 2023-2024 adopted in the projection. As advised by the management of the Group, delivery coordination service is yet to be launched and thus the service fee of RMB 3 per sq.m. is estimated based on the commercial discussion with Yuexiu Property and with reference to market information collected by the Group.

Community renovation and refurbishment service fees payable to the Group are projected based on (i) 360 potential renovation and refurbishment projects to be awarded by Yuexiu Property in 2023; and (ii) the Estimated Increase of 10% in the service fee payable in 2024. We have obtained the list of 360 potential renovation and refurbishment projects and Yuexiu Property's confirmation in this regard, and noted that they agreed to the estimated service fees payable of RMB31.4 million in 2023 in the projection. In view of the Yuexiu Property Contracted Sales Growth and the recent PRC property market downturn, we consider the Estimated Increase of 10% in 2024 to be fair and reasonable.

Community commercial operation and management service fees payable to the Group are projected based on (i) estimated community commercial operation and management service fees of RMB10.6 million payable to the Group in 2022; and (ii) estimated increases of 46% in the service fees in each of 2023 and 2024. As advised by the management of the Group, (i) the estimated community commercial operation and management service fees in 2022 have been determined with reference to 13 existing contracts; and (ii) such estimated increases of 46% in the service fees in 2023-2024 equal to the target increase in GFA of retail shops delivered by Yuexiu Property in 2022 as compared to that

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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in 2021. We have reviewed a full list comprising a total of 13 existing contracts in relation to community commercial operation and management service and noted that the estimated fees of RMB10.6 million in 2022 agreed to those existing contracts. Given that the estimated annual increase of 46% adopted in 2023-2024 equals to the target growth rate in GFA of retail shops delivered by Yuexiu Property which has been confirmed by Yuexiu Property, we consider such estimated increase in 2023-2024 to be fair and reasonable.

Agency service fees payable to the Group are projected based on (i) the 2022 sales forecast of RMB123.5 billion as announced by Yuexiu Property and estimated 2023 and 2024 sales forecasts of Yuexiu Property after having applied the Estimated Increase of 10% in each year; (ii) the estimated percentage of those sales forecast handled by the Group (2H2022: 0.5%; 2023: 0.8%; and 2024: 1.0%); and (iii) the estimated commission rates (2H2022: 2.2%; 2023: 2.2%; and 2024: 2.2%). We have been provided with Yuexiu Property's confirmation in relation to those sales forecast, and noted that the confirmation aligns the sales forecast used in the projection. As advised by the management of the Group, agency service has only been launched since April 2022 and following the commercial discussion with Yuexiu Property, the management of the Group believes that the percentage of sales forecast handled by the Group and the commission rate would be improved in the next two and a half years.

Other community value-added service fees payable to the Group are projected based on (i) estimated service fees of RMB803,000 payable to the Group in 2022; and (ii) the adoption of the Estimated Increase of 10% for each of 2023 and 2024. As advised by the management of the Group, the estimated service fees in 2022 in relation to other community value-added services have been determined with reference to 18 existing service contracts in relation to other community value-added services. We have been provided with a full list comprising a total of 18 existing service contracts in relation to other community value-added services and noted that the estimated service fees of RMB803,000 in 2022 agreed to those contracts. In view of the Yuexiu Property Contracted Sales Growth and the recent PRC property market downturn, we consider the Estimated Increase of 10% for use in the projection for 2023-2024 to be fair and reasonable.

### *Market positioning consultancy and tenant sourcing services*

As advised by the management of the Group, the market positioning consultancy and tenant sourcing services include market positioning consultancy service, tenant sourcing service, tenant management and rent collection service, etc., the estimated fees of which are projected based on a total of 39, 46 and 40 existing or potential projects in each of 2022 - 2024 awarded or to be awarded by GZYX, Yuexiu Property and their respective associates. We (i) have reviewed the full list of existing and potential projects awarded or to be awarded by GZYX, Yuexiu Property and their respective associates in relation to market positioning consultancy and tenant sourcing services; and (ii) have been provided with GZYX's and Yuexiu Property's confirmations in this regard. We noted that the projected fees agreed to both the full list of existing or potential projects and confirmations from GZYX and Yuexiu Property.

### *Buffers*

No buffer has been provided in 2022 in view of less than one month left in 2022, except for a buffer of 5% has been applied to the PRC vacant property management service fees under the Property

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Management Services and the carpark space sales assistance service fees under the Value-added Services in 2022 to allow some operation flexibility. 10% and 15% have been built in each of 2023 and 2024 respectively as buffers on top of the projected amounts to accommodate unexpected increase in inflation, operational costs or surge in service demand from GZYX and Yuexiu Property and their respective associates. As advised by the management of the Group, the buffers are larger for more distant future which tends to be subject to more uncertainties.

### 6.2 2023 Bank Deposits Agreement

Set out below are the highest daily outstanding balance (including accrued interests) of the Bank Deposits actually placed by the Group with the CHB Group on any given day during each of the two years ended 31 December 2021 and the six months ended 30 June 2022 as extracted from the letter from the Board and analysis on the annual cap utilisation:

	<b>Year ended 31 December</b>		<b>Six months ended</b>
	<b>2020</b>	<b>2021</b>	<b>30 June</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Highest daily outstanding balance of the Bank Deposits	15,624	586,576	613,195
Previous proposed highest daily outstanding balance under the Bank Deposits Agreement (the “ <b>Previous Proposed Highest Daily Outstanding Balance</b> ”)	n.a. <sup>(1)</sup>	2,515,000	2,085,000 <sup>(2)</sup>
Annual cap utilisation	n.a. <sup>(1)</sup>	23%	n.a. <sup>(2)</sup>

*Notes:*

1. As the Company has been listed since June 2021, annual caps were not applicable for 2020.
2. It refers to the annual caps for the full year of 2022.
3. The Directors confirm that the daily outstanding balance (including the accrued interests) of the Bank Deposits actually placed by the Group with the CHB Group from the Listing Date to the Latest Practicable Date are within the Previous Proposed Highest Daily Outstanding Balance.

As shown in the above table, (i) the highest daily outstanding balance of the Bank Deposits in 2021 was 37.5 times of that in 2020; and (ii) the highest daily outstanding balance of the Bank Deposits in the first half of 2022 exceeded that in 2021. As advised by the management of the Group, the substantial increase in 2021 and less than 5% increase in the first half of 2022 was due to (i) the substantial increase in the cash inflow benefited from the Group’s fast business expansion in 2021 and the first half of 2022; (ii) part of initial public offering proceeds were placed with CHB after the Company has been listed since 2021; and (iii) recent appreciation of Hong Kong dollar against Renminbi. The low utilisation rate in 2021, however, was because the deposit rates offered by independent banks were more competitive.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below are the highest daily outstanding balance (including accrued interests) of the Bank Deposits to be placed by the Group with the CHB Group on any given day (the “**Proposed Highest Daily Outstanding Balance**”) for each of the three years ending 31 December 2025:

	For the financial year ending 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Proposed Highest Daily Outstanding Balance	2,293,500	2,522,850	2,775,135

We have discussed with the management of the Group and were advised that the Proposed Highest Daily Outstanding Balance have been determined after taking into consideration (i) the growth trend of highest daily outstanding balance of the Bank Deposits; (ii) the Group’s cash and cash equivalents; and (iii) potential increase in the Group’s cash and cash equivalents as a result of its continuing growth in businesses.

According to the 2021 Annual Report and 2022 Interim Report, the Group’s cash and cash equivalents amounted to RMB3,803 million as at 31 December 2021 and RMB4,150 million as at 30 June 2022, both of which far exceed the Proposed Highest Daily Outstanding Balance. In addition, the Group’s businesses have exhibited a strong positive growth trend in 2021 and the first half of 2022 as evidenced by a 64% YoY increase and a 14% YoY increase in its revenue in 2021 and the first half of 2022 respectively. Having considered (i) the substantial increase in highest daily balance of the Bank Deposits in 2021 and mild increase in the first half of 2022; (ii) the Group’s cash and cash equivalents far exceeding the Proposed Highest Daily Outstanding Balance; and (iii) the Group’s significant positive business growth in recent years, we are of the view that the Proposed Highest Daily Outstanding Balance are fair and reasonable.

### OPINION

Having taken into account the above principal factors and reasons, we consider that the terms of 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement and the transactions contemplated thereunder (including the PM Annual Caps and Proposed Highest Daily Outstanding Balance) are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the General Meeting to approve the continuing connected transactions under 2022 Property Management and Value-Added Services Framework Agreement and 2023 Bank Deposits Agreement, PM Annual Caps and Proposed Highest Daily Outstanding Balance.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Jenny Leung**  
*Director*

*Ms. Jenny Leung is a licensed person and responsible officer of Somerley registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and have participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. INTEREST IN SECURITIES

### Directors' and chief executive's interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be 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); (b) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

#### *The Company's associated corporation*

#### *Long Position in the shares and underlying shares of associated corporations*

Name of Director	Associated corporation	Number of shares held as personal interests	Approximate percentage of interests %
Mr. Lin Feng ( <i>Note 1</i> )	Yuexiu Property	1,605,559	0.05
Mr. Zhang Jianguo ( <i>Note 2</i> )	Yuexiu Property	1,842,230	0.06
Mr. Zhang Jin ( <i>Note 3</i> )	Yuexiu Property	331,173	0.01

*Note:*

- (1) Mr. Lin Feng is interested in 1,605,559 shares, out of which 589,678 shares are owned by him as beneficial owner, 995,881 shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust for Directors and Senior Management (the "Yuexiu Property DSM Trust") and 20,000 shares are held by his spouse.
- (2) Mr. Zhang Jianguo is interested in 1,842,230 shares, out of which 1,174,004 shares are owned by him as beneficial owner and 668,226 shares are held for him as a beneficiary of Yuexiu Property DSM Trust.
- (3) Mr. Zhang Jin is interested in 331,173 shares, out of which 116,881 shares are owned by him as beneficial owner and 214,292 shares are held for him as a beneficiary of the Yuexiu Property DSM Trust.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or to be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

### 4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as of the Latest Practicable Date and which was significant in relation to the business of the Group; and none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which 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 financial statements of the Company were made up.

### 5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

### 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there have been no material adverse changes in the financial or trading position 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 to, up to and including the Latest Practicable Date.

### 7. EXPERTS AND CONSENTS

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

<b>Name</b>	<b>Qualification</b>
Somerley Capital Limited	a licenced corporation to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO



As at the Latest Practicable Date, the above expert:

- (a) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and references to its name, in the form and context in which they appear;
- (b) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or 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.

## **8. MISCELLANEOUS**

- (1) The registered office and principal place of business of the Company is at 26/F, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.
- (2) The share registrar of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (3) The secretary of the Company is Mr. Yu Tat Fung (余達峯) who is admitted as a solicitor of the High Court of Hong Kong.
- (4) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

## **9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the Stock Exchange at ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.yuexiuservices.com](http://www.yuexiuservices.com)) during the period from the date of this circular up to and including the date of the General Meeting:

- (1) the 2022 Property Management and Value-Added Services Framework Agreement; and
- (2) the 2023 Bank Deposits Agreement.

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## NOTICE OF GENERAL MEETING

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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 6626)**

## NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a general meeting of shareholders of Yuexiu Services Group Limited (the “**Company**”) will be held at Plaza I-IV, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 30 December 2022 at 10:00 a.m. (the “**General Meeting**”), to consider and, if thought fit, pass, with or without amendments, the following resolutions below as ordinary resolutions.

Words and expressions that are not expressly defined in this notice of General Meeting shall bear the same meaning as that defined in the circular to shareholders of the Company dated 12 December 2022.

### ORDINARY RESOLUTIONS

**1. “THAT:**

- (a) the transactions contemplated under the 2022 Property Management and Value-Added Services Framework Agreement, copy of which have been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, and the relevant annual caps for the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) all acts done and things executed and all such documents or deeds entered into in connection with the implementation of the 2022 Property Management and Value-Added Services Framework Agreement and the transactions contemplated thereunder and the respective annual caps for the transactions contemplated thereunder be and are hereby ratified, confirmed and approved, and any one Director be and is hereby authorised to do all such acts and things and execute all such documents or deeds and to take all steps as the Director may in his/her discretion consider necessary, desirable or expedient in connection with the implementation of the 2022 Property Management and Value-Added Services Framework Agreement or the transactions contemplated thereunder and/or the annual caps for the transactions contemplated thereunder and to make and agree to such variations, amendments or waivers of matters relating thereto, as are, in the opinion of the Director, necessary or desirable;

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## NOTICE OF GENERAL MEETING

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**2. THAT:**

- (a) the transactions contemplated under the 2023 Bank Deposits Agreement, copy of which have been produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification, and the relevant annual caps for the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) all acts done and things executed and all such documents or deeds entered into in connection with the implementation of the 2023 Bank Deposits Agreement and the transactions contemplated thereunder and the respective annual caps for the transactions contemplated thereunder be and are hereby ratified, confirmed and approved, and any one Director be and is hereby authorised to do all such acts and things and execute all such documents or deeds and to take all steps as the Director may in his/her discretion consider necessary, desirable or expedient in connection with the implementation of the 2023 Bank Deposits Agreement or the transactions contemplated thereunder and/or the annual caps for the transactions contemplated thereunder and to make and agree to such variations, amendments or waivers of matters relating thereto, as are, in the opinion of the Director, necessary or desirable.”

By Order of the Board of  
**Yuexiu Services Group Limited**  
**YU Tat Fung**  
*Company Secretary*

Hong Kong, 12 December 2022

*Registered office:*

26/F, Yue Xiu Building  
160 Lockhart Road  
Wanchai  
Hong Kong

**Notes:**

- 1. A member entitled to attend and vote at the General Meeting is entitled to appoint more than one proxy to attend and vote in his stead.
- 2. In order to be valid, form(s) of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notorially certified copy of that power of attorney or authority, must be deposited at the office of the Company’s share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time fixed for the holding of the General Meeting or any adjournment thereof.

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## NOTICE OF GENERAL MEETING

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3. The Register of Members of the Company will be closed from Wednesday, 28 December 2022 to Friday, 30 December 2022, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the General Meeting, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the General Meeting, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4: 30 p.m. on Friday, 23 December 2022.
4. Where there are joint registered holders of any share, any one of such persons may vote at the General Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but should there be more than one of such joint holders present at the General Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. Voting of the ordinary resolutions set out in this notice will be by way of poll.
6. Reference to times and dates in this notice are to Hong Kong times and dates.
7. In consideration of the continuing risk posed by the coronavirus disease (COVID-19) and to manage the potential health risks of persons attending the General Meeting, the Company will implement certain precautionary measures at the General Meeting. For further details, please refer to the circular of the Company dated 12 December 2022.

*As at the date of this notice, the Executive Directors are Mr. Zhang Jianguo, Mr. Mao Liangmin and Mr. Zhang Jin; the Non-executive Directors are Mr. Lin Feng, Mr. Yao Xiaosheng and Mr. Yang Zhaoxuan; and the Independent Non-executive Directors are Mr. Hung Shing Ming, Ms. Hui Lai Kwan and Mr. Chan Yuen Hang Kenneth.*