

21 November 2023

*To the Shareholders*

Dear Sirs and Madams,

- (1) CONNECTED TRANSACTIONS AND ADVANCE TO ENTITY –  
REFUNDABLE DEPOSITS;**
- (2) CONNECTED TRANSACTION – DEPOSITS;**
- (3) MAJOR AND CONNECTED TRANSACTION IN RELATION TO  
THE ACQUISITION OF RIGHT-OF-USE OF OFFICE BUILDING;  
AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

## **1. INTRODUCTION**

References are made to the announcements of the Company dated 26 September 2023 in relation to, among other things, (i) the connected transactions and advance to entity – refundable deposits and the connected transaction – deposits; and (ii) the major and connected transaction in relation to the acquisition of the right-of-use of office building, respectively.

## **2. CONNECTED TRANSACTIONS AND ADVANCE TO ENTITY – REFUNDABLE DEPOSITS**

On 20 May 2020, Hongkun Ruibang Wuxi entered into the Sole Agency Agreement 1 with Wuxi Yongqing, a former fellow subsidiary of the Company, pursuant to which Hongkun Ruibang Wuxi should provide agency services for the lease/right-of-use transfer of 488 car parking spaces developed by Wuxi Yongqing and was required to pay the Refundable Deposits 1 to Wuxi Yongqing to ensure provision of agency services.

On 30 December 2020, Hongkun Ruibang Wuxi entered into the Sole Agency Agreement 2 with Wuxi Yongqing, pursuant to which Hongkun Ruibang Wuxi should provide agency services for the lease/right-of-use transfer of 643 car parking spaces and the sale of 2 shops all developed by Wuxi Yongqing and was required to pay the Refundable Deposits 2 to Wuxi Yongqing to ensure provision of agency services.

Details of the Agency Services Agreements are as follows:

### **(i) Sole Agency Agreement 1**

Date	:	20 May 2020
Parties	:	(1) Hongkun Ruibang Wuxi (as service provider); and (2) Wuxi Yongqing.
Services	:	Provision of agency services for the lease/right-of-use transfer of 488 car parking spaces developed by Wuxi Yongqing
Term	:	20 May 2020 to 19 May 2021

Service fees : The amount in excess of the base price of the car parking spaces (i.e. RMB40,000/space) received from the lessee(s)/transferee(s) of the relevant car parking spaces. In the event that the actual amount received from the lessee(s)/transferee(s) is lower than the base price, Hongkun Ruibang Wuxi is required to pay such shortfall to Wuxi Yongqing (Wuxi Yongqing is entitled to deduct such shortfall from the Refundable Deposits 1 paid by Hongkun Ruibang Wuxi).

The base price per car parking space under the Sole Agency Agreement 1 was determined by both parties after taking into consideration of factors including but not limited to the real estate project's occupancy rate, the number of available car parking spaces, the sales stage, and the car parking space quality, and that it is in line with the normal market practice, fair and reasonable and on normal commercial terms.

The total expected selling price of the 488 car parking spaces in aggregate under the Sole Agency Agreement 1 amounted to approximately RMB28 million (which was determined based on factors including but not limited to: (i) the selling prices of the car parking spaces of the real estate projects in the proximity based on the market research conducted by the Group and the information made available to the Group by its industry network; (ii) the size of the car parking spaces; and (iii) the household size of the potential purchasers), rendering a rate of return of not less than 20% to Hongkun Ruibang Wuxi under the Sole Agency Agreement 1.

Settlement terms : Hongkun Ruibang Wuxi should submit to Wuxi Yongqing by the 3rd day of each month the details of the lease/right-of-use transfer of car parking spaces (including the total amount received from the lessee(s)/transferee(s)) for the preceding calendar month. Wuxi Yongqing should approve the details and pay Hongkun Ruibang Wuxi the relevant service fees within 3 working days after receipt of such details.

Refundable deposits : Hongkun Ruibang Wuxi is required to pay the Refundable Deposits 1 to Wuxi Yongqing that are equivalent to the total base price of all the car parking spaces in the amount of approximately RMB19.52 million (i.e. RMB40,000/space × 488 car parking spaces) to ensure the provision of agency services.

Where agreements for the sale/right-of-use transfer of car parking spaces have been entered into between Wuxi Yongqing and the lessee(s)/transferee(s) for 50% of all the car parking spaces, Wuxi Yongqing should refund 50% of the Refundable Deposits 1 to Hongkun Ruibang Wuxi. Thereafter, where agreements have been entered into between Wuxi Yongqing and the lessee(s)/transferee(s) for every other 10% of all the car parking spaces, Wuxi Yongqing should refund 10% of the Refundable Deposits 1 to Hongkun Ruibang Wuxi.

Wuxi Yongqing should refund all the remaining balance of the Refundable Deposits 1 to Hongkun Ruibang Wuxi within 3 working days upon expiry of the agreement.

**(ii) Sole Agency Agreement 2**

Date : 30 December 2020

Parties : (1) Hongkun Ruibang Wuxi (as service provider); and  
(2) Wuxi Yongqing.

Services : Provision of agency services for the lease/right-of-use transfer of 643 car parking spaces and the sale of 2 shops all developed by Wuxi Yongqing

Term : 1 January 2021 to 31 December 2021

Service fees : The amount in excess of the base price of the car parking spaces and shops (i.e. RMB40,000/space and RMB13,000/m<sup>2</sup>, respectively) received from the lessee(s)/transferee(s) of the relevant car parking spaces and the purchaser(s) of the relevant shops.

The base price per car parking space and per m<sup>2</sup> of shops, respectively, under the Sole Agency Agreement 2 was determined by both parties after taking into consideration of factors including but not limited to the real estate project's occupancy rate, the number of available car parking spaces, the sales stage, and the car parking space quality, and that it is in line with the normal market practice, fair and reasonable and on normal commercial terms.

The total expected selling price of the 643 car parking spaces in aggregate amounted to approximately RMB36 million and the total expected selling price of the 2 shops in aggregate amounted to approximately RMB8 million under the Sole Agency Agreement 2 (which were determined based on: (i) the selling prices of the car parking spaces/shops of the real estate projects in the proximity based on the market research conducted by the Group and the information made available to the Group by its industry network; (ii) the size of the car parking spaces/shops; and (iii) the household size of the potential purchasers of the car parking spaces (as applicable)), rendering a rate of return of not less than 20% to Hongkun Ruibang Wuxi under the Sole Agency Agreement 2.

Settlement terms : Payments from the lessee(s)/transferee(s) of the car parking spaces and/or the purchaser(s) of the shops are collected by Hongkun Ruibang Wuxi on behalf of Wuxi Yongqing.

Hongkun Ruibang Wuxi should submit to Wuxi Yongqing by the 5th day of each month the details of the lease/right-of-use transfer of car parking spaces and/or the sale of shops (including the total amount received from the lessee(s)/transferee(s) and/or purchaser(s)) for the preceding calendar month. Wuxi Yongqing should approve the details within 3 working days after receipt of such details, and Hongkun Ruibang Wuxi should pay the total amount of base price of the leased/transferred car parking spaces and/or sold shops to Wuxi Yongqing within 10 working days after the approval.

Refundable deposits : Hongkun Ruibang Wuxi is required to pay the Refundable Deposits 2 to Wuxi Yongqing that are equivalent to the total base price of all the car parking spaces and shops in the amount of approximately RMB31.56 million (i.e. the sum of  $\text{RMB}40,000/\text{space} \times 643$  car parking spaces and  $\text{RMB}13,000/\text{m}^2 \times 449.6 \text{ m}^2$  (total gross floor area of 2 shops) that are subject to the Sole Agency Agreement 2) to ensure the provision of agency services.

Within 30 days after receipt of the total amount of base price of the leased/transferred car parking spaces and/or sold shops by Wuxi Yongqing from Hongkun Ruibang Wuxi (as set out in the settlement terms above), Wuxi Yongqing should refund the Refundable Deposits 2 for the corresponding leased/transferred car parking spaces and/or sold shops to Hongkun Ruibang Wuxi.

In the event that there are car parking spaces not leased/transferred and/or shops unsold when the agreement expires, and the term of the agreement is not extended, Wuxi Yongqing should refund all the remaining balance of the Refundable Deposits 2 to Hongkun Ruibang Wuxi within 10 working days upon expiry of the agreement.

Wuxi Yongqing agreed to partially settle the outstanding Refundable Deposits by way of transfer of assets to Hongkun Ruibang Wuxi. On 6 April 2022, Hongkun Ruibang Wuxi entered into the Transfer Agreement 1 with Wuxi Yongqing, pursuant to which Wuxi Yongqing agreed to transfer the right-of-use of 232 car parking spaces to Hongkun Ruibang Wuxi (the “**Car Parking Space Acquisition**”).

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Car Parking Space Acquisition exceeded 5% but all of them were under 25%, the Car Parking Space Acquisition constituted a discloseable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Board confirms that, as at the Latest Practicable Date, other than the Refundable Deposits, there has been no other (and will not be any) deposit arrangement or whatsoever that is similar to the Refundable Deposits in relation to the provision of any services by the Group under the master services agreement entered into between Hongkun Ruibang and Beijing Herun Asset Management Company Limited\* (北京合潤資產管理有限公司) (“**Beijing Herun**”) on 25 February 2020 (the “**CCT Agreement**”) and the master services agreement entered into between Hongkun Ruibang, Beijing Herun and Hongkun Weiye on 5 December 2022 (the “**Renewed CCT Agreement**”), respectively.

### 3. CONNECTED TRANSACTION – DEPOSITS 3

On 15 February 2021, Hongkun Ruibang Zhuozhou entered into the Underwriting Agreement with the Zhuozhou Developers, which were fellow subsidiaries of the Company, pursuant to which Hongkun Ruibang Zhuozhou should provide agency services for the lease/right-of-use transfer of 360 car parking spaces developed by the Zhuozhou Developers and was required to pay the Deposits 3 to ensure provision of agency services.

Details of the Underwriting Agreement are as follows:

Date	:	15 February 2021
Parties	:	(1) Hongkun Ruibang Zhuozhou (as service provider); (2) Zhuozhou Hongtai; and (3) Zhuozhou Hongshun.
Services	:	Provision of agency services for the lease/right-of-use transfer of 360 car parking spaces developed by the Zhuozhou Developers.  As at the Latest Practicable Date, 299 out of the 360 car parking spaces have been sold.
Term	:	15 February 2021 to the date on which all the car parking spaces are sold
Service fees	:	The amount in excess of the base price of the car parking spaces (i.e. in the range of RMB25,000 to RMB53,500/space depending on the type of the car parking spaces) received from the lessee(s)/transferee(s) of the relevant car parking spaces.

The range of base prices of the car parking spaces under the Underwriting Agreement comprises the base prices of various categories of car parking spaces, including standard car parking spaces, combined car parking spaces, shared car parking spaces and mini car parking spaces.

The base price per each type of car parking space under the Underwriting Agreement was determined by both parties after taking into consideration of factors including but not limited to the real estate project's occupancy rate, the number of available car parking spaces, the sales stage, and the car parking space quality, and that it is in line with the normal market practice, fair and reasonable and on normal commercial terms.

The total expected selling price of the standard car parking spaces, the combined car parking spaces (at location 1), the combined car parking spaces (at location 2), the shared car parking spaces and the mini car parking spaces in aggregate, respectively, under the Underwriting Agreement amounted to approximately RMB15 million, approximately RMB3 million, approximately RMB0.09 million, approximately RMB1 million and approximately RMB0.2 million, respectively (which were all determined based on: (i) the selling prices of the car parking spaces of the real estate projects in the proximity based on the market research conducted by the Group and the information made available to the Group by its industry network; (ii) the size of the car parking spaces; and (iii) the household size of the potential purchasers), rendering a rate of return of not less than 40% to Hongkun Ruibang Wuxi under the Underwriting Agreement.

- Settlement terms : Payments from the lessee(s)/transferee(s) of the car parking spaces are collected by Hongkun Ruibang Zhuozhou. The base prices of the car parking spaces that have been sold are set off against the Deposits 3.
- Non-refundable deposits : Hongkun Ruibang Zhuozhou is required to pay the non-refundable Deposits 3 to the Zhuozhou Developers in the total amount of approximately RMB10.8 million based on the sum of RMB30,000/space (as the abovementioned standard car parking spaces constitute approximately 85% of all the car parking spaces under the Underwriting Agreement, such sum was based on the base price of the standard car parking spaces) to ensure the provision of agency services for all the car parking spaces.



The Deposits 3 are non-refundable in nature since the proceeds from the lease/right-of-use transfer of the car parking spaces under the Underwriting Agreement would be paid by the lessee(s)/transferee(s) to Hongkun Ruibang Zhuozhou directly, and such payments received by Hongkun Ruibang Zhuozhou would be used to set off the amounts of service fees and Deposits 3 due from Zhuozhou Developers to Hongkun Ruibang Zhuozhou. Hence, Zhuozhou Developers would not refund the Deposits 3 to Hongkun Ruibang Zhuozhou separately. Provided the non-refundable nature of the Deposits 3, the parties did not agree on a specific number of years to be the term of the Underwriting Agreement which would limit the period of time available for Hongkun Ruibang Zhuozhou to recover the Deposits 3 and/or earn the service fees. The Group had begun to manage the 360 car parking spaces under the Underwriting Agreement since 2016 (i.e. before entering into the Underwriting Agreement) and had a reasonable understanding that the demand for such car parking spaces was expected to be high in views of the large number of households which lived in the corresponding housing complex and the relatively high occupancy rate of the car parking spaces within such complex. In addition, the rate of return in terms of the service fees to the Group of the car parking spaces under the Underwriting Agreement (i.e. not less than 40% of the expected selling price) was much higher than that under the Agency Services Agreements (i.e. not less than 20% of the expected selling price). As such, the Deposits 3 arrangement only differs in the way of settlement of service fees and refund of deposits as compared to the Refundable Deposits arrangements, and would not affect the amounts of service fees to be received and deposits to be refunded to the Group. Hence, the Board is of the view that the Deposits 3 were on better commercial terms and are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Deposits 3 paid by Hongkun Ruibang Zhuozhou to Zhuozhou Developers have been fully set off by: (i) (for the 299 car parking spaces sold under the Underwriting Agreement) the base prices in the sale proceeds of such car parking spaces; and (ii) (for the remaining 61 car parking spaces under the Underwriting Agreement) the amounts due from the Group to the Zhuozhou Developers (primarily comprise (a) rents temporarily received from the tenants of shops and car parking spaces of certain real estate projects on behalf of the Zhuozhou Developers which will be transferred in entirety back to the Zhuozhou Developers and (b) utility bills for such real estate projects temporarily paid for by the Zhuozhou Developers on behalf of the Group during the transitional period (the Group provided property management services regarding such real estate projects under the CCT Agreement), which were trade in nature and incurred in the ordinary and usual course of business of the Group, and were unrelated to the Underwriting Agreement) in February 2023. Hongkun Ruibang Zhuozhou has agreed with the Zhuozhou Developers to cease to sell the remaining car parking spaces under the Underwriting Agreement from August 2022, after assessing the fact that the costs to be incurred for continuing to sell the remaining car parking spaces would outweigh the anticipated benefits from the sale of such car parking spaces.

The Board confirms that, as at the Latest Practicable Date, other than the Deposits 3, there has been no other (and will not be any) deposit arrangement or whatsoever that is similar to the Deposits 3 in relation to the provision of any services by the Group under the CCT Agreement and the Renewed CCT Agreement, respectively.

#### 4. MAJOR AND CONNECTED TRANSACTION – THE ACQUISITION OF RIGHT-OF-USE OF THE PROPERTY

On 26 September 2023, Hongkun Ruibang (an indirect wholly-owned subsidiary of the Company) (as transferee) entered into the Transfer Agreement 2 with Beijing Ruihongda (as transferor), pursuant to which Beijing Ruihongda agreed to transfer and Hongkun Ruibang agreed to acquire the right-of-use of the Property for a term commencing from the date of approval of the Transfer Agreement 2 and the Acquisition contemplated thereunder by the Shareholders in accordance with the Listing Rules to 30 June 2041 at a consideration of RMB36,846,854, which will be settled in full by way of set-off against (i) the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Hongkun Ruibang Wuxi as at the date of the Transfer Agreement 2; and (ii) the total amount of outstanding trade receivables owed by Wuxi Yongqing to the Group as at the date of the Transfer Agreement 2.

The major terms of the Transfer Agreement 2 are as follows:

Date : 26 September 2023

Parties : (i) Hongkun Ruibang (as transferee); and  
(ii) Beijing Ruihongda (as transferor).

Assets to be acquired : The right-of-use of the Property for a term commencing from the date of approval of the Transfer Agreement 2 and the Acquisition contemplated thereunder by the Shareholders in accordance with the Listing Rules to 30 June 2041.

Based on the information provided by Beijing Ruihongda, the original acquisition cost of the right-of-use of the Property for a term of 21 years was RMB23,000,000. On 1 July 2021, Beijing Ruihongda and Hongkun Weiye entered into a transfer agreement (the “**Operating Rights Transfer Agreement**”), pursuant to which Hongkun Weiye transferred the operating rights (including the right-of-use) of (among others) the Property to Beijing Ruihongda for a period of 21 years expiring on 30 June 2042 (legally effective only until 30 June 2041) at a consideration of RMB23,000,000. As such, Beijing Ruihongda has the operating rights (including the right-of-use) over the Property until 30 June 2041. There is no early termination clause in the Operating Rights Transfer Agreement.

Consideration : RMB36,846,854 (i.e. approximately RMB7,395/square meter)

Settlement: : On 20 May 2020, Hongkun Ruibang Wuxi entered into the Sole Agency Agreement 1 with Wuxi Yongqing, a former fellow subsidiary of the Company which was ultimately wholly beneficially owned/controlled by Mr. Zhao Weihao and his associates at the material time, pursuant to which Hongkun Ruibang Wuxi should provide agency services for the lease/right-of-use transfer of 488 car parking spaces developed by Wuxi Yongqing and was required to pay the Refundable Deposits 1 to Wuxi Yongqing to ensure provision of agency services. Further, on 30 December 2020, Hongkun Ruibang Wuxi entered into the Sole Agency Agreement 2 with Wuxi Yongqing, pursuant to which Hongkun Ruibang Wuxi should provide agency services for the lease/right-of-use transfer of 643 car parking spaces and the sale of 2 shops all developed by Wuxi Yongqing and was required to pay the Refundable Deposits 2 to Wuxi Yongqing to ensure provision of agency services.

As at the date of the Transfer Agreement 2, (i) the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Hongkun Ruibang Wuxi was RMB30,566,475; and (ii) the total amount of outstanding trade receivables owed by Wuxi Yongqing to the Group was RMB6,280,379 (collectively, the **“Total Outstanding Receivables”**).

The Consideration shall be settled in full by way of set-off against (i) the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Hongkun Ruibang Wuxi as at the date of the Transfer Agreement 2; and (ii) the total amount of outstanding trade receivables owed by Wuxi Yongqing to the Group as at the date of the Transfer Agreement 2. The outstanding trade receivables owed by Wuxi Yongqing to the Group arose from the ordinary and usual course of business of the Group and include the services fees for the provision of sales assistances services, post-delivery repair services, inspection services, pre-delivery cleaning and preparation services, planning and design consultancy services and property management services. On 7 November 2023, the Company and Beijing Ruihongda entered into the Debt Transfer Agreement to confirm the aforesaid set-off arrangement that, subject to the approval of the Transfer Agreement 2 and the Acquisition contemplated thereunder by the Shareholders in accordance with the Listing Rules, the Total Outstanding Receivables shall be transferred from the Group to Beijing Ruihongda.

Early termination

- :
- (i) The agreement may be terminated upon mutual agreement between Hongkun Ruibang and Beijing Ruihongda.
  - (ii) If the agreement cannot continue to be performed due to force majeure, it will be terminated automatically.
  - (iii) If any of the following circumstances occurs, Hongkun Ruibang shall have the right to terminate the agreement unilaterally:
    - (a) the Property delivered by Beijing Ruihongda significantly fails to comply with the stipulations in the agreement or affects the health and safety of Hongkun Ruibang; or
    - (b) Beijing Ruihongda fails to undertake the maintenance obligations, resulting in Hongkun Ruibang not being able to use the Property normally.

(iv) If any of the following circumstances occurs, Beijing Ruihongda shall have the right to terminate the agreement unilaterally and take back the Property:

- (a) Hongkun Ruibang changes the use of the Property without consent;
- (b) Hongkun Ruibang demolishes, changes or damages the main structure of the Property without consent;
- (c) Hongkun Ruibang causes damage to the accessories, equipment and facilities due to improper safekeeping or unreasonable use and refuses to compensate; or
- (d) Hongkun Ruibang engages in illegal activities, harms public interests or hinders the ordinary work and life of others by using the Property.

(v) Other legal circumstances of contract termination.

Beijing Ruihongda agreed that, upon expiry of the term for the right-of-use of the Property, it shall unconditionally assist Hongkun Ruibang in the procedures of extending such right-of-use.

#### **Basis of Determination of the Consideration**

The Consideration was determined by Hongkun Ruibang and Beijing Ruihongda after arm's length negotiations with reference to, among other things: (i) the market value of the right-of-use of the Property for a term of 17 years and 10 months of approximately RMB38,000,000 as at the Basis Date, according to the valuation report prepared by the Independent Valuer based on the income approach (as set out in Appendix II to this circular) (the "**Valuation Report**"); (ii) application of a discount rate of 3.03% on the aforesaid market value factoring in the time required for renovation of the Property by Hongkun Ruibang; and (iii) the reasons for and benefits of the Acquisition as stated in the section headed "Reasons for and Benefits of (I) the Refundable Deposits and Deposits 3 Arrangements and (II) the Acquisition of the Right-of-use of the Property" below.

In respect of the abovementioned application of a discount rate on the market value of the right-of-use of the Property, the relevant market value represents a term of use of 17 years and 10 months from the Basis Date (i.e. 31 August 2023) to 30 June 2041. However, Hongkun Ruibang will have to renovate and set up the Property after the Transfer.

Agreement 2 and the Acquisition have been approved by the Shareholders at the EGM to accommodate its office layout and other requirements, thereby reducing the actual duration of the Property being in use by Hongkun Ruibang. Hongkun Ruibang expects that the time required for such renovation to be around 4 months, which will only commence after the date of the EGM (i.e. adding up to an expected total period of around 6.5 months from the Basis Date during which the Property could not be put in use). Therefore, the discount rate of 3.03% is applied to the relevant market value to factor in the expected initial period during which the Property is unavailable to be put in use.

As confirmed by Hongkun Weiye and Beijing Ruihongda, the Operating Rights Transfer Agreement and the transaction thereunder were an arm-in-arm transaction and the consideration of RMB23,000,000 thereunder was determined based on the then book value of (among others) the Property instead of its then market value. In addition, the Independent Financial Adviser has also advised the Independent Board Committee that the parties to the Operating Rights Transfer Agreement were ultimately beneficially owned/controlled by Mr. Zhao Weihao and his associates, and therefore they might not necessarily take into account the then prevailing PRC property market condition when determining the consideration of RMB23,000,000. Therefore, the Board (including the Independent Board Committee) is of the view that such historical acquisition cost is not comparable to the Consideration and should not be taken into account in assessing the fairness and reasonableness of the Consideration.

The Board (including the Independent Board Committee based on the advice and recommendation from the Independent Financial Adviser) has taken into account the market value of the right-of-use of the Property for a term of 17 years and 10 months as at the Basis Date according to the Valuation Report, and considered that it indicates an objective price for acquiring the right-of-use of the Property or comparable office properties for the duration until 30 June 2041 in the current market. The Board (including the Independent Board Committee) also considered that the application of a discount rate of 3.03% on the aforesaid market value factoring in the time required for renovation of the Property by Hongkun Ruibang (i.e. from the Basis Date to the anticipated date of approval of the Acquisition by the Shareholders) to be fair and legitimate. In view of the above, the Board (including the Independent Board Committee) is of the view that the Consideration is fair and reasonable in the circumstances, and is in the best interests of the Company and the Shareholders as a whole.

As the Property has been used by Beijing Ruihongda for its own use, no profit was attributable to the Property for the years ended 31 December 2021 and 31 December 2022.

5. **REASONS FOR AND BENEFITS OF (I) THE REFUNDABLE DEPOSITS AND DEPOSITS 3 ARRANGEMENTS AND (II) THE ACQUISITION OF THE RIGHT-OF-USE OF THE PROPERTY**

**The Refundable Deposits and Deposits 3 Arrangements**

Each of the Agency Services Agreements was entered into under the CCT Agreement and the service fees derived from the Agency Services Agreements belonged to, and had been counted towards, the annual caps of "Parent Group Property Developer Related Services" under the CCT Agreement. The annual cap of "Parent Group Property Developer Related Services" for each of the three financial years ended 31 December 2022 under the CCT Agreement had not been exceeded.

Under the Agency Services Agreements, Hongkun Ruibang Wuxi agreed to pay the Refundable Deposits since it is a customary arrangement in the industry that was ancillary to the Agency Services Agreements in order for Hongkun Ruibang Wuxi to obtain and secure the exclusive right to provide sales agency services for Wuxi Yongqing, and it is conducive for the Group to ensure a stable income stream and enhance profitability as a whole. Likewise, under the Underwriting Agreement, Hongkun Ruibang Zhuozhou agreed to pay the Deposits 3 as it is a customary industrial practice that was ancillary to the Underwriting Agreement in order for Hongkun Ruibang Zhuozhou to obtain and secure the exclusive right to provide sales agency services for Zhuozhou Hongtai and Zhuozhou Hongshun, and it is conducive for the Group to ensure a stable income stream and enhance profitability as a whole.

**The Acquisition of the Right-of-use of the Property**

With regard to the Group's commitments to improving its administration and operation functions, and in view of the steady growth of its businesses, the Group is in need for new and additional office spaces. For instance, the Group intends to establish an information technology centre that is more professional and well equipped so as to improve its information technology systems. To ensure the security, efficiency and stability of the Group's information technology, the Board is of the view that such information technology centre is more suitably located at a property with exclusive right-of-use and should be sizable.

The Property and the current principal place of business of the Company in the PRC (at Room 108, No. 45 Xinrong North Street, Xihongmen, Daxing District, Beijing, PRC) (the "PRC Principal Place of Business") are located in close proximity to each other, which is conducive and cost-efficient for: (i) redeployment of resources (including staff members) who are currently situated/working at the PRC Principal Place of Business to the Property; and (ii) cooperation and collaboration between the PRC Principal Place of Business and the new offices (including the contemplated information technology centre) at the Property. In addition to its strategic location, the Property has a considerable size and is able to afford the large spaces required for the Company's additional offices and

information technology centre uses. It also has a relatively long lease term of approximately 17 years which provides certainty and security of the location of and spaces for the Company's additional offices and information technology centre. The Company has considered other properties in the relevant area but did not identify similar office units with comparable considerable size (which could be leased to the Group at the same time), long lease term and competitive price.

The Property is intended to be held by Hongkun Ruibang for general office, administrative and operational uses, including but not limited to providing sufficient space for the establishment of the information technology centre of the Group. In addition, the Consideration will be settled in full by way of set-off against various outstanding receivables of the Group, and the Acquisition will therefore be conducive to the debt collection progress of the Group.

## **6. FINANCIAL EFFECTS OF THE ACQUISITION OF THE RIGHT-OF-USE OF THE PROPERTY**

### **Financial effects of the outstanding Refundable Deposits and the outstanding trade receivables owed by Wuxi Yongqing**

Upon completion of the Acquisition, the outstanding Refundable Deposits and the outstanding trade receivables owed by Wuxi Yongqing will be derecognised.

For illustrative purpose, it is assumed that:

- just before the derecognition, the outstanding Refundable Deposits and the outstanding trade receivables owed by Wuxi Yongqing will be amounted to approximately RMB30.6 million and approximately RMB6.2 million, respectively, totaling approximately RMB36.8 million;
- just before the derecognition, the corresponding accumulated allowance for credit losses of the outstanding Refundable Deposit and the outstanding trade receivables owed by Wuxi Yongqing will be approximately RMB30.6 million and approximately RMB6.2 million, respectively, totally approximately RMB36.8 million; and
- upon derecognition, the outstanding Refundable Deposits and the outstanding trade receivables owed by Wuxi Yongqing totaling approximately RMB36.8 million, and the corresponding accumulated allowance totaling approximately RMB36.8 million, will be derecognised.

The above illustration assumes that at derecognition:

- the outstanding Refundable Deposits and the outstanding trade receivables owed by Wuxi Yongqing will remain unchanged as compared with the corresponding balances as at 30 June 2023; and



- the corresponding accumulated allowance for credit losses of the outstanding Refundable Deposits and the outstanding trade receivables owed by Wuxi Yongqing have been reassessed just before the derecognition, and for illustrative purpose, the corresponding accumulated allowance for credit losses will remain unchanged as compared with the accumulated allowance for credit losses as at 30 June 2023.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon completion of the Acquisition.

#### **Financial effects of the Acquisition of the right-of-use of the Property**

Upon the completion of the Acquisition, the Group will initially recognise the Acquisition as right-of-use assets of approximately RMB36.8 million, and will recognise a deemed contribution from the controlling shareholder, Mr. Zhao Weihao, of approximately RMB36.8 million, directly to equity. Such recognitions will increase the total assets of the Group by approximately RMB36.8 million, which is equivalent to the amount of the Consideration, upon completion of the Acquisition.

Subsequent to the completion of the Acquisition, the Group will recognise depreciation expense of right-of-use assets over its expected lease term.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon completion of the Acquisition.

### **7. INFORMATION ABOUT THE PARTIES**

#### **The Company**

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 26 March 2019. The Company is principally engaged in the provision of property management services in respect of properties in the PRC.

#### **Hongkun Ruibang**

Hongkun Ruibang is a limited liability company established under the laws of the PRC on 18 June 2003, and its principal businesses include property management, operation and management of public car parks for motor vehicles and real estate brokerage services. As at the Latest Practicable Date, Hongkun Ruibang is wholly owned by Ye Xing (HK) Holdings Limited, which is wholly owned by Ye Xing Holdings Limited. Ye Xing Holdings Limited is a wholly-owned subsidiary of the Company. Therefore, Hongkun Ruibang is an indirect wholly-owned subsidiary of the Company. Each of Hongkun Ruibang Wuxi and Hongkun Ruibang Zhuozhou is a branch of Hongkun Ruibang.

### **Zhuozhou Hongtai**

Zhuozhou Hongtai is a limited liability company established under the laws of the PRC on 1 February 2013, and its principal businesses include real estate development and management and real estate brokerage. As at the Latest Practicable Date, Zhuozhou Hongtai is wholly-owned by Hongkun Weiye, which is ultimately wholly beneficially owned/controlled by Mr. Zhao Weihao and his associates. Zhuozhou Hongtai is therefore a connected person of the Company.

### **Zhuozhou Hongshun**

Zhuozhou Hongshun is a limited liability company established under the laws of the PRC on 8 January 2014, and its principal businesses include real estate development and management, real estate information consultation and real estate brokerage. As at the Latest Practicable Date, Zhuozhou Hongshun is owned as to 90% by Hongkun Weiye and is therefore a connected person of the Company.

### **Wuxi Yongqing**

Wuxi Yongqing is a limited liability company established under the laws of the PRC on 27 January 2011, and its principal businesses include real estate development and management, real estate brokerage and real estate maintenance. As at the Latest Practicable Date, Wuxi Yongqing is owned as to 60% by Beijing Furun Taishun Technology Co., Ltd.\* (北京富潤泰順科技有限公司) ("Furun Taishun"), which is in turn wholly-owned by Beijing Kunsheng Taishun Technology Co., Ltd.\* (北京坤晟泰順科技有限公司). Beijing Kunsheng Taishun Technology Co., Ltd.\* (北京坤晟泰順科技有限公司) is owned as to 60% by Ms. Chen Shan\* (陳珊) and 40% by Mr. Cong Ziqin\* (叢滋勤). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Furun Taishun, Beijing Kunsheng Taishun Technology Co., Ltd.\* (北京坤晟泰順科技有限公司), Ms. Chen Shan\* (陳珊) and Mr. Cong Ziqin\* (叢滋勤) is a third party independent of the Company and its connected persons.

### **Beijing Ruihongda**

Beijing Ruihongda is a limited liability company established in the PRC on 29 April 2015, and its principal businesses include telecommunication consulting services, corporate management consulting services, corporate image consulting services, market research, real estate consulting services and technology promotion services. As at the Latest Practicable Date, it is ultimately wholly beneficially owned/controlled by Mr. Zhao Weihao and his associates.

## 8. LISTING RULES IMPLICATIONS

As at the date of the Sole Agency Agreement 1 and the Sole Agency Agreement 2, respectively, Wuxi Yongqing was wholly-owned by Hongkun Weiye. At the material time, Hongkun Weiye was owned as to approximately 97.73% by Hongkun Jituan Company Limited\* (鴻坤集團有限公司), which was in turn wholly-owned by Beijing Herun. Beijing Herun was owned as to 99% and 1% by Mr. Zhao Weihao and his mother, Ms. Wu Hong, respectively. Mr. Zhao Weihao was an executive Director and a controlling shareholder of the Company, and therefore Wuxi Yongqing was a fellow subsidiary and a connected person of the Company (on 28 September 2021, Hongkun Weiye transferred its 100% equity interests in Wuxi Yongqing to Furun Taishun; thereafter, Wuxi Yongqing became wholly-owned by Furun Taishun and ceased to be a fellow subsidiary of the Company and is no longer a connected person of the Group). Accordingly, each of the Refundable Deposits 1 and the Refundable Deposits 2 constituted a connected transaction of the Company and was therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

All of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Underwriting Agreement were under 5%. As at the date of the Underwriting Agreement, Zhuozhou Hongtai and Zhuozhou Hongshun were owned as to 95% and 100%, respectively, by Hongkun Weiye. The Zhuozhou Developers were fellow subsidiaries of the Company and were therefore connected persons of the Company. Accordingly, the Deposits 3 constituted a connected transaction of the Company and was therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) stipulated under the Listing Rules in respect of the Acquisition exceed 25% but all of the applicable percentage ratios are less than 100%, the Acquisition contemplated under the Transfer Agreement 2 constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, shareholders' approval and circular requirements under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, Beijing Ruihongda is ultimately wholly beneficially owned/controlled by Mr. Zhao Weihao and his associates. Mr. Zhao Weihao is an executive Director and a controlling shareholder of the Company, and therefore Beijing Ruihongda is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the requirements of reporting, announcement, circular and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

## **9. NON-COMPLIANCE WITH THE LISTING RULES**

The Company did not recognize that (i) the Refundable Deposits should be treated as provision of financial assistance to Wuxi Yongqing and constituted "connected transactions" pursuant to Chapter 14A of the Listing Rules at the time when Hongkun Ruibang Wuxi entered into the Agency Services Agreements; and (ii) the Deposits 3 should be treated as provision of financial assistance to the Zhuozhou Developers and constituted a separate "connected transaction" pursuant to Chapter 14A of the Listing Rules at the time when Hongkun Ruibang Zhuozhou entered into the Underwriting Agreement. Accordingly, due to the Company's inadvertent oversight of the nature of the Refundable Deposits and the Deposits 3 arrangements and misunderstanding that such arrangements were purely a customary industrial practice that was ancillary to the Agency Services Agreement or the Underwriting Agreement (as the case may be) and did not constitute a "transaction" by itself, the Company has failed to comply with the reporting and announcement requirements (as well as the circular and shareholders' approval requirements, as the case may be) under Chapter 14A of the Listing Rules in relation to each of the Refundable Deposits 1, the Refundable Deposits 2 and the Deposits 3.

## **10. GENERAL INFORMATION**

Mr. Zhao Weihao, an executive Director and a controlling shareholder of the Company, had abstained from voting on the relevant Board resolutions (i) approving, ratifying and confirming the Refundable Deposits and the Deposits 3 and (ii) approving the entering into of the Transfer Agreement 2 and the Acquisition in accordance with the Listing Rules, the applicable laws in the Cayman Islands and the articles of association of the Company. Save as disclosed above, none of the Directors has or is deemed to have a material interest in (i) the Refundable Deposits and the Deposits 3 and/or (ii) the Transfer Agreement 2 and the Acquisition, and/or is required to abstain from voting on the relevant Board resolutions.

## **11. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

In accordance with the Listing Rules, the Independent Board Committee, comprising Mr. Chan Cheong Tat, Mr. Cheung Wai Hung, Ms. Chen Weijie and Mr. Leung Ka Wo, all being independent non-executive Directors, has been established to advise the Independent Shareholders on (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition.

Under Rule 14A.44 of the Listing Rules, Maxa Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition and as to how the Independent Shareholders should vote.

## 12. THE EGM

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, (i) approve, ratify and confirm the Refundable Deposits and the Deposits 3 and (ii) approve the entering into of the Transfer Agreement 2 and the Acquisition. A notice convening the EGM to be held at Room 303, No. 8 Hongfu Road, Xihongmen, Daxing District, Beijing, PRC on Wednesday, 6 December 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, 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 holding the EGM (i.e. 10:00 a.m. on Monday, 4 December 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof should you so wish.

## 13. VOTING BY POLL

Pursuant to the Listing Rules, the votes of the Independent Shareholders on the proposed ordinary resolutions approving (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition will be taken by way of poll at the EGM and an announcement on the poll results will be made by the Company after the EGM.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder or their associates who have a material interest in the transactions shall abstain from voting at the EGM on the resolutions approving (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition.

As at the Latest Practicable Date, Mr. Zhao Weihao held 237,780,000 Shares indirectly and jointly with another person, representing approximately 58.67% of the existing issued share capital of the Company, and is a controlling shareholder of the Company. Mr. Zhao Weihao has a material interest in (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition, and he and his associates are required to abstain from voting on the relevant resolutions approving (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition at the EGM.

Save as disclosed above and to the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, no other Shareholder had any material interest in (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition, and no other Shareholder is required to abstain from voting at the EGM on the relevant resolutions approving (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently transferred control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in the Company in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM.

#### 14. RECOMMENDATIONS

In view of the above, the Directors (except the members of the Independent Board Committee whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that (i) the terms of the Refundable Deposits and the Deposits 3 arrangements were fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and were in the interests of the Company and the Shareholders as a whole; and (ii) the Transfer Agreement 2 and the Acquisition are conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In particular, in view of the expected high demand for the car parking spaces under the Underwriting Agreement and the apparently higher rate of return in terms of the service fees to the Group of the car parking spaces under the Underwriting Agreement, and that the Underwriting Agreement and the Deposits 3 were on arm's length negotiation, the Directors (except the members of the Independent Board Committee) considered that the Deposits 3 arrangement were on better commercial terms.

The Independent Board Committee, having taken into account of the terms of (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition as well as the advice of the Independent Financial Adviser, considers that (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned and that (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition are in the interests of the Company and the Shareholders as a whole. In particular, notwithstanding that the Independent Financial Adviser considers that the Deposits 3 arrangement was not on normal commercial terms, in view of the expected high demand for the car parking spaces under the Underwriting Agreement and the apparently higher rate of return in terms of the service fees to the Group of the car parking spaces under the Underwriting Agreement, and that the Underwriting Agreement and the Deposits 3 were on arm's length negotiation, the Independent Board Committee considered that the Deposits 3 arrangement were on better commercial terms. Therefore, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to (i) approve, ratify and confirm the Refundable Deposits and the Deposits 3 and (ii) approve the entering into of the Transfer Agreement 2 and the Acquisition.

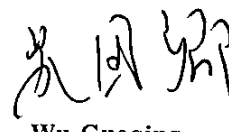
In view of the above, the Board (including the Independent Board Committee) considers that the terms of (i) the Refundable Deposits and Deposits 3 arrangements and (ii) the Transfer Agreement 2 and the Acquisition are on normal commercial terms or better and are fair and reasonable.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 29 to 30 of this circular containing the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Refundable Deposits and Deposits 3 arrangements and the Transfer Agreement 2 and the Acquisition; and (ii) the letter from the Independent Financial Adviser set out on pages 31 to 72 of this circular containing the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as well as the principal factors and reasons considered in respect of the transactions contemplated under the Refundable Deposits and Deposits 3 arrangements and the Transfer Agreement 2 and the Acquisition.

#### **15. CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 1 December 2023 to Wednesday, 6 December 2023, both days inclusive, for the purpose of ascertaining Shareholder's entitlement to attend and vote at the EGM, during which period no share transfers can be registered. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 30 November 2023.

By Order of the Board  
**Ye Xing Group Holdings Limited**



**Wu Guoqing**

*Chairman and executive Director*

\* For identification purpose only