
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult appropriate independent advisers to obtain independent professional advice.

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

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Xinchengyue Holdings Limited**新城悅控股有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 1755)****CONTINUING CONNECTED TRANSACTION
and
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 4 to 24 of this circular. A letter from the Independent Board Committee is set out on pages 25 to 26 of this circular. A letter from Gram Capital, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 45 of this circular.

A notice convening the EGM of the Company to be held at Unit 1103-06, China Building, 29 Queen's Road Central, Hong Kong on Friday, 15 February 2019 at 10:00 a.m. is set out on page EGM-1 of this circular.

18 January 2019

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	25
LETTER FROM GRAM CAPITAL	27
APPENDIX – GENERAL INFORMATION	46
NOTICE OF EXTRAORDINARY GENERAL MEETING	EGM-1

DEFINITIONS

In this circular (other than those set out in the Notice of EGM), unless the context otherwise requires, the following expressions shall have the following meanings:

“2018 Services Framework Agreement”	the services framework agreement dated 12 October 2018 entered into between Tibet Xinchengyue and Mr. Wang in relation to the provision of certain property related services to Mr. Wang’s Associated Companies;
“2019 Services Framework Agreement”	the services framework agreement dated 12 December 2018 entered into between Tibet Xinchengyue and Mr. Wang in relation to the provision of certain property related services to Mr. Wang’s Associated Companies;
“Annual Cap”	the annual cap of RMB1,180 million for the service fees payable by Mr. Wang’s Associated Companies to the Group for the year ending 31 December 2019 under the 2019 Services Framework Agreement;
“associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Company”	Xinchengyue Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Stock Exchange;
“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)”	director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held at Unit 1103-06, China Building, 29 Queen’s Road Central, Hong Kong on Friday, 15 February 2019 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, to approve the resolution in relation to the 2019 Services Framework Agreement and the transactions contemplated thereunder and the Annual Cap;
“Future Land Development Holdings”	Future Land Development Holdings Co., Ltd (新城發展控股有限公司), a company listed on the Stock Exchange (stock code: 1030);

DEFINITIONS

“Future Land Group”	Future Land Development Holdings and its subsidiaries;
“Future Land Holdings”	Future Land Holdings Co., Ltd. (新城控股集團有限公司), a subsidiary of Future Land Development Holdings with its A shares listed on the Shanghai Stock Exchange (stock code: 601155);
“GFA”	gross floor area;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a board of committee, comprising the independent non-executive Directors, established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the 2019 Services Framework Agreement and the Annual Cap;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the 2019 Services Framework Agreement;
“Independent Shareholders”	the Shareholders, other than Mr. Wang and his associates, and all other Shareholders interested in the 2019 Services Framework Agreement;
“Latest Practicable Date”	17 January 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Wang”	Mr. Wang Zhenhua, the founder, a non-executive Director and a controlling shareholder of the Company;

DEFINITIONS

“Mr. Wang’s Associated Companies”	companies (including the Future Land Group) in which Mr. Wang can exercise or control the exercise of 30% or more of the voting power at their general meetings and their subsidiaries;
“Notice of EGM”	the notice convening the EGM as set out on pages EGM-1 of this circular;
“PRC”	The People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.01 each;
“Shareholder(s)”	the holder(s) of the shares of the Company;
“sq.m.”	the measurement unit of square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tibet Xinchengyue”	Tibet Xinchengyue Property Services Co., Ltd. (西藏新城悅物業服務股份有限公司), a company incorporated in the PRC, and the principal operating subsidiary of the Group; and
“%”	per cent.

LETTER FROM THE BOARD

Xinchengyue Holdings Limited

新城悅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1755)

Directors:

Executive Directors:

Qi Xiaoming (*Chairman and
Chief Executive Officer*)

Wu Qianqian

Lan Ziyong

Registered Office in Cayman Islands:

PO Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Non-executive Directors:

Wang Zhenhua

Lv Xiaoping

Lu Zhongming

Headquarters in the PRC:

12th Floor, Future Holdings Tower B

No. 5, Lane 388

Zhongjiang Road

Putuo, Shanghai

Independent non-executive Directors:

Zhang Yan

Zhu Wei

Xu Xinmin

Principal Place of Business in Hong Kong:

31/F, Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

18 January 2019

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to: (i) the announcement of the Company dated 12 December 2018 in relation to the proposed continuing connected transactions under the 2019 Services Framework Agreement for one year ending 31 December 2019; and (ii) the notice of the EGM.

LETTER FROM THE BOARD

The main purpose of this circular is, among other things, to provide the Shareholders with the following information, so that the Shareholders can make properly informed decisions on the resolution proposed at the EGM:

1. details of the 2019 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap);
2. the opinion and recommendation of the Independent Board Committee on the 2019 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap); and
3. a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its opinion and recommendation on the 2019 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap).

II. 2019 SERVICES FRAMEWORK AGREEMENT

1. Background

The 2019 Services Framework Agreement was entered into between Tibet Xinchengyue and Mr. Wang on 12 December 2018 (after trading hours) in relation to provision of certain property related services to Mr. Wang's Associated Companies (including the Future Land Group), for a term of one year from 1 January 2019 to 31 December 2019 subject to the Annual Cap.

2. The principal terms of the 2019 Services Framework Agreement are set out below:

Date:	12 December 2018
Parties:	(i) Tibet Xinchengyue; and (ii) Mr. Wang
Term:	The 2019 Services Framework Agreement shall be effective from 1 January 2019 to 31 December 2019 (both dates inclusive).

LETTER FROM THE BOARD

Condition:

For the provision of the property management services and value-added services contemplated under the 2019 Services Framework Agreement with an aggregate service fees payable by Mr. Wang's Associated Companies RMB40,000,000 or below of the proposed Annual Cap, this shall take effect immediately from 1 January 2019.

For the provision of the property management services and value-added services contemplated under the 2019 Services Framework Agreement with an aggregate service fees payable by Mr. Wang's Associated Companies above RMB40,000,000 of the proposed Annual Cap, this is conditional upon the approval by the Independent Shareholders at the extraordinary general meeting to be convened by the Company.

Property Management Services:

Tibet Xinchengyue is responsible for providing Mr. Wang's Associated Companies with a wide range of property management services, including property and equipment maintenance, security services, cleaning services, gardening services, public area maintenance and other property management related services.

Value-added Services:

The value-added property management services provided by Tibet Xinchengyue to Mr. Wang's Associated Companies entail:

- (a) provision of engineering and maintenance services of intelligent security equipment, e.g., surveillance system, access control system and parking system for properties developed by Mr. Wang's Associated Companies;
- (b) provision of on-site sales assistance services, including on-site and sample room cleaning, reception and customer services at the sale offices, showrooms and clubhouses in the development projects;

LETTER FROM THE BOARD

- (c) provision of property inspection services for development projects, including properties, facilities and security systems, in accordance with the acceptance standards of Mr. Wang's Associated Companies and provision of feedbacks;
- (d) provision of property consultancy services including advising in the preliminary stage of property development, such as property design; and assisting in the preparation for the delivery of properties;
- (e) provision of parking lots sales agency services for the parking lots developed by Mr. Wang's Associated Companies after the delivery of such parking lots; and
- (f) project management services for the property maintenance works during the warranty period after the delivery of the property developed by Mr. Wang's Associated Companies.

Pricing policy:

The pricing policies under each of the different type of services to be offered by Tibet Xinchengyue are as follows:

The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including the type of the development projects, the prevailing market rate, the guidance price of such services for similar type of development projects issued by the local government (if applicable) and the fees charged to the third party customers independent of the Group, the operational costs (including labor costs, material costs and administrative costs) to be incurred in the course of the provision of the services plus a profit margin and the anticipated increase in such costs due to inflation and economic and social development. The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

LETTER FROM THE BOARD

- (a) For property management services, the Group generally prices by taking into account a number of factors, including (i) the type and location of properties, (ii) the Group's budgeted costs, (iii) the contracted scope of services and standard, (iv) the Group's brand recognition in the cities, (v) local government policies and pricing guidance, (vi) the property management fee charged by preceding property management service providers if applicable, and (vii) future profitability after taking into consideration the increase in labor cost in the foreseeable future.
- (b) For valued-added services, the Group generally prices by taking into account a number of factors, including the services required, period of agreement, cost of sales, the local market conditions and the nature and requirements of individual properties.

Pursuant to the 2019 Services Framework Agreement and as confirmed by the Directors, detailed pricing policies for transactions contemplated under 2019 Services Framework Agreement will be as follows:

- (i) Engineering and maintenance service

Tibet Xinchengyue will deploy appropriate equipment with relevant materials based on the request of Mr. Wang's Associated Companies, and make a bid/quotation after taking into account factors including the manpower required for construction. Such price shall be service fee for intelligent construction services upon Mr. Wang's Associated Companies and Tibet Xinchengyue reaching an agreement in respect of such price;

LETTER FROM THE BOARD

(ii) On-site sales assistance services

service fee shall be determined by arm's length negotiation between Mr. Wang's Associated Companies and Tibet Xinchengyue with reference to various factors including the market prices and Tibet Xinchengyue's costs of services (including but not limited to labour costs and material costs) plus reasonable profits (within the range of 10-15%);

(iii) Property inspection services for development projects

service fee shall be determined by arm's length negotiation between Mr. Wang's Associated Companies and Tibet Xinchengyue with reference to various factors including the market prices and Tibet Xinchengyue's costs of services (including but not limited to labour costs and material costs) plus reasonable profits;

(iv) Property consultancy services

service fee shall be determined by arm's length negotiation between Mr. Wang's Associated Companies and Tibet Xinchengyue with reference to various factors including the market prices and Tibet Xinchengyue's costs of services;

(v) Parking lots sales agency services

the parties shall negotiate the approaches for settlement of the parking space sales agency services based on the then market conditions of local parking space sales agency services. There are generally two approaches for settlement, being (i) sales commission (charge commissions as a certain percentage of the sales); and (ii) exclusive distribution by Tibet Xinchengyue; and

LETTER FROM THE BOARD

- (vi) Project management services for the property maintenance works during the warranty period

service fee shall be determined by arm's negotiation between both parties after taking into account of various factors including the costs of staffs deploying by Tibet Xinchengyue, reasonable management costs and reasonable profits.

As confirmed by the Directors that the terms offered by the Group to Mr. Wang's Associated Companies should not be more favourable than those offered to other parties for similar services.

There is no exclusivity between Mr. Wang's Associated Companies and the Group. As such, the customer network of the Company is not affected by the transactions contemplated under the 2019 Services Framework Agreement.

Subsidiary agreement(s):

For each development project of Mr. Wang's Associated Companies which requires the property management services under the 2019 Services Framework Agreement, the relevant Mr. Wang's Associated Company and Tibet Xinchengyue or its subsidiaries will enter into a subsidiary agreement setting out the specific scope of services required and amount of fees payable in conformity with the principles (including the pricing policy mentioned above) set out in the 2019 Services Framework Agreement.

All transactions contemplated under the 2019 Services Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis.

LETTER FROM THE BOARD

3. Proposed Annual Cap and Basis for the proposed Annual Cap

The maximum annual service fees payable to the Group by Mr. Wang's Associated Companies for the property management services and value-added services contemplated under the 2019 Services Framework Agreement for the year ending 31 December 2019 shall not exceed RMB1,180 million. For reasons set out below and in the section headed "Reasons for and Benefits of the 2019 Services Framework Agreement", the estimated allocation of the Annual Cap to the property management services and value-added services will be: (i) approximately RMB53,950,000 will be allocated to the property management services; (ii) approximately RMB253,420,000 will be allocated to the provision of engineering and maintenance service of intelligent security equipment; (iii) approximately RMB555,660,000 will be allocated to the provision of on-site sales assistance services; (iv) approximately RMB90,570,000 will be allocated to the provision of property inspection services for development projects; (v) approximately RMB88,680,000 will be allocated to the provision of property consultancy services; and (vi) approximately RMB28,300,000 will be allocated to the provision of parking lots sales agency services. The remaining portion represents a 10%-buffer for all categories of services to be provided by the Group to Mr. Wang's Associated Companies, including the project management services for the property maintenance works during the warranty period, in order to accommodate any unexpected increase in demand for any of the Group's services and/or unexpected increase in the cost of supply of such services during 2019.

In determining the above Annual Cap, the Directors have considered, among other factors:

- (a) the aggregate amount of approximately RMB222.1 million and RMB288 million settled by Mr. Wang's Associated Companies for property management services and value-added services for the year ended 31 December 2017 and for the eleven months ended 30 November 2018 (and the cap for transactions contemplated under the 2018 Services Framework Agreement is RMB354 million);
- (b) the information set out in the section headed "5. Reasons for and Benefits of the 2019 Services Framework Agreement";
- (c) the substantial increase in the estimated demand of Mr. Wang's Associated Companies for property management services and value-added services for the year ending 31 December 2019¹;

¹ In normal business cycle, the property inspection and consultancy services, and the intelligent security equipment installation services will be deployed during the property construction stage, followed by the on-site sales assistance services during the sale stage. The property management services, maintenance services and parking lots sales agency services will be deployed after the properties are sold and delivered to the property owners.

LETTER FROM THE BOARD

As set out in the 2018 interim report of Future Land Development Holdings, as at 30 June 2018, the total land bank of the Future Land Group was approximately 86,435,965 sq.m., covering a total of 73 cities, and it had around 220 residential projects which were under development or under proposed development. As set out in an announcement published by Future Land Development Holdings on 9 January 2019, the aggregate contracted sales of 2018 of the Future Land Group represented an increase of 74.82% over the corresponding period of 2017. The aggregate sales area of 2018 also increased by approximately 95.21% over the corresponding period of 2017. Also, Future Land Development Holdings mentioned in the announcement that it has acquired a number of land parcels throughout the PRC. Separately, as set out in the 2018 interim report of Future Land Holdings, as at 30 June 2018, it had 197 property projects which were under development with a total construction area of approximately 45,500,000 sq.m. The aforesaid data is referred to as the **“Future Land Group Data”** below.

Based on the above, it is expected that:–

- (i) for property management services, since the service fee is to be calculated based on the sq.m under management, increasing contracted GFA has a positive and direct impact on the revenue of the Group. Based on the growth rate of the Future Land Group in 2018 and the increasing contracted GFA from properties developed by Mr. Wang’s Associated Companies during the three years ended 31 December 2017, namely 26,191,000 sq.m, 25,955,000 sq.m. and 38,243,300 sq.m, respectively, it is expected that the service fee to be derived from the property management services provided to the Future Land Group’s completed but unsold properties will increase and as such, an amount of RMB53,950,000 from the Annual Cap has therefore been allocated for this service;
- (ii) for engineering and maintenance services of intelligent security equipment, the increasing land bank of the Future Land Group has a positive and direct impact on the number of property projects that the Future Land Group will launch in 2019 and subsequent years. In 2018, the Company participated in 13 intelligent security equipment projects of the Future Land Group, which generated an unaudited revenue of RMB25,788,000. In light of the business plan of the Group to expand its engineering and maintenance service of intelligent security equipment in 2019, the Group will strive to participate in all tenders for intelligent security equipment projects of the Future Land Group in 2019, which is expected to be around 270 projects (such expectation is based on the Future Land Group Data), a substantial amount of the Annual Cap, being RMB253,420,000, has therefore been allocated for this service;

LETTER FROM THE BOARD

- (iii) for on-site sales assistance services, the increasing land bank of the Future Land Group has a positive and direct impact on the number of property projects that the Future Land Group will sell in 2019 and subsequent years. In 2018, the Company provided on-site sales assistance services to 222 projects in 2018, which generated an unaudited revenue of RMB219,246,000. In light of (1) the number of existing property projects that the Group has been working on since 2018 but yet to be completed till now, being 197 projects, and (2) the number of property projects that the Group expects it will be engaged by the Future Land Group to provide on-site sales assistance services in 2019 based on the Future Land Group Data, an amount of RMB555,660,000 from the Annual Cap has therefore been allocated for this service; and
- (iv) for property inspection services, property consultancy services and parking lots sales agency services, the increasing land bank of the Future Land Group has a positive and direct impact on the number of property projects that the Future Land Group will construct, sell and deliver to property owners in 2019 and subsequent years. In light of the Group's expectation that the number of property projects that the Future Land Group will construct, sell and deliver to property owners in 2019 will increase (such expectation is based on the Future Land Group Data), an amount of RMB90,570,000, RMB88,680,000 and RMB28,300,000, respectively, from the Annual Cap has therefore been allocated for each of these services.
- (d) the historical amounts for property management services and value-added services for the two years ended 31 December 2017 settled between the parties; and
- (e) other factors such as the Group's business plans and inflation.

LETTER FROM THE BOARD

4. General Information

The Company is an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services, and public area maintenances.

Mr. Wang is a controlling shareholder and a non-executive Director of the Company. Mr. Wang has been involved in property development and property investment in the PRC via the Future Land Group. Mr. Wang is also an executive director and chairman of each of Future Land Development Holdings and Future Land Holdings. For further details of Mr. Wang, please refer to section headed “Directors and Senior Management – Board of Directors – Non-executive Directors” in the prospectus of the Company dated 24 October 2018 (the “Prospectus”).

5. Reasons for and Benefits of the 2019 Services Framework Agreement

The Board is of the view that the entering into of the 2019 Services Framework Agreement is essential to the normal operations of, and beneficial to, the Company. In forming such view, the Board has taken into account the following factors:

(1) Long established business relationship between the Group and Mr. Wang's Associated Companies

The Company is an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services, public area maintenances, whereas Mr. Wang has been involved in property development and property investment in the PRC via the Future Land Group. The Company has been providing such property management services to Mr. Wang's Associated Companies since 1996 and the Directors believe such services are of great assistance to Mr. Wang's Associated Companies, as well as providing a steady stream of income to the Company. The 2019 Services Framework Agreement hence represents a stable and trustworthy business relationship which the Group can leverage to achieve its business objectives.

(2) Low risk on potential reliance on the Future Land Group

Reference is made to the section headed “Summary – Our Relationship with Future Land Group” in the Prospectus.

LETTER FROM THE BOARD

In light of the reasons below, the Directors are of the view that the risk of potential reliance on the Future Land Group is low:

- (a) as disclosed in the Prospectus, the revenue (being approximately RMB149.5 million and RMB222.1 million for the years ended 31 December 2016 and 2017, respectively) derived from the services provided for Mr. Wang's Associated Companies accounted for 26.1% and 25.6% of the Group's total revenue for the years ended 31 December 2016 and 2017, respectively. In particular, the table below sets forth a breakdown of the Group's revenue from Mr. Wang's Associated Companies (including the Future Land Group) and customers other than Mr. Wang's Associated Companies for the periods indicated:

	For the year ended 31 December 2016		For the year ended 31 December 2017		For the year ended 31 December 2018 (unaudited)	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
<i>Revenue from Mr. Wang's Associated Companies</i>						
Property management services¹						
Property management services fees in respect of completed but unsold properties	32,580	5.7	37,076	4.3	32,829	2.9
Property management services fees in respect of the office buildings of Future Land Holdings	9,768	1.7	9,345	1.1	10,269	0.8
Subtotal	42,348	7.4	46,421	5.4	43,098	3.7
Value-added Services						
Provision of engineering and maintenance service of intelligent security equipment	4,540	0.8	14,123	1.6	25,788	2.2
Provision of on-site sales assistance services	70,248	12.2	116,247	13.4	219,246	19.1
Provision of property inspection services for development projects	3,985	0.7	6,512	0.7	20,167	1.8
Provision of property consultancy services	21,154	3.7	34,676	4.0	35,474	3.1
Provision of parking lots sales agency services	3,870	0.7	4,125	0.5	8,271	0.7
Project management services for the property maintenance works during the warranty period	3,396	0.6	–	–	–	–
Subtotal	149,541	26.1	222,104	25.6	352,044	30.6

LETTER FROM THE BOARD

	For the year ended 31 December 2016		For the year ended 31 December 2017		For the year ended 31 December 2018 (unaudited)	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
<i>Revenue from customers other than Mr. Wang's Associated Companies</i>						
Property management services						
Property management services fees derived from properties developed by Mr. Wang's Associated Companies	315,130	55.0	408,736	47.2	538,749	46.8
Property management services fees derived from properties developed by other property developers	41,723	7.2	112,020	12.9	146,858	12.7
Subtotal	356,853	62.2	520,756	60.1	685,607	59.5
Value-added Services						
Provision of engineering and maintenance service of intelligent security equipment	33,717	5.9	66,269	7.6	47,500	4.1
Provision of on-site sales assistance services	5,988	1.0	11,739	1.4	22,082	1.9
Provision of property inspection services for development projects	–	–	655	0.1	1,753	0.2
Provision of property consultancy services	–	–	1,144	0.1	2,612	0.2
Provision of parking lots sales agency services	–	–	399	0.1	–	–
Project management services for the property maintenance works during the warranty period	–	–	–	–	–	–
Community-related services	27,273	4.8	43,304	5.0	40,108	3.5
Subtotal	423,831	73.9	644,266	74.4	799,662	69.4
Total	573,372	100	866,370	100	1,151,706	100

- 1 The revenue from Mr. Wang's Associated Companies for the provision of property management services was derived from property management services fees collected from Mr. Wang's Associated Companies in respect of (i) completed but unsold properties and (ii) office buildings of Future Land Holdings.

LETTER FROM THE BOARD

While the number of Mr. Wang's Associated Companies requesting for value-added services during the year ended 31 December 2018 is 255 and the number of customers (which is not one of the Mr. Wang's Associated Companies) for value-added services for the year ended 31 December 2018 is 26, the percentage for revenue derived from Mr. Wang's Associated Companies over the total revenue of the Group for the three years ended 31 December 2018 remains steady, the Directors are of the view that it is mainly due to (i) a 100% customer retention rate the Group achieved at the property owners' association stage at which property owners could freely select their property management service provider and decide whether to enter into a property management services agreement with the Group on a case by case basis; and (ii) the Group's effort to develop its relationship with other property developers. In recent years, the Company has been successful in exploring market opportunities to diversify its property management portfolio and service offerings with wide source of revenue. The contracted GFA shown in the agreements that the Company signed with property developers other than Mr. Wang's Associated Companies, property owners' associations of properties developed by developers other than Mr. Wang's Associated Companies and individual property owners increased from 1.497 million sq.m. as of 31 December 2015 to 17.714 million sq.m. as of 31 December 2017, recording a CAGR of 244%. This further increased by 39.4% to 24.7 million sq.m. as of 31 December 2018. The growth of such records indicates the Company's capability in market expansion with third-party property developers, property owners' associations and individual property owners. In 2019, the Company will strive to participate in more tenders for projects of property developers other than Mr. Wang's Associated Companies, the number of which is expected to increase by 254.2% as compared with 2018;

- (b) the services (both property management services and value-added services) provided by the Group to Mr. Wang's Associated Companies are equally significant to the overall property development and sales process of the projects of Mr. Wang's Associated Companies (including the Future Land Group), which contributed to the success and reputation of the Future Land Group. As such, the Directors are of the view that there is a mutual and complimentary reliance between Mr. Wang's Associated Companies and the Group. In particular, the Directors are of the view that the engagement of a reputable property management service provider such as the Group is one important factor to be taken into consideration by the purchasers of properties as this is critical for the value preservation of the properties;

LETTER FROM THE BOARD

- (c) cooperation between property management services providers and affiliated property developers are common in the PRC market. Reference is made to the section headed “Business – Customers” of the Prospectus, whereby it is disclosed that “as confirmed by China Index Academy, property management service providers mainly obtain new property management services contracts via tender processes, the success of which depends on a number of factors including but not limited to service quality, pricing and the operation history of the tenderers. To this regard, historical figures collected and analyzed by China Index Academy show that property management service providers which are affiliates of property developers tend to have a higher rate of success on tenders organized by such property developers based on a long-term cooperative relationship with mutual trust. This is important from the perspective of the property developers to ensure that stable, consistent and reliable property management services are provided to the properties they develop especially at the preliminary stage. From the perspective of the property management service providers, it is naturally driven by such industry landscape that property management service providers will continue the cooperation relationship with their respective affiliated property developers if any scalable operation is to be achieved. Thus such an affiliated property developer will inevitably become a major customer contributing to a significant portion of the revenue of its affiliated property management service provider when such property management service provider continues to develop its wider client base. In particular, we believe the engagement of a reputable property management service provider such as our Group is one important factor to be taken into consideration by the purchasers of properties as this is critical for the value preservation of the properties.”; and
- (d) while the Annual Cap is substantially higher than the cap for the 2018 Services Framework Agreement, since it is expected that (i) the Group will continue its effort in developing its relationship with the other independent customers, and (ii) the Group will continue to maintain a high customer retention rate i.e. it is expected that the property owners will continue to select the Group as their property management service provider at the property owners’ association stage, the Directors are of the view that the revenue derived from services provided to customers other than Mr. Wang’s Associated Companies will continue to increase in 2019.

(3) *Pricing and internal control measures*

Taking into account the pricing policy in relation to the property management services and value added services as set out in the section headed “Pricing policy” in this circular, given that (i) the average property management fee charged to Mr. Wang’s

LETTER FROM THE BOARD

Associated Companies¹ is generally in line with normal industry range² and is consistent with government guidance price under the PRC laws and regulations; (ii) for the same development, the Group charges both Mr. Wang's Associated Companies and other property owners the same price for property management services as provided in the property management service agreement; and (iii) the price charged by the Group for the provision of value-added services to Mr. Wang's Associated Companies and customers who are independent third parties are calculated on the same basis, the Directors are of the view that the pricing for property management services and value-added services are fair and reasonable and on normal commercial terms.

Together with the internal control measures which have already been implemented to closely monitor the transactions contemplated under the 2019 Services Framework Agreement and any connected transaction, the Directors are of the view that the internal control measures implemented by the Group are sufficient for Listing Rules compliance purpose.

(4) Growth and business development of the Group

The Company will continue to implement a “1+3 Strategy”, which is to prioritise its business scale in the Yangtze River Delta Region while further expand into Circum-Bohai Bay Area, mid-western China region and Pearl River Delta region. The Company intends to achieve such expansion by way of: (i) organic growth, through contracting with Mr. Wang's Associated Companies (including the Future Land Group) and other independent third-party property developers, or securing more high quality property management projects at the property owners' associations stage; (ii) selective strategic investment and acquisition, targeted acquisition of property management service providers which meet the Company's strategy requirements in terms of geographic areas and business scale. Through geographic expansion, the Company will quickly increase its GFA under management, rankings in the industry and competitiveness.

1 For the same property development, we charged both Mr. Wang's Associated Companies (as owners of completed but unsold properties) and other property owners the same property management fee per sq.m. per month as provided in the property management service agreement. As of 31 December 2018, the average property management fee charged to Mr. Wang's Associated Companies (as owners of completed but unsold properties) for the residential properties under the Group's management was RMB1.92 per sq.m. per month, which is identical to the average property management fee charged to other property owners for the same residential properties under the Group's management.

2 Reference is made to the section headed “Business – Property Management Services – Property Management Fees – Our Pricing Policy for Property Management Fees” in the Prospectus. Based on the advice of China Index Academy given for the purpose of the Prospectus, the average property management fee per square meter per month for first-tier, second-tier and third-tier cities in the PRC is within the range of (i) RMB2.42 to RMB3.15; (ii) RMB1.28 to RMB2.32; and (iii) RMB1.05 to RMB1.98, respectively, while the average property management fee per square meter per month the Company charged Mr. Wang's Associated Companies in first-tier, second-tier and third-tier cities in the PRC was (i) RMB2.39; (ii) RMB1.69; and (iii) RMB1.66, respectively.

LETTER FROM THE BOARD

The Company will continue to deepen its value-added service expansion, with a focus on property owners' need, through self-operation, equity investment and cooperation and business cooperation, and provide an diverse array of community services to the property owners and increase the percentage of value-added service in its business, including the assets management service, retirement service and travel packages. It is expected that the Company's profit capability will continue to increase through the expansion of value-added service.

The Company will also enhance the research and development of smart community and the utilisation of advanced technologies to improve the residents' experience, make their daily life more convenient and reduce the Company's operational costs. For instance, the Company's intelligent video surveillance system, intelligent access control and visitor management system, intelligent parking management system, intelligent energy management system are currently in the process of development, testing and promotions.

To meet the estimated increase in the demand of Mr. Wang's Associated Companies in 2019,

- (a) in respect of on-site sales assistance services, the Company will continue to recruit more personnel to expand our business team and engage more third-party sub-contractors to provide more comprehensive services that satisfy the needs of Mr. Wang's Associated Companies as well as property developers other than Mr. Wang's Associated Companies;
- (b) in respect of engineering and maintenance service of intelligent security equipment, the Company has been expanding this business since the beginning of 2018. The Company's responsible team has more than 80 people, comprised of project management personnel, procurement management personnel, and programme management personnel. The Company will participate in all tenders for intelligent security equipment projects of Future Land Group. With the improvement of its relevant capacity, the Company will strive to increase its tender success rate in respect of such intelligent security equipment projects as well as the revenue from such projects. For 2018, the Company participated in 17 tenders for intelligent security equipment projects of Future Land Group and the tender success rate was 76.5%; and
- (c) in respect of other value-added services (including (i) provision of property inspection services for development projects, (ii) provision of property consultancy services, (iii) provision of parking lots sales agency services and (iv) project management services for the property maintenance works during the warranty period), the Company will enhance training programmes for its employees and adjust the staff allocations. The Company will also continue to develop its relationship with other property developers.

LETTER FROM THE BOARD

In light of the above, each of the Directors is of the view that the 2019 Services Framework Agreement is entered into on an arm's length basis, on normal commercial terms, in the usual and ordinary course of business of the Group. The terms of the 2019 Services Framework Agreement and the transactions contemplated under the 2019 Services Framework Agreement (including the Annual Cap) are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

6. Internal control measures

In order to ensure that the transactions contemplated under the 2019 Services Framework Agreement will be on normal commercial terms, and that the relevant fees will not fall below the prevailing market rate, the guidance price of such services for similar type of development projects issued by the local government (if applicable) and the fees charged to the third party customers independent of the Group, the Group will adopt the following measures:

- (i) the finance department of the Group, will be responsible for regular monitoring of the continuing connected transactions contemplated under the 2019 Services Framework Agreement to ensure that the Annual Cap will not be exceeded, in particular, the Group will cease to enter into any new subsidiary agreement if such will cause the total contractual income to exceed the Annual Cap for that financial year;
- (ii) internal review will be conducted by the finance department of the Group to assess, on a monthly basis, whether the provision of property management services and value-added services has been made in accordance with the terms of the 2019 Services Framework Agreement and in accordance with the aforesaid pricing policy;
- (iii) prior to entering into any subsidiary agreements, the personnel of various departments including the legal department, finance department and operation department of the Company will review and assess the specific terms and conditions of the transactions to ensure their consistency with the 2019 Service Framework Agreement. During such internal review process, the relevant personnel will examine, among others, (a) information of the parties; (b) the term of the agreement; (c) the type and scope of services to be provided by the Group thereunder; and (d) whether the contract price is in line with the aforesaid pricing policy, in order to ensure comment (if any) from various departments of the Group will be properly addressed;
- (iv) the Company will engage its auditors to conduct an annual review of the continuing connected transactions to be conducted pursuant to the 2019 Services Framework Agreement; and

LETTER FROM THE BOARD

- (v) the independent non-executive Directors will review the continuing connected transactions to be conducted pursuant to the 2019 Services Framework Agreement on an annual basis and confirm in the annual report of the Company for the year ending 31 December 2019 whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the 2019 Services Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors consider that the personnel authorised to execute the above internal control measures possess relevant experience and expertise in relation thereto, and the above internal control measures can ensure that the continuing connected transactions contemplated under the 2019 Services Framework Agreement will be conducted on normal commercial terms in a manner not prejudicial to the interests of the Company and its Shareholders.

7. Implications under the Listing Rules

As at the Latest Practicable Date, Mr. Wang is the controlling Shareholder and a non-executive Director of the Company, and thus is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the 2019 Services Framework Agreement constitute continuing connected transactions for the Company.

As the applicable ratios for the Annual Cap for the 2019 Services Framework Agreement are more than 5%, the 2019 Services Framework Agreement and the Annual Cap are subject to the announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of the Board meeting, Mr. Wang, a non-executive Director, was considered as having a material interest in the transactions under the 2019 Services Framework Agreement. As such, he has abstained from voting on the Board resolutions approving the relevant agreement and the transactions contemplated thereunder (including the proposed Annual Cap). Save as mentioned above, none of the other Directors has a material interest in the transactions contemplated under the 2019 Services Framework Agreement, and therefore, no Director has abstained from voting on approval of the relevant resolutions.

The 2018 Services Framework Agreement between the Group and Future Land Holdings, a company listed on the Shanghai Stock Exchange, constitutes a connected transaction of Future Land Holdings and its term cannot be longer than one year pursuant to the listing rules of Shanghai Stock Exchange. The Company has agreed with Future Land Holdings that the property services framework agreement shall be renewed on an annual basis in compliance with the listing rules of Shanghai Stock Exchange. Since the Annual Cap for the year ending 31 December 2019 cannot be determined until the 2018 Services Framework Agreement is renewed as permitted under the applicable listing rules, the Company has started the renewal process, including the determination of the Annual Cap, in early December 2018.

LETTER FROM THE BOARD

III. EGM

An EGM will be convened for the Independent Shareholders to consider and, if appropriate, to approve the 2019 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap).

Mr. Wang and Mr. Wang's Associated Companies, which directly hold 600,000,000 Ordinary Shares, representing an aggregate of approximately 73.17% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting at the EGM on the resolution in relation to the 2019 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap). Save as disclosed above, there is no other Shareholders having any material interest in the transactions contemplated under the 2019 Services Framework Agreement. As such, no other Shareholder is required to abstain from voting at the EGM on the resolution in relation to the 2019 Services Framework Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been formed in accordance with the Listing Rules to advise the Independent Shareholders on the 2019 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap). In this connection, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2019 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap).

IV. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the view that the terms of continuing connected transactions contemplated under the 2019 Services Framework Agreement are fair and reasonable, the relevant continuing connected transactions (including the proposed Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolution to be proposed at the EGM.

LETTER FROM THE BOARD

V. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this circular containing the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the 2019 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap). The advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, on the fairness and reasonableness of the terms of the continuing connected transactions contemplated under the 2019 Services Framework Agreement (including the respective proposed Annual Cap) is set out on pages 27 to 45 of this circular.

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

As the Company is still in the process of finalising its annual results for the year ended 31 December 2018, the financial information for the year ended 31 December 2018 is only based on the preliminary assessment by the Board on the management accounts of the Group and information currently available to the Group, which has not been audited or reviewed by the auditors and/or audit committee of the Company and may be subject to amendments or adjustments. Shareholders and potential investors are advised to refer to detailed financial information to be disclosed in the Company's announcement in respect of the annual results for the year ended 31 December 2018 to be published later. In addition, the proposed allocation of the Annual Cap as set out in the section headed "II. 2019 Services Framework Agreement – 3. Proposed Annual Cap and Basis for the proposed Annual Cap" is yet to be realised and subject to change.

By order of the Board
Xinchengyue Holdings Limited
Qi Xiaoming
Chairman
Executive Director
Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Xinchengyue Holdings Limited

新城悅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1755)

18 January 2019

CONTINUING CONNECTED TRANSACTION

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 18 January 2019 (the “**Circular**”), of which this letter forms a part. Terms defined therein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether in our opinion, the terms of the 2019 Services Framework Agreement (including the proposed Annual Cap) are fair and reasonable so far as the Independent Shareholders are concerned, the relevant continuing connected transactions (including the proposed Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the continuing connected transactions contemplated under the 2019 Services Framework Agreement (including the proposed Annual Cap). Details of the advice from Gram Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 27 to 45 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 4 to 24 of the Circular. Having considered the information contained in the letter from the Board, the interests of the Independent Shareholders and the advice and recommendations given by Gram Capital, we consider that the terms of continuing connected transactions contemplated under the 2019 Services Framework Agreement (including the proposed Annual Cap) are on normal commercial terms, fair and reasonable, and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution regarding the 2019 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap) to be proposed at the EGM.

Yours faithfully,

Zhang Yan

*Independent non-executive
Director*

Zhu Wei

*Independent non-executive
Director*

Xu Xinmin

*Independent non-executive
Director*

Independent Board Committee of Xinchengyue Holdings Limited

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2019 Services Framework Agreement for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

18 January 2019

*To: The independent board committee and the independent shareholders of
Xinchengyue Holdings Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of provision of certain property related services contemplated under the 2019 Services Framework Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 18 January 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 12 December 2018 (after trading hours), Tibet Xinchengyue entered into the 2019 Services Framework Agreement with Mr. Wang, pursuant to which Tibet Xinchengyue has conditionally agreed to provide or procure the subsidiaries of the Group to provide certain property related services to Mr. Wang’s Associated Companies (including the Future Land Group) for a term of one year expiring on 31 December 2019.

With reference to the Board Letter, the transactions contemplated under 2019 Services Framework Agreement constitute continuing connected transactions of the Company and shall be subject to the announcement, annual review and Independent Shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee comprising Ms. Zhang Yan, Mr. Zhu Wei, and Mr. Xu Xinmin has been established to advise the Independent Shareholders on (i) whether the terms of the 2019 Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the transactions contemplated under 2019 Services Framework Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the

LETTER FROM GRAM CAPITAL

resolution(s) to approve the 2019 Services Framework Agreement and transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the 2019 Services Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The 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 as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Mr. Wang, Mr. Wang's Associated Companies and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of 2019 Services Framework Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events

LETTER FROM GRAM CAPITAL

occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2019 Services Framework Agreement, we have taken into consideration the following principal factors and reasons:

Information on the Company

With reference to the Board Letter, the Company is an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services, and public area maintenances.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2017 as extracted from the prospectus of the Company dated 24 October 2018 (the “**Prospectus**”):

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000	Change from 2016 to 2017 %
Revenue	866,370	573,372	51.1
– Property management service	567,177	399,201	42.1
– Value-added services	299,193	174,171	71.8
Gross profit	242,246	161,935	49.6

Note: Breakdowns of the revenue and segments for the two years ended 31 December 2017 were set out under the section sub-headed “Low risk on potential reliance on the Future Land Group” of the Board Letter.

As depicted from the table above, revenue of the Group for the year ended 31 December 2017 (“**FY2017**”) amounted to approximately RMB866.4 million, representing a significant increase of approximately 51.1% as compared to that for the year ended 31 December 2016 (“**FY2016**”). Revenue derived from property management services and value-added services for FY2017 amounted to approximately RMB567.2 million and RMB299.2 million respectively, representing both increases of approximately 42.1% and 71.8% respectively as compared to those for FY2016. The Group also recorded an increase of approximately 49.6% in gross profit for FY2017 as compared to that for FY2016.

LETTER FROM GRAM CAPITAL

With reference to the Prospectus, the Company's plan is to focus on providing quality professional property management services in the PRC market and expanding its business through both horizontal integration, by leveraging its experience, expertise and presence to expand its geographic coverage across the PRC and vertical integration, by providing a more diverse array of property management services. The Company plans to achieve its objectives by implementing the following strategies: (a) to increase its business scale for its property management services and expand its portfolio of properties under management by selectively pursuing strategic investment, cooperation and acquisition opportunities; (b) to build a network of business partners to provide its residents with an even more diverse array of services; (c) to attract, retain and motivate talented personnel through training programs and career development opportunities; and (d) to utilize advanced technology to optimize its business model to control costs and improve its overall profit margin.

As extracted from the Circular, the Company will continue to implement a "1+3 Strategy", which is to prioritise its business scale in the Yangtze River Delta Region while further expand into Circum-Bohai Bay Area, mid-western China region and Pearl River Delta region. The Company intends to achieve such expansion by way of: (i) organic growth, through contracting with Mr. Wang's Associated Companies (including the Future Land Group) and other independent third-party property developers, or securing more high quality property management projects at the property owners' associations stage; (ii) selective strategic investment and acquisition, targeted acquisition of property management service providers which meet the Company's strategy requirements in terms of geographic areas and business scale. Through geographic expansion, the Company will quickly increase its GFA under management, rankings in the industry and competitiveness.

The Company will continue to deepen its value-added service expansion, with a focus on property owners' need, through self-operation, equity investment and cooperation and business cooperation, and provide an diverse array of community services to the property owners and increase the percentage of value-added service in its business, including the assets management service, retirement service and travel packages. It is expected that the Company's profit capability will continue to increase through the expansion of value-added service.

The Company will also enhance the research and development of smart community and the utilisation of advanced technologies to improve the residents' experience, make their daily life more convenient and reduce the Company's operational costs. For instance, the Company's intelligent video surveillance system, intelligent access control and visitor management system, intelligent parking management system, intelligent energy management system are currently in the process of development, testing and promotions.

Information on Mr. Wang

With reference to the Board Letter, Mr. Wang is a controlling Shareholder and a non-executive Director of the Company. Mr. Wang has been involved in property development and property investment in the PRC via the Future Land Group.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the 2019 Services Framework Agreement

With reference to the Board Letter, the Company is an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services, public area maintenances, whereas Mr. Wang has been involved in property development and property investment in the PRC via the Future Land Group. The Company has been providing such property management services to Mr. Wang's Associated Companies since 1996 and the Directors believe such services are of great assistance to Mr. Wang's Associated Companies, as well as providing a steady stream of income to the Company. The 2019 Services Framework Agreement hence represents a stable and trustworthy business relationship which the Group can leverage to achieve its business objectives.

Furthermore, as confirmed by the Directors, the 2019 Services Framework Agreement is entered into in the ordinary and usual course of business of the Group and on a frequent and regular basis. As such, it would be costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules, if necessary. Accordingly, the Directors are of the view that the entering into of 2019 Services Framework Agreement will be beneficial to the Company and the Shareholders as a whole.

Having considered above factors, we consider the transactions contemplated under 2019 Services Framework Agreement are in the interest of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

Principal terms of the 2019 Services Framework Agreement

Set out below are the summaries of 2019 Services Framework Agreement. Details of the 2019 Services Framework Agreement are set out under the section headed "The 2019 Services Framework Agreement" of the Board Letter.

Date:	12 December 2018
Parties:	Tibet Xinchengyue; and Mr. Wang
Term:	The 2019 Services Framework Agreement shall be effective from 1 January 2019 to 31 December 2019 (both dates inclusive).
Nature of transactions:	Tibet Xinchengyue has conditionally agreed to provide or procure the subsidiaries of the Group to provide certain property management services (i.e. property management services and value-added services) to Mr. Wang's Associated Companies (including the Future Land Group)

LETTER FROM GRAM CAPITAL

Pricing policy

The pricing policies under each of the different type of services to be offered by Tibet Xinchengyue are summarised as follows. Details of the pricing policies are set out under the sub-section headed “Pricing policy” of the Board Letter.

The service fees shall be determined principally by arm’s length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including the type of the development projects, the prevailing market rate/practice/condition, the guidance price of such services for similar type of development projects issued by the local government (if applicable) and the fees charged to the third party customers independent of the Group, the operational costs (including labor costs, material costs and administrative costs) to be incurred in the course of the provision of the services plus a profit margin and the anticipated increase in such costs due to inflation and economic and social development. The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

As confirmed by the Directors that the terms offered by the Group to Mr. Wang’s Associated Companies should not be more favourable than those offered to other parties for similar services.

Upon our further request, we obtained six preliminary property management contracts in total regarding the provision of Property Management Services by the Group to (i) Mr. Wang’s Associated Companies; and (ii) proposed individual property owners (being independent third parties). We noted from aforesaid contracts that the service fees for same properties for same services charged by the Group to Mr. Wang’s Associated Companies were not lower than those charged by the Group to proposed individual property owners (being independent third parties). For instance, based on the aforesaid contracts and for information purpose only, the Group charged same public service fee (公共服務費) to a connected person and a proposed individual property owner.

LETTER FROM GRAM CAPITAL

As confirmed by the Directors, the Group did not provide project management services for the property maintenance works during the warranty period to both independent third parties and Mr. Wang's Associated Companies for 2017 and 11 months ended 30 November 2018. As such, upon our request, we obtained following documents:

1. more than 10 contracts in total regarding the provision of (i) on-site sales assistance services; (ii) property inspection services; (iii) property consultancy services by the Group to (a) Mr. Wang's Associated Companies; and (b) independent third parties. We noted from aforesaid contracts that the service fees/costs for same services in same/similar area charged by the Group to Mr. Wang's Associated Companies were not lower than those charged by the Group to independent third parties. For instance, based on the aforesaid contracts and for information purpose only, the Group charged/applied/quoted (i) a higher (approximately 48%^(Note 1)) monthly cost for staff who was in charge of the site (案場主管) to a connected person than to an independent third party in respect of on-site sales assistance services; (ii) same unit charge of inspection fees to a connected person and an independent third party in respect of property inspection services; and (iii) a higher (approximately 43%^(Note 2)) unit charge of consultation fee for similar types of properties (for residential purpose) to a connected person than to an independent third party in respect of property consultancy services.
2. tender documents regarding the provision of engineering and maintenance services of intelligent security equipment for one of 13 projects which the Group was selected as service supplier to Mr. Wang's Associated Companies. We noted that the Group won the bidding for such project.
3. one parking lots sales agency services contract entered into between the Group and an independent third party during 2017 (the "**Car Parking Contract (I3P)**"). As confirmed by the Directors, such contract (i.e. the Car Parking Contract (I3P)) was the only contract relating to provision of parking lots sales agency services by the Group to independent third party during 2017 and 11 months ended 30 November 2018. We further obtained three copies of parking lots sales agency services

Notes:

1. Such differences may be caused by, among other things, the different consumptions/prices level for different areas. For instance, according to the individual contracts, properties of connected person located in Bengbu (蚌埠) of Anhui Province, being a prefecture-level city (地級市) with GDP of approximately RMB155.1 billion in 2017; while properties of independent third party located in Quanjiao County, being a county (縣) with GDP of approximately RMB14.4 billion in 2017.
2. Such differences may be caused by, among other things, the different consumptions/prices level for different areas, type of properties, properties management fees. However, according to the individual contracts the methodology of determination of total consultation fee was same to the connected person and the independent third party, i.e. Consultation fee for residential/non-commercial properties= gross floor area X property management fee per month X 3 months.
3. As confirmed by the Directors, the service fees/costs offered by the Group to Mr. Wang's Associated Companies should not be lower than those offered to independent third parties for same services in same areas.

LETTER FROM GRAM CAPITAL

contracts entered into between the Group and Mr. Wang's Associated Companies (the "**Car Parking Contracts (CP)**"). As confirmed by the Directors and based on our understanding, pricing determination basis under Car Parking Contract (I3P) and Car Parking Contracts (CP) were different. As such, we could not compare pricing terms under such contracts directly.

Furthermore, we understood that in order to ensure that the transactions contemplated under the 2019 Services Framework Agreement will be on normal commercial terms, and that the relevant fees will not fall below the prevailing market rate, the guidance price of such services for similar type of development projects issued by the local government (if applicable) and the fees charged to the third party customers independent of the Group, the Group will adopt the following measures, among other things,

- (i) the finance department of the Group, will be responsible for regular monitoring of the continuing connected transactions contemplated under the 2019 Services Framework Agreement to ensure that the Annual Cap will not be exceeded, in particular, the Group will cease to enter into any new subsidiary agreement if such will cause the total contractual income to exceed the Annual Cap for that financial year;
- (ii) internal review will be conducted by the finance department of the Group to assess, on a monthly basis, whether the provision of property management services and value-added services has been made in accordance with the terms of the 2019 Services Framework Agreement and in accordance with the aforesaid pricing policy; and
- (iii) prior to entering into any subsidiary agreements, the personnel of various departments including the legal department, finance department and operation department of the Company will review and assess the specific terms and conditions of the transactions to ensure their consistency with the 2019 Service Framework Agreement. During such internal review process, the relevant personnel will examine, among others, (a) information of the parties; (b) the term of the agreement; (c) the type and scope of services to be provided by the Group thereunder; and (d) whether the contract price is in line with the aforesaid pricing policy, in order to ensure comment (if any) from various departments of the Group will be properly addressed.

We consider that the effective implementation of the internal control mechanism would help to ensure fair pricing of the 2019 Services Framework Agreement according to the pricing policy.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we discussed with senior management, staff of Company's relevant departments/subsidiaries and understood that the Company's senior management and relevant departments/subsidiaries were aware of the internal control measures as mentioned above and would comply with such measures when conducting the transactions contemplated under 2019 Services Framework Agreement. As such, we do not doubt the effectiveness of the implementation of the internal control procedures as mentioned above.

In light of the above, we are of the view that the terms of the 2019 Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The proposed annual caps under the 2019 Services Framework Agreement

Set out below are (i) the historical amounts in respect of the provision of property management services and value-added services (the "**Provision of Services**") for the year ended 31 December 2017 and 11 months ended 30 November 2018; and (ii) the proposed annual cap under the 2019 Services Framework Agreement for the year ending 31 December 2019 (the "**Services Cap**"):

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2018 RMB'000
Historical amounts	222,104	287,970 (Note 1)
Existing annual cap	N/A	354,000
		For the year ending 31 December 2019 RMB'000
Services Cap		1,180,000

Notes:

1. The figure was for the 11 months ended 30 November 2018, being the latest available figures as at the date of the 2019 Services Framework Agreement. The figure for the year ended 31 December 2018 amounted to approximately RMB352.0 million.
2. Breakdowns of the historical amounts were set out under the section sub-headed "Low risk on potential reliance on the Future Land Group" of the Board Letter.

LETTER FROM GRAM CAPITAL

The basis for determining Services Cap for the year ending 31 December 2019 are set out in sub-section headed “Proposed Annual Cap and Basis for the proposed Annual Cap” of the Board Letter.

As depicted from the table above, we noted that the historical amounts for the 11 months ended 30 November 2018 represented approximately 81.3% for the year ended 31 December 2018. The utilisation rate of existing annual caps for the year ended 31 December 2018 was at a high level and the Company substantially increased the Services Cap for the year ended 31 December 2019.

To assess the fairness and reasonableness of the Services Cap for the year ending 31 December 2019, in particular the substantial increase in the Services Cap for the year ending 31 December 2019 as compared to the existing annual cap for the year ended 31 December 2018, we conducted the following analysis.

For our due diligence purpose, we obtained a list, showing (i) historical transaction amounts of Provision of Services for the three years ended 31 December 2018; (ii) estimated amounts of the Provision of Services for December 2018; and (iii) estimated amounts of the Provision of Services for the year ending 31 December 2019.

According to the list, the Directors estimated the possible demand of property management services and value-added services for the year ending 31 December 2019 (the “**Total Estimated Demands**”) in seven aspects, i.e. (i) property management services; (ii) engineering and maintenance services of intelligent security equipment; (iii) on-site sales assistance services; (iv) property inspection services; (v) property consultancy services; (vi) parking lots sales agency services; and (vii) project management services for the property maintenance works during the warranty period. Details of the Total Estimated Demands with historical figures as extracted from the Board Letter are set out below:

	For the year ended 31 December 2016 <i>RMB'000</i>	For the year ended 31 December 2017 <i>RMB'000</i>	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ending 31 December 2019 <i>RMB'000</i>	Implied change from 2018 to 2019	% to Total Estimated Demands for the year ending 31 December 2019
Total demand/estimated demand	149,541	222,104	352,044	1,070,580	204%	100
– <i>property management services</i>	42,348	46,421	43,098	53,950	25%	5

LETTER FROM GRAM CAPITAL

	For the year ended 31 December 2016 RMB'000	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ending 31 December 2019 RMB'000	Implied change from 2018 to 2019	% to Total Estimated Demands for the year ending 31 December 2019
– engineering and maintenance services of intelligent security equipment	4,540	14,123	25,788	253,420	883%	24
– on-site sales assistance services	70,248	116,247	219,246	555,660	153%	52
– property inspection services	3,985	6,512	20,167	90,570	349%	8
– property consultancy services	21,154	34,676	35,474	88,680	150%	8
– parking lots sales agency services	3,870	4,125	8,271	28,300	242%	3
– project management services for the property maintenance works during the warranty period	3,396	Nil	Nil	Nil	N/A	Nil

According to the above table, the estimated demand for on-site sales assistance services and engineering and maintenance services of intelligent security equipment represented approximately 52% and 24% to the Total Estimated Demands, being the first two largest portion to the Total Estimated Demands.

On-site sales assistance services

As advised by the Directors, services under the on-site sales assistance services mainly includes the cleaning, and customer services at the sale offices, show rooms and clubhouses in the development projects.

We noted from the list that the estimated demand on on-site sales assistance services for the year ending 31 December 2019 represented a substantial increase of approximately 153% as compared to that for the year ended 31 December 2018. As advised by the Directors, such estimated increase was mainly due to (i) the previous increase in demand of such services; (ii) the Group's performance during 2018; (iii) Future Land Development Holdings' performance, being a major member of Mr. Wang's Associated Companies, during 2018.

LETTER FROM GRAM CAPITAL

With reference to the Prospectus, the Company is a fast growing property management service provider in the PRC. It has been providing property management services in the PRC for more than 22 years. According to China Index Academy (中國指數研究院) (“CIA”), the Company was ranked No. 7 in terms of growth among the 2018 China Top 100 Property Management Companies in the PRC, which marked its fourth consecutive year of being ranked among the top 10 property management service providers in terms of growth, and was ranked No. 6 among the 2018 China Top 100 Property Management Companies in the PRC in terms of total gross floor area (“GFA”) under management in the Yangtze River Delta Region. The Company ranked No. 16 among the 2018 China Top 100 Property Management Companies research report (2018年中國物業服務百強企業研究報告), as published by CIA.

We noted from an announcement published by Future Land Development Holdings on 9 January 2019 that the aggregate contracted sales of January to December 2018 of Future Land Group represented an increase of 74.82% over the corresponding period of 2017. The aggregate sales area of January to December 2018 also increased by approximately 95.21% over the corresponding period of 2017. Future Land Development Holdings mentioned in the announcement that it has acquired a number of land parcels throughout the PRC.

Furthermore, based on the information as provided by the Directors, demand on on-site sales assistance services by Mr. Wang’s Associated Companies increased by approximately 134% for the 11 months ended 30 November 2018 as compared to the corresponding period of 2017. As advised by the Directors, the Group provided on-site sales assistance services to approximately 81% of Mr. Wang’s Associated Companies’ new properties projects in 2018.

As advised by the Directors, the performance of the Group’s on-site sales assistance services mainly linked with the performance of properties sales by the service receiver. Based on the recent growth on the aggregated contracted sales and aggregated sales area of Future Land Development Holdings and its subsidiaries, the Directors assumed that there would be a substantial increase in demand on on-site sales assistance services by Mr. Wang’s Associated Companies.

The Directors further provided us a list, showing (i) existing property projects that the Group has been working on since late 2018; and (ii) proposed property projects that the Group expected to work on starting from 2019, with expected on-site sales assistance services fees for each of the projects to be received in 2019. Based on the aforesaid information, we noted that following matters:

- (i) estimated on-site sales assistance services fees of existing property projects for 2019 was determined with reference to (a) monthly on-site sales assistance services fees for such existing projects; (b) expected number of months for provision on-site sales assistance services for such existing property projects in 2019;

LETTER FROM GRAM CAPITAL

- (ii) estimated on-site sales assistance services fees of existing property projects to be recorded in 2019 represented over 70% of the total estimated on-site sales assistance services fees to be recorded in 2019;
- (iii) estimated on-site sales assistance services fees of proposed property projects to be recorded in 2019 represented less than 30% of the total estimated on-site sales assistance services fees to be recorded in 2019 and was estimated based on (a) number of property projects in different areas; (b) monthly on-site sales assistance services fees for such proposed projects (which was fall within the range of monthly on-site sales assistance services fees for existing property projects); and (c) expected number of months for provision of on-site sales assistance services for such proposed property projects in 2019; and
- (iv) the total on-site sales assistance services fees of the existing and proposed property projects to be recorded in 2019 was close to the estimated on-site sales assistance services fees of approximately RMB555.7 million for 2019.

We also noted from Future Land Group's annual report for FY2017 and interim report for the six months ended 30 June 2018 that the total land bank of the Future Land Group was approximately 67,401,213 sq.m.. as at 31 December 2017 and approximately 86,435,965 sq.m as at 30 June 2018, representing an increase of approximately 28.2%.

In light of following factors, including:

- (i) the Group would have flexibility in the provision of on-site sales assistance services if the estimated demand on such service are tailored to the future business and market growth;
- (ii) if there are no sufficient room for such service, the Company may need to revise the annual caps upward at a general meeting before provision of additional services;
- (iii) recent performance of Future Land Development Holdings, being a major member of Mr. Wang's Associated Companies, during 2018; and
- (iv) the performance of the Group's on-site sales assistance services mainly linked with the performance of properties sales by the service receiver,

we consider that the estimated substantial increase in demand on on-site sales assistance services for the year ending 31 December 2019 to be acceptable.

LETTER FROM GRAM CAPITAL

Engineering and maintenance services of intelligent security equipment

As advised by the Directors, services under the intelligent security equipment engineering and maintenance services includes intelligent engineering service to the property intelligent system, e.g., surveillance system, access control system and parking system, of the properties developed by Future Land Development Holdings and/or its subsidiaries.

We noted from the list that the estimated demand on engineering and maintenance services of intelligent security equipment for the year ending 31 December 2019 represented a substantial increase of approximately 883% as compared to that for the year ended 31 December 2018. As advised by the Directors, such increase was mainly due to the fact that the Company has been expanding the business since the beginning of 2018. As such, we consider that it is impracticable to compare estimated demand on engineering and maintenance services of intelligent security equipment for the year ending 31 December 2019 to that for the year ended 31 December 2018.

With reference to the Board Letter and as further advised by the Directors, the Company has been expanding the business since the beginning of 2018. The Group's project management team has over 80 staffs, including project management staff (項目管理人員), procurement management staff (採購管理人員) and programme management staff (計劃管理人員). Such businesses are mainly carried based on the intelligent construction project demand of Future Land Development Holdings and/or its subsidiaries. The Group will participate in the bidding of all intelligent construction projects of Future Land Development Holdings and/or its subsidiaries.

The Directors further advised us the estimated demand on engineering and maintenance services of intelligent security equipment was determined based on (i) possible contract value of certain intelligent engineering projects; (ii) estimated construction progress for such projects; and (iii) revenue to be recognized in 2019 (as some projects were expected to be delivered in 2020).

For our further due diligence purpose, we obtained a list from the Company, showing, among other things, (i) there would be around 270 possible intelligent engineering projects of Mr. Wang's Associated Companies in 2019 with gross floor area for certain projects; (ii) estimated contract value for each of the projects; (iii) expected time schedule for most of projects. As advised by the Directors, the aforesaid list was prepared by the Company based on information obtained from Mr. Wang's Associated Companies.

We also noted from the list that the Directors assumed the Company to be selected as service providers for Mr. Wang's Associated Companies for approximately 55% of the all possible intelligent construction projects (other than those already selected the Group as service providers). As advised by the Directors, the Group's tender success rate for engineering and maintenance services of intelligent security equipment for Mr. Wang's

LETTER FROM GRAM CAPITAL

Associated Companies (calculated by 13 projects which the Group was selected as service providers over 17 projects which the Group participated relevant tendering process) was approximately 76.5%. Having considered the Group's tender success rate for engineering and maintenance services of intelligent security equipment for Mr. Wang's Associated Companies, we consider that the estimated tender success rate for the aforesaid possible intelligent construction projects to be acceptable.

Upon our further request, the Directors provided a contract for one of the aforesaid 13 projects which the Group was already selected as service providers. We noted that there was no material difference between the demand on engineering and maintenance services of intelligent security equipment as shown in the list and the contract value.

We also noted that there was a downward adjustment on total estimated contract value of the projects which the Directors assumed the Company to be selected as service providers for Mr. Wang's Associated Companies. The downward adjustment was made based on estimated construction progress and revenue to be recognized in 2019. We further discussed with the relevant personnel (the "**Relevant Personnel**"), who is general manager of the Company's subsidiary and will be responsible for intelligent equipment engineering business in respect of the adjustment. The Relevant Personnel has approximately 10 years' experience in intelligent projects management. During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimated construction progress and revenue to be recognized in 2019. Having considered the experience of relevant staff and our discussion as mentioned above, we consider the estimated construction progress and revenue to be recognized in 2019 to be acceptable.

In light of the above factors, including (i) possible contract value of certain intelligent engineering projects; (ii) estimated tender success rate; (iii) estimated construction progress for such projects; and (iv) revenue to be recognized in 2019, we consider the estimated demand on intelligent construction service to be reasonable.

The remaining services

The remaining services include (i) property management services; (ii) property inspection services; (iii) property consultancy services; (iv) parking lots sales agency services; and (v) project management services for the property maintenance works during the warranty period.

We noted that estimated demand on project management services for the property maintenance works during the warranty period to be nil for the year ending 31 December 2019. As advised by the Directors, such arrangement was determined due to the fact that there was no such demand for FY2017 and the year ended 31 December 2018. However, the Director has reserved a buffer (as discussed below) for any possible demand on such services by Mr. Wang's Associated Companies in the future.

LETTER FROM GRAM CAPITAL

Furthermore, we noted from the list and based on our calculation relating to the Directors' estimation on demand of (i) property management services; (ii) property inspection services; (iii) property consultancy services; and (iv) parking lots sales agency services, we noted that implied increase rates of aforesaid services for the year ending 31 December 2019 as compared to those for the year ended 31 December 2018 were approximately 25%, 349%, 150%, 242% respectively, or approximately 144% in total.

We further enquired into the Directors regarding the implied increase rate for each of the remaining services (other than project management services for the property maintenance works during the warranty period) for 2019 as mentioned above. As advised by the Directors, the performance of the Group's (i) property management services; (ii) property inspection services; (iii) property consultancy services; and (iv) parking lots sales agency services mainly linked with the performance of properties sales/delivery by the service receiver. In addition, the Directors advised that:

- a. Property management services: the provision of property management services to Mr. Wang's Associated Companies normally means that the Group provide such services to the unsold properties of Mr. Wang's Associated Companies. The Directors provided us names of expected property projects (which may require property management services) with location and estimated property management services fees for each of the projects. The total estimated property management services fees for the projects was close to the estimated demand on the Group's property management services fees for 2019.
- b. Property inspection services: we noted that the demand on property inspection services by Mr. Wang's Associated Companies from the Group substantially increased in recent years (i.e. 2016-2017: 63.4%, 2017-2018: 209.7%). The Directors also provided us names of expected property projects to be delivered by Mr. Wang's Associated Companies during 2019 with location and estimated inspection services fees for each of the projects. The total estimated inspection services fees for all the projects was close to the estimated demand on the Group's property inspection services for 2019.
- c. Property consultancy services: the Directors provided us names of expected property projects to be delivered by Mr. Wang's Associated Companies during 2019 with location and estimated property consultancy fees for each of the projects. The expected property projects which may require property consultancy services were substantially the same as expected property projects which may require property inspection services. The total estimated property consultancy services fees for all the projects was close to the estimated demand on the Group's property consultancy services for 2019.
- d. Parking lots sales agency services: the Group focused on such service during the second half year of 2018. As the Directors satisfied the performance of such service, the Group fully commenced providing such services to Mr. Wang's Associated Companies in different areas.

LETTER FROM GRAM CAPITAL

- e. Having considered (i) the recent growth on the aggregated contracted sales and aggregated sales area of Future Land Group; (ii) the increasing of Future Land Group's land bank (as mentioned above) may have a positive and direct impact on the number of property projects that the Future Land Group will construct and sell in 2019 and subsequent years; and (iii) the Group fully commenced providing parking lots sales agency services to Mr. Wang's Associated Companies in different areas, the Directors assumed there would also be a substantial increase in demand on remaining services (other than project management services for the property maintenance works during the warranty period) by Mr. Wang's Associated Companies.

Based on the above factors, we consider that estimated demands on remaining services for the year ending 31 December 2019 to be acceptable.

In light of the above factors, we consider that the Total Estimated Demands to be acceptable.

As further advised by the Directors, when determining the Services Cap for the year ending 31 December 2019, a buffer of approximately 10% was applied on the Total Estimated Demands so as to accommodate any unexpected increase in the demands on such services and/or unexpected increase in the cost of supply of such services during 2019 or any demand on project management services for the property maintenance works during the warranty period in 2019. Having considered (i) that the unexpected circumstances may take place during 2019; and (ii) the buffer would provide flexibility in the event that the actual demand was more than the Total Estimated Demands (which was estimated based on various assumptions), we consider that the buffer to be acceptable.

Based on the above figures, revenue generated from the provision of services to Mr. Wang's Associated Companies represented approximately 26%, 26% and 31% for each of the three years ended 31 December 2018. According to the Prospectus, the Group intended to use the net proceeds of its global offering for, among other things, (i) the expansion of its property management services to enlarge its business scale and bolster its geographic presence across the PRC through means of strategic investment in, cooperation with and/or acquisition of, in particular, property management services providers in the Yangtze River Delta Region; (ii) expansion of its existing business development team to further promote the Group's property management business. Such team will promote the Group's property management business by, among others, approaching property owners' associations of various properties and industry associations in property management, and increasing participation in tenders for property management projects; (iii) recruitment of professional agents for the sourcing of property management projects; (iv) to reach out to third-party suppliers to improve the quality and variety of the Group's value-added services. Details of the use of proceeds are set out under section headed "Future Plans and Use of Proceeds" of the Prospectus. With reference to the Board Letter, the Company will also strive to participate in more tenders for projects of property developers other than Mr. Wang's Associated Companies. In light of the aforesaid proposed use of proceeds from global offering and should the Group successfully develop its relationship with other property developers, the reliance risk may be mitigated.

LETTER FROM GRAM CAPITAL

Despite that the Services Cap for the year ending 31 December 2019 was substantially larger than the existing cap for the year ended 31 December 2018, having considered (i) the Group would have flexibility in the provision of such services if the Services Cap for the year ending 31 December 2019 is tailored to the future business and market growth; (ii) if there are no sufficient room for such services, the Company may need to revise the annual caps upward at a general meeting before provision of additional services, we are of the view that such increase was beneficial to the Company.

In light of the above factors, we consider that the Services Cap for the year ending 31 December 2019 to be fair and reasonable.

Shareholders should note that as the Services Cap is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2019, and they do not represent forecasts of revenue/cost to be incurred from the 2019 Services Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue/cost to be incurred from the 2019 Services Framework Agreement will correspond with the Services Cap.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of transactions contemplated under 2019 Services Framework Agreement must be restricted by their respective proposed annual cap for the period concerned under the 2019 Services Framework Agreement; (ii) the terms of transactions contemplated under the 2019 Services Framework Agreement (including their respective proposed annual cap) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the 2019 Services Framework Agreement must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the transactions contemplated under the 2019 Services Framework Agreement (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps. In the event that the total amounts of the transactions contemplated under the 2019 Services Framework Agreement are anticipated to exceed the Services Cap, or that there are any proposed material amendment to the terms of the 2019 Services Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

LETTER FROM GRAM CAPITAL

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the 2019 Services Framework Agreement and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2019 Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under the 2019 Services Framework Agreement are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the 2019 Services Framework Agreement and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* *For identification purpose only*

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. DISCLOSURE OF INTERESTS

As at Latest Practicable Date, the Directors and chief executive of the Company had the following interests in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of the SFO), which are required 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 he is taken or deemed to have under such provisions of SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Interest in Shares

Name of Director	Nature of interest	Class of Shares	Number of Shares	Percentage of the relevant class of Shares in issue	Percentage of the Company's issued share capital
Mr. Wang	Founder of a discretionary trust	Ordinary shares	600,000,000	73.17%	73.17%

Save as disclosed above, as at the Latest Practicable Date, neither any of the Directors had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

As at the Latest Practicable Date, Innovative Hero Limited is interested in 73.17% of the total issued share capital of the Company and each of Infinity Fortune Development Limited, First Priority Group Limited and Wealth Zone Hong Kong Investment Limited, being the holding companies of Innovative Hero Limited is deemed to be interested in 73.17% of the total issued share capital of the Company, respectively. Mr. Wang, a non-executive Director of the Company, is a director of each of the above companies.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

4. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (i) none of the Directors had any interest in any assets which have been, since 30 April 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) save as disclosed above, none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

5. COMPETING INTERESTS

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 April 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

Gram Capital is a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO. Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they respectively appear.

As at the Latest Practicable Date, Gram Capital 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 shares in any member of the Group.

As at the Latest Practicable Date, Gram Capital did not have any interest, direct or indirect, in any assets which since 30 April 2018, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

9. MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the following document will be available for inspection during the normal business hours at the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular:

- (a) the 2018 Services Framework Agreement;
- (b) the 2019 Services Framework Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from Gram Capital; and
- (e) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Xinchengyue Holdings Limited

新城悦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1755)

NOTICE OF EXTRAORDINARY GENERAL MEETING TO BE HELD ON 15 FEBRUARY 2019

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Xinchengyue Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) will be held at Unit 1103-06, China Building, 29 Queen’s Road Central, Hong Kong on Friday, 15 February 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without amendment, passing the following resolution:

ORDINARY RESOLUTION

1. “THAT:

- (a) the 2019 Services Framework Agreement, a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder, be and are hereby confirmed and approved;
- (b) the Annual Cap be and is hereby approved; and
- (c) any one Director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and completion of the 2019 Services Framework Agreement.”

By Order of the Board
Xinchengyue Holdings Limited
Qi Xiaoming
Chairman
Executive Director
Chief Executive Officer

Hong Kong, 18 January 2019

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and, on a poll, to vote instead of him. A member holding two or more shares may appoint more than one proxy. A proxy need not be a member of the Company, but must attend the EGM in person to represent him.
- (2) A **white** form of proxy for use at the EGM is enclosed with the circular dated 18 January 2019 despatched to members of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof failing which the form of proxy will not be valid. Completion and return of the form of proxy will not preclude a member from attending the EGM and voting in person if he so wishes. In the event that a member attends and votes at the EGM after having lodged his form of proxy, his form of proxy shall be deemed to be revoked.
- (4) In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

The register of members of the Company will be closed from Tuesday, 12 February 2019 to Friday, 15 February 2019 (both days inclusive) and during such period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 11 February 2019.

As at the date of this notice, the Board comprises nine members, being Qi Xiaoming[^] (Chairman and Chief Executive Officer), Wu Qianqian[^], Lan Ziyong[^], Wang Zhenhua^{^^}, Lv Xiaoping^{^^}, Lu Zhongming^{^^}, Zhang Yan^{^^^}, Zhu Wei^{^^^} and Xu Xinmin^{^^^}.

[^] Executive Directors

^{^^} Non-executive Directors

^{^^^} Independent Non-executive Director