
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Zhaobangji Properties Holdings Limited, you should at once hand this circular and the accompanying form of proxy 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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Zhaobangji Properties Holdings Limited

兆邦基地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

**(I) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE RENEWAL OF THE PROPERTY MANAGEMENT FRAMEWORK
AGREEMENT;**

AND

(II) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



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

A notice convening the EGM to be held at Unit 16–18, 11th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong at 3:00 p.m. on Friday, 19 March 2021 is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.szzhaobangji.com.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Special measures being taken to prevent and control the spread of the novel coronavirus at the EGM are set out below.

- **mandatory body temperature check**
- **mandatory wearing of surgical face masks**
- **no provision of refreshments or drinks**
- **no handing out of corporate gifts**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Shareholders are encouraged to consider appointing the chairman of the EGM as your proxy to vote on the relevant resolutions, instead of attending the EGM in person.

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DEFINITIONS

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

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Boardwin”	Boardwin Resources Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, and a 50.67% shareholder of the Company as at the Latest Practicable Date. Boardwin is owned as to approximately 75.88% by Mr. Xu as at the Latest Practicable Date
“Company”	Zhaobangji Properties Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1660)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Effective Date”	1 April 2021 or the date of passing of the resolution by the Independent Shareholders at the EGM (whichever is later)
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Renewed Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the PMF Annual Caps)

DEFINITIONS

“Existing Property Management Framework Agreement”	the property management framework agreement entered into between Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji (for itself and as trustee for the benefit of its subsidiaries from time to time) on 30 November 2018 in relation to the provision of property management services by Shenzhen Zhaobangji Property Services in respect of properties controlled or being developed by Shenzhen Zhaobangji Group with a term commencing on 21 December 2018 and ending on 31 March 2021
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	Akron Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Renewed Property Management Framework Agreement
“Independent Board Committee”	an independent committee of the Board, comprising all four independent non-executive Directors, established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the Renewed Property Management Framework Agreement
“Independent Shareholders”	Shareholders other than Mr. Xu, Ms. Zhang Meijuan (the beneficial owner of 4.89% of the total number of issued Shares and the spouse of Mr. Xu) and Boardwin, and all the Shareholders who are materially interested in the Renewed Property Management Framework Agreement, and their respective associates
“Independent Third Party(ies)”	person(s) or company/(ies) who or which is/(are) not connected person(s) of the Company

DEFINITIONS

“Individual Property Management Agreement(s)”	agreement(s) to be entered into by Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji Group pursuant to the Renewed Property Management Framework Agreement in respect of each property to be managed by Shenzhen Zhaobangji Property Services during the term of the Renewed Property Management Framework Agreement, which shall set out the detailed terms of the transactions to be conducted thereunder
“Latest Practicable Date”	26 February 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu”	Mr. Xu Chujia, the chairman of the Board, an executive Director and a controlling Shareholder indirectly holding approximately 50.67% of the total number of issued Shares through Boardwin
“PMF Annual Cap(s)”	has the meaning ascribed to it under the section headed “THE RENEWED PROPERTY MANAGEMENT FRAMEWORK AGREEMENT – Historical transaction amounts, existing annual caps and proposed annual caps” in this circular
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Renewed Property Management Framework Agreement”	the property management framework agreement entered into between Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji (for itself and as trustee for the benefit of its subsidiaries from time to time) on 14 January 2021 in relation to the provision of property management services by Shenzhen Zhaobangji Property Services in respect of properties currently controlled or being developed by Shenzhen Zhaobangji Group which shall, subject to approval by the Independent Shareholders, be effective for a term commencing on the Effective Date and ending on 31 March 2024
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Zhaobangji”	深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Company Limited*), a limited liability company established under the laws of the PRC
“Shenzhen Zhaobangji Group”	collectively, Shenzhen Zhaobangji and its subsidiaries
“Shenzhen Zhaobangji Property Services”	深圳市兆邦基物業服務有限公司 (Shenzhen Zhaobangji Property Services Company Limited*), a limited liability company established under the laws of the PRC, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* *for identification purpose only*



Zhaobangji Properties Holdings Limited

兆邦基地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

Executive Directors:

Mr. Xu Chujia
Mr. Cai Chun Fai
Mr. Li Yan Sang
Mr. Sze-to Kin Keung
Mr. Wu Hanyu
Mr. Zhao Yiyong

Registered office:

Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Non-executive Directors:

Ms. Zhan Meiqing
Professor Lee Chack Fan, *G.B.S., S.B.S., J.P.*

*Head office and principal place of
business in Hong Kong:*

Unit 16–18, 11/F
China Merchants Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Independent non-executive Directors:

Mr. Hui Chin Tong Godfrey
Mr. Ma Fung Kwok, *S.B.S., J.P.*
Mr. Wong Chun Man
Mr. Ye Longfei

3 March 2021

To the Shareholders

Dear Sir or Madam,

**(I) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE RENEWAL OF THE PROPERTY MANAGEMENT FRAMEWORK
AGREEMENT;
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcement of the Company dated 14 January 2021, in relation to, among other things, the Renewed Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the PMF Annual Caps).

The purpose of this circular is to provide you with the information regarding, among others, (i) further details of the transactions contemplated under the Renewed Property Management Framework Agreement (including the PMF Annual Caps); (ii) the letter from the Independent Board Committee containing its advice to the Independent Shareholders; (iii) the letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM.

THE RENEWED PROPERTY MANAGEMENT FRAMEWORK AGREEMENT

(i) Background

References are made to (i) the announcement of the Company dated 30 November 2018; and (ii) the circular of the Company dated 5 December 2018 in relation to, amongst other things, the Existing Property Management Framework Agreement, in relation to the provision of property management services by Shenzhen Zhaobangji Property Services in respect of properties controlled or being developed by Shenzhen Zhaobangji Group.

As the Existing Property Management Framework Agreement will expire on 31 March 2021, and Shenzhen Zhaobangji Property Services is expected to carry on the transactions contemplated thereunder upon its expiry, the Board is pleased to announce that Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji Group entered into the Renewed Property Management Framework Agreement on 14 January 2021.

(ii) Details of the Renewed Property Management Framework Agreement

Date	14 January 2021
Parties	(1) Shenzhen Zhaobangji Property Services (2) Shenzhen Zhaobangji (for itself and as trustee for the benefit of its subsidiaries from time to time)
Period	Subject to the approval by the Independent Shareholders, from the Effective Date to 31 March 2024

LETTER FROM THE BOARD

Individual property management agreement

Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji Group shall enter into Individual Property Management Agreement(s) in respect of each property to be managed by Shenzhen Zhaobangji Property Services during the term of the Renewed Property Management Framework Agreement, which shall set out the detailed terms of the transactions to be conducted under the Renewed Property Management Framework Agreement. The terms of the Individual Property Management Agreement(s) shall in principle be consistent with the Renewed Property Management Framework Agreement. In case of inconsistency, the terms of the Renewed Property Management Framework Agreement shall prevail.

Service Scope

The service scope (the “**Service Scope**”) under the Renewed Property Management Framework Agreement includes:

- (1) daily management, cleaning and repair of public areas of the properties;
- (2) security services and guest reception in the properties;
- (3) maintenance of fire prevention, and reporting accidents to relevant authorities and taking corresponding measures to support rescue work in the properties;
- (4) management of parking of vehicles and car parks (if applicable);
- (5) management of renovation undertaken by occupants of the properties; and
- (6) management of the public utilities expenses paid by the occupants.

LETTER FROM THE BOARD

Fees

The fees chargeable for the Service Scope (the “Fees”) and the payment terms and methods shall be set out in the Individual Property Management Agreement(s) and determined principally on the basis of arm’s length commercial negotiations according to the principles of fairness and reasonableness by both parties by taking into account factors including the location, the state, the applicable property management Service Scope and the costs involved in managing each of the properties to be managed by Shenzhen Zhaobangji Property Services. The Fees shall be determined with reference to the prevailing property management fees of similar properties in the market from time to time.

The Fees shall also be determined in accordance with the fees charged by Shenzhen Zhaobangji Property Services in providing similar property management services to Independent Third Parties in its ordinary course of business (if applicable). The Fees shall not be less favourable to Shenzhen Zhaobangji Property Services than those charged to the Independent Third Parties.

The Fees shall be adjusted in the Individual Property Management Agreements for each subsequent financial year ending 31 March in accordance with the prevailing circumstances to ensure that the fees will be in conformity with the principles mentioned above.

(iii) Internal controls and pricing policies

In order to ensure that the Fees set out in the Individual Property Management Agreement(s) will be on normal commercial terms, the following procedures will be carried out before Shenzhen Zhaobangji Property Services executes the Individual Property Management Agreement(s):

- (1) the finance department of Shenzhen Zhaobangji Property Services will prepare a research report and summary of fees charged by Shenzhen Zhaobangji Property Services to Independent Third Parties customers for the past six months (if applicable) to calculate a minimum fee proposal for the Individual Property Management Agreement. The prevailing comparable market level of fees in the research report will be obtained by collecting management fee data of comparable properties and the finance department will obtain quotations from not less than three market

LETTER FROM THE BOARD

comparables. The minimum fee proposal will then be determined based on a price that is not less favourable than the comparables and the fees charged by Shenzhen Zhaobangji Property Services to Independent Third Parties customers for the past six months (if applicable). The finance department is currently led by Ms. Qiu Sujuan, who has over ten years' experience in accounting and financial management;

- (2) the finance department will then submit the minimum fee proposal and its supporting documents to the management of Shenzhen Zhaobangji Property Services for review. The management is currently led by Ms. Hu Jiefang, who has around fifteen years of management experience working with property management companies;
- (3) if the management of Shenzhen Zhaobangji Property Services approves the minimum fee proposal, the proposal together with its supporting documents will be submitted to the Board members (other than Mr. Xu, who holds 81% of the registered capital of Shenzhen Zhaobangji, Mr. Wu Hanyu, an executive Director, who is a director of Shenzhen Zhaobangji, and Ms. Zhan Meiqing, a non-executive Director, who is a sister-in-law of Mr. Xu) for review and approval. Such Board members have extensive experience in property management. In particular, Mr. Ye Longfei (“**Mr. Ye**”), the independent non-executive Director, has served in managerial positions in various property management companies. Mr. Ye acted as an adviser for Kerry Holdings Limited and was an executive director of Shangri-La Asia Limited, a company listed on the main board of the Stock Exchange (stock code: 0069); and
- (4) after the minimum fee proposal has been approved by the Directors, it will be adopted as the basis for determining the fees chargeable by Shenzhen Zhaobangji Property Services in its negotiations with Shenzhen Zhaobangji Group to fix the terms of each Individual Property Management Agreement. The Individual Property Management Agreement(s) will only be executed by Shenzhen Zhaobangji Property Services after approval from the Board.

The above will help to ensure that the transactions contemplated under the Individual Property Management Agreement(s) will be on normal commercial terms, and that the fees stipulated therein will not fall below the prevailing market rate and the fees charged to the Independent Third Parties customers of Shenzhen Zhaobangji Property Services in recent transactions.

In addition to the measures set out above, the Group has also adopted the following measures:

- (1) the finance department of the Group, will be responsible for regular monitoring of the continuing connected transactions contemplated under the Renewed Property Management Framework Agreement to ensure that the PMF Annual Caps will not be exceeded, in particular, as the PMF Annual Caps shall not in any event be higher than 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements, (a) the Group will cease to

LETTER FROM THE BOARD

enter into any new Individual Property Management Agreement if such will cause the total contractual income to exceed the PMF Annual Cap for that financial year; and (b) to ensure that the PMF Annual Cap for the coming financial year will not be exceeded, the Group will terminate certain existing Individual Property Management Agreement(s) if the projected income of all Individual Property Management Agreements will be higher than the PMF Annual Cap for the coming financial year;

- (2) internal review will be conducted by the Group to assess, on a periodic basis, whether the provision of property management services has been made in accordance with the terms of the Renewed Property Management Framework Agreement;
- (3) the Company will engage its auditors to conduct an annual review of the continuing connected transactions conducted pursuant to the Renewed Property Management Framework Agreement;
- (4) the independent non-executive Directors will review the continuing connected transactions conducted pursuant to the Renewed Property Management Framework Agreement on an annual basis and confirm in the annual reports of the Company for the years ending 31 March 2022, 2023 and 2024 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 Renewed Property Management Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (5) the finance department and management of Shenzhen Zhaobangji Property Services and the Board will review the fees stipulated in each Individual Property Management Agreement on an annual basis and the Individual Property Management Agreements will be renewed annually only if: (a) the projected income does not exceed the PMF Annual Caps, and (b) the fees stipulated did not fall below the prevailing market rate and the fees charged to the Independent Third Parties customers of Shenzhen Zhaobangji Property Services in recent transactions.

The Directors consider that the personnel authorized 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 Renewed Property Management Framework Agreement will be conducted on normal commercial terms in a manner not prejudicial to the interests of the Company and its Shareholders.

LETTER FROM THE BOARD

(iv) Historical transaction amounts, existing annual caps and proposed annual caps

Under the Existing Property Management Framework Agreement, the annual caps are expected not to exceed RMB7.0 million, RMB31.0 million and RMB32.6 million, and in any event not higher than 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements, during the three years ended/ending 31 March 2019, 2020 and 2021 respectively.

The following table sets out the amounts of previous continuing connected transactions between Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji Group under the Existing Property Management Framework Agreement:

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
Historical amounts (<i>RMB'000</i>)	6,120 (<i>Note</i>)	24,480	18,360
As a percentage of the audited revenue of the Group in the immediate preceding financial year (%)	4.77	12.20	8.57

Note: Actual fees charged by Shenzhen Zhaobangji Property Services for the period from 1 January 2019 to 31 March 2019

The proposed annual caps (the “**PMF Annual Cap(s)**”) for the transactions contemplated under the Renewed Property Management Framework Agreement for the three years ending 31 March 2022, 2023 and 2024 are as follows:

	For the year ending 31 March 2022 (<i>RMB'000</i>)	For the year ending 31 March 2023 (<i>RMB'000</i>)	For the year ending 31 March 2024 (<i>RMB'000</i>)
PMF Annual Caps	27,000	27,800	28,600

The proposed PMF Annual Caps are determined with reference to:

- (1) the historical amounts of fees charged by Shenzhen Zhaobangji Property Services for the property management services provided to Shenzhen Zhaobangji Group under the Existing Property Management Framework Agreement;

LETTER FROM THE BOARD

- (2) the estimated revenue to be recognized based on the existing signed contracts between Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji Group;
- (3) the gross floor area of the portfolio of properties currently controlled or being developed by the Shenzhen Zhaobangji Group, in respect of which Shenzhen Zhaobangji Property Services will be engaged to provide property management services in the relevant financial year(s);
- (4) the current management service fees per square metre charged by Shenzhen Zhaobangji Property Services;
- (5) an anticipated annual inflation rate which is estimated with reference to recent consumer price indices in the PRC; and
- (6) a buffer of 10% to be applied on the aforesaid gross transaction amounts to cater for additional properties that may be included in the Renewed Property Management Framework Agreement and any unexpected increase in monthly management service fee per square metre.

As a part of the PMF Annual Caps, the aggregate amount of fees that may be charged by Shenzhen Zhaobangji Property Services during each of the years ending 31 March 2022, 2023 and 2024 pursuant to the Renewed Property Management Framework Agreement shall not exceed 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements. The revenue of the immediately preceding financial year instead of the current financial year was adopted as the reference given that the Individual Property Management Agreement(s) (the “**Agreement(s)**”) are renewed on an annual basis in advance. The management fee and the length of the Agreements would be fixed and agreed at the beginning of the year, and it will not be commercially viable for the Agreements to be terminated or re-activated based on fluctuating revenue during a certain year due to the nature of the property management business. Given that the exact amount of total revenue of the Group would only be finalised and audited after the end of the year, if the PMF Annual Caps are to be set based on the expected revenue of the current financial year, the Company would only be at the position to know whether it has actually exceeded the PMF Annual Cap by the time the audited figure is issued in the following year, which would be very undesirable from corporate governance perspective. As such, the Board considers that it is the most viable and sensible option to set the PMF Annual Caps based on the revenue of the immediately preceding financial year.

The expected monthly management service fees per square meter in calculating the PMF Annual Caps were determined without including the air-conditioning fees charged to tenants, which is mainly a reflection of the electricity cost but not the cost of services involved in property management. The air-conditioning fees can be paid by the tenants separately directly to the landlords. The Board considers this arrangement to be fair and reasonable.

LETTER FROM THE BOARD

(v) Reasons for and benefits of entering into the Renewed Property Management Framework Agreement

Property management business has become an operating segment of the Group and recorded substantial revenue growth of over 130% for year ended 31 March 2020 which amounted to approximately HK\$56.6 million as compared to approximately HK\$23.7 million for the year ended 31 March 2019. It has been the Group's intention to continue to expand its portfolio of properties under management in the PRC. The Group has been providing property management services to Shenzhen Zhaobangji Group for the past two years and the provision of which is in the ordinary course of business of the Group. As the Existing Property Management Framework Agreement will be expired on 31 March 2021, the Renewed Property Management Framework Agreement is being entered into so as to enable the Group to continue to provide property management services to Shenzhen Zhaobangji Group for generating stable income stream to the Group, which could further promote the business growth of the Group.

The terms and conditions of the Renewed Property Management Framework Agreement were negotiated between the parties thereto on an arm's length basis. The Directors (including the independent non-executive Directors after taking into account the advice of the IFA but excluding the Excluded Directors (as defined below)) are of the view that the terms and conditions of the Renewed Property Management Framework Agreement (including the PMF Annual Caps) are fair and reasonable, and the continuing connected transactions contemplated under the Renewed Property Management Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP, SHENZHEN ZHAOBANGJI PROPERTY SERVICES AND SHENZHEN ZHAOBANGJI

(i) Information of the Group

As at the Latest Practicable Date, the Group is principally engaged in trading of machinery and spare parts, leasing of machinery and the provision of related services, the provision of transportation services in Hong Kong, and the provision of property management services, leasing of machinery and property leasing and subletting in the PRC.

(ii) Information of Shenzhen Zhaobangji Property Services

Shenzhen Zhaobangji Property Services is a limited liability company established under the laws of the PRC, a wholly-owned subsidiary of the Company, and is principally engaged in provision of property management and related services.

LETTER FROM THE BOARD

(iii) Information of Shenzhen Zhaobangji

Shenzhen Zhaobangji is indirectly held as to 81% by Mr. Xu and as to 19% by a number of other family members of Mr. Xu, namely 8% by Mr. Xu Chusheng, 6% by Mr. Hui Chor Tak, 3% by Ms. Xu Jiaoli and 2% by Mr. Xu Weizhen. Shenzhen Zhaobangji is principally engaged in property development and business investment in the PRC.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Shenzhen Zhaobangji is held as to 81% by Mr. Xu and as to 19% by a number of other family members of Mr. Xu. As such, Shenzhen Zhaobangji is an associate of Mr. Xu, and a connected person of the Company under the Listing Rules, and the transactions contemplated under the Renewed Property Management Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps for the Renewed Property Management Framework Agreement exceed 5% and the annual caps exceed HK\$10 million, the transactions contemplated thereunder are therefore subject to reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The following Directors had abstained from voting on the relevant Board resolutions for the Renewed Property Management Framework Agreement (collectively, the “**Excluded Directors**”):

- (i) Mr. Xu, the chairman of the Board, an executive Director and an indirect controlling Shareholder, who holds 81% of the registered capital of Shenzhen Zhaobangji;
- (ii) Mr. Wu Hanyu, an executive Director, who is a director of Shenzhen Zhaobangji; and
- (iii) Ms. Zhan Meiqing, a non-executive Director who is a sister-in-law of Mr. Xu.

Save for the Excluded Directors, none of the Directors has or is deemed to have material interest in the Renewed Property Management Framework Agreement and had abstained from voting on the relevant Board resolution.

EGM

The EGM will be convened at Unit 16–18, 11th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong at 3:00 p.m. on Friday, 19 March 2021 to consider and, if thought fit, approve the Renewed Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the PMF Annual Caps). A notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

LETTER FROM THE BOARD

Pursuant to Rule 13.39 of the Listing Rules, the resolution to be proposed at the EGM will be taken by poll, the results of which will be announced after the EGM.

Mr. Xu is considered to have material interest in the transactions contemplated under the Renewed Property Management Framework Agreement. In accordance with the Listing Rules, Mr. Xu and his associates, namely, Boardwin (a company is under majority control by Mr. Xu) and Ms. Zhang Meijuan (the spouse of Mr. Xu) and all other Shareholders who are materially interested in the Renewed Property Management Framework Agreement, and their respective associates are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Renewed Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the PMF Annual Caps). To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, save for Mr. Xu, Ms. Zhang Meijuan and Boardwin, which held an aggregate of 3,441,920,000 Shares, representing approximately 55.56% of the total number of Shares in issue as at the Latest Practicable Date, no other Shareholder or any of its associates has a material interest in transactions contemplated under the Renewed Property Management Framework Agreement, therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable but in any event not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so desire and in such case, the form of proxy shall be deemed to be revoked.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all four independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the Renewed Property Management Framework Agreement (including the PMF Annual Caps).

Akron Corporate Finance Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account the advice of the IFA but excluding the Excluded Directors) are of the opinion that the Renewed Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the PMF Annual Caps) are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account the advice of the IFA but excluding the Excluded Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular, the letter from the IFA set out on pages 19 to 31 of this circular and the additional information set out in the Appendices to this circular.

Since the Renewed Property Management Framework Agreement is subject to the fulfilment of the conditions precedent set out therein and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

Yours faithfully,
By order of the Board
Zhaobangji Properties Holdings Limited
Xu Chujia
Chairman and executive Director



Zhaobangji Properties Holdings Limited

兆邦基地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

3 March 2021

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE RENEWAL OF THE PROPERTY MANAGEMENT
FRAMEWORK AGREEMENT**

We refer to the circular issued by the Company to the Shareholders dated 3 March 2021 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the terms of the Renewed Property Management Framework Agreement and to advise the Independent Shareholders in connection with the Renewed Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the PMF Annual Caps), as to whether, in our opinion, the terms of the such transactions are fair and reasonable, whether such transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendations of the IFA. Akron Corporate Finance Limited has been appointed as the IFA to advise us and the Independent Shareholders in this respect.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board as set out on pages 5 to 16 of the Circular and the letter from the IFA as set out on pages 19 to 31 of the Circular. Having considered the principal factors and reasons considered by, and the advice and recommendation of, the IFA as set out in its letter of advice, we consider that the terms of the Renewed Property Management Framework Agreement (including PMF Annual Caps) are fair and reasonable. We also consider that the continuing connected transactions contemplated under the Renewed Property Management Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM in the terms as set out in the notice of the EGM so as to approve the Renewed Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the PMF Annual Caps).

Yours faithfully

For and on behalf of

The Independent Board Committee

Mr. Hui Chin Tong
Godfrey

Mr. Ma Fung Kwok

S.B.S., J.P.

Mr. Wong Chun

Man

Mr. Ye Longfei

Independent non-executive Directors

LETTER FROM THE IFA

The following is the full text of the letter from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions as contemplated under the Renewed Property Management Framework Agreement and is prepared for inclusion in this circular.



3 March 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWAL OF THE PROPERTY MANAGEMENT FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions (the “**Transactions**”) in relation to the Renewed Property Management Framework Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular issued by the Company to its Shareholders dated 3 March 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As the Existing Property Management Framework Agreement will expire on 31 March 2021, and Shenzhen Zhaobangji Property Services is expected to carry on the transactions contemplated thereunder upon its expiry, Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji Group entered into the Renewed Property Management Framework Agreement on 14 January 2021.

As at the Latest Practicable Date, Shenzhen Zhaobangji is held as to 81% by Mr. Xu and as to 19% by a number of other family members of Mr. Xu. As such, Shenzhen Zhaobangji is an associate of Mr. Xu, and a connected person of the Company under the Listing Rules, and the transactions contemplated under the Renewed Property Management Framework Agreement, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE IFA

As one or more of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps for the Renewed Property Management Framework Agreement exceed 5% and the respective annual caps exceed HK\$10 million, the transactions contemplated thereunder are therefore subject to reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Xu, Mr. Wu Hanyu and Ms. Zhan Meiqing, being Directors who have or are deemed to have material interest in the Transactions, had abstained from voting on the relevant Board resolutions.

Mr. Xu and his associates, namely, Boardwin (a company under majority control by Mr. Xu) and Ms. Zhang Meijuan (the spouse of Mr. Xu) and all other Shareholders who are materially interested in the Renewed Property Management Framework Agreement, and their respective associates are required to abstain from voting on the resolutions proposed to be passed at the EGM for approving the Transactions (including the PMF Annual Caps).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Hui Chin Tong Godfrey, Mr. Ma Fung Kwok, *S.B.S., J.P.*, Mr. Wong Chun Man and Mr. Ye Longfei, all being independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Transactions. We, Akron Corporate Finance Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We are not connected with the directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date. In the last two years, there was no engagement between the Group and Akron Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the IFA, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to the Listing Rules.

LETTER FROM THE IFA

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinion and representations contained or referred to in the Circular and the statements, information, opinion and representations provided to us by the management of the Company (the “**Management**”) and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the EGM, and the Shareholders will be informed of any material change of information in the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors as set out in the Circular were reasonably made after due and careful inquiry 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 representations contained in the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular as a whole misleading.

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, or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. 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 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 Akron Corporate Finance Limited to ensure that such information has been correctly extracted from relevant sources.

LETTER FROM THE IFA

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, we have taken into consideration the following factors and reasons:

1. Background information of the parties involved in the Transactions

(i) Background and financial information of the Group

The Group is principally engaged in trading of machinery and spare parts, leasing of machinery and the provision of related services, the provision of transportation services in Hong Kong, and the provision of property management services, leasing of machinery and property leasing and subletting in the PRC.

We set out below a summary of the key financial information of the Group for the years ended 31 March 2019 (the “FY2019”) and 2020 (the “FY2020”) and six months ended 30 September 2019 (the “IR2019”) and 2020 (the “IR2020”) as extracted from the annual report of the Company for FY2020 (the “2020 Annual Report”) and the interim report of the Company for IR2020 (the “2020 Interim Report”) respectively.

	For the six months ended 30 September		For the years ended 31 March	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (audited)	2019 HK\$'000 (audited)
Revenue	118,151	141,403	254,568	219,729
Profit before taxation	58,449	32,219	50,374	39,721
Profit for the year/period	48,267	24,267	36,913	30,602

	As at 30 September	As at 31 March	
	2020 HK\$'000 (unaudited)	2020 HK\$'000 (audited)	2019 HK\$'000 (audited)
Bank and cash balances	114,383	75,468	189,524
Total assets	519,270	561,137	577,609
Total liabilities	123,512	215,869	267,174
Net asset value	395,758	345,268	310,435

LETTER FROM THE IFA

FY2020

Based on the 2020 Annual Report, the revenue of the Group increased from approximately HK\$219.7 million for FY2019 to approximately HK\$254.6 million for FY2020, representing an increase of approximately 15.9%, primary due to the business expansion in leasing of construction machinery in Shenzhen and increase in revenue from property management services and property and property leasing and subletting. The revenue from property management increased from approximately HK\$23.7 million for FY2019 to approximately HK\$56.6 million for FY2020, representing a growth of approximately 138.8%.

As shown in the table above and disclosed in the 2020 Annual Report, the net profit of the Group increased by approximately 20.6% from approximately HK\$30.6 million for FY2019 to approximately HK\$36.9 million for FY2020, primarily due to (i) the increase in revenue as discussed above; (ii) the increase in gross profit margin from approximately 34.4% for FY2019 to approximately 40.3% for FY2020 which mainly due to the shrinkage in trading of construction machinery that generates a lower profit margin and the growth of property management services that generates a higher profit margin; and (iii) selling expenses decreased by approximately 32.7%, from approximately HK\$4.9 million for FY2019 to approximately HK\$3.3 million for FY2020, mainly due to the decrease in trading of construction machinery.

The Group's bank and cash balances decreased by approximately 60.2% from approximately HK\$189.5 million as at 31 March 2019 to approximately HK\$75.5 million as at 31 March 2020. The total assets of the Group amounted to approximately HK\$561.1 million as at 31 March 2020, representing a slight decrease of approximately 2.9% as compared to approximately HK\$577.6 million as at 31 March 2019. Meanwhile, the Group's total liability reduced by approximately 19.2% to approximately HK\$215.9 million as at 31 March 2020 from approximately HK\$267.2 million as at 31 March 2019. As such, it resulted in the increase in the net asset value of the Group by approximately 11.2% to approximately HK\$345.3 million as at 31 March 2020 from approximately HK\$310.4 million as at 31 March 2019.

IR2020

Based on the 2020 Interim Report, revenue of the Group decreased by approximately 16.4% to approximately HK\$118.2 million for IR2020 from approximately HK\$141.4 million for IR2019, primary attributable to (i) the decrease in revenue from trading of construction machinery from approximately HK\$40.8 million for IR2019 to approximately HK\$12.0 million for IR2020, representing a drop of approximately 70.6%; and (ii) the decrease in revenue from transportation services from approximately HK\$10.4 million for IR2019 to approximately HK\$7.4 million for IR2020, representing a decrease of

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approximately 28.8%. Notwithstanding there is decrease in revenue of the Group for IR2020, the net profit of the Group increased by approximately 98.8% from approximately HK\$24.3 million for IR2019 to approximately HK\$48.3 million for IR2020. According to the 2020 Interim Report, the increase in the net profit of the Group was mainly due to (i) the gain on disposal of subsidiaries of approximately HK\$20.2 million; and (ii) the increase in gross profit margin from approximately 35.1% to approximately 51.1%. The increase in gross profit margin was mainly attributable to the decrease in the trading of construction machinery and transportation business in Hong Kong, which has lower gross profit margin, and the increase in leasing of construction machinery business in the PRC, which has higher gross profit margin.

The Group's bank and cash balances increased by approximately 51.5% from approximately HK\$75.5 million as at 31 March 2020 to approximately HK\$114.4 million as at 30 September 2020. The total assets of the Group amounted to approximately HK\$519.3 million as at 30 September 2020, representing a slightly decrease of approximately 7.4% as compared to approximately HK\$561.1 million as at 31 March 2020. Meanwhile, the Group's total liability decreased by approximately 42.8% to approximately HK\$123.5 million as at 30 September 2020 from approximately HK\$215.9 million as at 31 March 2020. As such, it resulted in the increase in the net asset value of the Group by approximately 14.6% to approximately HK\$395.8 million as at 30 September 2020 from approximately HK\$345.3 million as at 31 March 2020.

(ii) Information of Shenzhen Zhaobangji Property Services

Shenzhen Zhaobangji Property Services is a limited liability company established under the laws of the PRC, a wholly-owned subsidiary of the Company, and is principally engaged in provision of property management and related services.

(iii) Information of Shenzhen Zhaobangji

Shenzhen Zhaobangji is held as to 81% by Mr. Xu and as to 19% by a number of other family members of Mr. Xu, namely 8% by Mr. Xu Chusheng, 6% by Mr. Hui Chor Tak, 3% by Ms. Xu Jiaoli and 2% by Mr. Xu Weizhen. Shenzhen Zhaobangji is principally engaged in property development and business investment in the PRC.

2. Reasons for and benefits of entering into the Renewed Property Management Framework Agreement

As disclosed in the Board Letter, property management business has become an operating segment of the Group and recorded substantial revenue growth of over 130% for year ended 31 March 2020 which amounted to approximately HK\$56.6 million as compared to approximately HK\$23.7 million for the year ended 31 March 2019. It has been the Group's intention to continue to expand its portfolio of properties under management in the

LETTER FROM THE IFA

PRC. The Group has been providing property management services to Shenzhen Zhaobangji Group for the past two years and the provision of which is in the ordinary course of business of the Group. As the Existing Property Management Framework Agreement will be expired on 31 March 2021, the Renewed Property Management Framework Agreement is being entered into so as to enable the Group to continue to provide property management services to Shenzhen Zhaobangji Group for generating stable income stream to the Group, which could further promote the business growth of the Group.

Having considered that, (i) the Group is principally engaged in provision of property management service; (ii) the Renewed Property Management Framework Agreement can generate stable income; and (iii) the PMF Annual Caps, if approved, would facilitate the continuing connected transactions under the Renewed Property Management Framework Agreement for the years ending 31 March 2022, 2023 and 2024 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis, we are of the view that the entering into of the Renewed Property Management Framework Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

3. Principal terms of the Renewed Property Management Framework Agreement

The following information has been extracted from the Board Letter:

Date	14 January 2021
Parties	(1) Shenzhen Zhaobangji Property Services (2) Shenzhen Zhaobangji (for itself and as trustee for the benefit of its subsidiaries from time to time)
Period	Subject to the approval by the Independent Shareholders, from the Effective Date to 31 March 2024
Individual property management agreement	Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji Group shall enter into Individual Property Management Agreement(s) in respect of each property to be managed by Shenzhen Zhaobangji Property Services during the term of the Renewed Property Management Framework Agreement, which shall set out the detailed terms of the transactions to be conducted under the Renewed Property Management Framework Agreement. The terms of the Individual Property Management Agreement(s) shall in principle be consistent with the Renewed Property Management Framework Agreement. In case of inconsistency, the terms of the Renewed Property Management Framework Agreement shall prevail.

LETTER FROM THE IFA

Service Scope

The service scope (the “**Service Scope**”) under the Renewed Property Management Framework Agreement includes:

- (1) daily management, cleaning and repair of public areas of the properties;
- (2) security services and guest reception in the properties;
- (3) maintenance of fire prevention, and reporting accidents to relevant authorities and taking corresponding measures to support rescue work in the properties;
- (4) management of parking of vehicles and car parks (if applicable);
- (5) management of renovation undertaken by occupants of the properties; and
- (6) management of the public utilities expenses paid by the occupants.

Fees

The fees chargeable for the Service Scope (the “**Fees**”) and the payment terms and methods shall be set out in the Individual Property Management Agreement(s) and determined principally on the basis of arm’s length commercial negotiations according to the principles of fairness and reasonableness by both parties by taking into account factors including the location, the state, the applicable property management Service Scope and the costs involved in managing each of the properties to be managed by Shenzhen Zhaobangji Property Services. The Fees shall be determined with reference to the prevailing property management fees of similar properties in the market from time to time.

The Fees shall also be determined in accordance with the fees charged by Shenzhen Zhaobangji Property Services in providing similar property management services to Independent Third Parties in its ordinary course of business (if applicable). The Fees shall not be less favourable to Shenzhen Zhaobangji Property Services than those charged to the Independent Third Parties.

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The Fees shall be adjusted in the Individual Property Management Agreements for each subsequent financial year ending 31 March in accordance with the prevailing circumstances to ensure that the fees will be in conformity with the principles mentioned above.

In assessing the fairness and reasonableness of the terms in the Renewed Property Management Framework Agreement, we have obtained and reviewed both the Existing Property Management Framework Agreement and the Renewed Property Management Framework Agreement and we notice that the principal terms of the two agreements are substantially the same, where the Existing Property Management Framework Agreement had been approved by the independent shareholders at the extraordinary general meeting of the Company held on 21 December 2018.

We have enquired the Management and understand that the Fees to be charged for the Service Scope under the Renewed Property Management Framework Agreement shall take into account factors such as, the location and class of the managed properties, the scope of services and associated costs involved by the Group for the managed properties as well as the prevailing property management fees of similar properties, etc. Such pricing basis is equally applicable to all of the Group's customers, regardless of their relationship with the Group and it also adheres to the general pricing policy of the Group.

We have also selected and reviewed 8 sample contracts under the Existing Property Management Agreement and a sample contract (the "**Comparable Contract**") entered into between the Group with other Independent Third Parties customer. Upon our enquiry and as confirmed by the Directors, we are made known that the Comparable Contract is exhaustively selected based on the location and class of the managed property in the vicinity of the properties held by Shenzhen Zhaobangji which are being managed by the Group and with similar scope of services provided by the Group to the independent customer and to Shenzhen Zhaobangji. We note that the services fees paid by Shenzhen Zhaobangji to the Group were not more favourable than the fees which the Group charged to the Independent Third Parties customer for similar services.

In view of the above and having also considered (i) the terms of the Renewed Property Management Framework Agreement are substantially the same as the Existing Property Management Framework; (ii) the service fees charged to Shenzhen Zhaobangji are not less favourable to the Group than those charged to the Independent Third Parties customer for comparable properties with similar services provided by the Group; and (iii) the internal control procedures in place to monitor the transactions under the Renewed Property Management Framework Agreement as discussed in the section headed "5. Internal control measures of the Renewed Property Management Framework Agreement" below, we consider the terms of the Renewed Property

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Management Framework Agreement are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

4. Annual caps for the Renewed Property Management Framework Agreement

The historical aggregate amount of service fees received by the Group for the two years ended 31 March 2020 and for the nine months ended 31 December 2020 (the “**Relevant Period**”) are as follows:

	For the year ended 31 March 2019 RMB'000	For the year ended 31 March 2020 RMB'000	For the nine months ended 31 December 2020 RMB'000
Historical amounts	6,120 (<i>Note</i>)	24,480	18,360
As a percentage of the audited revenue of the Group in the immediate preceding financial year (%)	4.77	12.20	8.57

Note: Actual fees charged by Shenzhen Zhaobangji Property Services for the period from 1 January 2019 to 31 March 2019.

The PMF Annual Caps for the transactions contemplated under the Renewed Property Management Framework Agreement for the three years ending 31 March 2022, 2023 and 2024 are as follows:

	For the year ending 31 March 2022 RMB'000	For the year ending 31 March 2023 RMB'000	For the year ending 31 March 2024 RMB'000
PMF Annual Caps	27,000	27,800	28,600

To assess the reasonableness of the proposed PMF Annual Caps under the Renewed Property Management Framework Agreement, we have reviewed the basis of determining the PMF Annual Caps and discussed with the Management regarding the principal factors the Company has taken into account in arriving the PMF Annual Caps.

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As set out in the Board Letter, the proposed PMF Annual Caps are determined with reference to:

- (1) the historical amounts of fees charged by Shenzhen Zhaobangji Property Services for the property management services provided to Shenzhen Zhaobangji Group under the Existing Property Management Framework Agreement;
- (2) the estimated revenue to be recognized based on the existing signed contracts between Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji Group;
- (3) the gross floor area of the portfolio of properties currently controlled or being developed by the Shenzhen Zhaobangji Group, in respect of which Shenzhen Zhaobangji Property Services will be engaged to provide property management services in the relevant financial year(s);
- (4) the current management service fees per square metre charged by Shenzhen Zhaobangji Property Services;
- (5) an anticipated annual inflation rate which is estimated with reference to recent consumer price indices in the PRC;
- (6) a buffer of 10% to be applied on the aforesaid gross transaction amounts to cater for additional properties that may be included in the Renewed Property Management Framework Agreement and any unexpected increase in monthly management service fee per square metre; and
- (7) in any event, the PMF Annual Caps will not be higher than 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements.

We have reviewed a calculation schedule prepared by the Management in relation to the PMF Annual Caps for the three years ending 31 March 2022, 2023 and 2024. We note that the Management has determined the PMF Annual Caps with reference to a number of factors including, among other things, (i) the total gross floor area of the properties held by Shenzhen Zhaobangji being managed by the Group under the Existing Property Management Framework Agreement as of 31 December 2020 (the “**Property Portfolio**”); and (ii) estimated service fees per sq.m. for the Property Portfolio with reference to the relevant market prevailing price by taking into account the class and location of the properties. As advised by the Management, we are made known that the Group has charged service fees for the property management services on the Property Portfolio which comprises of 4 properties held by Shenzhen Zhaobangji in Shenzhen, the PRC for the years ended 31 March 2019 and 2020 and the Relevant Period. We have discussed and understood from the Management that

LETTER FROM THE IFA

Shenzhen Zhaobangji intends to and the Group will continue to provide property management services for the Property Portfolio for the three years ending 31 March 2022, 2023 and 2024. We have also reviewed the summary reports for the estimated service fees for determining the proposed PMF Annual Caps and noted that the Group has obtained quotations from not less than three market comparables to determine the estimated service fees and the estimated service fees do not fall below the prevailing market rate.

In relation to the 10% buffer applied, we understand from the Management that such was intended to cater for any unforeseen changes in market conditions including an unexpected increase in demand of property management services and/or unexpected increase in the prevailing service fees to be charged to Shenzhen Zhaobangji, thereby providing a degree of flexibility.

Having reviewed the above determination basis of the PMF Annual Caps, we consider that the estimation of the proposed PMF Annual Caps is fair and reasonable.

5. Internal control measures of the Renewed Property Management Framework Agreement

As stated in the Board Letter, in order to ensure that the Fees will be on normal commercial terms and no less favourable to the Group, the Group has adopted the certain internal control procedures, details of which are included in section headed “THE RENEWED PROPERTY MANAGEMENT FRAMEWORK AGREEMENT – Internal control and pricing policies” in the Board Letter.

We have obtained the minimum fee proposal maintained by the Group and the approval document of the minimum fee proposal and we note that the Group has obtained quotations from not less than three market comparables to determine the Fees which would not fall below the prevailing market rate. We have also obtained supporting documents in connection with the annual review on the fees charged by the Group for the managed properties covered by the Existing Property Management Framework Agreement and we note that the Group has reviewed the prevailing market rate of the similar properties (in terms of the location and class of the properties) annually. We further note that the fees did not fall below the prevailing market rate.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmations regarding the continuing connected transactions of the Company each year. We have reviewed the annual reports of the Company for the years ended 31 March 2019 and 2020 and we note that the independent non-executive Directors and the auditor of the Company have reviewed the continuing connected transactions under the Existing Property Management Framework Agreement during such years and provided the relevant confirmations. As confirmed with the Company, we are given to understand that the

LETTER FROM THE IFA

Company will continue to comply with the relevant annual review requirement under the Listing Rules on an on-going basis.

In addition, we have discussed with and understood from the Management that the accounting department of the Group will monitor regularly the actual transactions amount contemplated under the Renewed Property Management Framework Agreement to ensure the PMF Annual Caps will not be exceeded, in particular, as the PMF Annual Caps shall not in any event be higher than 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements. The Management has confirmed that the transactions between the Group and Shenzhen Zhaobangji under the Existing Property Management Framework Agreement have been in compliance with the relevant internal control procedures and such measures will continue to be in place in the future. Therefore, we are of the view that appropriate internal control procedures are in place to prevent the proposed annual caps from being exceeded.

Based on the above, we concur with the view of the Directors that the Group has effective internal procedures in place to continue to monitor the continuing connected transactions under the Renewed Property Management Framework Agreement and to ensure that such transactions contemplated under the Renewed Property Management Framework Agreement will continue to be conducted in accordance with the pricing policies under the Renewed Property Management Framework Agreement and on normal commercial terms.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that (i) the Transactions are conducted in the ordinary and usual course of business of the Company; and (ii) the terms of the Renewed Property Management Framework Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Transactions (including the PMF Annual Caps).

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited
Ross Cheung
Managing Director

Mr. Ross Cheung is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Akron Corporate Finance Limited to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO and has over 19 years of experience in corporate finance industry.

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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF DIRECTORS AND CHIEF EXECUTIVE

So far as was known to the Directors, as at the Latest Practicable Date, the following Director had interests in the shares of the Company and/or the associated corporations (within the meaning of Part XV of the SFO) of the Company which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he was taken or deemed to have under such provisions of the SFO); (ii) recorded in the register maintained by the Company referred to in section 352 of the SFO pursuant thereto; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company:

Name of company	Name of Director	Capacity/Nature of interest	Number and class of shares	Approximate percentage of the issued share capital
The Company (<i>Note 1</i>)	Mr. Xu	Interest of spouse (<i>Note 2</i>)	302,640,000 Shares	4.89%
		Interest of a controlled corporation (<i>Note 3</i>)	3,139,280,000 Shares	50.67%
			3,441,920,000 Shares	55.56%

Name of company	Name of Director	Capacity/Nature of interest	Number and class of shares	Approximate percentage of the issued share capital
Boardwin (Notes 3 and 4)	Mr. Xu	Beneficial owner	75.875 ordinary shares	75.88%
	Mr. Wu Hanyu	Beneficial owner	2 ordinary shares	2%
	Ms. Zhan Meiqing	Beneficial owner	1 ordinary share	1%

Notes:

1. The approximate percentages of the issued share capital of the Company held by the Director are calculated based on the number of issued Shares as at the Latest Practicable Date of 6,195,000,000.
2. As at the Latest Practicable Date, 302,640,000 Shares were beneficially owned by Ms. Zhang Meiquan, the spouse of Mr. Xu. By virtue of the SFO, Mr. Xu was taken to be interested in such Shares.
3. As at the Latest Practicable Date, Boardwin beneficially owned 3,139,280,000 Shares, representing approximately 50.67% of the issued share capital of the Company, and hence was an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at the Latest Practicable Date, Boardwin was held as to approximately 75.88% by Mr. Xu. By virtue of the SFO, Mr. Xu was taken to be interested in the Shares beneficially owned by Boardwin.

4. The approximate percentage of the issued share capital of Boardwin held by each respective Director is calculated based on the number of issued ordinary shares of Boardwin as at the Latest Practicable Date.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register maintained by the Company referred to in section 352 of the SFO pursuant thereto; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

So far as was known to the Directors, as at the Latest Practicable Date, Mr. Xu was a director of Boardwin. Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares 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, no Director had any existing or proposed service contract with any member of the Group, excluding service contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

None of the Directors had any interest, direct or indirect, in any asset which had, since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Akron Corporate Finance Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the expert identified above had no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The expert identified above did not have any interest, direct or indirect, in any asset which had, since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

The expert identified above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

7. MISCELLANEOUS

- (a) All references to times and dates in this circular refer to Hong Kong times and dates.
- (b) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business in Hong Kong of the Company at Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any business day from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the Existing Property Management Framework Agreement;
- (c) the Renewed Property Management Framework Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (e) the letter from the IFA, the text of which is set out on pages 19 to 31 of this circular;
- (f) the letter of consent referred to under the paragraph headed “Qualification and Consent of Expert” in this Appendix; and
- (g) this circular.



Zhaobangji Properties Holdings Limited

兆邦基地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Zhaobangji Properties Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at Unit 16–18, 11th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Friday, 19 March 2021 at 3:00 p.m., for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution each as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the Renewed Property Management Framework Agreement (as defined in the circular of the Company dated 3 March 2021 and a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed and approved;
- (b) the annual caps in respect of the transactions contemplated under the Renewed Property Management Framework Agreement in the amounts of RMB27,000,000, RMB27,800,000 and RMB28,600,000 for the three years ending 31 March 2022, 31 March 2023 and 31 March 2024, and in any event not higher than 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements during the three years ending 31 March 2022, 31 March 2023 and 31 March 2024 respectively be and are hereby approved; and

NOTICE OF EGM

- (c) any director of the Company (the “**Director**”) or any other person authorised by the board of Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for or in connection with the implementation of the Renewed Property Management Framework Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to agree to any waiver of compliance with or amendment or supplement to any of the provisions of the Renewed Property Management Framework Agreement which is in his/her opinion not of a material nature and necessary, desirable or expedient for or in connection with the implementation of the Renewed Property Management Framework Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, and to effect or implement any other matter referred to in this resolution.”

Yours faithfully,
By order of the Board
Zhaobangji Properties Holdings Limited
Xu Chujia
Chairman and executive Director

Hong Kong, 3 March 2021

Registered office:

Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 16–18, 11/F
China Merchants Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Notes:

1. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 17 March 2021 to 19 March 2021, both days inclusive, during which period no transfer of shares will be effected and registered. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on 16 March 2021.
2. Any member entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of only part of his holding of shares in the Company. A proxy need not be a member of the Company.

NOTICE OF EGM

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
4. The instrument appointing a proxy and (if required by the board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned meeting at which the person named in the instrument proposes to vote.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall 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.

As at the date of this notice, the Board comprises six executive Directors, namely, Mr. Xu Chujia, Mr. Cai Chun Fai, Mr. Li Yan Sang, Mr. Sze-to Kin Keung, Mr. Wu Hanyu and Mr. Zhao Yiyong; two non-executive Directors, namely, Ms. Zhan Meiqing and Professor Lee Chack Fan, G.B.S., S.B.S., J.P.; and four independent non-executive Directors, namely, Mr. Hui Chin Tong Godfrey, Mr. Ma Fung Kwok, S.B.S., J.P., Mr. Wong Chun Man and Mr. Ye Longfei.