
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 stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Meilleure Health International Industry Group Limited (the “**Company**”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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美瑞健康国际产业集团
Meilleure Health International Industry Group

MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED
美瑞健康國際產業集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 2327)

**(1) REVISION OF ANNUAL CAP OF CONTINUING CONNECTED
TRANSACTIONS FOR THE YEAR ENDING 31 DECEMBER 2020;
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO RENEWAL OF FRAMEWORK AGREEMENT; AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

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



Vinco Capital Limited

A notice convening the special general meeting (the “**SGM**”) of the Company to be held at 22/F, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong on Wednesday, 4 November 2020 at 11:00 a.m. is set out on pages 46 to 48 of this circular. A form of proxy for use at the SGM is also enclosed with this circular.

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 37 of this circular.

Whether or not you are able to attend the SGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event no later than 11:00 a.m. (Hong Kong time) on Monday, 2 November 2020. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

12 October 2020

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DEFINITIONS

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

“2020 Annual Cap”	the annual cap for the service fees payable by U-Home Group to the Group in respect of the Property Sales and Consultancy Services for the year ending 31 December 2020
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Meilleure Health International Industry Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the transactions as contemplated under the New Framework Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Revision of 2020 Annual Cap and the New Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Vinc Capital”	Vinc Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Revision of 2020 Annual Cap and the New Framework Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholder(s)”	Shareholder(s) other than Mr. Zhou Xuzhou, U-Home Group Limited, their respective associates and all other Shareholders who are interested in the Revision of 2020 Annual Cap and the New Framework Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) of the Company
“Latest Practicable Date”	7 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Mei Jia Rui”	Nanjing Mei Jia Rui Business Information Consulting Co., Ltd.* (南京美加瑞商務資訊諮詢有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“New Framework Agreement”	the framework agreement dated 15 September 2020 entered into between U-Home Group Limited and the Company pursuant to which the Group will provide the Property Sales and Consultancy Services to U-Home Group
“Original Framework Agreement”	the framework agreement dated 8 November 2017 (as amended by a supplemental framework agreement dated 19 December 2017 and a second supplemental framework agreement dated 29 March 2018) entered into between U-Home Group Limited and the Company pursuant to which the Group would provide the Property Sales and Consultancy Services to U-Home Group
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

DEFINITIONS

“Project(s)”	the development by U-Home Group of approximately 18 new real estate projects covering a total development area of approximately 2.6 million square meters across different cities in the PRC and are mainly located in Jiangsu, Anhui and Hunan of the PRC, for which pre-sale of properties will commence from the third quarter of 2020
“Property Sales and Consultancy Services”	the provision of property sales and consultancy services by the Group to U-Home Group
“Proposed Annual Caps”	the proposed annual caps for the Continuing Connected Transactions
“Revision of 2020 Annual Cap”	the revision of 2020 Annual Cap for the transactions contemplated under the Original Framework Agreement Transactions
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the Revision of 2020 Annual Cap and the New Framework Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Supplemental Framework Agreement”	the supplemental agreement dated 15 September 2020 entered into between U-Home Group Limited and the Company in respect of the Revision of 2020 Annual Cap
“U-Home Group”	U-Home Group Limited and its subsidiaries
“U-Home Group Limited”	U-Home Group Limited* (宇業集團有限公司), a company established in the PRC and wholly-owned by Mr. Zhou Xuzhou, an executive Director and controlling shareholder of the Company

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	percentage

For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.1317 have been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

** For identification purpose only*

LETTER FROM THE BOARD



美瑞健康国际产业集团
Meilleure Health International Industry Group

MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED
美瑞健康國際產業集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 2327)

Executive Directors:

Mr. Zhou Xuzhou (*Co-Chairman*)
Dr. Zeng Wentao (*Co-Chairman*)
Ms. Zhou Wen Chuan
(*Vice Chairman and Chief Executive Officer*)

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Dr. Mao Zhenhua

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

Unit 2906, Tower 1, Lippo Centre
89 Queensway, Admiralty
Hong Kong

Independent non-executive Directors:

Professor Chau Chi Wai, Wilton
Mr. Gao Guanjiang
Mr. Wu Peng

12 October 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) REVISION OF ANNUAL CAP OF CONTINUING CONNECTED
TRANSACTIONS FOR THE YEAR ENDING 31 DECEMBER 2020;
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO RENEWAL OF FRAMEWORK AGREEMENT; AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 15 September 2020. The purpose of this circular is to provide you with, among other things, (i) further details of the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; (ii) further details of the New Framework Agreement and the transactions contemplated thereunder; (iii) a letter of recommendation from the Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Revision of 2020 Annual Cap and the New Framework Agreement; and (v) a notice convening the SGM.

LETTER FROM THE BOARD

REVISION OF 2020 ANNUAL CAP

Due to an increase in anticipated total gross floor area of the real estate projects developed by U-Home Group that have been sold and expected to be sold in 2020, the annual amounts for the service fees payable by U-Home Group to the Group in respect of the Property Sales and Consultancy Services for the year ending 31 December 2020 is expected to be higher than the level as envisaged at the time of entering into of the Original Framework Agreement.

On 15 September 2020, U-Home Group Limited and the Company entered into the Third Supplemental Framework Agreement to revise the 2020 Annual Cap for the service fees payable by U-Home Group to the Group in respect of the Property Sales and Consultancy Services under the Original Framework Agreement from RMB26,000,000 (equivalent to approximately HK\$29,424,000) to RMB36,000,000 (equivalent to approximately HK\$40,741,000). The Revision of 2020 Annual Cap shall be effective after being approved at SGM in accordance with the Listing Rules.

The above revised 2020 Annual Cap was determined with reference to the estimated annual sale of real estate projects developed by U-Home Group, which is based on the number of real estate projects to be developed by U-Home Group, multiplied by 2.5% (being the highest of 1% to 2.5% charged for the service fee). The estimated annual sale of real estate projects was derived from (i) the actual sale amount for the real estate projects already been sold for the period from 1 January 2020 to 31 August 2020, which amounted to approximately RMB993,608,000 (equivalent to approximately HK\$1,124,466,000) representing a gross floor area of approximately 142,000 square meters; and (ii) the anticipated total gross floor areas of approximately 360,000 square meters for the real estate projects developed by U-Home Group that expected to be sold for the remaining period in 2020 multiplied by expected selling price for the relevant projects.

It is noted that (i) the estimated annual sales of projects of U-Home Group as facilitated by the Group in 2020 is equivalent to the sum of the actual sale amount for the real estate projects already been sold in 2020 and the estimated annual total gross floor area to be sold multiplied by the expected selling price for the relevant projects; (ii) the estimated service fees payable is calculated by multiplying 2.5% (being the highest of 1% to 2.5% charged for the service fee) to the estimated annual sales of projects of U-Home Group as facilitated by the Group in 2020; and (iii) 11 additional projects previously unforeseen had contributed a variance of total gross floor area of 259,000 square meter made available for the year ending 31 December 2020. With reference to the estimated schedule in the project forecast for the year ending 31 December 2020, it is expected that the estimated service fees payable by U-Home Group to the Group would exceed the original annual cap by approximately RMB9,457,000 during the period from September 2020 to December 2020.

LETTER FROM THE BOARD

Save and except the revised maximum transaction amount between U-Home Group Limited and the Company as amended and supplemented by the Third Supplemental Framework Agreement, the rest of the provisions of the Original Framework Agreement will remain in full force and effect in accordance with its terms. As of the Latest Practicable Date, the original 2020 annual cap under the Original Framework Agreement has not been exceeded and the Company will ensure that the original 2020 annual cap will not be exceeded before the date of the SGM.

NEW FRAMEWORK AGREEMENT

As the Original Framework Agreement will be ending on 31 December 2020, on 15 September 2020, U-Home Group Limited entered into the New Framework Agreement with the Company, subject to the approval of the Independent Shareholders at the SGM, pursuant to which the Group will provide the Property Sales and Consultancy Services to U-Home Group for a term of three years commencing from 1 January 2021. Details of the New Framework Agreement are set out below:

Date : 15 September 2020

Parties : (i) U-Home Group Limited
(ii) the Company

Term : The New Framework Agreement is valid for a term of three years commencing from 1 January 2021.

U-Home Group Limited and the Company may extend the term of the New Framework Agreement at any time within the twelve-month period prior to the expiry of the New Framework Agreement or at such other time as U-Home Group Limited and the Company may agree subject to the entering into of a new agreement and on the condition that all applicable disclosure and/or Shareholders' approval requirement under the Listing Rules having been complied with by the Company.

Subject matter : The Group will provide the Property Sales and Consultancy Services to U-Home Group.

Provision of Property Sales and Consultancy Services

U-Home Group is the property developer for approximately 18 new real estate projects covering a total development area of approximately 2.6 million square meters across different cities in the PRC, mainly located in Jiangsu, Anhui and Hunan, and pre-sale of properties will commence from the third quarter of 2020 for certain projects. Pursuant to the New Framework

LETTER FROM THE BOARD

Agreement, U-Home Group will appoint the Group as its marketing and sales agent and the Group will be responsible for providing, among others, the following Property Sales and Consultancy Services:

- (a) providing property sales and consultancy services for the Projects;
- (b) providing sales related services for the Projects, including preparation of market research reports, advertising promotion plans and sales strategy;
- (c) making recommendations of price list and discount pricing strategies for the Projects;
- (d) recruiting and providing training for the marketing and sales teams; and
- (e) assisting U-Home Group to obtain the relevant licenses and to handle other matters relating to the Property Sales and Consultancy Services.

To facilitate the cooperation between U-Home Group and the Group, U-Home Group will assist the Group in providing, among others, the following services:

- (a) providing the relevant information of the Projects to the Group, including but not limited to copy of the general layout plan, floor plan, design sketches, construction standard, decoration standard, finishing standard and amenities standard; and
- (b) supervising the Property Sales and Consultancy Services provided by the Group, including but not limited to advertising and promotion proposals, sales execution plan, sales price, discount pricing strategies as well as reviewing and approving the relevant documents relating to the Property Sales and Consultancy Services prepared by the Group on a timely basis.

As at the Latest Practicable Date, the Group has not provided services similar to the Property Sales and Consultancy Services to any customer who is an Independent Third Party.

Service fees

U-Home Group will pay the Group a service fee for the Property Sales and Consultancy Services, which represents the sales commission fee calculated at the rate of 1% to 2.5% of the total amount of revenue generated from the sales of each real estate project as prescribed under the relevant agreement to be entered into between the Group and U-Home Group.

The general pricing principles of service fees payable by U-Home Group for the Property Sales and Consultancy Services are determined with reference to (i) the prevailing market rate of service fees in respect of providing similar property sales and consultancy services that are charged by other comparable Independent Third Parties of similar operational size and scale to the Company in the market; (ii) the expressed interest and estimated demand from U-Home Group on the Property Sales and Consultancy Services to be provided by the Group; and (iii) the

LETTER FROM THE BOARD

prevailing rate of service fees in respect of providing similar property sales and consultancy services to U-Home Group by agencies who are Independent Third Party. In particular, for factors above, the Company has adopted the prevailing market rate of service fees at an average rate of 1% to 2.5% based on (i) obtained sample of quotations from agencies who are Independent Third Party of similar operational size and scale to the Company in the market for comparison purpose; (ii) desktop research of sales commission fee made publicly available from similar Independent Third Party; and (iii) the expressed interest and estimated demand from U-Home Group on the Property Sales and Consultancy Services to be provided by the Group, to help with the determination of the above service fees.

Although there is no pricing policy or guideline published or adopted for the Property Sales and Consultancy Services within the market, the sales and marketing team of the Group will be responsible for reviewing and determining the pricing of service fee based on market information obtained from third party agency regarding the pricing of different types of property sales and consultancy services (including sales planning and property promotion of commercial and residential properties) in the real estate market. It will then submit a proposal to the management of the Group for approval and assessment on the reasonableness of the pricing according to the general pricing principles. As there are alternative sources of service providers with comparable pricing and scope of services, the sales and marketing team of the Group will also make reference to the price of similar services offered from about 1 to 3 Independent Third Parties for comparison purpose. In particular, the sales and marketing team will conduct desktop research in respect of the sales commission charged by real estate agents in the PRC market for providing similar property sales and consultancy services prior to determining the actual service charge for a particular project. After determining the service fee to be charged to a member of U-Home Group, the chief executive officer of the Company will proceed to negotiate and agree on an arm's length basis with the member of U-Home Group. The sales and marketing team of the Group currently comprises 23 staff and is led by Ms. Zhou Juan, a general manager of the Group. As part of the internal control measures of the Group, Ms. Zhou Juan will be responsible for reviewing and approving the terms of the actual services to be provided by the Group to U-Home Group. To the best of the Directors' knowledge, information and belief, having made all reasonable inquiries, each of the persons involved in the Company's internal control measures in respect of the provision of the Property Sales and Consultancy Services is a third party independent of the Company and its connected persons (as defined under the Listing Rules) as at the Latest Practicable Date.

LETTER FROM THE BOARD

Proposed Annual Caps for Property Sales and Consultancy Services

Set out below are (i) the original annual caps for the two years ended 31 December 2019 and the year ending 31 December 2020 under the Original Framework Agreement; (ii) the historical amounts of the actual transactions for the two years ended 31 December 2019 and the period from 1 January 2020 to 31 August 2020; and (iii) the proposed annual cap to be revised for the year ending 31 December 2020 under the Third Supplemental Framework Agreement in respect of the Property Sales and Consultancy Services:

	For the year ended 31 December		From 1 January 2020 to 31 August 2020
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Original annual cap	26,000	26,000	26,000 <i>(Note)</i>
Actual transaction amount	25,984	25,954	19,226
Utilisation	99.9%	99.8%	73.9%
			For the year ending 31 December 2020
			<i>RMB'000</i>
Proposed annual cap to be revised			36,000
Estimated transaction amount			35,457
Estimated utilisation			98.5%

Note: The figure represented the original annual cap under the Original Framework Agreement for the entire year ending 31 December 2020.

It is expected that maximum annual aggregate amounts for the service fees payable by U-Home Group to the Group for each of the three years ending 31 December 2023 in respect of the Property Sales and Consultancy Services will not exceed RMB40,000,000 (equivalent to approximately HK\$45,268,000), RMB40,000,000 (equivalent to approximately HK\$45,268,000) and RMB40,000,000 (equivalent to approximately HK\$45,268,000), respectively.

The Proposed Annual Caps for the three years ending 31 December 2023 have been determined with reference to (i) the historical figures of the actual amounts for the service fees payable by U-Home Group to the Group in respect of the Property Sales and Consultancy Services under the Original Framework Agreement; (ii) the anticipated number of approximately 16 real estate projects to be developed by U-Home Group in the PRC in the coming three years; (iii) the anticipated demand in Property Sales and Consultancy Services for the real estate projects developed by U-Home Group in the PRC market for the three years ending 31

LETTER FROM THE BOARD

December 2023, whereby it is estimated that the annual total gross floor area of property projects of U-Home Group to be sold as facilitated by the Group are approximately 644,000, 572,000 and 572,000 square meters for each of the three years ending 31 December 2023; and (iv) expected selling price in the range of RMB5,000 to RMB30,000 per square meter for relevant projects.

The above factors contributed to the determination of the Proposed Annual Caps because (i) the estimated annual sales of property projects of U-Home Group as facilitated by the Group is equivalent to the estimated annual total gross floor area to be sold multiplied by the expected selling price for the relevant projects; (ii) the Group had taken into account the expected commencement and completion date for each of the relevant projects from the project development plan and allocated the estimated total gross floor area to be sold and facilitated by the Group for each of the three years ending 31 December 2023; and (iii) the estimated service fees payable is calculated by multiplying 2.5% (being the highest of 1% to 2.5% charged for the service fee) to the estimated annual sales of projects of U-Home Group as facilitated by the Group.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors shall review annually the continuing connected transactions and confirm in the Company's annual report for the year in question whether such transactions have been entered into:

- (a) in the usual and ordinary course of business of the Company;
- (b) either on normal commercial terms or, if there is no available comparison, on terms that are no less favorable than terms available to or from Independent Third Parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

The auditors of the Company shall review annually the continuing connected transactions and confirm in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) in respect of each relevant financial year, that the continuing connected transactions:

- (a) have received the approval of the Directors (including the independent non-executive Directors);
- (b) are in accordance with the pricing principles as stated in the relevant agreements;
- (c) have been entered into in accordance with the relevant agreements governing the continuing connected transactions; and
- (d) have not exceeded the relevant proposed annual caps as set out above.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF REVISING 2020 ANNUAL CAP AND ENTERING INTO THE NEW FRAMEWORK AGREEMENT

The Board has been carefully monitoring the historical transacted amounts of the continuing connected transactions. Taking into account the various basis set out above and in view of the increase in anticipated total gross floor area of the real estate projects developed by U-Home Group that have been sold and expected to be sold in 2020, the Board envisages that the annual amounts for the service fees payable by U-Home Group to the Group in respect of the Property Sales and Consultancy Services for the year ending 31 December 2020 would exceed the original annual cap under the Original Framework Agreement. The Board therefore proposes to revise and increase the 2020 Annual Cap.

Nanjing Mei Jia Rui, the wholly-owned subsidiary of the Company, is principally engaged in the sales of properties and consultancy services to serve as the sole platform for U-Home Group in the provision of sales of properties and consultancy services in the PRC. Under this business model, Nanjing Mei Jia Rui undertakes and develops the business of sales of properties and consultancy services, while U-Home Group only engages in the construction and development of properties in the PRC, which enables it to focus on its core business of construction and development of properties. Nanjing Mei Jia Rui and U-Home Group can further enhance their respective reputations in the real estate market of the PRC by entering into the New Framework Agreement. Currently, 7 employees of Nanjing Mei Jia Rui possess relevant recognised qualifications as property sales agent in the PRC and years of experience in such business. The consultancy business aims to build a professional customer services and sales team for the cultivation of sales and professional personnel for the Group's core business in the future.

The Directors (excluding Mr. Zhou Xuzhou who had abstained from voting on the resolutions of the Board in view of his material interest in the Revision of 2020 Annual Cap and the New Framework Agreement and the independent non-executive Directors who will form their views after considering the recommendation from the Independent Financial Adviser) consider that (i) the revised 2020 Annual Cap is fair and reasonable and in the interests of the Company and its Shareholders as a whole; (ii) the terms of the Third Supplemental Framework Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better to the Group; and on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; (iii) the New Framework Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms; and (iv) the terms of the New Framework Agreement and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Save for Mr. Zhou Xuzhou (who is an executive Director and controlling shareholder of the Company), none of the Directors has a material interest in the Third Supplemental Framework Agreement and the New Framework Agreement and the transactions contemplated thereunder. Accordingly, none of the other Directors is required to abstain from voting on the relevant Board resolutions to approve (i) the Revision of 2020 Annual Cap and the entering into of the Third

LETTER FROM THE BOARD

Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder.

To the best of the knowledge of the Directors, information and belief having made all reasonable enquiries, save for Mr. Zhou Xuzhou, no other Shareholders have material interests in the Third Supplemental Framework Agreement and the New Framework Agreement and the transactions contemplated thereunder. Accordingly, save for Mr. Zhou Xuzhou and his associates who together hold 52.94% shareholdings in the Company, no other Shareholders are required to abstain from voting at SGM for the resolutions to approve (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES

Information of the Group

The Company is principally engaged in investment holding. The Group is principally engaged in healthcare related business, trading business, agency business, properties investment and leasing business as well as properties development business.

Information of U-Home Group

U-Home Group Limited is a company established in the PRC and wholly owned by Mr. Zhou Xuzhou, an executive Director and controlling shareholder of the Company. U-Home Group is principally engaged in real estate development, financial investment, property management and hotel management in various cities in the PRC.

LISTING RULES IMPLICATIONS

As U-Home Group Limited is wholly-owned by Mr. Zhou Xuzhou, an executive Director and controlling shareholder of the Company, U-Home Group Limited is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, (i) the transactions with U-Home Group Limited contemplated under the Third Supplemental Framework Agreement; and (ii) the Continuing Connected Transactions with U-Home Group Limited contemplated under the New Framework Agreement constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, if the Company proposes to revise the annual cap for a continuing connected transaction, the Company must re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction.

Since the applicable percentage ratios in respect of the revised 2020 Annual Cap are more than 5% and the aggregate annual consideration is more than HK\$10,000,000, the transactions

LETTER FROM THE BOARD

contemplated under the Third Supplemental Framework Agreement are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

In addition, since the applicable percentage ratios of the Proposed Annual Caps under Chapter 14A of the Listing Rules are, on an annual basis, more than 5% and the aggregate annual consideration is more than HK\$10,000,000, the Continuing Connected Transactions are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, and as to how to vote on the proposed resolutions at the SGM to approve (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder. Vinco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The notice convening the SGM is set out on pages 46 to 48 of this circular. The SGM will be convened and held at 22/F, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong on Wednesday, 4 November 2020 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve, among others, (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement and the transactions contemplated thereunder. The voting at the SGM will be taken by way of poll.

Save for Mr. Zhou Xuzhou, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholders have material interests in the Third Supplemental Framework Agreement and the New Framework Agreement and the transactions contemplated thereunder. Accordingly, save for Mr. Zhou Xuzhou, no other Shareholders are required to abstain from voting at SGM for the resolutions to approve (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Whether or not you are able to attend the SGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event no later than 11:00 a.m. (Hong Kong time) on Monday, 2 November 2020. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE SGM

The register of members of the Company for the SGM will be closed from Friday, 30 October 2020 to Wednesday, 4 November 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the SGM to be held on Wednesday, 4 November 2020, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 29 October 2020.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of the circular. The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, the text of which is set out on pages 19 to 37 of this circular, considers that each of the Third Supplemental Framework Agreement and the New Framework Agreement was entered into on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of each of the Third Supplemental Framework Agreement and the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder.

The Board considers that (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole and therefore recommends that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

By Order of the Board
Meilleure Health International Industry Group Limited
Zhou Wen Chuan
Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



美瑞健康国际产业集团
Meilleure Health International Industry Group

MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED
美瑞健康國際產業集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 2327)

12 October 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) REVISION OF ANNUAL CAP OF CONTINUING CONNECTED
TRANSACTIONS FOR THE YEAR ENDING 31 DECEMBER 2020;
AND
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO RENEWAL OF FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 12 October 2020 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, and as to how the Independent Shareholders should vote on the proposed resolutions at the SGM to approve (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder. Vinco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the letter of advice from the Independent Financial Adviser, together with the principal factors taken into

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

consideration in arriving at such advice, are set out on pages 19 to 37 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 16 of the Circular and the additional information set out in the appendix to the Circular.

Having taken into account (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder, and the advice from the Independent Financial Adviser, we consider that each of the Third Supplemental Framework Agreement and the New Framework Agreement was entered into on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of (i) the Third Supplemental Framework Agreement; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions at the SGM to approve (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Professor Chau Chi Wai, Wilton
*Independent non-executive
Director*

Mr. Gao Guanjiang
*Independent non-executive
Director*

Mr. Wu Peng
*Independent non-executive
Director*

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement and (ii) New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:



Vinco Capital Limited
Unit 2610, 26/F., The Center
99 Queen's Road Central, Hong Kong

12 October 2020

*To the Independent Board Committee and the Independent Shareholders of
Meilleure Health International Industry Group Limited*

Dear Sirs,

**(1) REVISION OF ANNUAL CAP OF CONTINUING CONNECTED
TRANSACTIONS FOR THE YEAR ENDING 31 DECEMBER 2020;
AND
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO RENEWAL OF FRAMEWORK AGREEMENT**

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) of the circular issued by the Company dated 12 October 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 15 September 2020 in relation to (i) the Third Supplemental Framework Agreement; and (ii) the New Framework Agreement and the transactions contemplated thereunder. On 15 September 2020, U-Home Group Limited and the Company entered into the Third Supplemental Framework Agreement to revise the 2020 Annual Cap for the service fees payable by U-Home Group to the Group in

LETTER FROM VINCO CAPITAL

respect of the Property Sales and Consultancy Services under the Original Framework Agreement from RMB26,000,000 (equivalent to approximately HK\$29,424,000) to RMB36,000,000 (equivalent to approximately HK\$40,741,000). The Revision of 2020 Annual Cap shall be effective after being approved at SGM in accordance with the Listing Rules.

As the Original Framework Agreement will be ending on 31 December 2020, on 15 September 2020, U-Home Group Limited entered into the New Framework Agreement with the Company, subject to the approval of the Independent Shareholders at the SGM, pursuant to which the Group will provide the Property Sales and Consultancy Services to U-Home Group for a term of three years commencing from 1 January 2021.

As at the Latest Practicable Date, U-Home Group Limited is wholly owned by Mr. Zhou Xuzhou, an executive Director and controlling shareholder of the Company, and hence U-Home Group Limited is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, (i) the transactions with U-Home Group Limited contemplated under the Third Supplemental Framework Agreement; and (ii) the Continuing Connected Transactions with U-Home Group Limited contemplated under the New Framework Agreement constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios in respect of the revised 2020 Annual Cap are more than 5% and the aggregate annual consideration is more than HK\$10,000,000, the transactions contemplated under the Third Supplemental Framework Agreement are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

In addition, since the applicable percentage ratios of the Proposed Annual Caps under Chapter 14A of the Listing Rules are, on an annual basis, are more than 5% and the aggregate annual consideration is more than HK\$10,000,000, the Continuing Connected Transactions are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

To the best of the knowledge of the Directors, information and belief having made all reasonable enquiries, save for Mr. Zhou Xuzhou, no other Shareholders have material interests in the Third Supplemental Framework Agreement and the New Framework Agreement and the transactions contemplated thereunder. Accordingly, save for Mr. Zhou Xuzhou and his associates who together hold 52.94% shareholdings in the Company, no other Shareholders are required to abstain from voting at SGM for the resolutions to approve (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Professor Chau Chi Wai, Wilton, Mr. Gao Guanjiang and Mr. Wu Peng, has been formed to advise the Independent Shareholders as to whether (i) the Revision of 2020

LETTER FROM VINCO CAPITAL

Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

As the Latest Practicable Date, 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, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did 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. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. We have not acted as the independent financial adviser for the Company's other transactions in the past two years. Also we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors,

LETTER FROM VINCO CAPITAL

management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

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, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents, among others: (i) the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report 2019**”); (ii) the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report 2020**”); (iii) the existing portfolio of U-Home Group’s properties including properties available for sale and property under construction; (iv) the sales forecast for the year ending 31 December 2020; (v) the total floor area and expected sales price of the relevant properties for the three years ending 31 December 2023 provided by U-Home Group based on the expected demand of the first hand properties in the PRC in the coming three years ending 31 December 2023; (vi) the sales forecast of property development projects of U-Home Group for the three years ending 31 December 2023; (vii) sample of quotations obtained from Independent Third Parties in providing similar services used as comparison purpose by the Group; (viii) internet desktop researches in relation to the commission rate charged by estate agents in the PRC in respect of the sale of property in the PRC; and (ix) the internal control measures governing continuing connected transactions which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration on (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed

LETTER FROM VINCO CAPITAL

Annual Caps) and the transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in relation to (i) the Revision of 2020 Annual Cap and the entering into of the Third Supplemental Framework Agreement by the Company; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder, we have considered following principal factors and reasons set out below:

I. Information on the parties

Information of the Group

The Company is principally engaged in investment holding. The Group is principally engaged in healthcare related business, trading business, agency business, properties investment and leasing business as well as properties development business.

Historical financial information of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2019 and the unaudited consolidated financial information of the Group for six months ended 30 June 2019 and 2020, as extracted from the relevant annual and interim reports of the Company respectively:

	For the year ended		For the six months ended	
	31 December		30 June	
	2018	2019	2019	2020
	(audited)	(audited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
– Trading business	118,847	145,138	52,949	75,848
– Agency service	46,731	29,344	18,204	17,397
– Property development	–	–	–	–
– Property investment and leasing	18,716	18,725	9,744	10,075
– Healthcare related business	46,248	41,572	27,697	29,969
	230,542	234,779	108,594	133,289
Profit/(Loss) attributable to the owners of the parent	80,537	(20,174)	41,102	42,543

LETTER FROM VINCO CAPITAL

	As at 31 December		As at 30 June
	2018	2019	2020
	(audited)	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	161,142	156,229	152,527
Total equity	821,632	1,265,660	1,283,848

With reference to the Annual Report 2019, the revenue of the Group increased by approximately 1.9% from HK\$230.5 million for the year ended 31 December 2018 to HK\$234.8 million for the year ended 31 December 2019. The increase in revenue of HK\$4.3 million was mainly due to an increase in sale of goods from trading business of HK\$26.3 million and partially offset by a decrease in agency service income of HK\$17.4 million and a decrease in revenue derived from the healthcare related business of HK\$4.7 million.

The Group recorded a loss attributable to owners of the parent of HK\$20.2 million for the year ended 31 December 2019 as compared to a profit attributable to owners of the parent of HK\$80.5 million for the year ended 31 December 2018. The change from profit to loss was mainly due to (i) an increase in impairment loss on goodwill of HK\$15.5 million due to decrease in revenue and profit of the Hong Kong clinic under the healthcare related business as a result of the social movement in Hong Kong during the year ended 31 December 2019; and (ii) the recognition of the Group's share of impairment loss of intangible assets of an associate (net of tax) of HK\$54.4 million, namely Yunnan Hansu Biotechnology Co., Ltd.* (雲南漢素生物科技股份有限公司) (“**Yunnan Hansu**”), due to its unsatisfactory operating financial performance and market conditions of cannabidiol (CBD).

With reference to the Interim Report 2020, the revenue of the Group increased by approximately 22.7% from HK\$108.6 million for the six months ended 30 June 2019 to HK\$133.3 million for the six months ended 30 June 2020. The increase in revenue of HK\$24.7 million was mainly due to an increase in sale of goods of HK\$23.6 million.

The Group recorded a profit attributable to the owners of the parent of approximately HK\$42.5 million for the six months ended 30 June 2020, representing an increase of 3.4% from the profit attributable to the owners of the parent of HK\$41.1 million for the six months ended 30 June 2019. The increase was mainly due to (i) an increase of gross profit of HK\$6.7 million as a result of the Group becoming an agent of sale of the novel coronavirus related healthcare products such as test kits, which resulted in an increase in agency income and gross profit in healthcare related business; (ii) the recognition of a gain on disposal of 4.55% equity interest in Yunnan Hansu of HK\$31.7 million; and (iii) increase in fair value gains on financial assets at fair value through profit or loss of HK\$4.1 million. The above increments were offset

LETTER FROM VINCO CAPITAL

by a decline in fair value on investment properties of the Group, which changed from a gain of HK\$28.5 million for the six months ended 30 June 2019 to a loss of HK\$10.5 million for the six months ended 30 June 2020.

Information of U-Home Group

U-Home Group Limited is a company established in the PRC and wholly owned by Mr. Zhou Xuzhou, an executive Director and controlling shareholder of the Company. U-Home Group is principally engaged in real estate development, financial investment, property management and hotel management in various cities in the PRC.

II. Reasons for and benefits of revising 2020 Annual Cap

As stated in the Letter from the Board, the Board has been carefully monitoring the historical transacted amounts of the continuing connected transactions. Taking into account the various basis and in view of the increase in anticipated total gross floor area of the real estate projects developed by U-Home Group that have been sold and expected to be sold in 2020, the Board envisages that the annual amounts for the service fees payable by U-Home Group to the Group in respect of the Property Sales and Consultancy Services for the year ending 31 December 2020 would exceed the original annual cap under the Original Framework Agreement. The Board therefore proposes to revise and increase the 2020 Annual Cap.

Set out below are (i) the original annual cap for the two years ended 31 December 2019 and the year ending 31 December 2020 under the Original Framework Agreement; (ii) the historical amounts of the actual transactions for the two years ended 31 December 2019 and the period from 1 January 2020 to 31 August 2020; and (iii) the proposed annual cap to be revised for the year ending 31 December 2020 under the Third Supplemental Framework Agreement in respect of the Property Sales and Consultancy Services:

	For the year ended 31 December		From 1 January 2020 to 31 August 2020
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Original annual cap	26,000	26,000	26,000 <i>(Note)</i>
Actual transaction amount	25,984	25,954	19,226
Utilisation	99.9%	99.8%	73.9%

LETTER FROM VINCO CAPITAL

**For the
year ending
31 December
2020**
RMB'000

Proposed annual cap to be revised	36,000
Estimated transaction amount	35,457
Estimated utilisation	98.5%

Note: The figure represented the original annual cap under the Original Framework Agreement for the entire year ending 31 December 2020.

As depicted from the table above, we note that the relevant utilisation rates of the previous annual caps for the two years ended 31 December 2019 have been close to fully utilised.

With reference to the Letter from the Board, the revised 2020 Annual Cap was determined with reference to the estimated annual sale of real estate projects developed by U-Home Group, which is based on the number of real estate projects to be developed by U-Home Group, multiplied by 2.5% (being the highest of 1% to 2.5% charged for the service fee). The estimated annual sale of real estate projects was derived from (i) the actual sale amount for the real estate projects already been sold for the period from 1 January 2020 to 31 August 2020, which amounted to approximately RMB993,608,000 (equivalent to approximately HK\$1,124,466,000) representing a gross floor area of approximately 142,000 square meters; and (ii) the anticipated total gross floor areas of approximately 360,000 square meters for the real estate projects developed by U-Home Group that expected to be sold for the remaining period in 2020 multiplied by expected selling price for the relevant projects.

As part of our due diligence, we have obtained and reviewed (i) the project forecast for the year ending 31 December 2020; (ii) the relevant title deeds of lands and construction land planning permits available to verify that U-Home Group has the land development rights; and (iii) the presale permits available for the relevant projects.

We noted that (i) the estimated annual sales of projects of U-Home Group as facilitated by the Group in 2020 is equivalent to the sum of the actual sale amount for the real estate projects already been sold in 2020 and the estimated annual total gross floor area to be sold multiplied by the expected selling price for the relevant projects; (ii) the estimated service fees payable is calculated by multiplying 2.5% (being the highest of 1% to 2.5% charged for the service fee) to the estimated annual sales of projects of U-Home Group as facilitated by the Group in 2020; and (iii) 11 additional projects previously unforeseen had contributed a variance of total gross floor area of 259,000 square meter made available for the year ending 31 December 2020. We also noted the basis used for estimating each expected selling price from desktop research by making reference to the unit prices of properties with similar nature and close proximity available for sale. With

LETTER FROM VINCO CAPITAL

reference to the estimated schedule in the project forecast for the year ending 31 December 2020, we further noted that the estimated service fees payable by U-Home Group to the Group would exceed the original annual cap by approximately RMB9,457,000 during the period from September 2020 to December 2020.

Having considered that (i) relevant title deeds of lands, construction land planning permits and presale permits have been obtained and reviewed for projects for the year ending 31 December 2020 under the sales forecast; (ii) the revision of 2020 Annual Cap is estimated in accordance to U-Home Group's estimated sales and existing portfolio; (iii) the Property Sales and Consultancy Services will be conducted in the ordinary and usual course of business of the Group in accordance to the service terms of the Original Framework Agreement, we are of the view that the revision of 2020 Annual Cap under the Third Supplemental Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

III. Reasons for and benefits of entering into the New Framework Agreement

Details of the New Framework Agreement are set out below:

- Date : 15 September 2020
- Parties : (i) U-Home Group Limited
(ii) the Company
- Term : The New Framework Agreement is valid for a term of three years commencing from 1 January 2021.

U-Home Group Limited and the Company may extend the term of the New Framework Agreement at any time within the twelve-month period prior to the expiry of the New Framework Agreement or at such other time as U-Home Group Limited and the Company may agree subject to the entering into of a new agreement and on the condition that all applicable disclosure and/or Shareholders' approval requirement under the Listing Rules have been complied with by the Company.

- Subject matter : The Group will provide the Property Sales and Consultancy Services to U-Home Group.

As stated in the Letter from the Board, Nanjing Mei Jia Rui, the wholly-owned subsidiary of the Company, is principally engaged in the sales of properties and consultancy services to serve as the sole platform for U-Home Group in the provision of sales of properties and consultancy services in the PRC. Under this business model, Nanjing Mei Jia Rui undertakes and develops the business of sales of properties and

LETTER FROM VINCO CAPITAL

consultancy services, while U-Home Group only engages in the construction and development of properties in the PRC, which enables it to focus on its core business of construction and development of properties. Nanjing Mei Jia Rui and U-Home Group can further enhance their respective reputations in the real estate market of the PRC by entering into the New Framework Agreement. Currently, 7 employees of Nanjing Mei Jia Rui possess relevant recognised qualifications as property sales agent in the PRC and years of experience in such business. The consultancy business aims to build a professional customer services and sales team for the cultivation of sales and professional personnel for the Group's core business in the future.

As confirmed by the Directors, the Group has been providing Property Sales and Consultancy Services to U-Home Group since 2014. As discussed with the Directors, the Company has implemented measures to expand the Group's business scope to diversify its income stream and identify potential new profit-making businesses and/or investment opportunities.

With reference to the Interim Report 2020, the Group's residential development project located at Lot A & B, 626 Heidelberg Road, Alphington, VIC 3078, Australia has been progressing satisfactorily with all development design applications either been approved or in process. The construction work of the project is expected to commence in November 2020. In light of the large-scale investments for the Group's residential development project in Australia, it is expected that the property development business in Australia will commence generating significant revenue and profit for the Group in the future.

Further to the Interim Report 2020, as the novel coronavirus ("COVID-19") pandemic (the "Pandemic") broke out in early 2020, the worldwide demand for anti-epidemic supplies has surged. The Group made reached in-depth business cooperation with well-known domestic kit manufacturers to act as an agent of their kit products for COVID-19 on a global scale. In the first half of 2020, the cumulative sales transaction amount amounted to nearly US\$4.0 million. It contributed to the fight against the Pandemic at home and abroad and also cultivated new profit growth area for the Group in such critical period.

Taking into account (i) the measures implemented by the Company to expand the Group's business scope, diversify its income stream and identify potential new profit-making businesses and/or investment opportunities; (ii) the adjustment of business strategy and subsequent increase in revenue generated by the Group's healthcare related business segment for the six months ended 30 June 2020 in view of the Pandemic; the Directors considered that the Group will not become reliant on U-Home Group in terms of revenue and profits in the medium to long term.

For our due diligence purpose, we obtained the internal control measures governing the continuing connected transactions (the "Measures") of the Group. Pursuant to the Measures, (i) prior to entering into the transactions, the Company will nominate a senior

LETTER FROM VINCO CAPITAL

staff to be the connected transaction officer (the “**CT Officer**”), expected to be someone who is familiar with the finance and business operations of the Group, shall be responsible to report all connected transactions and continuing connected transactions to the Company’s company secretary in accordance to the Measures; (ii) CT Officer should on a monthly basis prepare the prescribed monthly report regarding the continuing connected transactions for approval and submission to the Company’s company secretary; (iii) the Company’s company secretary is responsible to monitor whether the actual amount of the reported transaction will exceed the proposed annual cap amount; and (iv) in-house training will be provided to the CT Officer to ensure the CT Officer has the practicable knowledge to identify connected transactions. The Directors also confirmed that the auditors of the Company will conduct annual review of the continuing connected transactions entered into by the Group to ensure compliance with the Group’s internal control policies.

Taking into consideration that (i) the CT Officer will be responsible for reporting of the continuing connected transactions; (ii) the company secretary of the Company is responsible to monitor the amount of connected transactions conducted at each month end and supervise the approval process; (iii) the independent non-executive Directors and the auditors will conduct an annual review of the continuing connected transactions; and (iv) the Measures have served as standardised procedures for conducting the continuing connected transactions, we are of the view that the internal control adopted by the Company on the continuing connected transactions is effective to ensure that the transactions conducted in accordance with the terms of the New Framework Agreement and the Proposed Annual Caps are not exceeded.

Having considered (i) the Group has been providing Property Sales and Consultancy Services to U-Home Group since 2014; (ii) the Property Sales and Consultancy Services will continue enhance the Group’s reputation in the real estate market of the PRC, train up professional personnel and enhance its operational efficiency; (iii) the potential revenue under the New Framework Agreement from U-Home Group can enhance revenue of the Group; and (iv) the Directors are of the view that the Company will not become reliant on U-Home Group in terms of revenue and profits in the medium to long term, we consider that the entering into the New Framework Agreement is in the ordinary and usual course of business of the Group, and are in the interests of the Company and Shareholders as a whole.

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(i) Provision of Property Sales and Consultancy Services

As stated from the Letter from the Board, U-Home Group is the property developer for approximately 18 new real estate projects covering a total development area of approximately 2.6 million square meters across different cities in the PRC, mainly located in Jiangsu, Anhui and Hunan, and pre-sale of properties will commence from the third quarter of 2020 for certain projects. Pursuant to the New Framework Agreement, U-Home Group will appoint the Group as its marketing and sales agent and the Group will be responsible for providing, among others, the following Property Sales and Consultancy Services:

- (a) providing property sales and consultancy services for the Projects;
- (b) providing sales related services for the Projects, including preparation of market research reports, advertising promotion plans and sales strategy;
- (c) making recommendations of price list and discount pricing strategies for the Projects;
- (d) recruiting and providing training for the marketing and sales teams; and
- (e) assisting U-Home Group to obtain the relevant licenses and to handle other matters relating to the Property Sales and Consultancy Services.

To facilitate the cooperation between U-Home Group and the Group, U-Home Group will assist the Group in providing, among others, the following services:

- (a) providing the relevant information of the Projects to the Group, including but not limited to copy of the general layout plan, floor plan, design sketches, construction standard, decoration standard, finishing standard and amenities standard; and
- (b) supervising the Property Sales and Consultancy Services provided by the Group, including but not limited to advertising and promotion proposals, sales execution plan, sales price, discount pricing strategies as well as reviewing and approving the relevant documents relating to the Property Sales and Consultancy Services prepared by the Group on a timely basis.

As at the Latest Practicable Date, the Group has not provided services similar to the Property Sales and Consultancy Services to any customer who is an Independent Third Party.

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(ii) Service fees

As stated from the Letter from the Board, U-Home Group will pay the Group a service fee for the Property Sales and Consultancy Services, which represents the sales commission fee calculated at the rate of 1% to 2.5% of the total amount of revenue generated from the sales of each real estate project as prescribed under the relevant agreement to be entered into between the Group and U-Home Group.

The general pricing principles of service fees payable by U-Home Group for the Property Sales and Consultancy Services are determined with reference to (i) the prevailing market rate of service fees in respect of providing similar property sales and consultancy services that are charged by other comparable Independent Third Parties of similar operational size and scale to the Company in the market; (ii) the expressed interest and estimated demand from U-Home Group on the Property Sales and Consultancy Services to be provided by the Group; and (iii) the prevailing rate of service fees in respect of providing similar property sales and consultancy services to U-Home Group by agencies who are Independent Third Party. In particular, for factors above, the Company has adopted the prevailing market rate of service fees at an average rate of 1% to 2.5% based on (i) obtained sample of quotations from agencies who are Independent Third Party of similar operational size and scale to the Company in the market for comparison purpose; (ii) desktop research of sales commission fee made publicly available from similar Independent Third Party; and (iii) the expressed interest and estimated demand from U-Home Group on the Property Sales and Consultancy Services to be provided by the Group, to help with the determination of the above service fees.

Although there is no pricing policy or guideline published or adopted for the Property Sales and Consultancy Services within the market, the sales and marketing team of the Group will be responsible for reviewing and determining the pricing of service fee based on market information obtained from third party agency regarding the pricing of different types of property sales and consultancy services (including sales planning and property promotion of commercial and residential properties) in the real estate market. It will then submit a proposal to the management of the Group for approval and assessment on the reasonableness of the pricing according to the general pricing principles. As there are alternative sources of service providers with comparable pricing and scope of services, the sales and marketing team of the Group will also make reference to the price of similar services offered from about 1 to 3 Independent Third Parties for comparison purpose. In particular, the sales and marketing team will conduct desktop research in respect of the sales commission charged by real estate agents in the PRC market for providing similar property sales and consultancy services prior to determining the actual service charge for a particular project. After determining the service fee to be charged to a member of U-Home Group, the chief executive officer of the Company will proceed to negotiate and agree on an arm's length basis with the member of U-Home Group. The sales and marketing team of the Group currently comprises 23 staff and is led by Ms. Zhou Juan, a general

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manager of the Group. As part of the internal control measures of the Group, Ms. Zhou Juan will be responsible for reviewing and approving the terms of the actual services to be provided by the Group to U-Home Group. To the best of the Directors' knowledge, information and belief, having made all reasonable inquiries, each of the persons involved in the Company's internal control measures in respect of the provision of the Property Sales and Consultancy Services is an independent third party of the Company and its connected persons (as defined under the Listing Rules) as at the Latest Practicable Date.

Accordingly, as discussed with the management of the Company, the Company has adopted the prevailing market rate of service fees at an average rate of 1% to 2.5% based on (i) sample quotations from Independent Third Party agencies of similar operational size and scale to the Company in the market for comparison purpose; (ii) desktop research of sales commission fee made publicly available from similar Independent Third Party agencies; and (iii) the expressed interest and estimated demand from U-Home Group on the Property Sales and Consultancy Services to be provided by the Group.

As per our desktop research, we considered two public listed agencies that were considered by the Company to offer comparable services namely Fineland Real Estate Services Group Limited (HKEX:9978) ("**Fineland Real Estate**") and E-House (China) Enterprise Holdings Limited (HKEX:2048) ("**E-House**").

Fineland Real Estate is an established property intermediary services provider in the PRC, with a focus mainly in Guangzhou and elsewhere in the Greater Bay Area, providing services through (i) real estate agency services; (ii) property research and consultancy services; and (iii) integrated services. The nature of services provided by Fineland Real Estate is similar to the Group to the extent that both provides property sale and consultancy services and value-added services to respective customers in the PRC. With reference to the transfer of listing announcement of Fineland Real Estate, we noted that the average commission rate received by Fineland Real Estate for its primary market real estate agency services ranged between approximately 0.9% to 1.3% on the contract value of the property units sold for the three years ended 31 December 2019, while the average commission rates charged by Fineland Real Estate for its secondary market real estate agency services ranged between approximately 1.0% to 3.0% of the contract value of the property units sold for the three years ended 31 December 2019.

E-House is an established real estate transaction service provider in the PRC. E-House offers a wide range of services to the real estate industry, including real estate agency services in the primary market, real estate data and consulting services, and real estate brokerage network services in PRC. The nature of services provided by E-House is similar to the Group as both provides real estate agency services in the PRC. With reference to the annual report of E-House for the year ended 31 December 2019, we calculated its average commission rate received to be approximately 0.9%

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for the year ended 31 December 2019 by dividing its revenue from real estate agency services in the primary market by the total sales amount for the respective year.

As discussed with the Directors, we noted that the Group determined the sales commission fee at the range of 1% to 2.5% by making reference to the quotations obtained from and information made publicly available from comparable Independent Third Party agencies, and subsequent allocation of sales personnel in provision of its property sales and consultancy services. As confirmed by the Directors, commission rates are generally higher for projects that are harder to sell in the primary market, and larger projects tend to be easier to sell as the developers often have a larger budget for sales and promotion.

We selected on random basis five samples from the list of quotations which U-Home Group have obtained from Independent Third Party agencies during the period under the Original Framework Agreement. Provided that the five samples consist more than half of the quotations which U-Home Group had obtained during the period, we consider our selection to represent an exhaustive list. We have reviewed five samples of quotations obtained from five comparable Independent Third Party agencies, namely Anhui Real Estate Marketing Planning Co., Ltd.* (安徽房信行房地產營銷策劃有限公司), Nanjing Heyijia Real Estate Co., Ltd.* (南京禾一嘉置業有限公司), Nanjing Quance Real Estate Marketing Planning Co., Ltd.* (南京全策房地產營銷策劃有限公司), Chuzhou Xiyou Real Estate Agency Co., Ltd.* (滁州西游房地產經紀有限公司) and Nanjing Haozhixiang Real Estate Consulting Co., Ltd.* (南京浩之翔置業顧問有限公司). As discussed with the Directors, we noted that the five Independent Third Party agencies are considered comparable having understood that (i) they offer comparable property sales and consultancy services; (ii) they offer comparable scope of properties to include residential, retail and office space; (iii) their primary locations and location of properties engaged in are within the same provinces as the projects to be facilitated by the Group; and (iv) the range of expected selling prices of their properties are within the range of expected selling price of projects facilitated by the Group. From the five sample quotations, we further noted that the Group's sales commission rate is no less favourable than the Independent Third Party agencies' commission rate for similar services and ranged between approximately 0.4% to 2.0%. We have also reviewed information made available by the public listed agencies above, including but not limited to its profile, scale of projects, average service commission rates, and scope of services. As discussed above, we noted that the Group's sales commission fee is no less favourable than the range of average commission rate of the two comparable public listed agencies.

We have also obtained and reviewed eight copies of historical agreements and relevant sales vouchers of the Property Sales and Consultancy Services provided to U-Home Group by the Group for the two years ended 31 December 2019. We noted that (i) the scope of property sales agency services offered were consistent to the Original Framework Agreement; and (ii) the actual charging rate have been at 2.0%

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being within the range as set out in the Original Framework Agreement, as well as in line with the range pursuant to the New Framework Agreement.

As confirmed by the Directors, we understood that in general, commission fees are decided on a case-by-case basis and the specific rates were determined by the level of complexity of the deals. The commission rate would usually be higher if the anticipated demand for the properties for sale is lower and thus more marketing work will have to be carried out by the agent. Moreover, as confirmed by the Directors, the Group has been acting as a sole agent of U-Home Group since 2014 to provide Property Sales and Consultancy Services and U-Home Group is satisfied with the Group's quality of services. Therefore, both parties have the intention to continue the Property Sales and Consultancy Services based on the mutually beneficial relationship.

Based on the above, given that (i) the Group's commission fee is no less favourable than five samples of quotations obtained from five Independent Third Party agencies and two comparable public listed agencies for similar services; and (ii) the scope of services and commission rate of the historical agreements reviewed between U-Home Group and the Group are in line with the New Framework Agreement, we are of the view that the relevant commission rate charged by the Group to U-Home Group under the New Framework Agreement is fair and reasonable.

(iii) Proposed Annual Caps for Property Sales and Consultancy Services

Set out below are (i) the original annual cap for the two years ended 31 December 2019 under the Original Framework Agreement; (ii) the historical amounts of the actual transactions for the two years ended 31 December 2019; and (iii) the Proposed Annual Caps under the New Framework Agreement in respect of the Property Sales and Consultancy Services:

	For the year ended		
	31 December		
	2018	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	
Original annual cap	26,000	26,000	
Actual transaction amount	25,984	25,954	
Utilisation	99.9%	99.8%	
	For the year ending		
	31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed Annual Caps	40,000	40,000	40,000

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As depicted from the table above, we note that the relevant utilisation rates of the previous annual caps for the two years ended 31 December 2019 have been close to fully utilised.

With reference to the Letter from the Board, the Proposed Annual Caps have been determined with reference to (i) the historical figures of the actual amounts for the service fees payable by U-Home Group to the Group in respect of the Property Sales and Consultancy Services under the Original Framework Agreement; (ii) the anticipated number of approximately 16 real estate projects to be developed by U-Home Group in the PRC in the coming three years; (iii) the anticipated demand in Property Sales and Consultancy Services for the real estate projects developed by U-Home Group in the PRC market for the three years ending 31 December 2023, whereby it is estimated that the annual total gross floor area of property projects of U-Home Group to be sold as facilitated by the Group are approximately 644,000, 572,000 and 572,000 square meters for each of the three years ending 31 December 2023; and (iv) expected selling price in the range of RMB5,000 to RMB30,000 per square meter for relevant projects.

We have reviewed the project forecast for the three years ending 31 December 2023, the sales permits for the relevant projects and the projects development plan provided by U-Home Group, we noted that (i) the estimated annual sales of property projects of U-Home Group as facilitated by the Group is equivalent to the estimated annual total gross floor area to be sold multiplied by the expected selling price for the relevant projects; (ii) the Group had taken into account the expected commencement and completion date for each of the relevant projects from the project development plan and allocated the estimated total gross floor area to be sold and facilitated by the Group for each of the three years ending 31 December 2023; and (iii) the estimated service fees payable is calculated by multiplying 2.5% (being the highest of 1% to 2.5% charged for the service fee) to the estimated annual sales of projects of U-Home Group as facilitated by the Group. Based on the projects development plan provided by U-Home Group, we noted that the estimated annual total gross floor area of properties projects of U-Home Group to be sold as facilitated by the Group are approximately 644,000, 572,000 and 572,000 square meters for each of the three years ending 31 December 2023. We also noted the basis used for estimating each expected selling price from desktop research by making reference to the unit prices of properties with similar nature and close proximity available for sale.

We further noted that the estimated service fees payable by U-Home Group to the Group would be approximately RMB39,317,000, RMB39,442,000 and RMB39,442,000 for each of the three years ending 31 December 2023.

In assessing the assumptions regarding the sales forecast of property development projects of U-Home Group for the three years ending 31 December 2023, the Directors have considered and reviewed (i) the latest project information provided by U-Home Group; (ii) the relevant title deeds of the land and construction land planning permits; (iii) relevant presale permits; and (iv) the latest information and trends of the property

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market in the PRC. The Directors are satisfied that U-Home Group possesses the requisite land use right for developing each of the projects are currently under preliminary stage of development and understood that sales are expected to commence in the second half of 2020.

In order to assess the reasonableness of the Proposed Annual Caps, we have obtained and reviewed (i) the sales forecast for the three years ending 31 December 2023; (ii) the existing portfolio of the U-Home Group's properties including properties available for sale and property under construction in the three years ending 31 December 2023; (iii) the relevant title deeds of lands and construction land planning permits available to verify that U-Home Group has the land development rights; and (iv) the projects development plan for the remaining relevant projects. We noted that although the property development projects are currently under preliminary stage of development, we understood from the Directors that the relevant presale permits relating to the property development projects are expected to be obtained commencing from the second half of 2020. As confirmed by the Directors, U-Home Group will make sure the projects under construction to apply for presale permits with relevant regulatory filings to the PRC regulatory authority in accordance with the expected timeline. Therefore, the property development projects have been taken into account in determining the Proposed Annual Caps for the Property Sales and Consultancy Services.

Having considered that (i) relevant title deeds of lands and construction land planning permits are obtained and reviewed for projects under the sales forecast for project development plan of U-Home Group for the three years ending 31 December 2023; (ii) the Proposed Annual Caps estimated by the Group are in accordance with U-Home Group's estimated sales and existing portfolio for the three years ending 31 December 2023; (iii) the estimated service fee is comparable to the rate charged by other Independent Third Parties providing similar services in the market; and (iv) the Property Sales and Consultancy Services will be conducted in the ordinary and usual course of business of the Group, we are of the view that the basis for determining the Proposed Annual Caps under the New Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

D. RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that each of the Third Supplemental Framework Agreement and the New Framework Agreement was entered into on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group. We also consider that the terms of (i) the Third Supplemental Framework Agreement; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve (i) the Revision of 2020 Annual Cap and the

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entering into of the Third Supplemental Framework Agreement; and (ii) the New Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is 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

Director's interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) 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 and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

(a) *Interests in Shares*

Name of Director	Capacity	Number of Shares (Note 1)	Approximate % of interest
Mr. Zhou Xuzhou (Notes 2 and 3)	Interest in controlled corporation	2,120,258,291 (L)	49.63%
		1,263,825,530 (S)	29.59%
	Beneficial owner	109,292,470 (L)	2.56%
Dr. Zeng Wentao (Note 3)	Beneficial owner	15,000,000 (L)	0.35%
Ms. Zhou Wen Chuan (Note 3)	Beneficial owner	31,938,000 (L)	0.75%
Dr. Mao Zhenhua (Note 4)	Interest in controlled corporation	83,890,000 (L)	1.96%

Name of Director	Capacity	Number of Shares (Note 1)	Approximate % of interest
Professor Chau Chi Wai, Wilton (Note 5)	Beneficial Owner	510,000 (L)	0.01%

Notes:

- The letter “L” denotes the person’s long position in the Shares whereas the letter “S” denotes the person’s short position in the Shares.
- These shares are held by U-Home Group International Limited, U-Home Group Investment Limited and Zhongjia U-Home Investment Limited.
- Mr. Zhou Xuzhou, Ms. Zhou Wen Chuan and Dr. Zeng Wentao are executive Directors.
- 83,890,000 shares are beneficially owned by Honour Goal Investments Limited. Honour Goal Investments Limited is wholly owned by Zhongchengxin (HK) Investment Services Limited (“**Zhongchengxin HK**”), a company incorporated in Hong Kong with limited liability. Zhongchengxin HK is wholly owned by Zhongchengxin Investment Group Company Limited* (中誠信投資集團有限公司) (“**Zhongchengxin Investment**”), a company established in the PRC with limited liability. Zhongchengxin Investment is owned as to 80% by Hubei East Asia Enterprise Company Limited* (湖北東亞實業有限公司) (“**Hubei East Asia**”), a company established in the PRC with limited liability. Hubei East Asia is owned as to 80% by Wuhan Huabing Real Estate Company Limited* (武漢華兵置業有限公司) (“**Huabing Real Estate**”), a company established in the PRC with limited liability. Huabing Real Estate is owned as to 99% by Dr. Mao Zhenhua, a non-executive Director.
- Professor Chau Chi Wai, Wilton is an independent non-executive Director.

(b) Interests in share option

Name of Director	Number of options directly beneficially owned (Note 1)
Ms. Zhou Wen Chuan (Note 2)	18,000,000 (L)
Dr. Zeng Wentao (Note 2)	10,002,000 (L)

Notes:

- The letter “L” denotes the person’s long position in the underlying Shares.
- Ms. Zhou Wen Chuan and Dr. Zeng Wentao are executive Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) 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 and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, so far as any Directors were aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares (Note 1)	Approximate % of interest
U-Home Group International Limited (Note 2)	Beneficial owner	964,172,530 (L)	22.57%
		764,172,530 (S)	17.89%
U-Home Group Investment Limited (Note 3)	Beneficial owner	499,653,000 (L)	11.70%
		499,653,000 (S)	11.70%
Yuhua Enterprises Company Limited (Note 3)	Interest in controlled corporation	499,653,000 (L)	11.70%
		499,653,000 (S)	11.70%
Anhui Yuhua Enterprises Company Limited* (安徽宇華實業有限公司) (Note 3)	Interest in controlled corporation	499,653,000 (L)	11.70%
		499,653,000 (S)	11.70%
Yee Sheng Enterprises Company Limited (Note 3)	Interest in controlled corporation	499,653,000 (L)	11.70%
		499,653,000 (S)	11.70%

Name of Shareholder	Capacity	Number of Shares (Note 1)	Approximate % of interest
Kambert Enterprises Limited (Note 3)	Interest in controlled corporation	499,653,000 (L)	11.70%
		499,653,000 (S)	11.70%
U-Home Property (Group) Limited (Note 3)	Interest in controlled corporation	499,653,000 (L)	11.70%
		499,653,000 (S)	11.70%
Zhongjia U-Home Investment Limited (Note 4)	Beneficial owner	656,432,761 (L)	15.37%
Shunda Investment Limited (Notes 2, 3 and 4)	Interest in controlled corporation	2,120,258,291 (L)	49.63%
		1,263,825,530 (S)	29.59%
Mr. Zhou Xuzhou (Notes 2, 3 and 4)	Interest in controlled corporation	2,120,258,291 (L)	49.63%
		1,263,825,530 (S)	29.59%
	Beneficial owner	109,292,470 (L)	2.56%
Haitong UT Leasing HK Limited	Person having a security interest in share	1,263,825,530 (L)	29.59%
HTI Advisory Company Limited (Note 5)	Person having a security interest in share	687,262,600 (L)	16.09%
Haitong International (BVI) Limited (Note 5)	Interest in controlled corporation	687,262,600 (L)	16.09%
Haitong International Securities Group Limited (Note 5)	Interest in controlled corporation	687,262,600 (L)	16.09%
Haitong International Holdings Limited (Note 5)	Interest in controlled corporation	687,262,600 (L)	16.09%
Haitong Securities Co., Ltd. (Note 5)	Interest in controlled corporation	687,262,600 (L)	16.09%

Notes:

1. The letter “L” denotes the person’s long position in the Shares whereas the letter “S” denotes the person’s short position in the Shares.
2. U-Home Group International Limited is wholly and beneficially owned by Shunda Investment Limited which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.
3. U-Home Group Investment Limited is wholly and beneficially owned by Yuhua Enterprises Company Limited. Yuhua Enterprises Company Limited is wholly and beneficially owned by Anhui Yuhua Enterprises Company Limited. Anhui Yuhua Enterprises Company Limited is wholly and beneficially owned by Yee Sheng Enterprises Company Limited. Yee Sheng Enterprises Company Limited is wholly and beneficially owned by Kambert Enterprises Limited. Kambert Enterprises Limited is wholly and beneficially owned by U-Home Property (Group) Limited. U-Home Property (Group) Limited is wholly and beneficially owned by Shunda Investment Limited, which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.
4. Zhongjia U-Home Investment Limited is wholly and beneficially owned by Shunda Investment Limited which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.
5. HTI Advisory Company Limited is wholly and beneficially owned by Haitong International (BVI) Limited. Haitong International (BVI) Limited is wholly and beneficially owned by Haitong International Securities Group Limited. Haitong International Securities Group Limited is owned as to 64.40% by Haitong International Holdings Limited, which in turn is wholly and beneficially owned by Haitong Securities Co., Ltd..

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 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 which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, save for Mr. Zhou Xuzhou, who held shareholding or other interests and/or directorships in U-Home Group that engaged in the businesses of property investment and leasing in the PRC and Ms. Zhou Wen Chuan, who is an associate of Mr. Zhou Xuzhou, none of the Directors or their respective associate(s) are considered to have interests in business which compete or are likely to compete, either directly or indirectly, with the business of the Group which require disclosure under the Listing Rules. The nature of the investment properties held by U-Home Group comprises shops, parking spaces, residential buildings, office buildings and hotels, all of which are located in Yueyang, Changsha, Kunshan, Nanjing and

Chuzhou of the PRC. The latest annual rental income from these investment properties held by U-Home Group amounted to approximately RMB71,280,000, with a carrying amount of approximately RMB2,173,867,000. In any event, such Directors will be subject to the usual requirement to abstain from voting on resolutions of the Board approving any proposal in which any Director or his associate has a material interest, such that the decision making of the Board should not be affected by such material interest.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group was made up.

6. INTERESTS IN CONTRACTS, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

Save for the Third Supplemental Framework Agreement and the New Framework Agreement, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

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

Name	Qualification
Vinco Capital Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Vinco Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Vinco Capital did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group, or which 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, the Group had an outstanding lawsuit which was initiated by Ms. Feng against, among others, La Clinique de Paris (HK) Limited (“LCDPHK”), an indirect non-wholly-owned subsidiary of the Company.

On 1 November 2016, a writ of summons was issued by Ms. Feng against LCDPHK, and two other co-defendants, claiming that she has suffered from personal injury, loss and damage which was allegedly caused by the medical negligence and/or breach of contract and/or misrepresentation on the part of LCDPHK and the co-defendants, and that LCDPHK and the co-defendants were vicariously liable in the treatment and care given by its employees, servants, agents and/or representatives to Ms. Feng (the “Action”). In the Action, Ms. Feng claimed against LCDPHK and the co-defendants for unliquidated damages which amounted to approximately HK\$2.3 million plus interests to be assessed. As at the Latest Practicable Date, the Action was at a preliminary stage of court proceedings as Ms. Feng and LCDPHK have not yet filed any evidence. The Group was in the process of seeking legal advice from its legal adviser as to the above matter. The Directors are of the opinion that as a result of the preliminary stage of the Action, it is difficult to assess the probability that Ms. Feng may recover any amount from the Group.

In addition, the Directors represent that the proceeding was incurred prior to the acquisition of La Clinique de Paris International Limited (“LCDPI”) by the Group, and hence the losses of the claim would be borne by former shareholders of LCDPI as prescribed by the share purchase agreement. Taking into consideration the above conditions, the Directors are of the view that there is no need to make a provision in respect of the claim.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group were engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Li Shu Pai (“Mr. Li”), who is also the Chief Financial Officer of the Company. He has over 17 years of experience in auditing, corporate finance and financial management. Mr. Li had been the chief financial officer and company secretary of Perfectech International Holdings Limited (Stock Code: 765). Also, Mr. Li had been chief financial officer and joint company secretary of Chutian Dragon Corporation Limited. Before that, Mr. Li served as the chief financial officer in R2Game Co., Limited and earlier the deputy chief financial officer in Beijing Tong Ren Tang Chinese Medicine Company Limited (Stock Code: 3613). In addition, Mr. Li had worked for an international audit firm and various investment banks.

Mr. Li graduated from the City University of Hong Kong with a bachelor degree in business administration and obtained his executive master degree in business and administration from the Hong Kong University of Science and Technology. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

- (b) The Company's registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The Company's principal place of business in Hong Kong is at Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.
- (d) The principal share registrar of the Company is Codan Services Limited, whose registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the Hong Kong branch registrar is Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong during normal business hours on any business day for a period of 14 days from the date of this circular:

- (a) the Third Supplemental Framework Agreement;
- (b) the New Framework Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 17 to 18 of this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 37 of this circular;
- (e) the written consent referred to in the section headed "7. Expert and consent" in this appendix;
- (f) the bye-laws of the Company; and
- (g) this circular.

* *For identification purpose only*

NOTICE OF SGM



美瑞健康国际产业集团
Meilleure Health International Industry Group

MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED

美瑞健康國際產業集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 2327)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Meilleure Health International Industry Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at 22/F, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong on Wednesday, 4 November 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions to be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the third supplemental framework agreement dated 15 September 2020 (the “**Third Supplemental Framework Agreement**”) entered into between U-Home Group Limited and the Company (a copy of which is marked “A” and produced to the SGM and signed by the chairman of the SGM for the purpose of identification) in respect of the Revision of 2020 Annual Cap (defined in the circular (the “**Circular**”) of the Company dated 12 October 2020) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the revised 2020 Annual Cap (defined in the Circular) for the transactions contemplated under the Third Supplemental Framework Agreement set out in the Circular for the year ending 31 December 2020 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Third Supplemental Framework Agreement and the transactions contemplated thereunder and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Third Supplemental Framework Agreement as they may in

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his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors' acts as aforesaid be hereby approved, confirmed and ratified.”

2. **“THAT**

- (a) the framework agreement dated 15 September 2020 (the **“New Framework Agreement”**) entered into between U-Home Group Limited and the Company (a copy of which is marked “B” and produced to the SGM and signed by the chairman of the SGM for the purpose of identification) pursuant to which the Group will provide the Property Sales and Consultancy Services (defined in the Circular) to U-Home Group Limited and its subsidiaries and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the transactions contemplated under the New Framework Agreement set out in the Circular for the three years ending 31 December 2023 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the New Framework Agreement and the transactions contemplated thereunder and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the New Framework Agreement as they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors' acts as aforesaid be hereby approved, confirmed and ratified.”

By Order of the Board

Meilleure Health International Industry Group Limited
Zhou Wen Chuan

Executive Director and Chief Executive Officer

Hong Kong, 12 October 2020

Notes:

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint one or, if he is the holder of two or more shares, more than one person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the SGM either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

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3. Completion and return of the form of proxy will not preclude a member from attending and voting at the SGM or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.
4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 11:00 a.m. (Hong Kong time) on Monday, 2 November 2020.
5. The register of members of the Company for the SGM will be closed from Friday, 30 October 2020 to Wednesday, 4 November 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the SGM to be held on Wednesday, 4 November 2020, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 29 October 2020.