
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 a licensed stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in GR Properties Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed 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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GR PROPERTIES LIMITED

國銳地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

MESSIS  大有融資

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined under the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 8 to 25 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from Messis Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 50 of this circular.

A notice convening the EGM to be held at Unit 1103-06, China Building, 29 Queen's Road Central, Hong Kong on Wednesday, 23 December 2020 at 10:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's 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 and in any event not later than Monday, 21 December 2020 at 10:00 a.m. (Hong Kong Time) (i.e. at least 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the meeting or adjourned meeting (as the case may be)). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please see pages 6 to 7 of this circular for measures being taken to try to prevent and control the spread of the novel coronavirus (COVID-19) at the EGM, including:

- compulsory temperature checks and health declaration
- recommended wearing of surgical face masks
- no distribution of corporate gifts and refreshments
- appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. In order to facilitate the prevention and control of the novel coronavirus (COVID-19), and to safeguard the health and safety of attending shareholders, the Company encourages shareholders to consider NOT to attend the EGM in person, and advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

4 December 2020

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DEFINITIONS

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

“2018 Kingdom Guorui Sales Office Management Agreement”	the conditional agreement dated 20 October 2017 entered into between AOCEAN Property Management and Beijing Guorui Property, pursuant to which AOCEAN Property Management shall provide property management services, sales related services and ancillary services to the sales office and ancillary areas of the property project, Kingdom Guorui* (國銳•金嶺) developed by Beijing Guorui Property
“2018 New Heat Supply Services Agreement”	the conditional agreement dated 20 October 2017 entered into between AOCEAN Property Management and Beijing Guorui Property, pursuant to which AOCEAN Property Management shall provide heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the vacant units of certain residential and commercial property projects of Beijing Guorui Property
“2018 New Property Management Agreement”	the conditional agreement dated 20 October 2017 entered into between AOCEAN Property Management and Beijing Guorui Property, pursuant to which AOCEAN Property Management shall provide property management services to the vacant units of certain residential and commercial property projects of Beijing Guorui Property
“2021 New Heat Supply Services Agreement”	the conditional agreement dated 2 November 2020 entered into between AOCEAN Property Management and Beijing Guorui Property, pursuant to which AOCEAN Property Management shall provide heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group

DEFINITIONS

“2021 New Property Management Agreement”	the conditional agreement dated 2 November 2020 entered into between AOCEAN Property Management and Beijing Guorui Property, pursuant to which AOCEAN Property Management shall provide property management services to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group
“Aggregated Annual Cap(s)”	the aggregate of annual caps under the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement for each of the three years ending 31 December 2021, 2022 and 2023
“Announcement”	the announcement of the Company dated 2 November 2020 regarding, among other things, the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement
“AOCEAN Property Management”	Beijing AOCEAN Property Management Company Limited* (北京澳西物業管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Guorui Group”	Beijing Guorui Property and its subsidiaries and associates
“Beijing Guorui Property”	Beijing Guorui Property Development Company Limited* (北京國銳房地產開發有限公司), a company established under the laws of the PRC with limited liability and a connected person of the Company
“Board”	the board of Directors
“Company”	GR Properties Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 108)

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Wednesday, 23 December 2020 at 10:00 a.m. for the Independent Shareholders to consider and approve, if thought fit, the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder including the annual caps
“Group”	the Company and its subsidiaries
“Guorui Square Block A”	Guorui Square Block A, which is located at Kingdom Guorui, No. 1 Ronghua South Road, Daxing District, Beijing, the PRC
“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 in connection with the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder and the annual caps thereof
“Independent Financial Adviser” or “Messis Capital”	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO which has been appointed by the Company to be the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the annual caps thereof

DEFINITIONS

“Independent Shareholders”	Shareholders other than Wintime and Mr. Sun, together with their respective associates who are required by the Listing Rules to abstain from voting on the resolutions approving the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	person(s) or company(ies) who is/are not connected person(s) of the Company and its subsidiaries and who together with its/their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons
“Latest Practicable Date”	30 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Sun”	Mr. Sun Zhongmin, an executive Director, who is deemed to be interested in 136,752,350 Shares (representing approximately 4.27% of the issued Shares as at the Latest Practicable Date), and is a director and indirectly owns approximately 9% equity interest of Beijing Guorui Property
“Mr. Wei”	Mr. Wei Chunxian, an executive Director and chairman of the Board, who is deemed to be interested in 2,246,160,464 Shares (representing approximately 70.21% of the issued Shares as at the Latest Practicable Date), and indirectly owns approximately 91% equity interest of Beijing Guorui Property
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Wintime”	Wintime Company Limited, a company incorporated in the British Virgin Islands with limited liability and a Controlling Shareholder of the Company, the shares of which are indirectly wholly-owned by Mr. Wei
“%”	Per cent.

The English names of Chinese entities marked with “” are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

PRECAUTIONARY MEASURES FOR THE EGM

The health of the Shareholders, staff and stakeholders is of paramount importance to the Company. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) the Company encourages each attendee to wear a surgical face mask throughout the EGM and inside the EGM venue, and to maintain a safe distance between seats;
- (iii) no refreshment will be served, and there will be no corporate gift; and
- (iv) each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds in the affirmative in respect of any of these questions may be denied entry into the EGM venue or be required to leave the EGM venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. The Company encourages Shareholders NOT to attend the EGM in person, and advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM instead of attending the EGM in person, by completing and returning the proxy form attached to this circular.

The form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof (as the case may be). In calculating the aforementioned notice period, no account is to be taken of any part of a day that is a public holiday.

PRECAUTIONARY MEASURES FOR THE EGM

If any Shareholder chooses not to attend the EGM in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to the registered office of the Company or to the email of the share registrar of the Company at is-enquiries@hk.tricorglobal.com. If any Shareholder has any question relating to the EGM, please contact Tricor Standard Limited, the Company's share registrar as follows:

Tricor Standard Limited

Level 54, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong

Email: is-enquiries@hk.tricorglobal.com

HK Tel: (852) 2980 1333

Fax: (852) 2810 8185

LETTER FROM THE BOARD



GR PROPERTIES LIMITED

國銳地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

Executive Directors:

Mr. Wei Chunxian
Mr. Sun Zhongmin
Ms. Liu Shuhua
Ms. Huang Fei
Ms. Li Bing

Registered Office:

Suite 1603, 16/F
Wheelock House
20 Pedder Street
Central, Hong Kong

Independent non-executive Directors:

Mr. Tung Woon Cheung Eric
Ms. To Tsz Wan Vivien
Mr. Leung Louis Ho Ming

4 December 2020

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement.

The purpose of this circular is to provide you with (i) further details regarding, amongst others, the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement; (ii) recommendation of the Independent Board Committee; (iii) a letter of advice from

LETTER FROM THE BOARD

the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the EGM and the accompanying form of proxy.

RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

The 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement will expire on 31 December 2020.

In order to continue the provision of services by AOCEAN Property Management (an indirect wholly-owned subsidiary of the Company) to Beijing Guorui Group, on 2 November 2020, AOCEAN Property Management and Beijing Guorui Property entered into the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement.

(A) 2021 New Heat Supply Services Agreement

On 2 November 2020, AOCEAN Property Management and Beijing Guorui Property entered into the 2021 New Heat Supply Services Agreement, pursuant to which AOCEAN Property Management has agreed to provide heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group.

The salient terms of the 2021 New Heat Supply Services Agreement are summarised as follows:

Date:	2 November 2020
Parties:	(1) AOCEAN Property Management (2) Beijing Guorui Property (for itself and for and on behalf of Beijing Guorui Group)
Term:	From 1 January 2021 to 31 December 2023 (both days inclusive)

LETTER FROM THE BOARD

- Nature of transactions: AOCEAN Property Management shall provide to the members of Beijing Guorui Group heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group.
- As at the Latest Practicable Date, the relevant property projects include Fortune Street Phase One* (財滿街一期), Fortune Street Phase Two* (財滿街二期), Fortune Street Phase Three* (財滿街三期) and Golden Tower* (金長安大廈) in Chaoyang District, Beijing; Guorui Square* (國銳廣場) and Kingdom Guorui* (國銳•金嶺) in Daxing District, Beijing; and North Garden* (北花園) at Gaobeidian, Chaoyang District, Beijing.
- AOCEAN Property Management's responsibilities include (i) overseeing the daily operation and provision of repair and maintenance services of heat exchange station and facilities and the pipeline network to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group; and (ii) ensuring that the heat supply complies with governmental guidelines and standards, etc.
- Condition precedent: Subject to the compliance of the requirements under the Listing Rules (including but not limited to the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the 2021 New Heat Supply Services Agreement and the transactions contemplated thereunder (including the annual caps)), the 2021 New Heat Supply Services Agreement will become effective on 1 January 2021
- Fees: Members of Beijing Guorui Group will be responsible for payment of the service fees in respect of vacant units which are delivered for use but not sold or units occupied by Beijing Guorui Group within the aforesaid property projects.

LETTER FROM THE BOARD

For property units which are sold and occupied by Independent Third Party users, AOCEAN Property Management will charge the individual owners/tenants of the property units for the service fees directly.

As at the Latest Practicable Date, the range of standard service fees for residential properties in Beijing, the PRC is RMB18 to RMB30 per square meter per heat supply season. The range of standard service fees for commercial properties in Beijing, the PRC is RMB25.2 to RMB50.4 per square meter per heat supply season.

The service fees for each property project will be determined based on the specific circumstances of each property project, including the location, size, nature (i.e. commercial or residential) and other construction specifications of the relevant properties, and the requirement of resources on the part of AOCEAN Property Management. However, in any event, the service fees under the 2021 New Heat Supply Services Agreement shall not be lower than (a) the fees for similar heat supply services charged by AOCEAN Property Management against Independent Third Party users; and (b) the prices as stipulated by relevant laws and regulations (where applicable). The service fees will be payable on an annual basis by cash.

Historical Transaction Amounts and Annual Caps

The table below summarises the actual transaction amounts, being the fees paid by Beijing Guorui Group to AOCEAN Property Management in respect of the heat supply services provided by AOCEAN Property Management for vacant property units and units occupied by Beijing Guorui Group for the two years ended 31 December 2019 and nine months ended 30 September 2020 under the 2018 New Heat Supply Services Agreement.

LETTER FROM THE BOARD

	For the year ended 31 December 2018 (RMB)	For the year ended 31 December 2019 (RMB)	For the nine months ended 30 September 2020 (RMB)
Actual transaction amounts	8,473,172	7,228,082	5,988,319

The proposed annual caps under the 2021 New Heat Supply Services Agreement for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021 (RMB)	For the year ending 31 December 2022 (RMB)	For the year ending 31 December 2023 (RMB)
Proposed annual caps	10,000,000	11,000,000	12,100,000

The proposed annual caps have been determined by the Company after taking into account of (i) the historical actual transaction amounts as disclosed above; (ii) the estimated number of vacant units or units occupied by Beijing Guorui Group of the relevant property projects during the three years ending 31 December 2023 having taken into account the expected occupancy rate of new property units of Guorui Square Block A; and (iii) the fees chargeable per square meter per heat supply season during such period as stipulated under the 2021 New Heat Supply Services Agreement. As at the Latest Practicable Date, the construction of Guorui Square Block A has been substantially completed. The Group expects that the occupancy rates of Guorui Square Block A will be approximately 52%, 70% and 90% in the years ending 31 December 2021, 2022 and 2023 respectively. The expected occupancy rates of Guorui Square Block A is one of the major factors in determining the proposed annual caps under the 2021 New Heat Supply Services Agreement and the expected increments in occupancy rate is also in line with the gradual increase of proposed annual caps for the three years ending 31 December 2023.

Pricing and Payment Terms

AOCEAN Property Management charges heat supply services fees in accordance with the prevailing heat supply prices as stipulated by the relevant regulatory authorities of the Beijing municipal government.

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On 7 November 2019, the Beijing Municipal Commission of Development and Reform released the Notice Regarding Questions on the Adjustment of the Heat Supply Price for Non-Residential Purpose in the City (Jing Fa Gai [2019] No. 1545) (《關於調整本市非居民供熱價格有關問題的通知 (京發改[2019]1545號)》), pursuant to which the heat supply price for non-residential purpose in Beijing was adjusted to RMB43 (for Chengliu District) and RMB45 (for other districts) per square metre for every heat supply season. If the floor height of the relevant non-residential property exceeds 4 metres, the heat supplier may charge heat supply price at a higher rate based on a prescribed formula, but such price shall not double the regulated price for property with floor height lower than 4 metres.

On 17 October 2001, the Beijing Municipal Price Bureau issued the Notice Regarding the Adjustment of Residential-use Heat Supply Price and Ex-Factory Price of Heat from Thermal Power Plants for the City (Jing Jia (Shang) Zi [2001] No. 372) (《關於調整我市民用供熱價格和熱電廠熱力出廠價格的通知 (京價(商)字[2001]372號)》), in which it was stipulated that the heat supply price for residential purpose in Beijing shall be adjusted to RMB30 per square metre for every heat supply season. Such heat supply government regulated prices have remained unchanged since its implementation.

Residential and commercial property units which are vacant are not subject to the abovementioned regulations. Heat suppliers in Beijing generally, taking into account the guidance contract jointly issued by Beijing Administration for Industry and Commerce and Beijing Municipal and City Appearance Management Committee, charge heat supply price for vacant units at a rate approximately 40% lower than the abovementioned government regulated price.

The Directors are of the opinion that AOCEAN Property Management strictly complies with the heat supply government regulated prices of the regulatory authorities (where applicable), and charge at a price no less favourable than those chargeable to Independent Third Party users, for the purpose of charging heat supply fees under the 2021 New Heat Supply Services Agreement.

The Company will take the following internal control measures for monitoring the pricing and terms of the 2021 New Heat Supply Services Agreement and for ensuring that the transactions conducted thereunder are entered into on normal commercial terms:

- (1) continuously monitoring and checking the government regulated heat supply prices, in order to ensure that the price paid by property owners pursuant to the 2021 New Heat Supply Services Agreement remains consistent with the government regulated prices; and

LETTER FROM THE BOARD

- (2) complying with the Company’s internal control measures in relation to connected transactions (as set out in the paragraphs headed “Internal Control” below), in order to ensure that the heat supply prices charged by AOCEAN Property Management and the relevant terms of the 2021 New Heat Supply Services Agreement are compliant with the government regulated prices or not lower than the market price chargeable to Independent Third Party users (where applicable). AOCEAN Property Management will strictly implement the latest heat supply prices in accordance with the government regulated prices.

The Directors (including the independent non-executive Directors whose views are stated under the paragraph headed “Recommendation” below) are of the view that the terms of the 2021 New Heat Supply Services Agreement (including the annual caps thereunder) are fair and reasonable, the transactions contemplated under the 2021 New Heat Supply Services Agreement are on normal commercial terms or better, and the entering into of the 2021 New Heat Supply Services Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(B) 2021 New Property Management Agreement

On 2 November 2020, AOCEAN Property Management and Beijing Guorui Property entered into the 2021 New Property Management Agreement, pursuant to which AOCEAN Property Management has agreed to provide property management services to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group.

The salient terms of the 2021 New Property Management Agreement are summarised as follows:

Date:	2 November 2020
Parties:	(1) AOCEAN Property Management (2) Beijing Guorui Property (for itself and for and on behalf of Beijing Guorui Group)
Term:	From 1 January 2021 to 31 December 2023 (both days inclusive)

LETTER FROM THE BOARD

Premises: Property units designated by Beijing Guorui Property under its property projects, including (i) vacant units which are delivered for use but not sold; and (ii) units occupied by Beijing Guorui Group.

As at the Latest Practicable Date, the relevant property projects include Fortune Street Phase One* (財滿街一期), Fortune Street Phase Two* (財滿街二期), Fortune Street Phase Three* (財滿街三期) and Golden Tower* (金長安大廈) in Chaoyang District, Beijing; Guorui Square* (國銳廣場) and Kingdom Guorui* (國銳•金嶺) in Daxing District, Beijing; North Garden* (北花園) at Gaobeidian, Chaoyang District, Beijing; and Project Majuqiao* (馬駒橋項目) at Tongzhou District, Beijing.

Nature of Transactions: AOCEAN Property Management is responsible for (i) safekeeping of the keys of the vacant units; (ii) carrying out monthly inspections of the vacant units and keeping records accordingly; (iii) carrying out monthly cleaning of the vacant units; (iv) inspecting the vacant units during bad weather conditions; (v) providing security services; and (vi) maintaining and managing facilities and assets for public use, etc.

Moreover, for particular property units, AOCEAN Property Management will also provide initial clean up services after completion of their construction (the “**Initial Clean Up Services**”).

Condition precedent: Subject to the compliance of the requirements under the Listing Rules (including but not limited to the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the 2021 New Property Management Agreement and the transactions contemplated thereunder (including the annual caps)), the 2021 New Property Management Agreement will become effective on 1 January 2021

Fees: The management fee ranges from RMB0.49 to RMB33.6 per square meter per month for different types of property units, payable on an annual basis by cash.

LETTER FROM THE BOARD

The management fees for each property project will be determined based on the specific circumstances of each property project, including the location, size, nature (i.e. commercial or residential) and other construction specifications of the relevant properties, and the requirement of resources on the part of AOCEAN Property Management.

In any event, the management fees under the 2021 New Property Management Agreement shall not be lower than (a) the fees for similar property management services charged by AOCEAN Property Management against Independent Third Party users; and (b) the prices as stipulated by relevant laws and regulations (where applicable).

For the Initial Clean Up Services, AOCEAN Property Management charges a fee calculated based on its actually incurred disbursement plus a margin of 10%.

Historical Transaction Amounts and Annual Caps

The table below summarises the actual transaction amounts, being the fees paid by Beijing Guorui Group to AOCEAN Property Management in respect of the property management services provided by AOCEAN Property Management for vacant property units and units occupied by Beijing Guorui Group for the two years ended 31 December 2019 and nine months ended 30 September 2020 under the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement.

	For the year ended 31 December 2018 (RMB)	For the year ended 31 December 2019 (RMB)	For the nine months ended 30 September 2020 (RMB)
Actual transaction amounts	18,210,123	23,223,558	29,140,122

The proposed annual caps under the 2021 New Property Management Agreement for the amount receivable by AOCEAN Property Management for the three years ending 31 December 2023 are as follows:

LETTER FROM THE BOARD

	For the year ending 31 December 2021 (RMB)	For the year ending 31 December 2022 (RMB)	For the year ending 31 December 2023 (RMB)
Proposed annual caps	47,500,000	52,250,000	57,475,000

The proposed annual caps have been determined by the Company after taking into account of (i) the historical actual transaction amounts as disclosed above; (ii) the estimated number of vacant units or units occupied by Beijing Guorui Group of the relevant property projects during the three years ending 31 December 2023 having taken into account the expected occupancy rate of new property units of Guorui Square Block A; and (iii) the fees chargeable per square meter per month during such period as stipulated under the 2021 New Property Management Agreement. As disclosed in the paragraphs headed “Renewal of the Continuing Connected Transactions — (A) 2021 New Heat Supply Services Agreement — Historical Transaction Amounts and Annual Caps” above, the Group expects that the occupancy rates of Guorui Square Block A will be approximately 52%, 70% and 90% in the years ending 31 December 2021, 2022 and 2023 respectively. The expected occupancy rates of Guorui Square Block A is one of the major factors in determining the proposed annual caps under the 2021 New Property Management Agreement and the expected increments in occupancy rate is also in line with the gradual increase of proposed annual caps for the three years ending 31 December 2023.

Pricing and Payment Terms

AOCEAN Property Management charges property management fees in accordance with the applicable laws and regulations of the relevant government authorities, the details of which are set out below.

As stipulated in Article 5 of the Measures on the Administration of Property Service Charges in Beijing (《北京市物業服務收費管理辦法》) (the “**Measures**”) issued by Beijing Municipal Commission of Development and Reform in 2005, either the market adjusted price or government regulated price shall apply to property service charges in Beijing. In respect of those property service charges to which the market-adjusted price applies, the charge rates shall be stipulated in a property service contract to be entered into by the landlord and the property management enterprise. In respect of those property service charges to which the government regulated prices apply, the basic charge rates and range of adjustments shall be formulated by the competent municipal price authorities together with the competent property administrative authorities.

Pursuant to Article 6 of the Measures, the types of property adopting the government regulated price shall include economically affordable housing communities, and communities in which unsafe buildings are rebuilt into replacement housing. The property units under the management of AOCEAN Property Management fall into the category of either general residential

LETTER FROM THE BOARD

property or commercial property, for which the market-adjusted price shall be implemented instead of the government regulated price. In other words, AOCEAN Property Management is entitled to independently negotiate and fix the charge rates with the landlord in accordance with the prevailing market price levels and charging practices in the industry, and taking into account the nature, quality, location etc. of the relevant properties.

Market analysis will be conducted for determining the property management service fees to be charged for each property project of Beijing Guorui Property. In order to ensure that such fees is fair and reasonable, the market analysis, including the proposed service fees, will be submitted to the relevant housing administration authorities in Beijing for approval. The proposed service fees is therefore, other than being independently negotiated and fixed by AOCEAN Property Management and Beijing Guorui Property, also approved by the competent government authorities. The charge rates and fee calculation methods have been specifically stipulated in the said agreement. Based on the aforesaid, the Directors are of the opinion that AOCEAN Property Management strictly complies with the Measures in respect of the charges and fees under the 2021 New Property Management Agreement.

In respect of the fees for the Initial Clean Up Services, the prevailing market rate is at a margin of around 8% on top of the actual disbursement to be incurred. Based on arm's length negotiation between AOCEAN Property Management and Beijing Guorui Property, AOCEAN Property Management charges at a slight premium than the prevailing market rate (i.e. a fee calculated based on its actually incurred disbursement plus a margin of 10%) and the Directors consider that such price is fair and reasonable and comparable to the market price chargeable to other Independent Third Party users.

The Company will take the following internal control measures for monitoring the pricing and terms of the 2021 New Property Management Agreement and for ensuring that the transactions conducted thereunder are entered into on normal commercial terms:

- (1) continuously monitoring and checking the relevant laws and regulations on property management prices, in order to ensure that the price paid by property owners pursuant to the 2021 New Property Management Agreement remains consistent with the requirements pursuant to the relevant laws and regulations; and
- (2) complying with the Company's relevant internal control measures in relation to connected transactions (as set out in the paragraphs headed "Internal Control" below), in order to ensure that the property management prices charged by AOCEAN Property Management are not lower than the price chargeable to Independent Third Parties and the relevant terms of the 2021 New Property Management Agreement are no less favourable to the Company than those available to or from Independent Third Parties.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose views are stated under the paragraph headed “Recommendation” below) are of the view that the terms of the 2021 New Property Management Agreement (including the annual caps thereunder) are fair and reasonable, the transactions contemplated under the 2021 New Property Management Agreement are on normal commercial terms or better, and the entering into of the 2021 New Property Management Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

REASONS FOR ENTERING INTO THE 2021 NEW HEAT SUPPLY SERVICES AGREEMENT AND THE 2021 NEW PROPERTY MANAGEMENT AGREEMENT

AOCEAN Property Management, an indirect wholly-owned subsidiary of the Company, provides property management services for office buildings, residential properties and car parks.

AOCEAN Property Management has a track record of providing property management services to some of the residential and commercial property projects developed by Beijing Guorui Group since 2004. Throughout the years, AOCEAN Property Management has been selected by Beijing Guorui Group through tender process for the management of a number of property projects developed by Beijing Guorui Group and a strong and stable business relationship has been developed. Further, since 2005, AOCEAN Property Management started to provide heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the property projects developed by Beijing Guorui Group.

As at the Latest Practicable Date, AOCEAN Property Management provided (a) property management services to 21 major property projects, eight of which were property projects developed by Beijing Guorui Group; and (b) heat supply and maintenance services to 14 major property projects, seven of which were property projects developed by Beijing Guorui Group.

The entering into of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement allows the Group to continue to provide heat supply and maintenance services and property management services to the current and future property projects developed by Beijing Guorui Group respectively.

As Beijing Guorui Property is indirectly owned by Mr. Wei and Mr. Sun as to approximately 91% and 9% respectively, Mr. Wei and Mr. Sun are considered to have a material interest in the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder, and have therefore abstained from voting on the Board resolutions approving, inter alia, the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose views are stated under the paragraph headed “Recommendation” below) consider it beneficial to the Group to continue to conduct the continuing connected transactions contemplated under the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement given that they are in line with the Group’s strategies to maintain and further its property management business in the PRC, and are able to continue to generate stable revenue and income to the Group.

INTERNAL CONTROL

The Group has adopted the following internal control procedures over the continuing connected transactions of the Company (including the transactions contemplated under the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement):

- throughout the term of each continuing connected transaction of the Company, the operation department of the relevant member of the Group will review and check whether the pricing is fair and reasonable and adhering to the pricing terms. In addition to reviewing the pricing before entering into a continuing connected transaction where the pricing terms under the relevant agreements are applied for the first time or the pricing terms are different from those used previously, the accounting department of the relevant member of the Group will review the aforesaid works carried out by the operation department on a quarterly basis. In respect of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement, (i) the operation department of AOCEAN Property Management will review and check the pricing terms, in particular that the fees to be charged are not lower than the fee charged by the Group against Independent Third Parties; and (ii) the accounting department of AOCEAN Property Management will review the pricing terms before entering into each transaction and regularly review the work carried out by the operation department;
- the accounting department of the Company is primarily responsible for reviewing and monitoring the continuing connected transactions of the Group in order to ensure that the annual caps of the relevant transactions are not exceeded and the transactions have been conducted in accordance with the pricing policies or mechanisms under the framework agreements relating to such continuing connected transactions. The accounting department of the Company will consult with the Group’s independent professional internal control advisor in respect of continuing connected transaction compliance issues and annually report to the chief financial officer of the Company, who (in his/her own capacity and on behalf of the Group’s management designated for the purposes of the Group’s enterprise risk management and internal controls) will report to the audit committee of the Company and also provide a confirmation to the audit committee that the continuing connected transactions of the Company which are

LETTER FROM THE BOARD

subject to the annual review and disclosure requirements under the Listing Rules have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and that the Group's internal control procedures applicable to continuing connected transactions are adequate and effective to ensure that such transactions were so conducted. The audit committee of the Company will consider this accordingly;

- the external auditors of the Company will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded; and
- the independent non-executive Directors will review the continuing connected transactions of the Company (which are subject to the annual review and disclosure requirements under the Listing Rules) annually to check and confirm whether such continuing connected transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the pricing policies set out in the relevant agreements.

INFORMATION ON BEIJING GUORUI PROPERTY

Beijing Guorui Property is a company established under the laws of the PRC with limited liability and is principally engaged in property development and investment business.

As at the Latest Practicable Date, Beijing Guorui Property is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司), which in turn is directly owned by Mr. Wei and Mr. Sun as to approximately 91% and 9% respectively.

As at the Latest Practicable Date, Ms. Li Chang (李暢), Mr. Chen Gang (陳崗), Mr. Yan Tao (嚴濤), Ms. Li Xiaoxia (李曉霞), Mr. Sun and Ms. Liu Shuhua (劉淑華) (a Director) are directors of Beijing Guorui Property.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND AOCEAN PROPERTY MANAGEMENT

The Group is principally engaged in property development and investments in the United Kingdom, the United States of America and the PRC, provision of property management services in the PRC and operation and management of a leisure and lifestyle experience centre in the PRC.

AOCEAN Property Management is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of property management services for office buildings, residential properties and car parks.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Beijing Guorui Property is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司), which in turn is directly owned by Mr. Wei and Mr. Sun as to approximately 91% and 9% respectively, and is therefore an associate of Mr. Wei under the Listing Rules. Mr. Wei, being an executive Director and a substantial shareholder of the Company, is a connected person of the Company, and hence Beijing Guorui Property, being an associate of Mr. Wei, is regarded as a connected person of the Company under the Listing Rules.

As a result, the transactions contemplated under each of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement are both related to the services provided by the Group to Beijing Guorui Group for its property projects, the transactions contemplated thereunder are required to be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the highest Aggregated Annual Cap exceeds 5% and the Aggregated Annual Caps are more than HK\$10,000,000, the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms or better, the entering into of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and on how to vote at the EGM. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

EGM

A notice convening the EGM to be held at Unit 1103-06, China Building, 29 Queen's Road Central, Hong Kong on Wednesday, 23 December 2020 at 10:00 a.m., is set out on pages EGM-1 to EGM-4 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement.

The ordinary resolutions proposed at the EGM will be determined by way of poll by the Independent Shareholders.

As Beijing Guorui Property is indirectly owned by Mr. Wei and Mr. Sun as to approximately 91% and 9% respectively, Mr. Wei and Mr. Sun are considered to have a material interest in the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder. As Wintime is a company indirectly wholly-owned by Mr. Wei that is holding 1,434,421,537 Shares (representing approximately 44.83% of the total issued Shares as at the Latest Practicable Date), Wintime is also considered to have a material interest in the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14A.36 of the Listing Rules, Wintime and Mr. Sun and their respective associates will therefore abstain from voting on the EGM on the proposed resolutions to approve, among other things, the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all such reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

LETTER FROM THE BOARD

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than Monday, 21 December 2020 at 10:00 a.m. (Hong Kong Time) (i.e. at least 48 hours (excluding any part of a day that is a public holiday) before the time of the EGM or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Wednesday, 23 December 2020 will be eligible to attend and vote at the EGM. The transfer books and register of members will be closed from Friday, 18 December 2020 to Wednesday, 23 December 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of Shareholders who are entitled to attend and vote at the EGM, all transfers accompanied by the relevant Share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 17 December 2020.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Messis Capital, is of the view that (i) the terms of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and, together with the bases of determining the proposed annual caps, are fair and reasonable; (ii) the transactions contemplated under the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement are on normal commercial terms; and (iii) the entering into of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement at the EGM.

LETTER FROM THE BOARD

GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from Messis Capital, the additional information set out in the appendix to this circular and the notice of the EGM.

Yours faithfully,
For and on behalf of the Board
GR Properties Limited
Wei Chunxian
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



GR PROPERTIES LIMITED

國銳地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

4 December 2020

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 4 December 2020 of the Company (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you regarding the fairness and reasonableness of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder, together with the proposed annual caps. Messis Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having considered the terms of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement as well as the proposed annual caps, and having taken into account the principal factors and reasons considered by, and the opinion of, Messis Capital as stated in its letter dated 4 December 2020, we consider that (i) the terms of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and, together with the bases of determining the proposed annual caps, are fair and reasonable; (ii) the transactions contemplated under the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement are on normal commercial terms; and (iii) the entering into of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions proposed at the EGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We draw the attention of the Independent Shareholders to (i) the letter from the Board; (ii) the letter from Messis Capital; and (iii) the appendix to the Circular.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Tung Woon Cheung Eric

Independent non-executive

Director

Ms. To Tsz Wan Vivien

Independent non-executive

Director

Mr. Leung Louis Ho Ming

Independent non-executive

Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Messis Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders in respect of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder, and the proposed annual caps.



4 December 2020

To: The Independent Board Committee and the Independent Shareholders of GR Properties Limited

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder, and the proposed annual caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 4 December 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.

Reference is made to the circular of the Company dated 24 November 2017, AOCEAN Property Management (an indirect wholly-owned subsidiary of the Company) and Beijing Guorui Property entered into the conditional 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement which will expire on 31 December 2020. In order to continue the provision of services by AOCEAN Property Management (an indirect wholly-owned subsidiary of the Company) to Beijing Guorui Group, on 2 November 2020, AOCEAN Property Management and Beijing Guorui Property entered into (i) the 2021 New Heat Supply Services Agreement, pursuant to which AOCEAN Property Management has agreed to provide heat supply and maintenance services of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

heat exchange stations and facilities and pipeline networks to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group; and (ii) the 2021 New Property Management Agreement, pursuant to which AOCEAN Property Management has agreed to provide property management services to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group.

As at the Latest Practicable Date, Beijing Guorui Property is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司), which in turn is directly owned by Mr. Wei and Mr. Sun as to approximately 91% and 9% respectively, and is therefore an associate of Mr. Wei under the Listing Rules. Mr. Wei, being an executive Director and a substantial shareholder of the Company, is a connected person of the Company, and hence Beijing Guorui Property, being an associate of Mr. Wei, is regarded as a connected person of the Company under the Listing Rules.

As a result, the transactions contemplated under each of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement are both related to the services provided by the Group to Beijing Guorui Group for its property projects, the transactions contemplated thereunder are required to be aggregated pursuant to Rules 14A.81 to Rule 14.83 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the highest Aggregated Annual Cap exceeds 5% and the Aggregate Annual Caps are more than HK\$10,000,000, the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Beijing Guorui Property is indirectly owned by Mr. Wei and Mr. Sun as to approximately 91% and 9% respectively, Mr. Wei and Mr. Sun are considered to have a material interest in the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder. As Wintime is a company indirectly wholly-owned by Mr. Wei that is holding 1,434,421,537 Shares (representing approximately 44.83% of the total issued Shares as at the Latest Practicable Date), Wintime is also considered to have a material interest in the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 14A.36 of the Listing Rules, Wintime and Mr. Sun and their respective associates will therefore abstain from voting on the EGM on the proposed resolutions to approve, among other things, the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all such reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

The Independent Board Committee (comprising all independent non-executive Directors namely, Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Leung Louis Ho Ming) has been established to advise the Independent Shareholders as to whether the terms of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms or better, the entering into of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and on how to vote at the EGM. We, Messis Capital Limited, have been appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not acted as an independent financial adviser on any other transactions for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to 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 opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and the transactions contemplated thereunder, and the proposed annual caps. Except for its inclusion in the Circular, this letter 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

The Group is principally engaged in property development and investments in the United Kingdom, the United States of America and the PRC, provision of property management services in the PRC and operation and management of a leisure and lifestyle experience centre in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.1 Financial performance on the Group

Set out below is a summary of the consolidated statements of profit or loss of the Group for each of the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, which are extracted from the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report") and the Company's interim report for the six months ended 30 June 2020 (the "2020 Interim Report").

Consolidated statement of profit or loss

	For the year ended		For the six months ended	
	31 December		30 June	
	2018	2019	2019	2020
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	361,282	373,327	177,006	161,812
Profit/(loss) attributable to owners of the Company	9,579	98,599	(3,179)	(6,623)

For the year ended 31 December 2019, the Group's revenue increased to approximately HK\$373.3 million as compared to approximately HK\$361.3 million recorded for the year ended 31 December 2018, which was mainly attributable to (i) the increase in revenue generated from the property management segment which reported segment revenue of approximately HK\$224.2 million for the year ended 31 December 2019 as compared to approximately HK\$196.1 million for the year ended 31 December 2018; and (ii) the property development and investment segment reported segment revenue of approximately HK\$78.8 million for the year ended 31 December 2019 as compared to approximately HK\$75.1 million for the year ended 31 December 2018.

For the year ended 31 December 2019, the Group recorded a profit of approximately HK\$98.6 million, representing an increase in profit by approximately HK\$89.0 million as compared to a profit of approximately HK\$9.6 million recorded for the year ended 31 December 2018. According to the 2019 Annual Report, the increase in profit was primarily due to a remeasurement gain of approximately HK\$301.5 million upon transfer of a portion of certain properties held for sale to investment properties and offset by a net fair value loss of investment properties of approximately HK\$142.2 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2020, the Group's revenue decreased to approximately HK\$161.8 million as compared to approximately HK\$177.0 million recorded for the six months ended 30 June 2019. The decrease in revenue was mainly attributable to (i) the decrease in revenue generated from the property management segment which reported segment revenue of approximately HK\$97.9 million for the six months ended 30 June 2020 as compared to approximately HK\$104.9 million recorded for the six months ended 30 June 2019; and (ii) the decrease in revenue generated from the operation of the recreational centre segment which reported segment revenue of approximately HK\$9.6 million for the six months ended 30 June 2020 as compared to approximately HK\$36.0 million recorded for the six months ended 30 June 2019.

The Group recorded a loss for the six months ended 30 June 2020 of approximately HK\$6.6 million, which represented an increase in loss by approximately HK\$3.4 million as compared to a loss of approximately HK\$3.2 million recorded for the six months ended 30 June 2019. According to the 2020 Interim Report, the increase in losses was mainly attributable to increase in finance costs of approximately HK\$29.9 million for the six months ended 30 June 2020 as a result of additional interest expense incurred on a quasi-loan equity contributed by a joint venture partner of a subsidiary, which was acquired in the second half year of 2019. The effect of the increase in finance costs for such period was partly offset by a remeasurement gain of approximately HK\$41.0 million recognised upon transfer of certain properties held for sale to investment properties in the PRC during the six months ended 30 June 2020.

1.2 Financial position on the Group

Set out below is a summary of the consolidated statements of financial position of the Group as at 31 December 2018 and 31 December 2019 and as at 30 June 2020, which are extracted from the 2019 Annual Report and the 2020 Interim Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consolidated statement of financial position

	As at		As at
	31 December		30 June
	2018	2019	2020
	(audited)	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	4,500,247	4,246,862	4,208,874
Current assets	<u>529,832</u>	<u>2,059,594</u>	<u>1,927,212</u>
Total assets	<u>5,030,079</u>	<u>6,306,456</u>	<u>6,136,086</u>
Non-current liabilities	930,812	1,752,540	2,056,134
Current liabilities	<u>644,752</u>	<u>1,117,119</u>	<u>749,748</u>
Total liabilities	<u>1,575,564</u>	<u>2,869,659</u>	<u>2,805,882</u>
Equity attributable to owners of the Company	<u>3,431,736</u>	<u>3,414,919</u>	<u>3,308,725</u>

As at 31 December 2019, the total assets of the Group amounted to approximately HK\$6.3 billion, comprised of non-current assets of approximately HK\$4.2 billion and current assets of approximately HK\$2.1 billion. The increase in total assets of the Group as at 31 December 2019 as compared to that as at 31 December 2018 was mainly due to (i) the increase in investment properties to approximately HK\$2.0 billion due to addition of completed investment properties of approximately HK\$1.8 billion during the year ended 31 December 2019 which represents certain floors of a commercial building located in Beijing, the PRC; and (ii) the increase in properties held for sale to approximately HK\$1.2 billion. The total liabilities of the Group also increased to approximately HK\$2.9 billion which was mainly due to the increase in bank borrowings for the acquisition of certain floors of a commercial building located in Beijing, the PRC.

As at 30 June 2020, the total assets of the Group amounted to approximately HK\$6.1 billion, comprised of non-current assets of approximately HK\$4.2 billion and current assets of approximately HK\$1.9 billion. The decrease in total assets of the Group as at 30 June 2020 as compared to that as at 31 December 2019 was mainly due to (i) the decrease in investment properties to approximately HK\$4.2 billion as a result of exchange realignment; and (ii) the decrease in pledged bank deposit. The total liabilities of the Group also decreased from

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately HK\$2.9 billion as at 31 December 2019 to approximately HK\$2.8 billion as at 30 June 2020 which was mainly due to the decrease in bank and other borrowings, represented (i) a bank loan of HK\$116.7 million secured by Boundary House and certain trade and lease receivables; (ii) a bank loan of HK\$742.9 million secured by Juxon House and certain trade and lease receivables; (iii) other loan of HK\$236.5 million secured by a commercial and residential complex located in the USA during such period; and (iv) lease liabilities balances of HK\$29.9 million. As a result of the foregoing, the equity attributable to owners of the Company remained stable at approximately HK\$3.3 billion.

1.3 Background information on AOCEAN Property Management

AOCEAN Property Management is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of property management services for office buildings, residential properties and car parks.

1.4 Background information on Beijing Guorui Property

Beijing Guorui Property is a company established under the laws of the PRC with limited liability and is principally engaged in property development and investment business.

As at the Latest Practicable Date, Beijing Guorui Property is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司), which in turn is directly owned by Mr. Wei and Mr. Sun as to approximately 91% and 9% respectively.

As at the Latest Practicable Date, Ms. Li Chang (李暢), Mr. Chen Gang (陳崗), Mr. Yan Tao (嚴濤), Ms. Li Xiaoxia (李曉霞), Mr. Sun and Ms. Liu Shuhua (劉淑華) (a Director) are directors of Beijing Guorui Property.

1.5 Reasons for and benefits of the entering into the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreements

AOCEAN Property Management, an indirect wholly-owned subsidiary of the Company, provides property management services for office buildings, residential properties and car parks.

AOCEAN Property Management has a track record of providing property management services to some of the residential and commercial property projects developed by Beijing Guorui Group since 2004. Throughout the years, AOCEAN Property Management has been selected by Beijing Guorui Group through tender process for the management of a number of property projects developed by Beijing Guorui Group and a strong and stable business relationship has been

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developed. Further, since 2005, AOCEAN Property Management started to provide heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the property projects developed by Beijing Guorui Group.

As at the Latest Practicable Date, AOCEAN Property Management provided (a) property management services to 21 major property projects, eight of which were property projects developed by Beijing Guorui Group; and (b) heat supply and maintenance services to 14 major property projects, seven of which were property projects developed by Beijing Guorui Group. It is expected that the entering into of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement will allow the Group to continue to provide heat supply and maintenance services and property management services to the current and future property projects developed by Beijing Guorui Group respectively.

Based on the above, in particular that (i) it is the principal business of the Group to provide property management services; (ii) business relationship between AOCEAN Property Management and Beijing Guorui Group is well-established; and (iii) the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement allows the Group to continue to provide heat supply and maintenance services and property management services to the current and future property projects developed by Beijing Guorui Group, we concur with the view of the Directors that the transactions contemplated under the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreements are in the ordinary and usual course of business of the Group and that the entering of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreements are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the 2021 New Heat Supply Services Agreement

On 2 November 2020, AOCEAN Property Management and Beijing Guorui Property entered into the 2021 New Heat Supply Services Agreement, pursuant to which AOCEAN Property Management has agreed to provide heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group.

The salient terms of the 2021 New Heat Supply Services Agreement are summarised as follows:

Date: 2 November 2020

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- Parties: (1) AOCEAN Property Management
- (2) Beijing Guorui Property (for itself and for and on behalf of Beijing Guorui Group)
- Term: From 1 January 2021 to 31 December 2023 (both days inclusive)
- Nature of Transactions: AOCEAN Property Management shall provide to the members of Beijing Guorui Group heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group.
- As at the Latest Practicable Date, the relevant property projects include Fortune Street Phase One* (財滿街一期), Fortune Street Phase Two* (財滿街二期), Fortune Street Phase Three* (財滿街三期) and Golden Tower* (金長安大廈) in Chaoyang District, Beijing; Guorui Square* (國銳廣場) and Kingdom Guorui* (國銳•金嶺) in Daxing District, Beijing; and North Garden* (北花園) at Gaobeidian, Chaoyang District, Beijing.
- AOCEAN Property Management's responsibilities include (i) overseeing the daily operation and provision of repair and maintenance services of heat exchange station and facilities and the pipeline network to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group; and (ii) ensuring that the heat supply complies with governmental guidelines and standards, etc.

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Condition precedent: Subject to the compliance of the requirements under the Listing Rules (including but not limited to the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the 2021 New Heat Supply Services Agreement and the transactions contemplated thereunder (including the annual caps)), the 2021 New Heat Supply Services Agreement will become effective on 1 January 2021.

Fees: Members of Beijing Guorui Group will be responsible for payment of the service fees in respect of vacant units which are delivered for use but not sold or units occupied by Beijing Guorui Group within the aforesaid property projects.

For property units which are sold and occupied by Independent Third Party users, AOCEAN Property Management will charge the individual owners/tenants of the property units for the service fees directly.

As at the Latest Practicable Date, the range of standard service fees for residential properties in Beijing, the PRC is RMB18 to RMB30 per square meter per heat supply season. The range of standard service fees for commercial properties in Beijing, the PRC is RMB25.2 to RMB50.4 per square meter per heat supply season.

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The service fees for each property project will be determined based on the specific circumstances of each property project, including the location, size, nature (i.e. commercial or residential) and other construction specifications of the relevant properties, and the requirement of resources on the part of AOCEAN Property Management. However, in any event, the service fees under the 2021 New Heat Supply Services Agreement shall not be lower than (a) the fees for similar heat supply services charged by AOCEAN Property Management against Independent Third Party users; and (b) the prices as stipulated by relevant laws and regulations (where applicable). The service fees will be payable on an annual basis by cash.

2.1 Pricing and Payment Terms

AOCEAN Property Management charges heat supply services fees in accordance with the prevailing heat supply prices as stipulated by the relevant regulatory authorities of the Beijing municipal government.

On 7 November 2019, the Beijing Municipal Commission of Development and Reform released the Notice Regarding Questions on the Adjustment of the Heat Supply Price for Non-Residential Purpose in the City (Jing Fa Gai [2019] No. 1545) (《關於調整本市非居民供熱價格有關問題的通知 (京發改[2019]1545號)》), pursuant to which the heat supply price for non-residential purpose in Beijing was adjusted to RMB43 (for Chengliu District) to RMB45 (for other districts) per square metre for every heat supply season. If the floor height of the relevant non-residential property exceeds 4 metres, the heat supplier may charge heat supply price at a higher rate based on a prescribed formula, but such price shall not double the regulated price for property with floor height lower than 4 metres.

On 17 October 2001, the Beijing Municipal Price Bureau issued the Notice Regarding the Adjustment of Residential-use Heat Supply Price and Ex-Factory Price of Heat from Thermal Power Plants for the City (Jing Jia (Shang) Zi [2001] No. 372) (《關於調整我市民用供熱價格和熱電廠熱力出廠價格的通知 (京價(商)字[2001]372號)》), in which it was stipulated that the heat supply price for residential purpose in Beijing shall be adjusted to RMB30 per square metre for every heat supply season. Such heat supply government regulated prices have remained unchanged since its implementation.

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Residential and commercial property units which are vacant are not subject to the abovementioned regulations. Heat suppliers in Beijing generally, taking into account the guidance contract jointly issued by Beijing Administration for Industry and Commerce and Beijing Municipal and City Appearance Management Committee, charge heat supply price for vacant units at a rate approximately 40% lower than the abovementioned government regulated price.

The Directors are of the opinion that AOCEAN Property Management strictly complies with the heat supply government regulated prices of the regulatory authorities (where applicable), and charge at a price no less favourable than those chargeable to Independent Third Party users, for the purpose of charging heat supply fees under the 2021 New Heat Supply Services Agreement.

We have (i) reviewed the Notice Regarding Questions on the Adjustment of the Heat Supply Price for Non- Residential Purpose in the City (Jing Fa Gai [2019] No. 1545) (《關於調整本市非居民供熱價格有關問題的通知 (京發改[2019] 1545號)》) and the Notice Regarding the Adjustment of Residential-use Heat Supply Price and Ex-Factory Price of Heat from Thermal Power Plants for the City (Jing Jia (Shang) Zi [2001] No. 372) (《關於調整我市民用供熱價格和熱電廠熱力出廠價格的通知 (京價(商)字[2001]372號)》) (collectively, the “**Notices**”) as well as the 2021 New Heat Supply Services Agreement; and (ii) reviewed the template heat supply contract for residents of Beijing 《北京市居民供熱採暖合同》 jointly issued by Beijing Municipal Commission of City Management (北京市政市容管理委員會) and Beijing Administration for Industry and Commerce (北京市工商行政管理局).

In assessing the terms under the 2021 New Heat Supply Services Agreement, we have obtained and reviewed (i) the heat supply services contracts entered into between AOCEAN Property Management and Beijing Guorui Property and (ii) two heat supply services contracts entered into between AOCEAN Property Management and Independent Third Parties during the two years ended 31 December 2019 and the nine months ended 30 September 2020 (the “**Review Period**”) and noted that under all the heat supply services contracts reviewed by us, the heat supply fee charged to both Beijing Guorui Group and the Independent Third Parties were charged according to the government regulated heat supply prices as stipulated in the Notices. In addition, we have discussed with the management of the Company and noted that all the heat supply contracts entered into (i) between AOCEAN Property Management and Beijing Guorui Property and (ii) between AOCEAN Property Management and Independent Third Parties during the Review Period are governed by the Notices. As such, we believe that it is sufficient, fair and representative to obtain two sample contracts.

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Based on the foregoing, we concur with the views of the Directors that the terms under the 2021 New Heat Supply Services Agreement are on normal commercial term and are fair and reasonable so far as the Independent Shareholders are concerned.

We have obtained and reviewed the internal control procedures and noted that the Company will (i) continuously monitor and check the government regulated heat supply prices, in order to ensure that the price paid by property owners pursuant to the 2021 New Heat Supply Services Agreement remains consistent with the government regulated prices; and (ii) comply with the Company's internal control measures in relation to connected transactions, in order to ensure that the heat supply prices charged by AOCEAN Property Management and the relevant terms of the 2021 New Heat Supply Services Agreement are compliant with the government regulated prices or not lower than the market price chargeable to Independent Third Party users (where applicable). AOCEAN Property Management will strictly implement the latest heat supply prices in accordance with the government regulated prices. We concur with the view of the Directors that the procedures aforementioned implemented can effectively ensure that the transactions under the 2021 New Heat Supply Services Agreement are entered into based on normal commercial terms and no less favourable to the Company than those chargeable against the Independent Third Parties.

2.2 Historical transaction amounts and Proposed annual caps

The table below summarises the actual transaction amounts, being the fees paid by Beijing Guorui Group to AOCEAN Property Management in respect of the heat supply services provided by AOCEAN Property Management for vacant property units and units occupied by Beijing Guorui Group for the two years ended 31 December 2019 and nine months ended 30 September 2020 under the 2018 New Heat Supply Services Agreement.

	For the year ended 31 December 2018 (RMB)	For the year ended 31 December 2019 (RMB)	For the nine months ended 30 September 2020 (RMB)
Actual transaction amounts	8,473,172	7,228,082	5,988,319

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The proposed annual caps under the 2021 New Heat Supply Services Agreement for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021 (RMB)	For the year ending 31 December 2022 (RMB)	For the year ending 31 December 2023 (RMB)
Proposed annual caps	10,000,000	11,000,000	12,100,000

The proposed annual caps have been determined by the Company after taking into account of (i) the historical actual transaction amounts as disclosed above; (ii) the estimated number of vacant units or units occupied by Beijing Guorui Group of the relevant property projects during the three years ending 31 December 2023 having taken into account the expected occupancy rate of new property units of Guorui Square Block A; and (iii) the fees chargeable per square meter per heat supply season during such period as stipulated under the 2021 New Heat Supply Services Agreement. As advised by the management of the Company, the construction of Guorui Square Block A has been substantially completed as at the Latest Practicable Date. The Group expects that the occupancy rates of Guorui Square Block A will be approximately 52%, 70% and 90% in the years ending 31 December 2021, 2022 and 2023 respectively. The expected occupancy rates of Guorui Square Block A is one of the major factors in determining the proposed annual caps under the 2021 New Heat Supply Services Agreement and the expected increments in occupancy rate is also in line with the gradual increase of proposed annual caps for the three years ending 31 December 2023.

In assessing the reasonableness of the annual caps under the 2021 New Heat Supply Services Agreement, we have obtained and reviewed the calculations in arriving the estimated fees chargeable by AOCEAN Property Management, which is calculated as the multiple of the estimated area in square metre remained vacant and estimated area occupied by Beijing Guorui Group during the period and the fee chargeable per square metre as stipulated under the 2021 New Heat Supply Services Agreement. As advised by the management of the Company, the expected area of vacancy and estimated area occupied by Beijing Guorui Group as well as the expected period of vacancy was prepared by Beijing Guorui Group based on their construction plan and the historical vacancy rate.

In reviewing the calculation of the annual caps, we noted that the Company has taken into account the estimated area in square metre of the remaining vacant units and units occupied by Beijing Guorui Group mainly for Kingdom Guorui* (國銳•金嶺) and North Garden* (北花園). In addition, we also noted from the calculations that it is expected to have 10% increase in heat

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supply fee payable for the respective year ending 31 December 2022 and 2023. We have discussed with the management of the Company and understood that the expected increase in heat supply fee payable has mainly taken into account of the expected occupancy rate of Guorui Square Block A. The Group expected that the occupancy rates of Guorui Square Block A will be approximately 52%, 70% and 90% in the years ending 31 December 2021, 2022 and 2023 respectively, which is in line with the gradual increase of proposed annual caps for the three years ending 31 December 2021, 2022 and 2023.

In light of the principal factors as discussed above, we are of the view that the bases and assumptions adopted by the Group in arriving the proposed annual caps for the transactions contemplated under the 2021 New Heat Supply Services Agreement for the three years ending 31 December 2023 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Independent Shareholders are concerned.

3. Principal terms of the 2021 New Property Management Agreement

On 2 November 2020, AOCEAN Property Management and Beijing Guorui Property entered into the 2021 New Property Management Agreement, pursuant to which AOCEAN Property Management has agreed to provide property management services to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group.

The salient terms of the 2021 New Property Management Agreement are summarised as follows:

Date:	2 November 2020
Parties:	(1) AOCEAN Property Management (2) Beijing Guorui Property (for itself and for and on behalf of Beijing Guorui Group)
Term:	From 1 January 2021 to 31 December 2023 (both days inclusive)

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Premises: Property units designated by Beijing Guorui Property under its property projects, including (i) vacant units which are delivered for use but not sold; and (ii) units occupied by Beijing Guorui Group.

As at the Latest Practicable Date, the relevant property projects include Fortune Street Phase One* (財滿街一期), Fortune Street Phase Two* (財滿街二期), Fortune Street Phase Three* (財滿街三期) and Golden Tower* (金長安大廈) in Chaoyang District, Beijing; Guorui Square* (國銳廣場) and Kingdom Guorui* (國銳•金嶺) in Daxing District, Beijing; North Garden* (北花園) at Gaobeidian, Chaoyang District, Beijing; and Project Majuqiao* (馬駒橋項目) at Tongzhou District, Beijing.

Nature of Transactions: AOCEAN Property Management is responsible for (i) safekeeping of the keys of the vacant units; (ii) carrying out monthly inspections of the vacant units and keeping records accordingly; (iii) carrying out monthly cleaning of the vacant units; (iv) inspecting the vacant units during bad weather conditions; (v) providing security services; and (vi) maintaining and managing facilities and assets for public use, etc.

Moreover, for particular property units, AOCEAN Property Management will also provide initial clean up services after completion of their construction (the “**Initial Clean Up Services**”).

Condition precedent: Subject to the compliance of the requirements under the Listing Rules (including but not limited to the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the 2021 New Property Management Agreement and the transactions contemplated thereunder (including the annual caps)), the 2021 New Property Management Agreement will become effective on 1 January 2021.

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Fees: The management fee ranges from RMB0.49 to RMB33.6 per square meter per month for different types of property units, payable on an annual basis by cash.

The management fees for each property project will be determined based on the specific circumstances of each property project, including the location, size, nature (i.e. commercial or residential) and other construction specifications of the relevant properties, and the requirement of resources on the part of AOCEAN Property Management.

In any event, the management fees under the 2021 New Property Management Agreement shall not be lower than (a) the fees for similar property management services charged by AOCEAN Property Management against Independent Third Party users; and (b) the prices as stipulated by relevant laws and regulations (where applicable).

For the Initial Clean Up Services, AOCEAN Property Management charges a fee calculated based on its actually incurred disbursement plus a margin of 10%.

3.1 Pricing and Payment Terms

AOCEAN Property Management charges property management fees in accordance with the applicable laws and regulations of the relevant government authorities, the details of which are set out below.

As stipulated in Article 5 of the Measures on the Administration of Property Service Charges in Beijing (《北京市物業服務收費管理辦法》) (the “**Measures**”) issued by Beijing Municipal Commission of Development and Reform in 2005, either the market adjusted price or government regulated price shall apply to property service charges in Beijing. In respect of those property service charges to which the market adjusted price applies, the charge rates shall be stipulated in a property service contract to be entered into by the landlord and the property management enterprise. In respect of those property service charges to which the government regulated prices apply, the basic charge rates and range of adjustments shall be formulated by the competent municipal price authorities together with the competent property administrative authorities.

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Pursuant to Article 6 of the Measures, the types of property adopting the government regulated price shall include economically affordable housing communities, and communities in which unsafe buildings are rebuilt into replacement housing. The property units under the management of AOCEAN Property Management fall into the category of either general residential property or commercial property, for which the market-adjusted price shall be implemented instead of the government regulated price. In other words, AOCEAN Property Management is entitled to independently negotiate and fix the charge rates with the landlord in accordance with the prevailing market price levels and charging practices in the industry, and taking into account the nature, quality, location etc. of the relevant properties.

Market analysis will be conducted for determining the property management service fees to be charged for each property project of Beijing Guorui Property. In order to ensure that such fees is fair and reasonable, the market analysis, including the proposed service fees, will be submitted to the relevant housing administration authorities in Beijing for approval. The proposed service fees is therefore, other than being independently negotiated and fixed by AOCEAN Property Management and Beijing Guorui Property, also approved by the competent government authorities. The charge rates and fee calculation methods have been specifically stipulated in the said agreement. Based on the aforesaid, the Directors are of the opinion that AOCEAN Property Management strictly complies with the Measures in respect of the charges and fees under the 2021 New Property Management Agreement.

In respect of the fees for the Initial Clean Up Services, the prevailing market rate is a margin of around 8% on top of the actual disbursement to be incurred. Based on arm's length negotiation between AOCEAN Property Management and Beijing Guorui Property, AOCEAN Property Management charges at a slight premium than the prevailing market rate (i.e. a fee calculated based on its actually incurred disbursement plus a margin of 10%) and the Directors consider that such price is fair and reasonable and comparable to the market price chargeable to other Independent Third Party users.

We have (i) reviewed the abovementioned Measures; (ii) obtained and reviewed the 2021 New Property Management Agreement; (iii) discussed with the management of the Company and noted that the basis in determining the fee was primarily based on, among others, the age of the properties, standard of services provided by AOCEAN Property Management and the usage type of the properties. In general, the management fee for commercial properties would be charged at a higher rate than residential properties and properties which were more newly built would also be charged at a higher rate than properties that were older.

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In assessing the terms under the 2021 New Property Management Agreement, we have obtained and reviewed at least one property management contract entered into between AOCEAN Property Management and Independent Third Parties for each project (a total of seven property management contracts) during the Review Period. We noted that (i) the property management fee charged to the Independent Third Parties are comparable to the fees charged to Beijing Guorui Group under the 2021 New Property Management Agreement; and (ii) the property management fee charged per square metre per month to the Independent Third Parties for the same project are generally consistent. As such, we believe that it is sufficient, fair and representative to obtain at least one property management contract for each project as sample contracts.

Based on the foregoing, we concur with the views of the Directors that the terms under the 2021 New Property Management Agreement are on normal commercial term and are fair and reasonable so far as the Independent Shareholders are concerned.

In addition, we have obtained and reviewed the internal control procedures and noted that the Company will (i) continuously monitor and check the relevant laws and regulations on property management prices, in order to ensure that the price paid by property owners pursuant to the 2021 New Property Management Agreement remains consistent with the requirements pursuant to the relevant laws and regulations and (ii) comply with the Company's relevant internal control measures in relation to connected transactions, in order to ensure that the property management prices charged by AOCEAN Property Management are not lower than the price chargeable to Independent Third Parties and the relevant terms of the 2021 New Property Management Agreement are no less favourable to the Company than those available to or from Independent Third Parties. We are of the view that procedures aforementioned implemented can effectively ensure that the transactions under the 2021 New Property Management Agreement are entered into based on normal commercial terms and no less favourable to the Company than those chargeable against the Independent Third Parties.

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3.2 Historical Transaction Amounts and Annual Caps

The table below summarises the actual transaction amounts, being the fees paid by Beijing Guorui Group to AOCEAN Property Management in respect of the property management services provided by AOCEAN Property Management for vacant property units and units occupied by Beijing Guorui Group for the two years ended 31 December 2019 and nine months ended 30 September 2020 under the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement.

	For the year ended 31 December 2018 (RMB)	For the year ended 31 December 2019 (RMB)	For the nine months ended 30 September 2020 (RMB)
Actual transaction amounts	18,210,123	23,223,558	29,140,122

The proposed annual caps under the 2021 New Property Management Agreement for the amount receivable by AOCEAN Property Management for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021 (RMB)	For the year ending 31 December 2022 (RMB)	For the year ending 31 December 2023 (RMB)
Proposed annual caps	47,500,000	52,250,000	57,475,000

The proposed annual caps have been determined by the Company after taking into account of (i) the historical actual transaction amounts as disclosed above; (ii) the estimated number of vacant units or units occupied by Beijing Guorui Group of the relevant property projects during the three years ending 31 December 2023 having taken into account the expected occupancy rate of new property units of Guorui Square Block A; and (iii) the fees chargeable per square meter per month during such period as stipulated under the 2021 New Property Management Agreement. As set out in the section headed “Renewal of the Continuing Connected Transactions — (A) 2021 New Heat Supply Services Agreement — Historical Transaction Amounts and Annual Caps” in the Letter from the Board, the Group expects that the occupancy rates of Guorui Square Block A will be approximately 52%, 70% and 90% in the years ending 31 December 2021, 2022 and 2023 respectively. The expected occupancy rates of Guorui Square Block A is one of the major factors

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in determining the proposed annual caps under the 2021 New Property Management Agreement and the expected increments in occupancy rate is also in line with the gradual increase of proposed annual caps for the three years ending 31 December 2023.

In assessing the reasonableness of the annual caps under the 2021 New Property Management Agreement, we have obtained and reviewed the calculation in arriving at the estimated property management fees chargeable by AOCEAN Property Management, which is calculated as the multiple of the estimated area in square metre remained vacant and estimated area occupied by Beijing Guorui Group during the period and the fee chargeable per square metre as stipulated under the 2021 New Property Management Agreement. As advised by the management of the Company, the estimated area occupied by Beijing Guorui Group, the expected area of vacancy as well as the expected period of vacancy was prepared by Beijing Guorui Group based on their construction plan and the historical vacancy rate. We noted from the management of the Company that the increase in actual transaction amount from approximately RMB23.2 million for the year ended 31 December 2019 to approximately RMB29.1 million for the nine months ended 30 September 2020 was mainly due to the construction of new property units of Guorui Square Block A during the year 2020, which incurred property management fee for services such as security services and cleaning during the construction period.

We also noted from the management of the Company that the construction of Fortune Street Phase One* (財滿街一期), Fortune Street Phase Two* (財滿街二期), Golden Tower* (金長安大廈) and Project Majuqiao* (馬駒橋項目) have completed and they are occupied by tenants before 2010. As such, the Company has assumed the vacancy rate of these properties would be stable. In addition, we also noted from the calculations that it is expected to have 10% increase in property management fee payable for the respective year ending 31 December 2022 and 2023. We have discussed with the management of the Company and noted that the expected increase in property management fee payable has mainly taken into account of the estimated completion of the construction of new property units of Guorui Square Block A. The Group expected that the occupancy rates of Guorui Square Block A will be approximately 52%, 70% and 90% in the years ending 31 December 2021, 2022 and 2023 respectively, which is in line with the gradual increase of proposed annual caps for the three years ending 31 December 2023.

In light of the principal factors as discussed above, we are of the view that the bases and assumptions adopted by the Group in arriving the proposed annual caps for the transactions contemplated under the 2021 New Property Management Agreement for the three years ending 31 December 2023 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Independent Shareholders are concerned.

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RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the opinion that (i) the terms of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement and, together with the bases of determining the proposed annual caps, are fair and reasonable; (ii) the transactions contemplated under the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement are on normal commercial terms; and (iii) the entering into of the 2021 New Heat Supply Services Agreement and the 2021 New Property Management Agreement is in the Group's ordinary and usual course of business and, together with the proposed annual caps, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of issued share capital
Mr. Sun	Beneficial owner <i>(Note 4)</i>	136,752,350 (L)	109,086,735 (L)	245,839,085	7.68%
	Interest of controlled corporation <i>(Note 3)</i>		8,669,925 (L)	8,669,925	0.27%
Mr. Wei	Interest of controlled corporation <i>(Notes 1 and 2)</i>	2,246,160,464 (L)	1,342,317,340 (L)	3,588,477,804	112.16%
Ms. Liu Shuhua	Beneficial owner <i>(Note 5)</i>		5,020,500 (L)	5,020,500	0.16%

(L) denotes long position

Notes:

1. Wintime Company Limited is interested in 1,434,421,537 shares and 1,254,654,765 underlying shares of aggregate principal amount of convertible bonds of HK\$1,003,723,812 issued by the Company at conversion price of HK\$0.80 per share on 17 August 2018. Wintime Company Limited is a wholly-owned subsidiary of Winluck Global Limited. Apart from the shares and underlying shares held by Wintime Company Limited, Winluck Global Limited is also interested in 87,662,575 underlying shares of aggregate principal amount of convertible bonds of HK\$70,130,060 to be issued by the Company at conversion price of HK\$0.80 per share pursuant to the payment schedule under the agreement entered on 30 May 2018. The entire issued share capital of Winluck Global Limited is beneficially owned by Mr. Wei Chunxian. Winluck Global Limited is deemed to be interested in the shares and underlying shares held by Wintime Company Limited, and Mr. Wei Chunxian is deemed to be interested in the shares and underlying shares held by Wintime Company Limited and Winluck Global Limited under the SFO.
2. 811,738,927 shares are held by Gang Rui International Investment (HK) Limited. Gang Rui International Investment (HK) Limited is owned as to 90% and 10% by Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) and Future Glow Ventures Inc. respectively. Future Glow Ventures Inc. is wholly-owned by an independent third party. Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司), which is directly owned by Mr. Wei Chunxian and Mr. Sun Zhongmin as to approximately 91% and 9%, respectively. Each of Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司), Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司) and Mr. Wei Chunxian is deemed to be interested in the shares held by Gang Rui International Investment (HK) Limited under the SFO.
3. Silky Apex Limited is interested in 8,669,925 underlying shares pursuant to convertible bonds in the principal amount of HK\$6,935,940 to be issued by the Company at conversion price of HK\$0.80 per share pursuant to the payment schedule under the agreement entered into on 30 May 2018. Silky Apex Limited is 100% owned by Mr. Sun Zhongmin and Mr. Sun Zhongmin is deemed to be interested in the underlying shares held by Silky Apex under the SFO.
4. Mr. Sun Zhongmin is interested in 109,086,735 underlying shares pursuant to convertible bonds in the principal amount of HK\$87,269,388 issued by the Company at the conversion price of HK\$0.80 per share on 17 August 2018.
5. These shares represent the share options granted by the Company under the share option scheme of the Company on 20 June 2018.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

To the best of the Directors' knowledge, as at the Latest Practicable Date, the following persons (not being the Director or chief executive of the Company) had, or were deemed to have, interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group, or which were recorded in the register required to be kept under section 336 of the SFO:

Name	Nature of interests	Number of ordinary Shares held	Number of underlying Shares held	Approximate percentage of the issued share capital of the Company
Wintime Company Limited (<i>Note 1</i>)	Beneficial owner	1,434,421,537	—	44.83%
	Beneficial owner	—	1,254,654,765	39.22%
Winluck Global Limited (<i>Note 1</i>)	Interest in controlled corporation	1,434,421,537	—	44.83%
	Interest in controlled corporation	—	1,254,654,765	39.22%
	Beneficial owner	—	87,662,575	2.74%
Gang Rui International Investment (HK) Limited (<i>Note 2</i>)	Beneficial owner	811,738,927	—	25.37%
Beijing Guorui Real Estate Development Co., Ltd *北京國銳房地產開發有限公司 (<i>Note 2</i>)	Interest in controlled corporation	811,738,927	—	25.37%
Beijing Guorui Holdings Co., Ltd *北京國銳控股有限公司 (<i>Note 2</i>)	Interest in controlled corporation	811,738,927	—	25.37%

(L) denotes long position

Notes:

- Wintime Company Limited is interested in 1,434,421,537 shares and 1,254,654,765 underlying shares pursuant to convertible bonds in the principal amount of HK\$1,003,723,812 issued by the Company at conversion price of HK\$0.80 per share on 17 August 2018. Wintime Company Limited is a wholly-owned subsidiary of Winluck Global Limited. Apart from the shares and underlying shares held by Wintime Company Limited, Winluck Global Limited is also interested in 87,662,575 underlying shares pursuant to convertible bonds in the principal amount of HK\$70,130,060 to be issued by the Company at conversion price of HK\$0.80 per share pursuant to the payment schedule under the agreement entered on 30 May 2018. The entire issued share capital of Winluck Global Limited

is beneficially owned by Mr. Wei Chunxian. Winluck Global Limited is deemed to be interested in the shares and underlying shares held by Wintime Company Limited, and Mr. Wei Chunxian is deemed to be interested in the shares and underlying shares held by Wintime Company Limited and Winluck Global Limited under the SFO.

2. 811,738,927 shares are held by Gang Rui International Investment (HK) Limited. Gang Rui International Investment (HK) Limited is owned as to 90% and 10% by Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) and Future Glow Ventures Inc. respectively. Future Glow Ventures Inc. is wholly-owned by an independent third party. Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司), which is directly owned by Mr. Wei Chunxian and Mr. Sun Zhongmin as to approximately 91% and 9%, respectively. Each of Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司), Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司) and Mr. Wei Chunxian is deemed to be interested in the shares held by Gang Rui International Investment (HK) Limited under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors and chief executive of the Company are aware, none of the Directors held any directorship or had any employment in a company which has an interest and/or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or is directly or indirectly interested in 5% or more of the issued voting shares of circumstances at general meetings of any other member of the Group, or which were recorded in the register required to be kept under section 336 of the SFO.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor any of their respective close associates had any interest in any businesses, other than being a director of one or more members the Group or their respective close associates, which competes or are likely to compete, either directly or indirectly, with the businesses of the Group.

5. SERVICE CONTRACT

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

6. INTERESTS IN CONTRACTS OR ARRANGEMENT

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. INTEREST IN ASSETS

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

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance, and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. EXPERT AND CONSENT

The following sets out the qualifications of the expert who has given opinions, letter or advices which are contained in this circular:

<u>Name</u>	<u>Qualification</u>
Messis Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the letter, advice, report, valuation certificate and/or opinion, as the case may be, of the above expert is given as of the Latest Practicable Date for incorporation herein.

As at the Latest Practicable Date, the above expert does not has (i) 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; nor (ii) any direct or indirect interest in any assets which have since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), advice, report(s), valuation certificate(s) and/or opinion(s), as the case may be, and the references to its name included herein in the form and context in which they respectively appear.

10. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the sale and purchase agreement dated 16 July 2019 entered into among the Company, Winluck Global Limited (“**Winluck Global**”) and Silky Apex Limited (“**Silky Apex**”), pursuant to which Winluck Global and Silky Apex agreed to sell and the Company agreed to purchase 50,000 shares of Capable Kingdom Limited in exchange for 50,000 shares of Wholly Express Limited; and
- (b) the agreement dated 1 February 2019 entered into among GR Properties USA Inc. (an indirect wholly-owned subsidiary of the Company), Washington Culver, LP and Washington Motor GP LLC, pursuant to which certain terms of the agreement dated 14 September 2018 in relation to the acquisition of the entire partnership interests in Washington Motor LP which owns a property located in the United States have been amended.

11. MATERIAL ADVERSE CHANGE

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

12. GENERAL

- (a) The secretary of the Company is Ms. Lam Yuen Ling Eva, who is a fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and was awarded the Chartered Governance Professional qualification.
- (b) The registered office of the Company is situated at Suite 1603, 16/F, Wheelock House, 20 Pedder Street, Central, Hong Kong.
- (c) The Company’s share registrar and transfer office in Hong Kong is Tricor Standard Limited, Level 54, Hopewell Centre 183 Queen’s Road East, Hong Kong.
- (d) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 10:00 a.m. to 4:00 p.m. on Monday to Friday, except Saturdays, Sundays and public holidays of Hong Kong) at the principal place of business of the Company in Hong Kong at Suite 1603, 16/F, Wheelock House, 20 Pedder Street, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the 2021 New Heat Supply Services Agreement;
- (b) the 2021 New Property Management Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 26 to 27 of this circular;
- (d) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 28 to 50 of this circular;
- (e) the written consent referred to in paragraph headed “9. Expert and Consent” of this appendix;
- (f) the material contracts referred to in the paragraph headed “10. Material Contracts” of this appendix; and
- (g) this circular.

NOTICE OF EGM



GR PROPERTIES LIMITED

國銳地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HERE BY GIVEN that an extraordinary general meeting (the “**Meeting**”) of GR Properties Limited (the “**Company**”) will be held at Unit 1103–06, China Building, 29 Queen’s Road Central, Hong Kong on Wednesday, 23 December 2020 at 10:00 a.m., as special business, to consider and, if thought fit, pass with or without amendments the following resolutions as the ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the new heat supply services agreement (the “**2021 New Heat Supply Services Agreement**”) dated 2 November 2020 and entered into between Beijing AOCEAN Property Management Company Limited* (北京澳西物業管理有限公司) (“**AOCEAN**”) and Beijing Guorui Property Development Company Limited* (北京國銳房地產開發有限公司) (“**Beijing Guorui Property**”, and together with its subsidiaries, “**Beijing Guorui Group**”) under which AOCEAN shall provide heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group (a copy of which is marked “A” and produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification), and the terms and conditions thereof, its proposed annual cap amounts, the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, ratified and approved; and
- (b) any one director of the Company, or any two directors of the Company if affixation of the Company’s common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute and deliver (and affix the Company’s common seal to, if necessary) all such documents, instruments or agreements and to do all such other acts or things which he/she/they may in his/her/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the 2021 New Heat Supply Services Agreement for a term up to 31 December 2023 and/or the said annual caps.”

NOTICE OF EGM

2. “**THAT:**

- (a) the new property management agreement (the “**2021 New Property Management Agreement**”) dated 2 November 2020 and entered into between AOCEAN and Beijing Guorui Property under which AOCEAN shall provide property management services to the vacant units and units occupied by Beijing Guorui Group of certain property projects developed by Beijing Guorui Group (a copy of which is marked “B” and produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification), and the terms and conditions thereof, its proposed annual cap amounts, the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, ratified and approved; and
- (b) any one director of the Company, or any two directors of the Company if affixation of the Company’s common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute and deliver (and affix the Company’s common seal to, if necessary) all such documents, instruments or agreements and to do all such other acts or things which he/she/they may in his//her/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the 2021 New Property Management Agreement for a term up to 31 December 2023 and/or the said annual caps.”

By Order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 4 December 2020

Registered Office:
Suite 1603, 16/F
Wheelock House
20 Pedder Street
Central, Hong Kong

Notes:

- (1) The resolutions put to vote at the Meeting will be taken by poll except where the chairman of the Meeting, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

NOTICE OF EGM

- (2) Any member of the Company entitled to attend and vote at the Meeting (or any adjournment thereof) is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the articles of association of the Company. A proxy need not be a member of the Company.
- (3) In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than Monday, 21 December 2020 at 10:00 a.m. (Hong Kong Time) (i.e. at least 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding this Meeting or adjourned meeting (as the case may be)). Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish and in such event, the form of proxy shall be deemed to be revoked.
- (4) In the case of joint holders of share(s) of the Company, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.
- (5) For determining the entitlement to attend and vote at the above Meeting, the register of members of the Company will be closed from Friday, 18 December 2020 to Wednesday, 23 December 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, 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, 17 December 2020.
- (6) If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time between 9:00 a.m. and 3:00 noon on the date of the Meeting, the Meeting will be automatically postponed or adjourned. The Company will post an announcement on the Company's website (www.grproperties.com.hk) and the Stock Exchange's website (www.hkexnews.hk) to notify shareholders of the date, time and place of the rescheduled meeting. The Meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.
- (7) All references to times and dates in this notice are to Hong Kong times and dates.
- (8) Please see pages 6 to 7 of the circular of the Company dated 4 December 2020 for measures being taken to try to prevent and control the spread of the novel coronavirus (COVID-19) at the Meeting, including:
 - compulsory temperature checks and health declaration
 - recommended wearing of surgical face masks
 - no distribution of corporate gifts and refreshments
 - appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding

NOTICE OF EGM

- (9) Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the Meeting venue. In order to facilitate the prevention and control of the novel coronavirus (COVID-19), and to safeguard the health and safety of attending shareholders, the Company encourages shareholders to consider NOT to attend the EGM in person, and advises Shareholders to appoint the chairman of the Meeting as their proxy to vote on the relevant resolutions at the Meeting as an alternative to attending the Meeting in person.
- (10) Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further notice on such measures as appropriate.

The English names of Chinese entities marked with “” are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

As at the date of this notice, the executive directors of the Company are Mr. Wei Chunxian, Mr. Sun Zhongmin, Ms. Liu Shuhua, Ms. Huang Fei and Ms. Li Bing; and the independent non-executive directors of the Company are Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Leung Louis Ho Ming.