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If you have sold or transferred all your shares in Aoyuan Healthy Life Group Company Limited, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities dealing or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



奧園健康生活集團有限公司

AOYUAN HEALTHY LIFE GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3662)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS; CONTINUING CONNECTED TRANSACTION IN RELATION TO GENERAL HEALTH AND WELLNESS SERVICES AND NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

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



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

A letter from the Board is set out on pages 10 to 29 of this circular and a letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. A letter from HeungKong Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 52 of this circular.

A notice convening the EGM to be held at Magnolia & Camomile Room, Lower Level II, Kowloon Shangri-La, Hong Kong, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 6 August 2021 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is also enclosed. Such proxy form is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.aoyuanjksh.com>).

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed proxy form in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please see pages 1 to 2 of this circular for measures being taken to try to prevent and control the spread of the novel coronavirus (COVID-19) pandemic at the EGM, including:

- compulsory temperature checks and health declarations;
- wearing of surgical face masks; and
- no distribution of corporate gifts and refreshments.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company strongly encourages attendees to wear face masks and reminds the Shareholders that they may 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.

CONTENTS

	<i>Page</i>
PRECAUTIONARY MEASURES FOR THE EGM	1
DEFINITIONS	3
LETTER FROM THE BOARD	10
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	30
LETTER FROM HEUNGKONG CAPITAL	32
APPENDIX I — GENERAL INFORMATION	I-1
NOTICE OF THE 2021 FIRST EGM	EGM-1

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the 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) all Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or to the best of their knowledge had close contact with any person who has recently travelled to, any affected countries or areas outside of Hong Kong (as per the guidelines issued by the Hong Kong government at <http://www.chp.gov.hk/en/features/102742.html>) at any time in the 14 days preceding the EGM. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue;
- (iii) the Company strongly recommends attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats; and
- (iv) no refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and to be consistent with the recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, the Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The proxy form is attached to this circular for Shareholders who opt to receive physical circulars. Alternatively, the proxy form can be downloaded from the "Investor Relations" section of the Company's website at <http://en.aoyuanjksh.com/Investor/Circulars.aspx>. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

PRECAUTIONARY MEASURES FOR THE EGM

If Shareholders who choose not to attend the EGM in person have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company via the Company's investor relations department as follows:

Investor Relations
Email: ir@aoyuanhealthy.com
Tel: (852) 3916 2688
Fax: (852) 3907 0333

If Shareholders have any questions relating to the EGM, please contact Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Email: hkinfo@computershare.com.hk
Tel: (852) 2862 8555
Fax: (852) 2865 0990

DEFINITIONS

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

“2019 Commercial Operational Supplemental Agreement”	the agreement dated 13 March 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) to amend and supplement the 2019 Master Commercial Operational Agreement
“2019 Master Commercial Operational Agreement”	the agreement dated 22 February 2019 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) in relation to the commercial operational services provided by the Group to the Parent Group for a term commencing on 18 March 2019, being the date of listing of the Shares on the Stock Exchange, and ending on 31 December 2020
“2019 Master Property Management Agreement”	the agreement dated 22 February 2019 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) in relation to the property management services provided by the Group to the Parent Group for a term commencing on 18 March 2019, being the date of listing of the Shares on the Stock Exchange, and ending on 31 December 2020
“2019 Property Management Supplemental Agreement”	the agreement dated 13 March 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) to amend and supplement the 2019 Master Property Management Agreement
“2021 Commercial Operational Supplemental Agreement”	the agreement dated 4 June 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) to amend and supplement the 2021 Master Commercial Operational Agreement

DEFINITIONS

“2021 Intelligent Engineering Supplemental Agreement”	the agreement dated 4 June 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) to amend and supplement the 2021 Master Intelligent Engineering Agreement
“2021 Master CCT Agreements”	collectively, the 2021 Master Property Management Agreement, the 2021 Master Commercial Operational Agreement and the 2021 Master Intelligent Engineering Agreement
“2021 Master Commercial Operational Agreement”	the agreement dated 5 November 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) in relation to the Commercial Operational Services provided by the Group to the Parent Group for a term commencing on 1 January 2021 and ending on 31 December 2023
“2021 Master General Health and Wellness Agreement”	the agreement dated 4 June 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) in relation to the General Health and Wellness Services provided by the Group to the Parent Group for a term commencing on the Approval Date and ending on 31 December 2023
“2021 Master Intelligent Engineering Agreement”	the agreement dated 5 November 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) in relation to the Intelligent Engineering Services provided by the Group to the Parent Group for a term commencing on 1 January 2021 and ending on 31 December 2023

DEFINITIONS

“2021 Master Property Management Agreement”	the agreement dated 5 November 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) in relation to the Property Management Services provided by the Group to the Parent Group for a term commencing on 1 January 2021 and ending on 31 December 2023
“2021 Property Management Supplemental Agreement”	the agreement dated 4 June 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) to amend and supplement the 2021 Master Property Management Agreement
“2021 Supplemental Agreements”	collectively, the 2021 Property Management Supplemental Agreement, the 2021 Commercial Operational Supplemental Agreement and the 2021 Intelligent Engineering Supplemental Agreement
“Approval Date”	the date on which the Company has obtained the approval of the Independent Shareholders at the EGM in respect of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder
“Articles of Association”	the articles of association of the Company currently in force
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Aoyuan”	China Aoyuan Group Limited (中國奧園集團股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3883)

DEFINITIONS

“Commercial Operational Services”	the commercial operational services provided by the Group to the Parent Group pursuant to the 2021 Master Commercial Operational Agreement (as amended and supplemented by the 2021 Commercial Operational Supplemental Agreement), as further detailed in the paragraph headed “2. Revision of annual caps – 2021 Master Commercial Operational Agreement” of this circular
“Company”	Aoyuan Healthy Life Group Company Limited (奧園健康生活集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3662)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened by the Company to consider the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder
“General Health and Wellness Services”	the general health and wellness services provided by the Group to the Parent Group pursuant to the 2021 Master General Health and Wellness Agreement, as further detailed in the paragraph headed “3. 2021 Master General Health and Wellness Agreement” of this circular
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Healthcare Products”	the healthcare products and medical devices which may be purchased by the Parent Group from the Group from time to time pursuant to the 2021 Master General Health and Wellness Agreement, including but not limited to body composition analysis devices, bone mass measurement devices and ultrasonic sensors
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all three independent non-executive Directors, established to advise the Independent Shareholders in respect of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder
“Independent Financial Adviser” or “HeungKong Capital”	HeungKong Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder
“Independent Shareholders”	the Shareholders who do not have a material interest in the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, supervisors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Intelligent Engineering Services”	the intelligent engineering services provided by the Group to the Parent Group pursuant to the 2021 Master Intelligent Engineering Agreement (as amended and supplemented by the 2021 Intelligent Engineering Supplemental Agreement), as further detailed in the paragraph headed “2. Revision of annual caps – 2021 Master Intelligent Engineering Agreement” of this circular
“International WELL Building Institute™”	a corporation whose mission is to enhance the health and well-being of human through better buildings and environment and is responsible for the management and administration of WELL building standard certification

DEFINITIONS

“Latest Practicable Date”	9 July 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parent Group”	China Aoyuan and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Property Management Services”	the property management services provided by the Group to the Parent Group pursuant to the 2021 Master Property Management Agreement (as amended and supplemented by the 2021 Property Management Supplemental Agreement), as further detailed in the paragraph headed “2. Revision of annual caps – 2021 Master Property Management Agreement” of this circular
“Relevant Services”	collectively, the Property Management Services, the Commercial Operational Services and the Intelligent Engineering Services
“Revised Annual Caps”	has the meaning ascribed to it under the paragraph headed “2. Revision of annual caps – Revised Annual Caps” of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholders”	holder(s) of the Shares
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“sq.m.”	the measurement unit of square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules

“substantial shareholder(s)” has the meaning ascribed to it under the Listing Rules

“%” per cent.

References to time and dates in this circular are to Hong Kong time and dates.

LETTER FROM THE BOARD



奧園健康生活集團有限公司
AOYUAN HEALTHY LIFE GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3662)

Executive Directors:

Mr. Tao Yu
Mr. Zheng Wei

Non-executive Directors:

Mr. Guo Zining (Chairman)
Mr. Ruan Yongxi

Independent Non-executive Directors:

Mr. Hung Ka Hai Clement
Dr. Li Zijun
Mr. Wang Shao

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

26/F, The Cameron
No. 33 Cameron Road
Tsim Sha Tsui, Kowloon
Hong Kong

16 July 2021

To the Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS
FOR CONTINUING CONNECTED TRANSACTIONS;
CONTINUING CONNECTED TRANSACTION
IN RELATION TO GENERAL HEALTH AND WELLNESS SERVICES
AND
NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

References are made to the announcement of the Company dated 4 June 2021 in relation to the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the continuing connected transactions (including the annual caps) contemplated thereunder

LETTER FROM THE BOARD

and the circular of the Company dated 7 December 2020 in relation to the continuing connected transactions contemplated under, among others, the 2021 Master Property Management Agreement, the 2021 Master Commercial Operational Agreement and the 2021 Master Intelligent Engineering Agreement.

The purpose of this circular is to provide you with, among other things, (i) a letter from the Board containing further information on the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the continuing connected transactions (including the annual caps) contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in connection with the aforesaid; (iii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; and (iv) a notice convening the EGM.

2. REVISION OF ANNUAL CAPS

2021 Master Property Management Agreement

On 5 November 2020, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the 2021 Master Property Management Agreement with China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group), pursuant to which the Group will provide the Property Management Services to the Parent Group.

Set out below is a summary of the principal terms of the 2021 Master Property Management Agreement:

- Date: 5 November 2020
- Parties: (i) the Company (for itself and as trustee for the benefit of other members of the Group); and
(ii) China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group).
- Subject: Pursuant to the 2021 Master Property Management Agreement, the Group will provide the Parent Group with the Property Management Services, including pre-sale sales assistance services and property management services at the pre-delivery stage to properties developed or owned by the Parent Group.
- Term: The 2021 Master Property Management Agreement has a fixed term from 1 January 2021 to 31 December 2023 (both days inclusive).

LETTER FROM THE BOARD

2021 Master Commercial Operational Agreement

On 5 November 2020, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the 2021 Master Commercial Operational Agreement with China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group), pursuant to which the Group will provide the Commercial Operational Services to the Parent Group.

Set out below is a summary of the principal terms of the 2021 Master Commercial Operational Agreement:

- Date: 5 November 2020
- Parties: (i) the Company (for itself and as trustee for the benefit of other members of the Group); and
- (ii) China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group).
- Subject: Pursuant to the 2021 Master Commercial Operational Agreement, the Group will provide the Parent Group with the Commercial Operational Services, including commercial operational services to properties developed or owned by the Parent Group.
- Term: The 2021 Master Commercial Operational Agreement has a fixed term from 1 January 2021 to 31 December 2023 (both days inclusive).

2021 Master Intelligent Engineering Agreement

On 5 November 2020, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the 2021 Master Intelligent Engineering Agreement with China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group), pursuant to which the Group will provide the Intelligent Engineering Services to the Parent Group.

Set out below is a summary of the principal terms of the 2021 Master Intelligent Engineering Agreement:

- Date: 5 November 2020
- Parties: (i) the Company (for itself and as trustee for the benefit of other members of the Group); and
- (ii) China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group).

LETTER FROM THE BOARD

Subject: Pursuant to the 2021 Master Intelligent Engineering Agreement, the Group will provide the Parent Group with the Intelligent Engineering Services, including but not limited to provision of design and engineering services for intelligentisation, communication facilities construction, fibre-to home services and smart devices.

Term: The 2021 Master Intelligent Engineering Agreement has a fixed term from 1 January 2021 to 31 December 2023 (both days inclusive).

Revision of annual caps under the 2021 Supplemental Agreements

Each of the 2021 Master CCT Agreements has a fixed term from 1 January 2021 to 31 December 2023, subject to, among others, the annual cap amount for each of the three years ending 31 December 2023 not exceeding the following:

Existing annual caps	For the year ending 31 December		
	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Provision of the Property Management Services under the 2021 Master Property Management Agreement	569,910,000	719,100,000	905,550,000
Provision of the Commercial Operational Services under the 2021 Master Commercial Operational Agreement	165,960,000	128,570,000	144,290,000
Provision of the Intelligent Engineering Services under the 2021 Master Intelligent Engineering Agreement	105,980,000	158,960,000	238,440,000

Based on the Company's audited consolidated financial statements for the year ended 31 December 2020, the total amounts paid by the Parent Group to the Group for the Property Management Services and the Commercial Operational Services under the 2019 Master Property Management Agreement (as amended and supplemented by the 2019 Property Management Supplemental Agreement) and the 2019 Master Commercial Operational Agreement (as amended and supplemented by the 2019 Commercial Operational Supplemental Agreement) amounted to approximately RMB332,760,000 and RMB89,770,000 for the year ended 31 December 2020, respectively.

LETTER FROM THE BOARD

Based on the Company's unaudited management accounts as at 30 April 2021, the total actual transaction amounts for the provision of the Property Management Services under the 2021 Master Property Management Agreement, the Commercial Operational Services under the 2021 Master Commercial Operational Agreement and the Intelligent Engineering Services under the 2021 Master Intelligent Engineering Agreement for the 4 months ended 30 April 2021 amounted to approximately RMB137,490,000, RMB46,450,000 and RMB10,580,000, respectively. The Directors confirm that the respective annual cap for the provision of the Relevant Services under each of the 2021 Master CCT Agreements for the year ending 31 December 2021 has not been exceeded up to the Latest Practicable Date.

Revised Annual Caps

On 4 June 2021 (after trading hours), the Company (for itself and as trustee for the benefit of other members of the Group) entered into the 2021 Property Management Supplemental Agreement, the 2021 Commercial Operational Supplemental Agreement and the 2021 Intelligent Engineering Supplemental Agreement with China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) pursuant to which the parties agreed to revise the annual caps (the "**Revised Annual Caps**") for the provision of the Property Management Services, the Commercial Operational Services and the Intelligent Engineering Services for the three years ending 31 December 2023, respectively, as follows:

Revised Annual Caps	For the year ending 31 December		
	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Provision of the Property Management Services pursuant to the 2021 Property Management Supplemental Agreement	667,480,000	901,100,000	1,203,060,000
Provision of the Commercial Operational Services pursuant to the 2021 Commercial Operational Supplemental Agreement	221,430,000	272,220,000	316,650,000
Provision of the Intelligent Engineering Services pursuant to the 2021 Intelligent Engineering Supplemental Agreement	147,710,000	208,570,000	296,190,000

LETTER FROM THE BOARD

The Revised Annual Caps for the provision of the Property Management Services under the 2021 Property Management Supplemental Agreement for the three years ending 31 December 2023 were determined taking into account:

- (a) the historical number of contracted engagements awarded by the Parent Group to the Group for the provision of property management services for each of the three years ended 31 December 2020 and the potential increment of contracted engagements from the Parent Group requiring the Property Management Services after the Director's due and careful enquiry with the Parent Group;
- (b) based on the Parent Group's updated development plan for the years from 2021 to 2023 provided to the Group, the total pre-delivery GFA of the Parent Group's pre-delivery property management engagements awarded to the Group is expected to increase by approximately 7,500,000 sq.m., 9,800,000 sq.m. and 12,700,000 sq.m. for the three years ending 31 December 2023, respectively;
- (c) the number of preliminary property management contracts awarded by the Parent Group to the Group for the three years ending 31 December 2023 is expected to increase as a result of the expected increase in the number of urban renewal projects awarded to the Parent Group during the same periods;
- (d) the revenue derived from the provision of the community value-added services for the three years ending 31 December 2023 is expected to increase because of the expected increase in the number of community value-added service projects awarded by the Parent Group to the Group during the same periods; and
- (e) the estimated 10% annual increment in the service fees to be charged by the Group taking into account the expected inflation.

The Revised Annual Caps for the provision of the Commercial Operational Services under the 2021 Commercial Operational Supplemental Agreement for the three years ending 31 December 2023 were determined taking into account:

- (a) the historical number of contracted engagements awarded by the Parent Group to the Group for the provision of commercial operational services for each of the three years ended 31 December 2020 and the potential increment of contracted engagements from the Parent Group requiring the Commercial Operational Services for the three years ending 31 December 2023 after the Director's due and careful enquiry with the Parent Group;
- (b) the total GFA of commercial operational projects granted by the Parent Group to the Group is expected to increase for the three years ending 31 December 2023 based on the Parent Group's updated development plan during the same periods;

LETTER FROM THE BOARD

- (c) the total revenue generated from the commercial operational projects is expected to increase for the three years ending 31 December 2023 due to the expected increase in the demand for the Group's preliminary planning and consultation services as a result of the expected increase in the number of urban renewal projects awarded to the Parent Group during the same periods; and
- (d) the estimated 5% annual increment in the service fees in relation to rent collection services along with the expected rental inflation.

The Revised Annual Caps for the provision of the Intelligent Engineering Services under the 2021 Intelligent Engineering Supplemental Agreement for the three years ending 31 December 2023 were determined taking into account:

- (a) the expected increase in the demand for the Intelligent Engineering Services arising from the changes in the community construction and planning of the properties developed or owned by the Parent Group;
- (b) the expected increase in the diversity of the Intelligent Engineering Services arising from the expected increase in customer-friendly Property Management Services and Commercial Operational Services; and
- (c) the estimated 10% annual increment in the service fees to be charged by the Group taking into account the expected inflation.

Subject to the approval of the 2021 Supplemental Agreements and the transactions (including the Revised Annual Caps) contemplated thereunder by the Independent Shareholders at the EGM, the 2021 Supplemental Agreements shall take effect from the Approval Date.

Saved for the revision as to the Revised Annual Caps, all other terms of the 2021 Master CCT Agreements shall remain unchanged and the 2021 Master CCT Agreements remain valid and enforceable.

3. 2021 MASTER GENERAL HEALTH AND WELLNESS AGREEMENT

On 4 June 2021 (after trading hours), the Company (for itself and as trustee for the benefit of other members of the Group) entered into the 2021 Master General Health and Wellness Agreement with China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group), pursuant to which the Group will provide the General Health and Wellness Services to the Parent Group for a term commencing on the Approval Date and ending on 31 December 2023.

LETTER FROM THE BOARD

Set out below is a summary of the principal terms of the 2021 Master General Health and Wellness Agreement:

- Date:: 4 June 2021 (after trading hours)
- Parties: (i) the Company (for itself and as trustee for the benefit of other members of the Group); and
- (ii) China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group).
- Subject: Pursuant to the 2021 Master General Health and Wellness Agreement, the Group will provide the Parent Group with the General Health and Wellness Services, including but not limited to the sale of Healthcare Products, provision of health and wellness services, training to healthcare personnel, healthcare engineering and design and installation services and consultation and registration services in relation to the building standard certification from the International WELL Building Institute™.
- Term: The 2021 Master General Health and Wellness Agreement has a fixed term from the Approval Date to 31 December 2023 (both days inclusive).

Subject to the approval of the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder by the Independent Shareholders at the EGM, the 2021 Master General Health and Wellness Agreement shall take effect from the Approval Date.

Annual caps and basis of determination

The respective annual caps for fees payable by the Parent Group to the Group for the provision of the General Health and Wellness Services for each of the three years ending 31 December 2023 under the 2021 Master General Health and Wellness Agreement are as follows:

For the year ending 31 December		
2021	2022	2023
<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
32,560,000	58,740,000	76,230,000

LETTER FROM THE BOARD

The above annual caps for the provision of the General Health and Wellness Services under the 2021 Master General Health and Wellness Agreement for the three years ending 31 December 2023 were determined taking into account:

- (a) the expected quantity of the Healthcare Products to be ordered by the Parent Group and the expected demand for the General Health and Wellness Services based on the estimations provided by the Parent Group for the three years ending 31 December 2023 and after the Directors' due and careful enquiry with the Parent Group; and
- (b) the estimated 10% annual increment in the service fees to be charged by the Group taking into account the expected inflation.

4. INFORMATION ABOUT THE PARTIES TO THE 2021 SUPPLEMENTAL AGREEMENTS AND THE 2021 MASTER GENERAL HEALTH AND WELLNESS AGREEMENT

The Company

The Company is a renowned property management service and commercial operational service provider in the PRC and the Group is principally engaged in the provision of the property management services and commercial operational services for properties developed or owned by the property developers. Meanwhile, the Group is deepening and expanding diversified health and wellness services, developing mature community healthcare, and other businesses, so as to provide users with a healthy living and social environment, and build a comprehensive healthy life platform.

China Aoyuan

China Aoyuan is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3883). It is one of the leading property developers in the PRC and the Parent Group is principally engaged in the property development and property investment of large-scale mixed-use property projects, commercial property, technology, cultural tourism, finance, cross-border e-commerce and urban renewal.

LETTER FROM THE BOARD

5. PRICING POLICY

In terms of the pricing policy of the 2021 Master Property Management Agreement (as amended and supplemented by the 2021 Property Management Supplemental Agreement), the state or local government guidance price on property management service fees issued by the state or local real estate administration department and/or the state or local pricing authorities shall be applied, if available. In the event that there is no state or local government guidance price, the service fees to be charged for the provision of the Property Management Services shall be determined after arm's length negotiations taking into account (a) the types of the properties; (b) the scope of the services proposed, such as the total GFA of each individual property management project awarded to the Group for Property Management Services; (c) the anticipated operational costs, including but not limited to staff costs and management fees; (d) the pricing charged by the Group in other contemporaneous transactions in relation to similar services provided to the Independent Third Parties in comparable properties; and (e) the pricing charged by other property management service providers in the PRC of comparable transactions with the Independent Third Parties.

The service fees to be charged for the provision of the Commercial Operational Services pursuant to the 2021 Master Commercial Operational Agreement (as amended and supplemented by the 2021 Commercial Operational Supplemental Agreement) shall be determined after arm's length negotiations taking into account (a) the locations and sizes of the properties, such as the total GFA of each individual commercial operational project awarded to the Group for Commercial Operational Services; (b) the pricing charged by the Group in other contemporaneous transactions in relation to similar services provided to the Independent Third Parties in comparable properties; and (c) the pricing charged by other commercial operational service providers in the PRC of comparable transactions with the Independent Third Parties.

When determining the service fees to be charged for the provision of the Intelligent Engineering Services pursuant to the 2021 Master Intelligent Engineering Agreement (as amended and supplemented by the 2021 Intelligent Engineering Supplemental Agreement), the local government prescribed price on intelligent engineering service fees issued by the local ministry of housing and urban-rural development shall be applied, if available. In the event that there is no local government prescribed price, the service fees to be charged for the provision of the Intelligent Engineering Services shall be determined after arm's length negotiations taking into account (a) the applicable industry standards from time to time; (b) the costs and expenses incurred, including but not limited to the staff costs, the raw material costs and the costs of purchase or rental of facilities or equipment for the provision of the Intelligent Engineering Services; (c) the profit margin with an overall mark-up rate between 5% and 20%; and (d) the pricing charged by the Group in other contemporaneous transactions in relation to similar services provided to the Independent Third Parties.

LETTER FROM THE BOARD

In relation to the pricing policy of the 2021 Master General Health and Wellness Agreement, the local government prescribed price on general health and wellness service fees issued by the local authorities shall be applied, if available. In the event that there is no local government prescribed price, the service fees to be charged for the provision of the General Health and Wellness Services shall be determined after arm's length negotiations taking in account (a) the costs of the Healthcare Products and the costs and expenses incurred when providing the General Health and Wellness Services; (b) the fair market price ranges of products comparable to the Healthcare Products offered in the market as at the time when such sale is performed; (c) the profit margin with an overall mark-up rate between 40% and 60%; and (d) the pricing charged by the Group in other contemporaneous transactions in relation to similar services provided to the Independent Third Parties.

After considering the above factors, every time before performing any such project or contract, the relevant subsidiary of the Company which will enter into the individual contract with the relevant subsidiary of China Aoyuan will prepare the contract (inclusive of the fee and other terms) which is comparable to that offered or to be offered to the Independent Third Parties after consulting the legal and compliance department and the internal control department and submit the contract to the chief financial officer of the Group, who may present the contract to the Board for review when he deems necessary, for final review and approval. The chief financial officer of the Group will review the contract (inclusive of the fee and other terms) to evaluate and make sure that such fee or price and terms are (a) based on the aforementioned pricing policies and market comparison for similar services or products; and (b) no more favourable to the connected persons than those which have been offered or to be offered by the Group to the Independent Third Parties. The transactions could only be carried out after the chief financial officer of the Group has given his approval therefor. When the Group determines the prevailing market prices of those similar to the Relevant Services and the General Health and Wellness Services, the Group shall refer to contemporaneous transactions with the Independent Third Parties in respect of similar services or products and any market information based on the experience of the Group's management or the dealings with other players in the market.

The service fees to be charged for the provision of the Relevant Services and the General Health and Wellness Services to the Parent Group shall be determined between the parties based on normal commercial terms after arm's length negotiations taking in account the aforementioned factors. The Company will also review the fees and the terms from time to time to ensure that the service fees and the terms shall be no less favourable than those available to the Independent Third Parties for similar contracts.

The Revised Annual Caps under the 2021 Supplemental Agreements and the annual caps under the 2021 Master General Health and Wellness Agreement are determined based on the principal assumption that there will not be any adverse change or disruption in market conditions, operations and business environment or government policies which may materially affect the business and affairs of the Group and/or the Parent Group.

LETTER FROM THE BOARD

6. THE GROUP'S INDEPENDENT BUSINESS OPERATIONS WITHOUT UNDUE RELIANCE ON THE PARENT GROUP

Notwithstanding the Revised Annual Caps under the 2021 Supplemental Agreements and the entering into of the 2021 Master General Health and Wellness Agreement, the Company is of the view that the Group will remain capable of carrying out its business operations independently and will not increase the Group's reliance on the Parent Group because:

- (a) the majority of the revenue of the Group for each of the three years ended 31 December 2020 was generated from the Independent Third Parties. During the same periods, the Group's revenue derived from the Parent Group amounted to approximately 40.2%, 37.9% and 30.0% of the Group's total revenue, respectively, in particular, the Group gradually reduced its reliance on the Parent Group through its merger and acquisition strategy and active market expansion. The Group generated the majority of its revenue for each of the three years ended 31 December 2020 from the Independent Third Parties, which evinces that the Company is able to derive substantial income from sources other than the Parent Group and does not have undue reliance on its controlling shareholders;
- (b) the majority of the revenue of the Group for each of the three years ending 31 December 2023 is expected to be generated from the Independent Third Parties by taking into account (i) the expected increase in the Group's total revenue derived from the provision of property management services for each of the three years ending 31 December 2023 as a result of the expected increase in the pre-delivery GFA to be awarded by both the Parent Group and the Independent Third Parties to the Group and the demand for related services during the same periods; and (ii) the expected increase in the Group's total revenue derived from the provision of commercial operational services for each of the three years ending 31 December 2023 as a result of the expected increase in the total GFA of commercial operational projects awarded by both the Parent Group and the Independent Third Parties during the same periods. The Group anticipates that the revenue derived from the Parent Group would account for less than 50% of the Group's estimated total revenue for each of the three years ending 31 December 2023;
- (c) the transactions contemplated under the 2021 Master General Health and Wellness Agreement would not increase the Group's reliance on the Parent Group because (i) the Group plans to provide the services contemplated thereunder to both the Parent Group and the Independent Third Parties in the future; and (ii) it is expected that the annual caps contemplated under the 2021 Master General Health and Wellness Agreement would account for less than 2% of the Group's estimated total revenue for each of the three years ending 31 December 2023;

LETTER FROM THE BOARD

- (d) the Group has been proactively expanding and intends to continue to further broaden the customer base of the Independent Third Parties through establishing a good reputation of customised, diversified and quality services to customers and has implemented a number of incentive measures to encourage its employees to obtain the contracts and/or projects from the Independent Third Parties; and
- (e) the business operation of the Group is independent from the Parent Group because (i) the management of the Company is distinct and separate from China Aoyuan. Save as Mr. Guo Zining, Mr. Ruan Yongxi, Mr. Tao Yu and Mr. Zheng Wei, none of other Directors hold any directorship and/or senior management role in the Parent Group. Mr. Guo Zining and Mr. Ruan Yongxi are not responsible for the daily management and operations of the Group. Despite Mr. Tao Yu and Mr. Zheng Wei being the executive Directors, they would voluntarily abstain from voting on the relevant board resolutions when it comes to matters which may lead to any potential conflicts between their roles in the Group and the Parent Group. The material decisions in the business operation and project development of the Group are made by the core management team of the Company whereas the majority members of the core management team of the Group do not hold any directorship and/or senior management role in the Parent Group; and (ii) the Group maintains financial independence from its controlling shareholders and their respective close associates since the business operation of the Group does not rely on the financial support from China Aoyuan or other members of the Parent Group. In addition, the Company has its own internal control and accounting systems, accounting and finance department, independent treasure function for cash receipts and payment and independent access to third-party financing.

Having considered the above, the Board is of the view that, despite the Revised Annual Caps pursuant to the 2021 Supplemental Agreements and the entering into of the 2021 Master General Health and Wellness Agreement, it would not increase the Group's reliance on the Parent Group and the Group is able to carry out independent business operations without undue reliance on the Parent Group.

LETTER FROM THE BOARD

7. INTERNAL CONTROL

The pricing policies for the provision of the Relevant Services pursuant to the 2021 Master CCT Agreements (as amended and supplemented by the relevant 2021 Supplemental Agreements) and the provision of the General Health and Wellness Services pursuant to the 2021 Master General Health and Wellness Agreement will be supervised and monitored by the relevant personnel from the legal and compliance department, the internal control department and the chief financial officer of the Group to ensure that such agreements are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole.

The above personnel will also conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under the 2021 Master CCT Agreements (as amended and supplemented by the relevant 2021 Supplemental Agreements) and the 2021 Master General Health and Wellness Agreement are conducted in accordance with the terms of the relevant agreement and the pricing policies. They will also on a quarterly basis monitor whether the revenue derived from the Parent Group exceeds the annual caps contemplated under the 2021 Master CCT Agreements (as amended and supplemented by the relevant 2021 Supplemental Agreements) and the 2021 Master General Health and Wellness Agreement and compare the respective ratios of the revenue derived from the Independent Third Parties and the Parent Group to ensure that the Company will not have undue reliance on the Parent Group.

The independent non-executive Directors will continue to review the management's quarterly review reports on the transactions contemplated under the 2021 Master CCT Agreements (as amended and supplemented by the relevant 2021 Supplemental Agreements) and the 2021 Master General Health and Wellness Agreement and the Company's auditors will also conduct an annual review on the pricing terms and the annual caps thereof.

Accordingly, the Directors consider that there will be an adequate internal control mechanism in place as abovementioned to ensure that the transactions contemplated under the 2021 Master CCT Agreements (as amended and supplemented by the relevant 2021 Supplemental Agreements) and the 2021 Master General Health and Wellness Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

8. REASONS FOR AND BENEFITS OF THE REVISION OF ANNUAL CAPS UNDER THE 2021 SUPPLEMENTAL AGREEMENTS AND ENTERING INTO THE 2021 MASTER GENERAL HEALTH AND WELLNESS AGREEMENT

The Group is principally engaged in the provision of the property management services and the commercial operational services to the properties developed or owned by the property developers. The Parent Group is principally engaged in the businesses of property development and property investment of large-scale mixed-use property projects, commercial property, technology, cultural tourism, finance, cross-border e-commerce and urban renewal.

The Group set the existing annual caps under the 2021 Master CCT Agreements based on the then business development plan provided by the Parent Group. Since new business plans emerged and the previously contemplated projects which were at a preliminary stage have now become more concrete (though which may be subject to legally binding agreements or further negotiation and implementation processes), the Group is informed by the Parent Group that urban renewal is one of the main development strategies of the Parent Group and it will be increasingly important in the coming years. It is expected that the number of urban renewal projects awarded to the Parent Group would gradually increase by the year of 2023 and the Parent Group would engage the Group for the provision of more Property Management Services, including but not limited to security, cleaning and repair and maintenance services at the pre-delivery stage and more Commercial Operational Services, including but not limited to preliminary planning and consultation services, such as conducting market research and analysis and providing advice on the design and construction plan of the urban renewal projects from marketing and positioning perspectives. The expected increase in the demand for the Property Management Services and the Commercial Operational Services leads to the expected increase in the actual transaction amounts for the relevant services for the three years ending 31 December 2023. As a result, the Group needs to revise the existing annual caps under the 2021 Master Property Management Agreement and the 2021 Master Commercial Operational Agreement in accordance with the updated business plans of the Parent Group.

The Group has been exploring and diversifying the scope of the Intelligent Engineering Services by improving the overall service quality and providing further value-added services, including but not limited to providing more advanced information technology and system software. Given the diverse and value-added Intelligent Engineering Services and the increasing coverage and applications of smart devices and artificial intelligence in the properties developed or owned by the Parent Group, it is anticipated that the service fees to be charged by the Group for the provision of the Intelligent Engineering Services and the Parent Group's demand for the Intelligent Engineering Services would increase for the three years ending 31 December 2023, resulting in the expected increase in the actual transaction amounts for the provision of the Intelligent Engineering Services during the same periods.

LETTER FROM THE BOARD

With the rising demand for general health and wellness services, the Group has been striving to deepen its market share in the general health and wellness industry. In order to strengthen its general competitiveness as a property management service and commercial operational service provider and to deepen the needs of the residents and the tenants in the residential and commercial communities under its management, the Group sells healthcare products, obtains green building certification for properties, provides health check and consultation services and sets up healthcare experience venues which are equipped with intelligent health monitoring systems and smart devices. The Group does not only act as a centralized procurement channel of the Healthcare Products, the Group will also provide installation, engineering and repair and maintenance services of the Healthcare Products to the Parent Group. The provision of the General Health and Wellness Services under the 2021 Master General Health and Wellness Agreement will not only reinforce the long-term business relationship between the Group and the Parent Group, but will also expand the revenue bases of the Group. The Directors consider that the entering into of the 2021 Master General Health and Wellness Agreement is in line with the Group's strategy and will strengthen its footprint in the general health and wellness industry.

The Board (other than the independent non-executive Directors whose view will be given after taking the advice from the Independent Financial Adviser) is of the view that each of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder are entered into in the ordinary and usual course of business of the Group, are conducted on an arm's length basis and on normal commercial terms between the Company and China Aoyuan, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

9. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, China Aoyuan was the controlling shareholder of the Company. China Aoyuan and its associates indirectly hold 400,535,000 Shares, representing approximately 55.15% of the issued share capital of the Company. Accordingly, China Aoyuan is a connected person of the Company under the Listing Rules, and the transactions (including the annual caps) contemplated under each of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the Revised Annual Caps contemplated under each of the 2021 Supplemental Agreements and the annual caps contemplated under the 2021 Master General Health and Wellness Agreement exceeds 5%, the transactions (including the annual caps) contemplated thereunder are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Guo Zining and Mr. Ruan Yongxi, both being the non-executive Directors, and Mr. Zheng Wei, being the executive Director, hold directorship(s) and/or act as senior management in the Parent Group. Due to their respective roles in the Parent Group at the time of passing the

LETTER FROM THE BOARD

Board resolutions approving the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder, they have accordingly abstained from voting on such resolutions. Save as the aforesaid, none of the other Directors has a material interest in the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder at the time of passing such resolutions.

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all three independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of each of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement are fair and reasonable, and such continuing connected transactions (including the annual caps) contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser. HeungKong Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

11. EGM AND SHAREHOLDERS' APPROVAL

Set out on pages EGM-1 to EGM-3 is a notice convening the EGM to be held at Magnolia & Camomile Room, Lower Level II, Kowloon Shangri-La, Hong Kong, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 6 August 2021 at 10:00 a.m. at which the resolutions will be proposed to consider and, if thought fit, to approve each of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder.

Any Shareholder with a material interest in the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder and his/her/its associate(s) is (are) required to abstain from voting on the ordinary resolutions approving the same.

China Aoyuan and its associates, indirectly holding approximately 55.15% of the issued share capital of the Company as at the Latest Practicable Date and having a material interest in the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder, will abstain from voting on the ordinary resolutions to approve the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, except as disclosed above, there were no other Shareholders who have a material interest in the 2021 Supplemental Agreements, the 2021

LETTER FROM THE BOARD

Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder. As such, no other Shareholders will be required to abstain from voting on the ordinary resolutions approving the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder.

The proxy form of the EGM is enclosed.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

Voting on all proposed resolutions at the EGM will be taken by poll. The chairman of the EGM will exercise his power under the Articles of Association to demand a poll in relation to all proposed resolutions at the EGM.

12. PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (a) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the 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;
- (b) all Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or to the best of their knowledge had close contact with any person who has recently travelled to, any affected countries or areas outside of Hong Kong (as per the guidelines issued by the Hong Kong government at <http://www.chp.gov.hk/en/features/102742.html>) at any time in the 14 days preceding the EGM. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue;

LETTER FROM THE BOARD

- (c) the Company strongly recommends attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats; and
- (d) no refreshments will be served, and there will be no corporate gifts.

Furthermore, the Company wishes to strongly advise the Shareholders, particularly those who are unwell or subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the EGM as a proxy to vote on the resolutions, instead of attending the EGM in person.

13. RECOMMENDATIONS

The Board (including the independent non-executive Directors, after taking into account the advice from the Independent Financial Adviser) is of the view that the terms of each of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement are fair and reasonable, and such continuing connected transactions (including the annual caps) contemplated thereunder, respectively, are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors, after taking into account the advice from the Independent Financial Adviser) recommends all the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve each of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder.

The Independent Board Committee, having taken into account, among other things, the advice of the Independent Financial Adviser, is of the view that the terms of each of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement are fair and reasonable, and such continuing connected transactions (including the annual caps) contemplated thereunder, respectively, are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve each of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder.

14. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 30 to 31 of this circular which contains its recommendations to the Independent Shareholders as to voting at the EGM; (ii) the letter from HeungKong Capital as set out on pages 32 to 52 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to each of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder; and (iii) the general information as set out in Appendix I to this circular.

LETTER FROM THE BOARD

The Independent Shareholders are advised to read the aforesaid letters and appendices before deciding as to how to vote on the resolutions in relation to each of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder.

Yours faithfully,
By Order of the Board
Aoyuan Healthy Life Group Company Limited
Guo Zining
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement, which has been prepared for the purpose of inclusion in this circular.



奧園健康生活集團有限公司
AOYUAN HEALTHY LIFE GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3662)

16 July 2021

*To the Independent Shareholders
Dear Sir or Madam*

**REVISION OF ANNUAL CAPS
FOR CONTINUING CONNECTED TRANSACTIONS;
CONTINUING CONNECTED TRANSACTION
IN RELATION TO GENERAL HEALTH AND WELLNESS SERVICES
AND
NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 16 July 2021 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, the terms of each of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement are fair and reasonable, and such continuing connected transactions (including the annual caps) contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the advice of the Independent Financial Adviser.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

HeungKong Capital has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in connection with the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out in its letter on pages 32 to 52 of the Circular.

Your attention is also drawn to (i) the letter from the Board set out on pages 10 to 29 of the Circular and (ii) the general information as set out in the Appendix I of the Circular.

Having considered the terms and conditions of each of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement as well as the annual caps for the continuing connected transactions contemplated thereunder, the interests of the Independent Shareholders and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the continuing connected transactions (including the annual caps) contemplated under each of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement are fair and reasonable, and such continuing connected transactions (including the annual caps) contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in the terms as set out in the notice of the EGM so as to approve each of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement for the continuing connected transactions (including the annual caps) contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Hung Ka Hai Clement

Dr. Li Zijun

Mr. Wang Shao

Independent non-executive Directors

LETTER FROM HEUNGKONG CAPITAL

The following is the full text of a letter of advice from HeungKong Capital to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder for the purpose of inclusion in this circular.



Suite 622, Ocean Centre
Harbour City
Kowloon
Hong Kong

16 July 2021

To the Independent Board Committee and the Independent Shareholders of Aoyuan Healthy Life Group Company Limited

Dear Sirs,

**REVISION OF ANNUAL CAPS
FOR CONTINUING CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTION IN RELATION TO
GENERAL HEALTH AND WELLNESS SERVICES**

INTRODUCTION

We refer to our engagement as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the 2021 Supplemental Agreements in relation to the Revised Annual Caps of the 2021 Master CCT Agreements; and (ii) the provision of the General Health and Wellness Services pursuant to the 2021 Master General Health and Wellness Agreement (the “**2021 Master General Health and Wellness Agreement**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 16 July 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Unless the context requires otherwise, capitalized terms used in this letter of advice shall have the same meaning as defined in the Circular.

Reference are made to (i) the announcement of the Company dated 5 November 2020 and the Circular of the Company dated 7 December 2020 in relation to the entering into of the 2021 Master CCT Agreements; and (ii) the announcement of the Company dated 4 June 2021 (the “**Announcement**”), in respect of, among other things, (a) the entering into of the 2021 Supplemental Agreements in relation to the Revised Annual Caps for the transaction contemplated under the 2021 Master CCT Agreements for the three years ending 31 December 2023; and (b) the entering into of the 2021 Master General Health and Wellness Agreement, pursuant to which the Group will provide the General Health and Wellness Services to the Parent

LETTER FROM HEUNGKONG CAPITAL

Group for a term commencing from the Approval Date and ending on 31 December 2023, respectively.

As at the Latest Practicable Date, China Aoyuan was the controlling shareholder of the Company. China Aoyuan and its associates indirectly hold 400,535,000 Shares, representing approximately 55.15% of the issued share capital of the Company. Accordingly, China Aoyuan is a connected person of the Company under the Listing Rules, and the transactions (including the annual caps) contemplated under each of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the Revised Annual Caps under each of the 2021 Supplemental Agreements and the annual caps under the 2021 Master General Health and Wellness Agreement exceeds 5% respectively, the transactions (including the annual caps) contemplated thereunder are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rule.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Dr. Li Zijun and Mr. Wang Shao, has been formed to advise the Independent Shareholders on whether (i) the terms of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the respective resolutions to approve the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder at the EGM. We, HeungKong Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationships or interests with the Company or China Aoyuan that could reasonably be regarded as relevant to our independence. In the last two years prior to the Latest Practicable Date, there was no engagement between the Company and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company and China Aoyuan. Accordingly, we are qualified to give independent advice in respect of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder.

LETTER FROM HEUNGKONG CAPITAL

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to the Announcement and the Circular; (ii) the information supplied by the Group; (iii) the opinion expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation, intention, are reasonably made after due enquiry and careful consideration by the management of the Company in the Circular. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Company and China Aoyuan, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Any subsequent developments may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the date of this letter of advice or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Shareholders should note that as the revised and proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of revenues or costs to be recorded from the continuing connected transactions. Consequently, we express no opinion as to how closely the actual revenue and cost to be recorded under the continuing connected transactions will correspond with the respective revised and proposed annual caps.

LETTER FROM HEUNGKONG CAPITAL

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder, we have taken into account the principal factors and reasons set out below:

1. **Background of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement**

Information of the Group

With reference to the Letter from the Board, the Group is a renowned property management service and commercial operational service provider in the PRC and is principally engaged in the provision of the property management services and commercial operational services for properties developed or owned by the property developers. Meanwhile, the Group is deepening and expanding diversified health and wellness services, developing mature community healthcare, and other businesses, so as to provide users with a healthy living and social environment, and build a comprehensive healthy life platform.

With reference to the Group's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**"), the Group offers diversified property management services for residential and non-residential properties, as well as a full range of commercial operational services for shopping malls, with a focus on mid-range to high-end properties and mixed-use property development projects, so as to create a quality, healthy and livable environment, as well as an environment suitable for commercial and social activities while providing comprehensive, quality and healthy life management services.

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2020 and the unaudited consolidated financial information of the Group for the four months ended 30 April 2020 and 2021, extracted from the 2020 Annual Report and the Group's management accounts for the four months ended 30 April 2020 and 2021, respectively.

LETTER FROM HEUNGKONG CAPITAL

	For the four months		For the year ended	
	ended 30 April		31 December	
	2021	2020	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	636,015	307,001	1,408,089	900,800
– Property management services	521,463	234,069	1,074,848	646,387
– Commercial operational services	103,695	72,932	333,241	254,413
– Intelligent engineering services	10,857	–	–	–
Profit and total comprehensive income for the period/year	112,276	52,247	252,989	163,110

As depicted by the above table, the revenue of the Group increased by 56.3% from approximately RMB900.8 million for the year ended 31 December 2019 to approximately RMB1,408.1 million for the year ended 31 December 2020. Furthermore, as extracted from the 2020 Annual Report, the net profit of the Group also increased by 55.1% from approximately RMB163.1 million for the year ended 31 December 2019 to approximately RMB253.0 million for the year ended 31 December 2020.

Revenue from the property management services (i.e. property management services, sales assistance service, community value-added services, engineering installation services, heating service and other services) increased by 66.3% from approximately RMB646.4 million for the year ended 31 December 2019 to approximately RMB1,074.8 million for the year ended 31 December 2020. Revenue from the commercial operational services (i.e. commercial operational services and management services and market positioning and business tenant sourcing services) increased by 31.0% from approximately RMB254.4 million for the year ended 31 December 2019 to approximately RMB333.2 million for the year ended 31 December 2020.

As depicted by the above table, the revenue of the Group increased by 107.2% from approximately RMB307.0 million for the four months ended 30 April 2020 to approximately RMB636.0 million for the four months ended 30 April 2021. Furthermore, as noted from the management accounts for the four months ended 30 April 2021, the net profit of the Group also increased by 114.9% from approximately RMB52.2 million for the four months ended 30 April 2020 to approximately RMB112.3 million for the four months ended 30 April 2021.

LETTER FROM HEUNGKONG CAPITAL

Revenue from the property management services (i.e. property management services, sales assistance service, community value-added services, engineering installation services, heating service and other services) increased by 122.8% from approximately RMB234.1 million for the four months ended 30 April 2020 to approximately RMB521.5 million for the four months ended 30 April 2021. Revenue from the commercial operational services (i.e. commercial operational services and management services and market positioning and business tenant sourcing services) increased by 42.2% from approximately RMB72.9 million for the four months ended 30 April 2020 to approximately RMB103.7 million for the four months ended 30 April 2021. As advised by the Directors, the increase in revenue was mainly due to increase in the number of new commercial towers/shopping malls of the Parent Group expected to be opened in the second half of 2021 and the expected increase in the demand for the Group's preliminary planning and consultation services under the updated development plan.

2. Reasons for and benefits of the revision of annual caps under the 2021 Supplemental Agreements and entering into the 2021 Master General Health and Wellness Agreement

As disclosed in the Letter from the Board, the Group set the existing annual caps under the 2021 Master CCT Agreements based on the business development plan provided by the Parent Group. Since new business plans emerged and the previously contemplated projects which were at a preliminary stage have now become more concrete (though which may be subject to legally binding agreements or further negotiation and implementation processes), the Group is informed by the Parent Group that urban renewal is one of the main development strategies of the Parent Group and it will be increasingly important in the coming years. It is expected that the number of urban renewal projects awarded to the Parent Group would gradually increase by the year of 2023 and the Parent Group would engage the Group for the provision of more Property Management Services, including but not limited to, security, cleaning and repair and maintenance services at the pre-delivery stage of the urban renewal projects and more Commercial Operational Services, including but not limited to preliminary planning and consultation services, such as conducting market research and analysis and providing advice on the design and construction plan of the urban renewal projects from marketing and positioning perspectives. The expected increase in the demand of the Property Management Services and the Commercial Operational Services lead to the expected increase in the actual transaction amounts for the relevant services for the three years ending 31 December 2023. As a result, the Group needs to revise the existing annual caps under the 2021 Master Property Management Agreement and the 2021 Master Commercial Operational Agreement in accordance with the updated business plans of the Parent Group.

LETTER FROM HEUNGKONG CAPITAL

The Group has been exploring and diversifying the scope of the Intelligent Engineering Services by improving the overall service quality and providing further value-added services, including but not limited to providing more advanced information technology and system software. Given the diverse and value-added Intelligent Engineering Services and the increasing coverage and applications of smart devices and artificial intelligence in the properties developed or owned by the Parent Group, it is anticipated that the service fees to be charged by the Group for the provision of the Intelligent Engineering Services and the Parent Group's demand for the Intelligent Engineering Services would increase for the three years ending 31 December 2023, resulting in the expected increase in the actual transaction amounts for the provision of the Intelligent Engineering Services during the same periods.

As advised by the Directors, the revision of annual caps under the 2021 Supplemental Agreements can generate stable income and realise more benefits for the Group.

With the rising demand for general health and wellness services, the Group has been striving to deepen its market share in the general health and wellness industry. In order to strengthen its general competitiveness as a property management service and commercial operational service provider and to deepen the needs of the residents and the tenants in the residential and commercial communities under its management, the Group sells healthcare products, obtains green building certification for properties, provides health check and consultation services and sets up healthcare experience venues which are equipped with intelligent health monitoring systems and smart devices. The Group does not only act as a centralized procurement channel of the Healthcare Products, the Group will also provide installation, engineering and repair and maintenance services of the Healthcare Products to the Parent Group. The provision of the General Health and Wellness Services under the 2021 Master General Health and Wellness Agreement will not only reinforce the long-term business relationship between the Group and the Parent Group, but also expand the revenue bases of the Group.

As advised by the Directors, they consider that the entering into of the 2021 Master General Health and Wellness Agreement is in line with the Group's strategy and will strengthen its footprint in the general health and wellness industry.

Based on the above, we concur with the Directors that revision of annual caps under the 2021 Supplemental Agreements and entering into the 2021 Master General Health and Wellness Agreement are conducted on an arm's length basis, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the benefits of the Group and the Independent Shareholders as whole.

LETTER FROM HEUNGKONG CAPITAL

3. Revision of annual caps under the 2021 Supplemental Agreements

Set out below are (i) the existing annual caps of the 2021 Master CCT Agreements for each of the three years ending 31 December 2023; and (ii) the Revised Annual Caps for each of the three years ending 31 December 2023 as extracted from the Letter from the Board:

	Existing annual caps for			Revised Annual Caps for		
	the year ending 31 December			the year ending 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Provision of the Property Management Services	569,910	719,100	905,550	667,480	901,100	1,203,060
Provision of the Commercial Operational Services	165,960	128,570	144,290	221,430	272,220	316,650
Provision of the Intelligent Engineering Services	105,980	158,960	238,440	147,710	208,570	296,190

In arriving at the Revised Annual Caps for the provision of the Property Management Services, provision of the Commercial Operational Services and provision of the Intelligent Engineering Services under the 2021 Supplemental Agreements for the three years ending 31 December 2023, the Directors have considered factors as mentioned in the Letter from the Board.

Revised Annual Caps of the Property Management Services pursuant to the 2021 Property Management Supplemental Agreement

For our due diligence purpose, we obtained and reviewed the terms of 2021 Property Management Supplemental Agreement (the “**Revised PM Caps**”), and the calculation of the Revised Annual Caps of the Property Management Services pursuant to the 2021 Property Management Supplemental Agreement.

According to the information provided by the Group, the revenue from the Property Management Services from the Parent Group were approximately RMB164.0 million, RMB256.4 million and RMB332.8 million for the three years ended 31 December 2020, respectively. From the growth of revenue derived from the Property Management Services from the Parent Group to the Group, the revenue increased approximately 29.8% compared between the year ended 31 December 2019 and the year ended 31 December 2020.

LETTER FROM HEUNGKONG CAPITAL

The revenue of the Property Management Services from the Parent Group to the Group was approximately RMB332.8 million for the year ended 31 December 2020, which represented the utilisation rate of approximately 61.1% for the year ended 31 December 2020 under the 2019 Property Management Agreement (as amended and supplemented by the 2019 Property Management Supplemental Agreement) with the previous caps of RMB545.0 million. As advised by the Directors, the utilization rate of the annual caps for the year ended 31 December 2020 under the 2019 Property Management Agreement (as amended and supplemental by the 2019 Property Management Supplemental Agreement) has been affected by the outbreak of the COVID-19 pandemic which has led to unforeseen delay of the delivery plan of some of the projects of the Parent Group for the year ended 31 December 2020. Therefore, the utilization rate of the annual cap for the year ended 31 December 2020 has no bearing on the fairness and reasonableness on the annual caps for the year ended 31 December 2020 under the 2019 Property Management Agreement (as amended and supplemented by the 2019 Property Management Supplemental Agreement).

For the four months ended 30 April 2021, the revenue from the Property Management Services from the Parent Group was approximately RMB137.5 million, representing a utilisation rate of approximately 24.0% of the existing annual cap for the year ending 31 December 2021 under the 2021 Master Property Management Agreement.

As advised by the Directors, the difference between the previous expected schedule under the 2021 Master Property Management Agreement and the revised expected schedule under the 2021 Property Management Supplemental Agreement are shown as below:

Previous expected schedule under the 2021 Master Property Management Agreement	Revised expected schedule under the 2021 Property Management Supplemental Agreement
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The total area to be performed for the property management services were expected to be approximately 26.5 million sq.m., 35.0 million sq.m. and 46.0 million sq.m. for the three years ending 31 December 2023, respectively.

The total area to be performed for the property management services are expected to increase to approximately 27.4 million sq.m., 37.2 million sq.m. and 49.9 million sq.m. for the three years ending 31 December 2023, respectively. As advised by the Directors, increase in the balances were mainly due to the increased number of the preliminary property management contracts and pre-delivery GFA for the property management services.

LETTER FROM HEUNGKONG CAPITAL

Previous expected schedule under the 2021 Master Property Management Agreement

The revenue expected to be generated from the community valued-added service (including parking agency sales services and other relevant service) were expected to be approximately 70.0 million, 76.0 million and 83.6 million for the three years ending 31 December 2023, respectively.

Revised expected schedule under the 2021 Property Management Supplemental Agreement

The revenue expected to be generated from the community valued-added service, which now include (i) pre urban renewal property services; (ii) customer satisfaction maintenance services and (iii) household inspection and acceptance services on top of parking agency sales services, and in aggregate are expected to be approximately 151.3 million, 193.8 million and 248.3 million for the three years ending 31 December 2023, respectively. As advised by the Directors, the increase in balance were mainly due to the Group intended to provide more community value-added services based on the Parent Group's existing customer bases.

We have obtained and reviewed the previous expected schedule under the 2021 Master Property Management Agreement and the revised expected schedule under the 2021 Property Management Supplemental Agreement for the three years ending 31 December 2023.

According to the Parent Group's annual report for the year ended 31 December 2020, urban renewal is one of the important development strategies for the Parent Group. For the year ended 31 December 2020, the Parent Group had more than 60 urban renewal projects of different development stages, 97% of which were located in the Guangdong-Hong Kong-Macao Greater Bay Area. The Parent Group's early deployment of urban renewal has achieved full coverage of the "Three Olds" in the old towns, old factories and old villages in the Guangdong-Hong Kong-Macao Greater Bay Area. The old reform talents have rich experience and abundant industrial resources. It has formed the "Aoyuan" reputation of a composite industry, and the Parent Group won the "Top 10 Urban Renewal of Chinese Real Estate Development Enterprises in 2020". As advised by the Directors, 95% of the Parent Group's projects were engaged to the Group's property management services under pre-delivery stage to the customers for the three years ended 31 December 2020, and it is expected to increase by approximately 7.5 million sq.m., 9.8 million sq.m. and 12.7 million sq.m. for the three years ending 31 December 2023, respectively. Furthermore, the Group expected that there is revenue derived by the diversify of the provision of the community value-added services from the Parent Group, such as pre urban renewal property services, parking agency sales services, customer satisfaction maintenance services

LETTER FROM HEUNGKONG CAPITAL

and household inspection and acceptance services for the three years ending 31 December 2023. As advised by the Directors, the expected revenue derived from the Parent Group would be approximately RMB600.7 million, RMB811.0 million and RMB1,082.8 million for the year ending 31 December 2021, 2022 and 2023, respectively. As advised by the Directors, the Revised PM Caps included approximately 10% of the buffer, we concur with their view that this is a reasonable buffer. We have obtained and reviewed the latest property management services engagement between the Parent Group and the Group, and noted that the Parent Group would continuously require the Property Management Services for the three years ending 31 December 2023.

We also performed the research on the property management services of the PRC, and noted that the property management services market of the PRC expanded significantly and is of massive scale. According to the Frost & Sullivan's research report, the size of the property market service market in the PRC is expected to increase at CAGR 3.1% during 2019–2024E. It is also expected that the property management market will continue to prosper in the future. Hence, to allow sufficient flexibility for the Group to cope with any unforeseeable future business opportunities with the Parent Group amid the possible progression of the property management services market, it would be beneficial to the Group to set the Revised PM Caps with a reasonable buffer.

Having taken into consideration of the factors as aforementioned, we concur with the Directors' view that Revised PM Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the benefits of the Group and the Independent Shareholders as whole.

Revised Annual Caps of the Commercial Operational Services pursuant to the 2021 Commercial Operational Supplemental Agreement

For our due diligence purpose, we obtained and reviewed the terms of 2021 Commercial Operational Supplemental Agreement (the "**Revised CO Caps**"), and the calculation of the Revised Annual Caps of the Commercial Operational Services pursuant to the 2021 Commercial Operational Supplemental Agreement.

According to the information provided by the Group, the revenue from the Commercial Operational Services from the Parent Group were approximately RMB84.8 million, RMB85.3 million and RMB89.8 million for the three years ended 31 December 2020, respectively. From the growth of revenue derived from the Commercial Operational Services from the Parent Group to the Group, the revenue increased approximately 5.3% from the year ended 31 December 2019 to the year ended 31 December 2020.

LETTER FROM HEUNGKONG CAPITAL

The revenue of the Commercial Operational Services from the Parent Group to the Group was approximately RMB89.8 million for the year ended 31 December 2020, which represented the utilisation rate of approximately 56.1% under the 2019 Commercial Operational Agreement (as amended and supplemented by the 2019 Commercial Operational Supplemental Agreement) with the previous caps of RMB160.0 million. As advised by the Directors, the utilization rate of the previous caps under the 2019 Commercial Operational Agreement (as amended and supplemented by the 2019 Commercial Operational Supplemental Agreement) has been affected by the outbreak of the COVID-19 pandemic which has led to unforeseen delay of the delivery plan of some of the projects of the Parent Group for the year ended 31 December 2020. Therefore, the utilization rate of the existing cap for 2020 has no bearing on the fairness and reasonableness on the previous caps under the 2019 Commercial Operational Agreement (as amended and supplemented by the 2019 Commercial Operational Supplemental Agreement).

For the four months ended 30 April 2021, the revenue from the Commercial Operational Services from the Parent Group was approximately RMB46.5 million, representing a utilisation rate of approximately 27.7% of the existing annual cap for the year ending 31 December 2021 under the 2021 Master Commercial Operational Agreement.

With reference to the Letter of the Board, based on the updated development plan for the three years ending 31 December 2023 of the Parent Group provided to the Group, the total GFA of commercial operational projects to be granted by the Parent Group to the Group is expected to increase from approximately 1,100,000 sq.m, 1,160,000 sq.m and 1,240,000 sq.m to approximately 1,110,000 sq.m, 1,250,000 sq.m and 1,350,000 sq.m for the three years ending 31 December 2023, respectively. We have obtained and reviewed the previous expected schedule under the 2021 Master Commercial Operational Agreement and the revised expected schedule under the 2021 Commercial Operational Supplemental Agreement for the three years ending 31 December 2023.

As advised by the Directors, the total revenue generated from the commercial operational projects will be increased due to the expected increase in the demand of the Group's preliminary planning services, consultation services and market position services from the Parent Group for the three years ending 31 December 2023. Furthermore, as advised by the Directors, the number of contracted engagements in relation to the Commercial Operational Services is expected to increase for the three years ending 31 December 2023 after the detail discussion between the Group and the Parent Group. As advised by the Directors, the expected revenue derived from the Parent Group would be approximately RMB199.3 million, RMB245.0 million and RMB285.0 million for the year ending 31 December 2021, 2022 and 2023, respectively. As advised by the Directors, the Revised CO Caps included approximately 10% of the buffer, we concur with their view that this is a reasonable buffer. We have obtained and reviewed the latest pre-delivery commercial operational

LETTER FROM HEUNGKONG CAPITAL

engagement letter between the Parent Group and the Group, and noted that the Parent Group would continuously require Commercial Operational Services for the three years ending 31 December 2023.

We also performed research on the commercial operational services of the PRC, and noted that the commercial operational services market of the PRC expanded significantly and is of massive scale. According to the Frost & Sullivan's research report, the size of the commercial operational services market in the PRC is expected to increase at CAGR 9.4% during 2020–2024E. It is also expected that the commercial operational services market will continue to prosper in the future. Hence, to allow sufficient flexibility for the Group to cope with any unforeseeable future business opportunities with the Parent Group amid the possible progression of the commercial operational services market, it would be beneficial to the Group to set the Revised CO Caps with a reasonable buffer.

Due to the recent economic recovery from the COVID-19 pandemic in the PRC, the Directors believe that the Parent Group will be able to execute the updated development plan for the three years ending 31 December 2023.

Having taken into consideration of the factors as aforementioned, we concur with the Directors' view that Revised CO Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the benefits of the Group and the Independent Shareholders as whole.

Revised Annual Caps of the Intelligent Engineering Services pursuant to the 2021 Intelligent Engineering Supplemental Agreement

For our due diligence purpose, we obtained and reviewed the terms of 2021 Intelligent Engineering Supplemental Agreement (the “**Revised IE Caps**”), and the calculation of the Revised Annual Caps of the Intelligent Engineering Services pursuant to the 2021 Intelligent Engineering Supplemental Agreement.

According to the management accounts for the four months ended 30 April 2021, the revenue from the Intelligent Engineering Services from the Parent Group was approximately RMB10.6 million, representing the utilisation rate of approximately 10.4% of the existing annual cap for the year ending 31 December 2021 under the 2021 Master Intelligent Engineering Agreement.

LETTER FROM HEUNGKONG CAPITAL

As advised by the Directors, the project number is expected to increase from 77, 87, 100 projects to 107, 147, 187 projects under 2021 Master Intelligent Engineering Supplement Agreement for the three years ending 2023 respectively, mainly due to the Group will be undertaking all intelligent engineering projects from Parent Group since 2021. We have obtained and reviewed the previous expected schedule under the 2021 Master Intelligent Engineering Agreement and the revised expected schedule under the 2021 Master Intelligent Engineering Supplemental Agreement for the three years ending 31 December 2023.

As advised by the Directors, the demand of the Intelligent Engineering Services is expected to increase, which is mainly due to the changes in the community construction and planning of the properties developed or owned by the Parent Group and the expected increase in the demand of customer-friendly Property Management Services and Commercial Operational Services. In light of the above, the Group believes that the demand of the Intelligent Engineering Services from the Parent Group will increase for the three years ending 31 December 2023. As advised by the Directors, the expected revenue derived from the Parent Group would be approximately RMB132.9 million, RMB187.7 million and RMB266.6 million for the year ending 31 December 2021, 2022 and 2023, respectively. As advised by the Directors, the Revised IE Caps included approximately 10% of the buffer, we concur with their view that this is a reasonable buffer.

We also performed research on the intelligent engineering services of the PRC, and noted that the intelligent engineering services market of the PRC expanded significantly and is of massive scale. It is also expected that intelligent engineering services market will continue to prosper in the future. Hence, to allow sufficient flexibility for the Group to cope with any unforeseeable future business opportunities with the Parent Group amid the possible progression of the intelligent engineering services market, it would be beneficial to the Group to set the Revised IE Caps with a reasonable buffer.

Having taken into consideration of the factors as aforementioned, we concur of the Directors' view that Revised IE Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the benefits of the Group and the Independent Shareholders as whole.

LETTER FROM HEUNGKONG CAPITAL

4. 2021 Master General Health and Wellness Agreement

Set out below is a summary of the principal terms of the 2021 Master General Health and Wellness Agreement. Independent Shareholders are advised to read further details of the 2021 Master General Health and Wellness Agreement as disclosed in the Letter from the Board:

- Date: 4 June 2021 (after trading hours)
- Parties: (i) the Company (for itself and as trustee for the benefit of other members of the Group); and
- (ii) China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group).
- Subject: Pursuant to the 2021 Master General Health and Wellness Agreement, the Group will provide the Parent Group with the General Health and Wellness Services, including but not limited to the sale of Healthcare Products, provision of health and wellness services, training to healthcare personnel, healthcare engineering and design and installation services and consultation and registration services in relation to the building standard certification from the International WELL Building InstituteTM.
- Term: The 2021 Master General Health and Wellness Agreement has a fixed term from the Approval Date and ending on 31 December 2023 (both days inclusive).
- Pricing policy: The local government prescribed price on general health and wellness service fees issued by the local authorities shall be applied, if available. In the event that there is no local government prescribed price, the service fees to be charged for the provision of the General Health and Wellness Services shall be determined after arm's length negotiations taking in account (a) the costs of the Healthcare Products and the costs and expenses incurred when providing the General Health and Wellness Services; (b) the fair market price ranges of products comparable to the Healthcare Products offered in the market as at the time when such sale is performed; (c) the profit margin with an overall mark-up rate between 40% and 60%; and (d) the pricing charged by the Group in other contemporaneous transactions in relation to similar services provided to the Independent Third Parties.

LETTER FROM HEUNGKONG CAPITAL

We have discussed with the Directors regarding the pricing basis of the General Health and Wellness Services and requested the Company to provide us with (i) the individual health and wellness contract to be entered into between the Group (as service provider) and the Parent Group (as customer); and (ii) the individual health and wellness contracts to be entered into between the Group (as service provider) and other Independent Third Parties (as customers). We also obtained and checked the terms of 2021 Master General Health and Wellness Agreement.

Upon our enquiry and as confirmed by the Directors, the service fees for the provision of General Health and Wellness Services shall be determined taking into account factors (a) to (d) above, and such pricing basis is equally applicable to all of the Group's customers, regardless of their relationship with the Group. Besides, we noted from our review of (i) the individual health and wellness contracts to be entered into between the Group (as service provider) and the Parent Group (as customer); and (ii) the individual health and wellness contracts to be entered into between the Group (as service provider) and other Independent Third Parties (as customers), that (a) the service fees paid by the Parent Group to the Group shall not be favourable than the fees the Group charged the Independent Third Parties for similar services; and (b) the major terms (such as scope and standard of work) of those contracts shall be largely comparable.

With the above being the case, we concur with the Directors' view that the terms of the 2021 Master General Health and Wellness Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the benefits of the Group and the Independent Shareholders as whole.

The GHW Caps

The proposed annual caps for the fees payable by the Parent Group to the Group for the provision of the General Health and Wellness Services for each of the three years ending 31 December 2023 under the 2021 Master General Health and Wellness Agreement (the "GHW Caps") are as follows:

	For the year ending 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The GHW Caps	32,560	58,740	76,230

LETTER FROM HEUNGKONG CAPITAL

To assess the fairness and reasonableness of the GHW Caps, we have considered the following factors:

(i) The growing financial results of the Group in historical years

The Group has been expanding persistently and rapidly over the past few years for the general health and wellness business, vigorously developing key businesses such as smart healthcare, comprehensive outpatient services and healthy housing, and deeply applying them to the two ecosystems of “living in properties and commercial complex”. As advised by the Directors, the expected revenue derived from the Parent Group would be approximately RMB29.3 million, RMB52.9 million and RMB68.6 million for the year ending 31 December 2021, 2022 and 2023, respectively. As advised by the Directors, the GHW Caps included approximately 10% of the buffer, we concur with their view that this is a reasonable buffer.

(ii) The positive prospect of the PRC’s general health and wellness market

According to the “In-depth Research and Investment Prospect Forecast Report of China’s Big Health Industry for 2021-2025” issued by Ruiguan Industry Research Institute, the CAGR from 2019 to 2023 is about 12.55%, and it is predicted that the scale of PRC’s general health and wellness industry will reach RMB14.09 trillion in 2023. The general health and wellness market of the PRC expanded significantly and the demand for general health and wellness services rose significantly in the PRC. It is also expected that this market will continue to prosper in the future. Hence, to allow sufficient flexibility for the Group to cope with any unforeseeable future business opportunities with the Parent Group amid the possible progression of the general health and wellness services market, it would be beneficial to the Group to set the GHW Caps with a reasonable buffer.

(iii) The expected increase in demand for the General Health and Wellness Services from the Parent Group

As for the GHW Caps for the three years ending 31 December 2023, they were estimated by the Company taking into account the Parent Group’s overall planning of projects in future and the relevant projections on the General Health and Wellness Services required. It is anticipated that the Parent Group’s demand for General Health and Wellness Services from the Group will be increasing substantially year-on-year from 2021 to 2023 to cope with the rising demand for healthcare products, health engineering design for the residential/commercial building and installation services before delivery of the properties from the customers. As advised by the Directors, the Group expects to provide design and installation on certain number of healthcare projects for the three years ending 31 December 2023. We have obtained and reviewed the expected schedule from the

LETTER FROM HEUNGKONG CAPITAL

Group. According to the 2020 Annual Report, the Company developed the “Health Cloud” which is a platform featuring modularisation, resource integration and technology application of general health and wellness industry. The Company will apply them to the existing community and business ecosystem. We have performed the research on the trending to apply those cloud applications in the residential/commercial building in the PRC. Based on our review, we noted that the growth of disposable income per capita, rapid urbanization and living standard in the PRC, coupled with the development of the general health and wellness services in the technology applications would increase the diversified demands for general health and wellness services. It would become an evolving trend in the general health and wellness services market. In light of such evolving market trend, we concur with the Directors that the increment of the GHW Caps for the three years ending 31 December 2023 is justifiable.

Having taken into consideration of the factors as aforementioned, we concur with the Directors’ view that the GHW Caps are determined based on reasonable estimation and after due and careful consideration and fair and reasonable so far as the Independent Shareholders are concerned.

5. Internal control and compliance with the Listing Rules

As referred to the Letter from the Board, the Group has adopted various internal control measures to supervise the 2021 Supplemental Agreement and the 2021 Master General Health and Wellness Agreement, including (i) consultation with the legal and compliance department and the internal control department to ensure that the terms of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement are comparable to those offered or to be offered to the Independent Third Parties; and (ii) review by the chief financial officer of the Group to ensure that the terms of the transactions under the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement (inclusive of the fee or price and other terms) are based on the relevant pricing policies and are no more favourable to the connected persons than those offered or to be offered to the Independent Third Parties.

Furthermore, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the transactions under the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement must be restricted by the respective revised and proposed annual caps for the three years ending 31 December 2023; (ii) the terms of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors’ annual review on the terms of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement must be included in the Company’s subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the

LETTER FROM HEUNGKONG CAPITAL

Company must provide annually a letter to the Board confirming, among other things, that the transactions under the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement are carried out in accordance with the terms under relevant agreements and the pricing policies of the Company in all material respects, and the revised and proposed annual caps are not being exceeded. In the event that the total amounts of the transaction under the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement exceed the respective proposed annual caps, or that there is any material amendment to the terms of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

From the above, we noted that, internally, the transactions under the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement are subject to stringent control and supervision from the execution level to the management level of the Group; whilst externally, they are also subject to independent review by a professional party, being the auditors of the Company. With the internal control measures of the Group as well as the stipulated requirements for continuing connected transaction of the Listing Rules in place, the transactions under the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement will be monitored and hence the interest of the Independent Shareholders would be safeguarded.

6. The Group's independent business operations without undue reliance on the Parent Group

We notice that the Revised Annual Caps under the 2021 Supplemental Agreements and the entering into of the 2021 Master General Health and Wellness Agreement may pose concern on the Group's undue reliance on the Parent Group. We have enquired with the Director in this regard and were advised that:

- (i) given that the revenue from the Parent Group represented approximately 40.2%, and 37.9% and 30.0% of the Group's total revenue for the three years ended 31 December 2020, respectively, in particular, the Group gradually reduced its reliance on the Parent Group by decreasing the revenue derived from provision of property management services and commercial operational services to the Parent Group through its merger and acquisition strategy and active market expansion. The Group generated the majority of its revenue for each of the three years ended 31 December 2020 from the Independent Third Parties, which evinces that the Company is able to derive substantial income from sources other than the Parent Group and does not have undue reliance on its controlling shareholders;
- (ii) the revenue of the Group for each of the three years ending 31 December 2023 is expected to be generated from the Independent Third Parties by taking into account (i) the expected increase in the Group's total revenue derived from the provision of property management services for each of the three years ending 31

LETTER FROM HEUNGKONG CAPITAL

December 2023 as a result of the expected increase in the pre-delivery GFA to be awarded by both the Parent Group and the Independent Third Parties to the Group and the demand for related services during the same periods; and (ii) the expected increase in the Group's total revenue derived from the provision of commercial operational services for each of the three years ending 31 December 2023 as a result of the expected increase in the total GFA of commercial operational projects awarded by both the Parent Group and the Independent Third Parties during the same periods. The Group anticipates that the revenue derived from the Parent Group would account for less than 50.0% of the Group's estimated total revenue for each of the three years ending 31 December 2023;

- (iii) the transactions contemplated under the 2021 Master General Health and Wellness Agreement would not increase the Group's reliance on the Parent Group because (i) the Group plans to provide the services contemplated thereunder to both the Parent Group and the Independent Third Parties in the future; and (ii) it is expected that the annual caps contemplated under the 2021 Master General Health and Wellness Agreement would account for less than 2% of the Group's total revenue for each of the three years ending 31 December 2023;
- (iv) the Group has been proactively expanding and intends to continue to further broaden the customer base of the Independent Third Parties through establishing a good reputation of customised, diversified and quality services to customers and has implemented a number of incentive measures to encourage its employees to obtain the contracts and/or projects from the Independent Third Parties; and
- (v) the Group's business and operation are independent from the Parent Group because (i) the management of the Company is distinct and separate from China Aoyuan. Save as Mr. Guo Zining, Mr. Ruan Yongxi and Mr. Zheng Wei, none of other Directors hold any directorship or senior management role in the Parent Group. Mr. Guo Zining and Mr. Ruan Yongxi are not responsible for the daily management and operations of the Group. Despite Mr. Tao Yu and Mr. Zheng Wei being the executive Director, they would voluntarily abstain from voting on the relevant board resolutions when it comes to matters which may lead to any potential conflicts between their roles in the Group and the Parent Group. The material decisions in the business operation and project development of the Group is made by the core management team of the Company whereas the majority members of the core management team of the Group do not hold any directorship and/or senior management role in the Parent Group; and (ii) the Group maintains financial independence from its controlling shareholders and their respective close associates since the business operation of the Group does not rely on the financial support from China Aoyuan or other members of the Parent Group. In addition, the Company has its own internal control and accounting systems, accounting and finance department, independent treasure function for cash receipts and payment and independent access to third-party financing.

LETTER FROM HEUNGKONG CAPITAL

In view of the above, we concur with the Directors that the Revised Annual Caps under the 2021 Supplemental Agreements and the entering into of the 2021 Master General Health and Wellness Agreement would not increase the Group's reliance on the Parent Group and the Group is able to carry out independent business operations without undue reliance on the Parent Group.

RECOMMENDATION

Having considered the principal factors and reasons as stated above, we are of the opinion that (i) the terms of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the respective resolution to be proposed at the EGM to approve the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder.

Yours faithfully,
For and on behalf of
HeungKong Capital Limited
Robert Shum
Executive Director

Mr. Robert Shum is a Responsible Officer of HeungKong Capital Limited licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Shum has over 10 years of experience in corporate finance advisory in Greater China, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

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, as at the Latest Practicable Date, 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

(i) Directors and chief executives of the Company

As at the Latest Practicable Date, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules:

(a) Long positions in the Shares and underlying shares of the Company

Name of Director	Capacity/ Nature of interest	Interest in the Shares and underlying shares of the Company	Approximate percentage of interest in the Company
Mr. Guo Zining	Interest of spouse	1,143,000 <i>(Note 1)</i>	0.16%
Mr. Tao Yu	Beneficial owner	3,000,000 <i>(Note 2)</i>	0.41%
	Interests held jointly with another person	600,000 <i>(Note 3)</i>	0.08%
Mr. Zheng Wei	Beneficial owner	3,000,000 <i>(Note 4)</i>	0.41%

Name of Director	Capacity/ Nature of interest	Interest in the Shares and underlying shares of the Company	Approximate percentage of interest in the Company
Mr. Ruan Yongxi	Beneficial owner	278,000	0.04%

Notes:

- (1) The 1,143,000 Shares are beneficially owned by Ms. Su Chaomei (“**Ms. Su**”), who is the spouse of Mr. Guo Zining. As such, Mr. Guo Zining is deemed to be interested in the 1,143,000 Shares in which Ms. Su is interested by virtue of the SFO.
- (2) On 29 June 2020, Mr. Tao Yu was granted options to subscribe for an aggregate of 3,000,000 Shares under the share option scheme of the Company adopted on 28 May 2019.
- (3) The 600,000 Shares are jointly held by Mr. Tao Yu and his spouse, namely Ms. Guo Ying.
- (4) On 30 March 2021, Mr. Zheng Wei was granted options to subscribe for an aggregate of 3,000,000 Shares under the share option scheme of the Company adopted on 28 May 2019.

(b) Long positions in the shares and underlying shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Interest in the shares and underlying shares	Approximate percentage of equity interest/ shareholding interest
Mr. Guo Zining	Ace Rise Profits Limited (“ Ace Rise ”)	Interest of spouse (<i>Note 1</i>)	10	10.00%

Notes:

- (1) The 10 shares are beneficially owned by Ms. Su, who is the spouse of Mr. Guo Zining. As such, Mr. Guo Zining is deemed to be interested in the 10 shares in which Ms. Su is interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, neither any of the Directors, nor the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model

Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(ii) Substantial shareholders

So far as known to any Directors or chief executives of the Company, as at the Latest Practicable Date, the persons (other than the Directors or the chief executives of the Company) which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the Shares and underlying shares of the Company

Name of Shareholder	Capacity/Nature of interest	Interest in the Shares and underlying shares of the Company	Approximate percentage of interest in the Company
Mr. Guo Ziwen	Settlor/Beneficiary of a trust (<i>Note 2</i>)	400,535,000	55.15%
Ms. Jiang Miner ("Ms. Jiang")	Settlor/Beneficiary of a trust (<i>Note 2</i>)	400,535,000	55.15%
Joy Pacific Group Limited ("Joy Pacific")	Interest of controlled corporation (<i>Note 2</i>)	396,375,000	54.58%
	Beneficial owner (<i>Note 2</i>)	4,160,000	0.57%
Sturgeon Limited	Interest of controlled corporation (<i>Note 2</i>)	400,535,000	55.15%
Asia Square Holdings Ltd.	Interest of controlled corporation (<i>Note 2</i>)	400,535,000	55.15%
J. Safra Sarasin Trust Company (Singapore) Limited	Trustee (<i>Note 2</i>)	400,535,000	55.15%
Main Trend Limited ("Main Trend")	Beneficiary owner (<i>Note 1</i>)	396,375,000	54.58%
Star Image Development Limited ("Star Image")	Interest of controlled corporation (<i>Note 1</i>)	396,375,000	54.58%

Name of Shareholder	Capacity/Nature of interest	Interest in the Shares and underlying shares of the Company	Approximate percentage of interest in the Company
China Aoyuan	Interest of controlled corporation (<i>Note 2</i>)	396,375,000	54.58%
Ace Rise	Interest of controlled corporation (<i>Note 2</i>)	396,375,000	54.58%
Dawn Agile Limited (“ Dawn Agile ”)	Beneficiary owner (<i>Note 3</i>)	46,147,000	6.35%
Pine Capital Partners LP (“ Pine Capital ”)	Interest of controlled corporation (<i>Note 3</i>)	46,147,000	6.35%
Pine General Partners Limited (“ Pine GP ”)	Interest of controlled corporation (<i>Note 3</i>)	46,147,000	6.35%
Chiu Man Wai (“ Mr. Chiu ”)	Interest of controlled corporation (<i>Note 3</i>)	46,147,000	6.35%
Lai Wing Sze Teresa Francesca (“ Ms. Lai ”)	Interest of spouse (<i>Note 4</i>)	46,147,000	6.35%

Notes:

- (1) Main Trend (which is wholly and beneficially owned by Star Image, which is in turn wholly owned by China Aoyuan) is interested in approximately 54.58% of the total issued share capital of the Company. By virtue of the SFO, each of Star Image and China Aoyuan is deemed to be interested in the Shares held by Main Trend.
- (2) China Aoyuan is owned as to 51.62% by Ace Rise. Ace Rise is owned as to 90% by Joy Pacific (which in turn is wholly owned by Sturgeon Limited) and as to 10% by Hopka Investments Limited. Sturgeon Limited is wholly owned by Asia Square Holdings Ltd., as nominee and trustee for J. Safra Sarasin Trust Company (Singapore) Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. Each of Mr. Guo Ziwen and Ms. Jiang is the settlor and beneficiary of The Golden Jade Trust. Accordingly, each of Joy Pacific, Sturgeon Limited, J. Safra Sarasin Trust Company (Singapore) Limited, Mr. Guo Ziwen and Ms. Jiang is deemed to be interested in the Shares held by China Aoyuan by virtue of the SFO.
- (3) Dawn Agile (which is wholly and beneficially owned by Pine Capital, which is in turn wholly owned by Pine GP) are interested in approximately 6.35% of the total issued share capital of the Company. Dawn Agile is ultimately controlled by Mr. Chiu.
- (4) Ms. Lai is the spouse of Mr. Chiu. As such, Ms. Lai is deemed to be interested in the 46,147,000 Shares in which Mr. Chiu is interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executives of the Company were not aware of any other person or corporation having an interest or short position in the Shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had entered into a service contract with the Company and each of the and non-executive Directors and independent non-executive Directors had signed an appointment letter with the Company. As at the Latest Practicable Date, no Director had a service contract or an appointment letter with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING INTERESTS

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

Other than those disclosed in (a) the circular of the Company in respect of the continuing connected transactions under, among others, the 2021 Master Property Management Agreement, the 2021 Master Commercial Operational Agreement and the 2021 Master Intelligent Engineering Agreement published on 7 December 2020; and (b) the announcement of the Company in respect of the continuing connected transactions under the 2021 Property Management Supplemental Agreement, the 2021 Commercial Operational Supplemental Agreement, the 2021 Intelligent Engineering Supplemental Agreement and the 2021 Master General Health and Wellness Agreement published on 4 June 2021, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business, which competes or may compete with the businesses of the Group and any other conflicts of interest which any such person has or may have with the Group.

5. MATERIAL ADVERSE CHANGE

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

6. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
HeungKong Capital	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the expert named above:

1. did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
2. did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group was made up; and
3. has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and reference to its name in the form and context in which it appears.

7. LITIGATION

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

8. MISCELLANEOUS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 26/F, The Cameron, No. 33 Cameron Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours on any business day for a period of 14 days commencing from the date of this circular:

- (a) the Articles of Association;
- (b) the letter of advice from HeungKong Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (c) the letter of advice from the Independent Board Committee, the text of which is set out in this circular;
- (d) the written consent of HeungKong Capital as referred to in the paragraph headed “6. Qualification and consent of expert” in this appendix;
- (e) the 2021 Property Management Supplemental Agreement;
- (f) the 2021 Commercial Operational Supplemental Agreement;
- (g) the 2021 Intelligent Engineering Supplemental Agreement;
- (h) the 2021 Master General Health and Wellness Agreement; and
- (i) this circular.



奧園健康生活集團有限公司

AOYUAN HEALTHY LIFE GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3662)

NOTICE OF EXTRAORDINARY GENERAL MEETING TO BE HELD ON FRIDAY, 6 AUGUST 2021

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Aoyuan Healthy Life Group Company Limited (the “**Company**”) will be held at Magnolia & Camomile Room, Lower Level II, Kowloon Shangri-La, Hong Kong, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 6 August 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions.

Unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 16 July 2021 (the “**Circular**”).

ORDINARY RESOLUTIONS

“**THAT**

- (1) the 2021 Property Management Supplemental Agreement, copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, and the transactions (including the annual caps) contemplated thereunder, be and are hereby confirmed and approved;
- (2) the 2021 Commercial Operational Supplemental Agreement, copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose, and the transactions (including the annual caps) contemplated thereunder, be and are hereby confirmed and approved;
- (3) the 2021 Intelligent Engineering Supplemental Agreement, copy of which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose, and the transactions (including the annual caps) contemplated thereunder, be and are hereby confirmed and approved;

NOTICE OF THE 2021 FIRST EGM

- (4) the 2021 Master General Health and Wellness Agreement, copy of which is tabled at the meeting and marked “D” and initialled by the chairman of the meeting for identification purpose, and the transactions (including the annual caps) contemplated thereunder, be and are hereby confirmed and approved; and
- (5) any one Director or any two Directors (if affixing the common seal of the Company (the “**Common Seal**”) required) be and is hereby authorised for and on behalf of the Company to execute and deliver all such other documents, agreements and instruments (including affixing the Common Seal thereon) and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in and completion of each of the 2021 Property Management Supplemental Agreement, the 2021 Commercial Operational Supplemental Agreement, the 2021 Intelligent Engineering Supplemental Agreement and the 2021 Master General Health and Wellness Agreement.”

By Order of the Board
Aoyuan Healthy Life Group Company Limited
Guo Zining
Chairman

Hong Kong, 16 July 2021

As at the date of this notice, the executive Directors are Mr. Tao Yu and Mr. Zheng Wei; the non-executive Directors are Mr. Guo Zining and Mr. Ruan Yongxi; and the independent non-executive Directors are Mr. Hung Ka Hai Clement, Dr. Li Zijun and Mr. Wang Shao.

Notes:

1. All resolutions at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.aoyuanjksh.com>) in accordance with the Listing Rules.
2. All shareholders of the Company are eligible for attending the EGM. Any shareholder of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint a proxy or more than one proxy to attend the EGM and vote instead of him/her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant proxy form. Every shareholder of the Company present in person or by proxy shall be entitled to one vote for each share held by him/her.
3. In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be completed and returned to the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a shareholder of the Company from attending and voting at the EGM or any adjourned meeting thereof should he/she so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.

NOTICE OF THE 2021 FIRST EGM

4. For determining the entitlement to attend and vote at the EGM, the transfer book and register of members of the Company will be closed from Monday, 2 August 2021 to Friday, 6 August 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the meeting, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 30 July 2021 for registration.
5. The EGM is expected to take no more than half a day. Shareholders of the Company who attend the EGM (in person or by proxy) shall bear their own travelling and accommodation expenses. Shareholders of the Company may contact the Investor Relations Department of the Company at (852) 3916 2688 (telephone number) and ir@aoyuanhealthy.com for any enquires in respect of the EGM.
6. In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:
 - (i) compulsory body temperature checks will be conducted on every shareholder of the Company, proxy and other attendee at the 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) all shareholders of the Company, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or to the best of their knowledge had close contact with any person who has recently travelled to, any affected countries or areas outside of Hong Kong (as per the guidelines issued by the Hong Kong government at <http://www.chp.gov.hk/en/features/102742.html>) at any time in the 14 days preceding the EGM. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue;
 - (iii) the Company strongly recommends the attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats; and
 - (iv) no refreshments will be served, and there will be no corporate gifts.

Furthermore, the Company wishes to strongly advise the shareholders, particularly those who are unwell or subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the EGM as a proxy to vote on the resolutions, instead of attending the EGM in person.