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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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.

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**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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF THE 2023 EXTRAORDINARY GENERAL MEETING**

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

**ALTUS CAPITAL LIMITED**

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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 6 to 28 of this circular and a letter from the Independent Board Committee is set out on pages 29 to 30 of this circular. A letter from Altus Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 64 of this circular.

A notice convening the EGM to be held at Event Room 1&2, Lower Ground Floor, New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 19 December 2023 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 or postponement 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/postponed meeting thereof if they so wish and in such event, the proxy form shall be deemed to be revoked.

Please note that there will be no distribution of corporate gifts and refreshments at the EGM.

14 November 2023

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	6
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	29
<b>LETTER FROM ALTUS CAPITAL</b> .....	31
<b>APPENDIX — GENERAL INFORMATION</b> .....	I-1
<b>NOTICE OF THE 2023 EGM</b> .....	EGM-1

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## DEFINITIONS

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

“2021 Master CCT Agreements”	collectively, the 2021 Master Property Management Agreements, the 2021 Master Commercial Operational Agreements and the 2021 Master Intelligent Engineering Agreements
“2021 Master Commercial Operational Agreements”	the agreement dated 5 November 2020 (as amended and supplemented by the supplemental 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 China Aoyuan Group) in relation to the commercial operational services provided by the Group to China Aoyuan Group, the terms of which will expire on 31 December 2023
“2021 Master Intelligent Engineering Agreements”	the agreement dated 5 November 2020 (as amended and supplemented by the supplemental 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 China Aoyuan Group) in relation to the intelligent engineering services provided by the Group to China Aoyuan Group, the terms of which will expire on 31 December 2023
“2021 Master Property Management Agreements”	the agreement dated 5 November 2020 (as amended and supplemented by the supplemental 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 China Aoyuan Group) in relation to the property management services provided by the Group to China Aoyuan Group, the terms of which will expire on 31 December 2023
“2024 Master CCT Agreements”	collectively, the 2024 Master Property Management Agreement, the 2024 Master Commercial Operational Agreement and the 2024 Master Intelligent Engineering Agreement

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## DEFINITIONS

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“2024 Master Commercial Operational Agreement”	the agreement dated 28 August 2023 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 China Aoyuan Group) in relation to the commercial operational services provided by the Group to China Aoyuan Group for a term commencing on 1 January 2024 and ending on 31 December 2026
“2024 Master Intelligent Engineering Agreement”	the agreement dated 28 August 2023 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 China Aoyuan Group) in relation to the intelligent engineering services provided by the Group to China Aoyuan Group for a term commencing on 1 January 2024 and ending on 31 December 2026
“2024 Master Property Management Agreement”	the agreement dated 28 August 2023 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 China Aoyuan Group) in relation to the property management services provided by the Group to China Aoyuan Group for a term commencing on 1 January 2024 and ending on 31 December 2026
“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)
“China Aoyuan Group”	China Aoyuan and its subsidiaries
“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)

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Designated Assets”	the assets (including but not limited to any or all titles, rights, benefits and interests thereof) of China Aoyuan Group, save and except for those intended to be restricted, pledged and/or subject to a security interest granted in favour of the creditors of China Aoyuan Group pursuant to the terms of the Proposed Restructuring
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company to consider and, if thought fit, approve, <i>inter alia</i> , the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the 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 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities 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 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder

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## DEFINITIONS

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“Independent Shareholders”	the Shareholders who do not have a material interest in the 2024 Master CCT Agreements and the transactions (including the proposed 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
“Latest Practicable Date”	8 November 2023, 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, as amended, supplemented or otherwise modified from time to time
“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
“Proposed Restructuring”	the proposed restructuring of the material indebtedness of China Aoyuan Group, which will involve certain creditors of China Aoyuan Group releasing their existing claims under and in connection with such material indebtedness in return for receiving certain new debt instruments (which will have the benefit of security over substantially all of the China Aoyuan Group’s offshore assets), quasi-debt instruments, shares in China Aoyuan and cash, and will be implemented by way of inter-conditional and parallel schemes of arrangement in respect of China Aoyuan and Add Hero Holdings Limited, a subsidiary of China Aoyuan. Further details on the proposed restructuring is set out in the term sheets of the restructuring support agreement dated 10 July 2023 and entered into between China Aoyuan and certain of its creditors, as announced by China Aoyuan on 11 July 2023, 31 July 2023 and 10 August 2023
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“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
“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.

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## LETTER FROM THE BOARD

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### 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 Director:*

Mr. Cheng Siu Fai

*Non-executive Directors:*

Mr. Li Huiqiang (*Chairman*)

Mr. Ruan Yongxi

Mr. Zhu Yunfan

Ms. Jiang Nan

*Independent Non-executive Directors:*

Mr. Hung Ka Hai Clement

Dr. Li Zijun

Mr. Wang Shao

*Registered Office:*

Cricket Square

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P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal Place of Business in Hong Kong:*

Units 1901-02, 19th Floor

One Peking, No. 1 Peking Road

Tsim Sha Tsui, Kowloon

Hong Kong

14 November 2023

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF THE 2023 EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

References are made to (a) the announcements of the Company dated 28 August 2023, 18 September 2023, 4 October 2023 and 31 October 2023 in relation to, among others, the 2024 Master CCT Agreements and (b) the announcements of the Company dated 5 November 2020 and 4 June 2021 and the circulars of the Company dated 7 December 2020 and 16 July 2021 in relation to, among others, the 2021 Master CCT Agreements.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (a) further details of the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder; (b) the recommendations of the Independent Board Committee to the Independent Shareholders in connection with the aforesaid; (c) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; and (d) a notice convening the EGM.

### 2. 2024 MASTER CCT AGREEMENTS

On 28 August 2023 (after trading hours), 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 China Aoyuan Group) entered into the 2024 Master CCT Agreements for a term commencing on 1 January 2024 and ending on 31 December 2026 to renew the continuing connected transactions contemplated under each of the 2021 Master CCT Agreements.

Set out below is a summary of the principal terms of each of the 2024 Master CCT Agreements:

#### (A) 2024 Master Property Management Agreement

Date	:	28 August 2023 (after trading hours)
Parties	:	(a) the Company (for itself and as trustee for the benefit of other members of the Group); and  (b) China Aoyuan (for itself and as trustee for the benefit of other members of China Aoyuan Group).
Subject	:	Pursuant to the 2024 Master Property Management Agreement, the Group will provide China Aoyuan Group with the property management services in pre-sale stage, pre-delivery stage and post-delivery stage, including pre-sale sales assistance services, security, cleaning, greening, repair and maintenance services, property or parking space sales agency services and related value-added services, to properties developed or owned by China Aoyuan Group.
Term	:	The 2024 Master Property Management Agreement has a fixed term from 1 January 2024 to 31 December 2026 (both days inclusive).

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## LETTER FROM THE BOARD

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Payment arrangements : The service fees shall be payable by China Aoyuan Group to the Group in cash and can be set off, deducted or withheld by the Group from any fees collected by the Group for and on behalf of China Aoyuan Group in the process of providing property management services pursuant to the 2024 Master Property Management Agreement. In the event that China Aoyuan Group is not able to settle the service fees in cash within the prescribed period, the Group and China Aoyuan Group may negotiate alternative payment method in good faith. China Aoyuan Group may transfer the Designated Assets to the Group in settlement of the relevant service fees under the 2024 Master Property Management Agreement and the Group is entitled (but not obliged) to accept such arrangement after its reasonable evaluation and assessment.

As compared to the scope of property management services under the 2021 Master Property Management Agreements, the scope of property management services under the 2024 Master Property Management Agreement has been restated to include the property or parking space sales agency services and value-added services, such as garbage removal, four-hazard disinfection, distribution of household appliances and community group purchase.

With reference to certain industry reports relating to property services published by various research institutes in 2022 and 2023, the property management service providers in the PRC have been extending beyond the conception of traditional property management services and targeting to provide all-inclusive value-added services, such as property agency services, parking-space related services and housekeeping services, reflecting the property management service providers in the PRC providing an increasingly diversified scope of property management services. It is also shown that the revenue generated from provision of value-added services amounted to about one-third of the revenue of the property management service providers, indicating a significant portion of revenue generated from provision of value-added services. Accordingly, it is prevalent for property management service providers nowadays to provide a wide scope of property management services, including not only the traditional property management services such as security, cleaning, greening, repair and maintenance services, but also the tailor-made property management and related value-added services, such as interior design and decoration and parking space management, leasing and sales agency services.

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## LETTER FROM THE BOARD

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In addition to the above market practice, in order to meet the fast-changing customer needs and expand the operational income from providing property management services, the Group has been diversifying the types of property management services and exploring different business models and opportunities. In order to comprehensively cover different needs of the property owners, the Group has been providing diversified and one-stop property management services for residential and non-residential properties, ranging from healthcare and childcare, household repair, laundry services, cleaning of household appliances, garden maintenance, home maintenance to household epidemic prevention. Further, the Group has been making use of an online platform, namely, “Aoyuejia (奥悦家)” Wechat Mini Program (“**Aoyuejia**”) to explore varied channels to seize business opportunities. In addition to the existing functions of Aoyuejia, such as issue reporting, repair requests, online payment and community group purchase, the Group will continue to enhance and expand the features of Aoyuejia to create a digital community life circle for the property owners. As such, the Board is of the view that the scope of property management services under the 2024 Master Property Management Agreement is in line with the market practice and is fair and reasonable.

The 2024 Master Property Management Agreement and the transactions (including the proposed annual caps) contemplated thereunder are conditional upon the approval of the Independent Shareholders at the EGM.

***Proposed annual caps and basis of determination***

The respective annual caps for fees payable by China Aoyuan Group to the Group for the provision of the property management services for each of the three years ending 31 December 2023 under the 2021 Master Property Management Agreements are as follows:

<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
RMB667,480,000	RMB901,100,000	RMB1,203,060,000

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## LETTER FROM THE BOARD

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The approximate historical transactional amount between the Group and China Aoyuan Group and the approximate utilisation rate of the annual caps under the 2021 Master Property Management Agreements for the two years ended 31 December 2022 and the six months ended 30 June 2023 were as follows respectively:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the six months ended 30 June 2023</b>
Approximate historical transactional amount	RMB266,445,000	RMB86,696,000	RMB29,664,000
Approximate utilisation rate of the annual caps	39.9%	9.6%	2.5%

The respective proposed annual caps for fees payable by China Aoyuan Group to the Group for the provision of the property management services for each of the three years ending 31 December 2026 under the 2024 Master Property Management Agreement are as follows:

<b>For the year ending 31 December 2024</b>	<b>For the year ending 31 December 2025</b>	<b>For the year ending 31 December 2026</b>
RMB250,000,000	RMB250,000,000	RMB250,000,000

The above proposed annual caps for the provision of the property management services under the 2024 Master Property Management Agreement for the three years ending 31 December 2026 were determined taking into account:

- (a) having regard to the existing uncertain global macroeconomic environment and depressed market conditions facing by the PRC property developers, the proposed annual caps under the 2024 Master Property Management Agreement for the three years ending 31 December 2026 are lower than those under the 2021 Master Property Management Agreements for the three years ending 31 December 2023;
- (b) despite paragraph (a) above and the low utilisation rate of the annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023, the government authorities in the PRC have been making continuing efforts to stimulate the property market through implementation of planned measures, such as easing the purchase restrictions and reducing the down payment ratios for first-home and second-home. As such, the Group expects that the PRC property market will gradually show signs of recovery and accordingly there will still be a steady demand from China Aoyuan Group for the Group's property management services for the three years ending 31 December 2026;

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## LETTER FROM THE BOARD

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- (c) with reference to a research report relating to Chinese consumers issued by a research institute in December 2022, it is expected that the number of middle and high-income households in the PRC, being the primary driving force for the growth in the PRC's consumption market, will continue to increase. In addition to the expected gradual progress of the PRC property market brought about by the planned measures in paragraph (b) above and given the increasing number of middle and high-income households in the PRC which usually demand tailor-made and innovative services, it is expected that there will be a rising demand for diversified and high-quality property management services and related value-added services. This indicates a considerable growth potential and a potentially vast market for the demand of property or parking space sales agency services and value-added services and therefore a stable demand from China Aoyuan Group for the Group's property management services for the three years ending 31 December 2026;
- (d) the historical number of contracted engagements (excluding the sales assistance service engagements set out in paragraph (e) below) awarded by China Aoyuan Group to the Group for the provision of the property management services for each of the three years ended 31 December 2022 was 134, 229 and 229 respectively. Under the 2021 Master Property Management Agreements, the increase in the revenue generated from the above increasing number of contracted engagements was offset by the decrease in the revenue as a result of the decreasing number of sales assistance service engagements set out in paragraph (e) below, resulting in the overall decrease in the historical transactional amount. However, given the aforementioned increasing number of contracted engagements coupled with the stimulus measures relating to the PRC property market released by the PRC government authorities, it is expected that the number of contracted engagements awarded by China Aoyuan Group to the Group for the provision of property management services will progressively increase for the three years ending 31 December 2026; and
- (e) out of 173, 168 and 117 sales projects launched by China Aoyuan Group for the three years ended 31 December 2022 respectively, the number of sales assistance service engagements awarded by China Aoyuan Group to the Group for the same period was 151, 128 and 110 respectively. Based on the above, the average ratio of China Aoyuan Group's sales assistance service engagements awarded to the Group for the three years ended 31 December 2022 was approximately 85%. Further, out of China Aoyuan Group's delivered GFA of approximately 6.05 million sq.m., 6.34 million sq.m. and 2.55 million sq.m. for the three years ended 31 December 2022, the GFA of the property management engagements awarded by China Aoyuan Group to the Group for the same period was approximately 4.88 million sq.m., 7.43 million sq.m. (*Note*) and 1.94 million sq.m. respectively. Based on the

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## LETTER FROM THE BOARD

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above, the average ratio of China Aoyuan Group's pre-delivery property management engagements awarded to the Group for the three years ended 31 December 2022 was approximately 95%. As it is expected that the business and operation of China Aoyuan Group for the three years ending 31 December 2026 will gradually restore to pre-pandemic conditions and the aforementioned ratios can be maintained in the coming three years, it is expected that the transactional amount under the 2024 Master Property Management Agreement for the three years ending 31 December 2026 will be similar to the historical transactional amount under the 2021 Master Property Management Agreements for the year ended 31 December 2021, resulting in the proposed annual caps under the 2024 Master Property Management Agreement for the three years ending 31 December 2026 being near to the historical transactional amount under the 2021 Master Property Management Agreements for the year ended 31 December 2021.

Having considered the above factors, 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 proposed annual caps under the 2024 Master Property Management Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

*Note:* The GFA of the property management engagements of approximately 7.43 million sq.m. awarded by China Aoyuan Group to the Group for the year ended 31 December 2021 included (i) the GFA delivered by China Aoyuan Group for the year ended 31 December 2021 and awarded to the Group during the same year and (ii) the GFA delivered by China Aoyuan Group for the year ended 31 December 2020 and awarded to the Group during the year of 2021.

### **(B) 2024 Master Commercial Operational Agreement**

Date : 28 August 2023 (after trading hours)

Parties : (a) the Company (for itself and as trustee for the benefit of other members of the Group); and

(b) China Aoyuan (for itself and as trustee for the benefit of other members of China Aoyuan Group).

Subject : Pursuant to the 2024 Master Commercial Operational Agreement, the Group will provide China Aoyuan Group with commercial operational services, namely market research and positioning services, business tenant management and rent collection services, and other commercial operational services or value-added services in response to the market demand, to properties developed or owned by China Aoyuan Group.

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## LETTER FROM THE BOARD

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- Term : The 2024 Master Commercial Operational Agreement has a fixed term from 1 January 2024 to 31 December 2026 (both days inclusive).
- Payment arrangements : The service fees shall be payable by China Aoyuan Group to the Group in cash and can be set off, deducted or withheld by the Group from any fees collected by the Group for and on behalf of China Aoyuan Group in the process of providing commercial operational services pursuant to the 2024 Master Commercial Operational Agreement. In the event that China Aoyuan Group is not able to settle the service fees in cash within the prescribed period, the Group and China Aoyuan Group may negotiate alternative payment method in good faith. China Aoyuan Group may transfer the Designated Assets to the Group in settlement of the relevant service fees under the 2024 Master Commercial Operational Agreement and the Group is entitled (but not obliged) to accept such arrangement after its reasonable evaluation and assessment.

The 2024 Master Commercial Operational Agreement and the transactions (including the proposed annual caps) contemplated thereunder are conditional upon the approval of the Independent Shareholders at the EGM.

### *Proposed annual caps and basis of determination*

The respective annual caps for fees payable by China Aoyuan Group to the Group for the provision of the commercial operational services for each of the three years ending 31 December 2023 under the 2021 Master Commercial Operational Agreements are as follows:

<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
RMB221,430,000	RMB272,220,000	RMB316,650,000

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## LETTER FROM THE BOARD

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The approximate historical transactional amount between the Group and China Aoyuan Group and the approximate utilisation rate of the annual caps under the 2021 Master Commercial Operational Agreements for the two years ended 31 December 2022 and the six months ended 30 June 2023 were as follows respectively:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the six months ended 30 June 2023</b>
Approximate historical transactional amount	RMB77,945,000	RMB31,002,000	RMB12,275,000
Approximate utilisation rate of the annual caps	35.2%	11.4%	3.9%

The respective proposed annual caps for fees payable by China Aoyuan Group to the Group for the provision of the commercial operational services for each of the three years ending 31 December 2026 under the 2024 Master Commercial Operational Agreement are as follows:

<b>For the year ending 31 December 2024</b>	<b>For the year ending 31 December 2025</b>	<b>For the year ending 31 December 2026</b>
RMB200,000,000	RMB200,000,000	RMB200,000,000

The above proposed annual caps for the provision of the commercial operational services under the 2024 Master Commercial Operational Agreement for the three years ending 31 December 2026 were determined taking into account:

- (a) having regard to the current volatile business environment and unfavourable market conditions facing by the PRC property developers, the proposed annual caps under the 2024 Master Commercial Operational Agreement for the three years ending 31 December 2026 are lower than those under the 2021 Master Commercial Operational Agreements for the three years ending 31 December 2023;
- (b) despite paragraph (a) above and the low utilisation rate of the annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023, based on the number of commercial projects and office buildings expected to be delivered by China Aoyuan Group for the three years ending 31 December 2026 after discussion between the Group and China Aoyuan Group and the stimulation to the number of commercial projects and properties as a result of the initiatives implemented by the PRC government authorities to promote foreign investment and the planned measures to

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## LETTER FROM THE BOARD

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activate the property market, the Group expects that there will be a steady demand from China Aoyuan Group for the Group's commercial operational services for the three years ending 31 December 2026;

- (c) the historical number of contracted engagements awarded by China Aoyuan Group to the Group for the provision of commercial operational services for the three years ended 31 December 2022 was 22, 23 and 20 respectively and the historical GFA of commercial operational projects awarded by China Aoyuan Group to the Group for the three years ended 31 December 2022 was approximately 0.94 million sq.m., 1.08 million sq.m. and 0.72 million sq.m. respectively. As it is expected that the business and operation of China Aoyuan Group for the three years ending 31 December 2026 will gradually resume to pre-pandemic levels, it is expected that the transactional amount under the 2024 Master Commercial Operational Agreement for the three years ending 31 December 2026 will be similar to the annual cap under the 2021 Master Property Management Agreements for the year ended 31 December 2021, resulting in the proposed annual caps under the 2024 Master Commercial Operational Agreement for the three years ending 31 December 2026 being near to the annual cap under the 2021 Master Commercial Operational Agreements for the year ended 31 December 2021; and
  
- (d) under the existing profit-sharing arrangement which is only applicable to the shopping malls under the Group's management, the Group is entitled to approximately 30% of the operating profit of the shopping malls for the provision of commercial operational services for such shopping malls. The above sharing ratio was determined by the Group and China Aoyuan Group after arm's length negotiations and has been adopted by the Group since the listing of the Company. Throughout the years, as there is no material change to the business model of Group's commercial operational service segment and the average gross profit margin of the Group's commercial operational service segment for the three years ended 31 December 2022 has been maintained at a stable level at approximately 36.6%, the Group's sharing ratio has been maintained at approximately 30% under the existing profit-sharing arrangement. Notwithstanding that the historical sharing ratio is acceptable to the Company, increasing the Group's sharing ratio under such arrangement helps increase the Group's revenue for the provision of commercial operational services, the Group is therefore considering to negotiate and explore with China Aoyuan Group about the feasibility of increasing the Group's sharing ratio under such arrangement.

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## LETTER FROM THE BOARD

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After considering the above factors, 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 proposed annual caps under the 2024 Master Commercial Operational Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(C) 2024 Master Intelligent Engineering Agreement**

- Date : 28 August 2023 (after trading hours)
- Parties : (a) the Company (for itself and as trustee for the benefit of other members of the Group); and
- (b) China Aoyuan (for itself and as trustee for the benefit of other members of China Aoyuan Group).
- Subject : Pursuant to the 2024 Master Intelligent Engineering Agreement, the Group will provide China Aoyuan Group with the intelligent engineering services, namely, (a) provision of intelligent design and engineering services and related services, such as provision of video surveillance and control system, video intercom system and perimeter protection system; (b) communication facilities construction, fibre-to-home services and related services; and (c) provision of smart devices, such as smart home products, smart connected devices and big data products.
- Term : The 2024 Master Intelligent Engineering Agreement has a fixed term from 1 January 2024 to 31 December 2026 (both days inclusive).
- Payment arrangements : The service fees shall be payable by China Aoyuan Group to the Group in cash and can be set off, deducted or withheld by the Group from any fees collected by the Group for and on behalf of China Aoyuan Group in the process of providing intelligent engineering services pursuant to the 2024 Master Intelligent Engineering Agreement. In the event that China Aoyuan Group is not able to settle the service fees in cash within the prescribed period, the Group and China Aoyuan Group may negotiate alternative payment method in good faith. China Aoyuan Group may transfer the Designated Assets to the Group in settlement of the relevant service fees under the 2024 Master Intelligent Engineering Agreement and the Group is entitled (but not obliged) to accept such arrangement after its reasonable evaluation and assessment.

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## LETTER FROM THE BOARD

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The 2024 Master Intelligent Engineering Agreement and the transactions (including the proposed annual caps) contemplated thereunder are conditional upon the approval of the Independent Shareholders at the EGM.

### *Proposed annual caps and basis of determination*

The respective annual caps for fees payable by China Aoyuan Group to the Group for the provision of the intelligent engineering services for each of the three years ending 31 December 2023 under the 2021 Master Intelligent Engineering Agreements are as follows:

<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
RMB147,710,000	RMB208,570,000	RMB296,190,000

The approximate historical transactional amount between the Group and China Aoyuan Group and the approximate utilisation rate of the annual caps under the 2021 Master Intelligent Engineering Agreements for the two years ended 31 December 2022 and the six months ended 30 June 2023 were as follows respectively:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the six months ended 30 June 2023</b>
Approximate historical transactional amount	RMB60,635,000	RMB7,663,000	RMB401,000
Approximate utilisation rate of the annual caps	41.1%	3.7%	0.1%

The respective proposed annual caps for fees payable by China Aoyuan Group to the Group for the provision of the intelligent engineering services for each of the three years ending 31 December 2026 under the 2024 Master Intelligent Engineering Agreement are as follows:

<b>For the year ending 31 December 2024</b>	<b>For the year ending 31 December 2025</b>	<b>For the year ending 31 December 2026</b>
RMB50,000,000	RMB50,000,000	RMB50,000,000

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## LETTER FROM THE BOARD

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The above proposed annual caps for the provision of the intelligent engineering services under the 2024 Master Intelligent Engineering Agreement for the three years ending 31 December 2026 were determined taking into account:

- (a) having regard to the existing unstable global macroeconomic environment and challenging business environment facing by the PRC property developers, the proposed annual caps under the 2024 Master Intelligent Engineering Agreement for the three years ending 31 December 2026 are lower than those under the 2021 Master Intelligent Engineering Agreements for the three years ending 31 December 2023;
- (b) despite paragraph (a) above and the low utilisation rate of the annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023, the Group expects that there will be a steady demand from China Aoyuan Group for the Group's intelligent engineering services for the three years ending 31 December 2026 in light of the active measures taken by the government authorities in the PRC to revive the property sector and bolster the property market, such as lifting the purchase restrictions and lowering mortgage requirements for homebuyers; and
- (c) as the living and working habits have drastically changed in the post COVID-19 period, the residents and customers expect intelligent upgrade, innovative technology applications and high-quality smart devices in the neighborhood and working environment. In the meantime, it is expected that the PRC property market will gradually pick up in light of the favourable market incentives introduced by the PRC government authorities. Based on the above, the increasing demand for more convenient and customer-friendly property management services and community construction and planning for the three years ending 31 December 2026 supports an increasing demand for the Group's intelligent engineering services for the same period.

After taking account of the above factors, 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 proposed annual caps under the 2024 Master Intelligent Engineering Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Under each of the 2024 Master CCT Agreements, any proposed transfer of the Designated Assets from China Aoyuan Group to the Group in settlement of any fees will be subject to the compliance of the Listing Rules and any applicable laws and regulations. In the event that such transfer of the Designated Assets constitutes a discloseable transaction and/or a connected transaction to the Company, the Company shall comply with the requirements under Chapters 14 and/or 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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Before making any decision on the proposed settlement by the Designated Assets, the Group may evaluate and assess its financial conditions, such as the asset level and cash flows of the Group. In the event that there is a need to ameliorate the cash flows of the Group, the Group may not agree to accept the settlement of fees by the Designated Assets and request China Aoyuan Group to settle its fees payable in cash. The Company may also consider the composition and conditions of the Designated Assets, for instance, the location of the Designated Assets for the case of immovable assets, whether the Designated Assets are readily realisable or convertible into cash, or are free of any charges, mortgages, pledges, liens, encumbrances and other third party rights. The Company may also take into account the benefits of such arrangement to the Company and the Shareholders. Accepting the proposed settlement by the Designated Assets will be beneficial to the Group if the Designated Assets have an investment prospect or a reasonable potential of price appreciation in the future, represent an attractive opportunity to the Group, or help the Group to generate further revenue and profits in the future. Further, the Company may also conduct a due diligence exercise on the Designated Assets and negotiate with China Aoyuan in relation to the conditions of the Designated Assets after considering the results of the due diligence and the defects of the Designated Assets (if any). In addition to the above qualitative factors, the Group and China Aoyuan Group will also consider quantitative factors, such as the value of the Designated Assets, which shall be valued by an independent professional valuer after the parties have reached an agreement on the composition of the Designated Assets and shall be mutually confirmed by the Company and China Aoyuan.

The Group is entitled, but not obliged to accept and agree to any proposed settlement by the Designated Assets, subject to the Group's reasonable evaluation and assessment of the aforementioned factors and circumstances from time to time. In the event that the Group agrees to accept such settlement arrangement, the Company may consider, among others, to dispose of or lease the Designated Assets for cash in order to improve the Group's cash flows.

The Group and China Aoyuan Group will enter into a separate settlement and purchase agreement in relation to each proposed settlement by the Designated Assets, setting out, among others, (a) the details of the Designated Assets, including the descriptions and the value; (b) the consideration, which will be settled by setting off the equivalent amount of fees payable by China Aoyuan Group under the relevant 2024 Master CCT Agreements; (c) the representations and warranties given by China Aoyuan Group in relation to the Designated Assets; and (d) the completion arrangements.

**Shareholders and potential investors of the Company should note that the proposed annuals caps contemplated under each of the 2024 Master CCT Agreements should not be construed as an assurance or forecast by the Company of the future revenues of the Group.**

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## LETTER FROM THE BOARD

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### **3. INFORMATION ABOUT THE PARTIES TO THE 2024 MASTER CCT AGREEMENTS**

#### **The Company**

The Company is a renowned property management service and commercial operational service provider in the PRC. 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 in the PRC.

#### **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). China Aoyuan Group is principally engaged in (a) property development, (b) property investment, (c) provision of property management services, (d) hotel operation and (e) sales of goods in the PRC.

### **4. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 MASTER CCT AGREEMENTS**

Each of the 2024 Master CCT Agreements allows the Group to continue to utilise the platform provided by China Aoyuan Group as a property developer in the PRC. The principal business activities of the Group are provision of property management services and commercial operational services and hence the renewal of the 2021 Master Property Management Agreements and the 2021 Master Commercial Operational Agreements helps strengthen the Group as a property management service and commercial operational service provider and ensure a steady income of the Group. Also, the entering into of the 2024 Master Property Management Agreement and the 2024 Master Commercial Operational Agreement helps provide stable customer bases and sustain the business relationship between the Group and China Aoyuan Group.

Given the pressing need of smart devices and high-speed communication facilities in both living and/or working environment as a result of the implementation of the quarantine measures during the COVID-19 pandemic, the customers' demands for technological solutions and advanced information technology continue to rise in the post COVID-19 period. By applying community intelligentisation during provision of property management services and commercial operational services, the Company considers that the entering into of the 2024 Master Intelligent Engineering Agreement helps raise the Group's income for value-added services, which will thereby increase the total revenue, improve the profitability of the Group and conform with the Group's strategic development.

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## LETTER FROM THE BOARD

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Furthermore, against the backdrop of the deteriorating business environment and the undesirable market conditions of the PRC property developers in recent years, most of the PRC property developers have been facing tremendous operational difficulty and liquidity pressure. The widespread defaults of loans and debt securities of the PRC property developers have cast a shadow over their financial conditions and future sustainability. It is inevitable that the cash flows and financial results of China Aoyuan Group, being a property developer in the PRC, have also been adversely affected in recent years. As at 30 June 2023, the service fees due from China Aoyuan Group to the Group amounted to approximately RMB300 million in aggregate, most of which were due for more than one year. In light of these circumstances, especially during the times when China Aoyuan Group is facing financial hardship and given the potential pressure to the Group's cash flow management brought about by the abovementioned amount of service fees due from China Aoyuan Group, it would be in the best interests to the Company and the Shareholders if the Company and China Aoyuan reach an agreement on an alternative payment method at an early stage. Accordingly, having expressly set out the proposed settlement by the Designated Assets in the 2024 Master CCT Agreements in addition to the settlement in cash helps the Group to reduce the time and costs to be incurred from the future negotiations between the Group and China Aoyuan Group and thereby be beneficial to the Group from the operational perspective in the long run.

Further, as the proposed settlement by the Designated Assets serves as an alternative payment method to China Aoyuan Group to settle the outstanding service fees payable to the Group, it enables the Group to eliminate the potential risks as a result of any default of China Aoyuan Group. This arrangement could therefore better protect the Group from the financial perspective by allowing the Group to have more flexibility and possibility in the collection of receivables from China Aoyuan Group, no matter in the form of cash or Designated Assets.

In short, the entering into of the 2024 Master CCT Agreements can generate stable income and realise more benefits for the Group.

In light of the above, the Board (including the independent non-executive Directors, after taking into account the advice from the Independent Financial Adviser) is of the view (a) that each of the 2024 Master CCT Agreements and the transactions (including the proposed annual caps and the proposed settlement by the Designated Assets) contemplated thereunder is entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (b) the proposed annual caps under each of the 2024 Master CCT Agreements for a term commencing on 1 January 2024 and ending on 31 December 2026 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### 5. PRICING POLICY

In terms of the pricing policy of the 2024 Master Property Management Agreement, the state or local government guidance price on property management service fees determined by the social average cost of property management services as verified by the competent departments for pricing under the people's government shall be applied with priority. 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; and (d) the pricing charged by the Group and other property management service providers in the PRC in relation to provision of property management services provided to the Independent Third Parties in the properties of substantially same conditions and sizes.

Also, it is expected that an agency fee rate of 5% will be charged by the Group for the property or parking space sales agency services under the 2024 Master Property Management Agreement based on the arm's length negotiations between the Group and China Aoyuan Group with reference to the historical average agency fee rate of approximately 5% charged by the independent sales agent for the provision of the property or parking space sales agency services to China Aoyuan Group for the three years ended 31 December 2022.

With regard to the pricing policy of the 2024 Master Commercial Operational Agreement, the service fees to be charged for the provision of the commercial operational services 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; and (b) the pricing charged by the Group and other commercial operational service providers in the PRC in relation to provision of commercial operational services provided to the Independent Third Parties in the properties of substantially same conditions and sizes.

Further, in relation to the Group's provision of commercial operational services for the shopping malls under its management, the Group and China Aoyuan Group determined the Group's sharing ratio of approximately 30% under the existing profit-sharing arrangement after arm's length negotiations with reference to (a) the historical costs incurred by the Group to provide commercial operational services for such shopping malls for the three years ended 31 December 2022, such as staff costs and utility costs; (b) the historical revenue generated by such shopping malls for the three years ended 31 December 2022; and (c) the average historical gross profit margin of the shopping malls under the Group's management of approximately 36.6% for the three years ended 31 December 2022.

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## LETTER FROM THE BOARD

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In respect of the pricing policy of the 2024 Master Intelligent Engineering 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 with priority. The local ministry of housing and urban-rural development, which is responsible for the management and monitoring of the pricing and costs of construction and engineering projects, will usually issue the prescribed price in relation to the staff costs, the material costs and the costs of purchase or rental of mechanical equipment related to engineering projects. 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 expected to be within the range between 5% and 10%; and (d) the pricing charged by the Group in relation to provision of intelligent engineering services provided to the Independent Third Parties.

The respective subsidiaries of the Company and China Aoyuan will enter into individual contracts in respect of each continuing connected transaction in accordance with the relevant 2024 Master CCT Agreements. Terms of each individual contract (inclusive of the fee or price and other terms), which shall comply with the terms of the relevant 2024 Master CCT Agreements, the Listing Rules and applicable laws, are comparable to those offered or to be offered to the Independent Third Parties after consulting the legal and compliance department and the internal control department. The contract will be submitted to the general manager of the financial management centre, who may present the contract to the Board for review when he/she deems necessary, for final review and approval. The general manager of the financial management centre will review the contract (inclusive of the fee or price and other terms) to evaluate and make sure that such fee or price and terms are (a) based on the aforementioned pricing policies; 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 general manager of the financial management centre has given his/her approval therefor. When the Group determines the prevailing market prices of the services or products to be provided or sold, the Group shall refer to at least three price quotations or transactions with the Independent Third Parties in respect of the relevant 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 terms and service fees to be charged for the provision of services contemplated under the 2024 Master CCT Agreements shall be determined pursuant to the aforementioned pricing policies, which are applicable to both China Aoyuan Group and the Independent Third Parties, and between the parties based on normal commercial terms after arm's length negotiations taking into account the aforementioned factors. The state or local government guidance price (if available) will take priority when determining the service fees whereas other market factors will only be considered if there is no state or local government guidance price. In order to ensure that the service fees and terms are no more favourable to China Aoyuan Group than those offered to the Independent Third Parties, the Company will take into consideration the service

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## LETTER FROM THE BOARD

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fees and terms in relation to the service agreements entered into between the Group and the Independent Third Parties and will also review the terms of the continuing connected transactions between the Group and China Aoyuan Group from time to time. Further, the overall mark-up rate under the 2024 Master Intelligent Engineering Agreement is expected to be within the range between 5% and 10%, after taking into account the historical average profit margin of approximately 13.81%, 9.87% and 6.23% for the three years ended 31 December 2022 respectively. Given the above downward trend, it is expected that the range of the overall mark-up rate for the three years ending 31 December 2026 would be close to the lowest and second lowest historical average profit margin for the three years ended 31 December 2022 and the lowest end of the overall mark-up rate under the 2024 Master Intelligent Engineering Agreement is expected to be lower than the lowest historical average profit margin for the three years ended 31 December 2022. Based on the above, the Board considers that the pricing policies of the 2024 Master CCT Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The proposed annual caps under the 2024 Master CCT Agreements 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 China Aoyuan Group.

### 6. INTERNAL CONTROL

The pricing policies for the provision of the services pursuant to the 2024 Master CCT Agreements will be supervised and monitored by the assistant general manager of the legal and compliance department of the Group and the deputy general manager of the financial management centre 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 listing compliance director of the financial management centre of the Group will also conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under the 2024 Master CCT Agreements 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 China Aoyuan Group exceeds the annual caps contemplated under the 2024 Master CCT Agreements and compare the respective ratios of the revenue derived from the Independent Third Parties and China Aoyuan Group to ensure that the Company will not have undue reliance on China Aoyuan Group.

The independent non-executive Directors will continue to review the management's quarterly review reports on the transactions contemplated under the 2024 Master CCT Agreements and the Company's auditors will also conduct an annual review on the pricing terms and the annual caps thereof.

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## LETTER FROM THE BOARD

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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 2024 Master CCT Agreements 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.

### **7. IMPLICATIONS UNDER THE LISTING RULES**

As at the Latest Practicable Date, China Aoyuan was the substantial shareholder of the Company. China Aoyuan and its associates (please refer to the paragraph headed “2. Disclosure of Interests – (b) Substantial Shareholders” in the Appendix to this circular for the details of the associates) indirectly hold 183,386,250 Shares, representing approximately 25.25% 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 contemplated under each of the 2024 Master CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (other than the profits ratio) in respect of the proposed annual caps under each of the 2024 Master CCT Agreements exceed 5%, the transactions (including the proposed annual caps) contemplated thereunder constitute non-exempt continuing connected transactions and are subject to reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Mr. Ruan Yongxi, being the non-executive Director, holds directorship in an entity. The substantial shareholder of such entity is China Aoyuan. Accordingly, Mr. Ruan Yongxi has voluntarily abstained from voting on the relevant Board resolutions approving the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder. Save as the aforesaid, none of the other Directors has a material interest in the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder or has abstained from voting on the relevant Board resolutions as to the foregoing matters.

### **8. 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 2024 Master CCT Agreements are fair and reasonable, and the transactions (including the proposed 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. Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

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## LETTER FROM THE BOARD

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The Independent Financial Adviser has advised the Independent Board Committee that it is of the view that (a) the 2024 Master CCT Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (b) the terms of the 2024 Master CCT Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (c) the proposed annual caps in relation to the 2024 Master CCT Agreements are fair and reasonable. Details of the advice of the Independent Financial Adviser in relation to each of the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder are set out on pages 31 to 64 of this circular.

The Independent Board Committee has considered the terms of each of the 2024 Master CCT Agreements and taken into account the advice of the Independent Financial Adviser, in particular, its assessment, reasons and recommendations set out in its letter, including the sample tests of the Group's continuing connected transactions relating to the 2021 Master CCT Agreements and the publicly available information of other listed PRC property management service providers to accept transfer of properties as payment in lieu of the payables arising from continuing connected transactions. The Independent Board Committee is aware of the prevailing market practice of the proposed settlement by the Designated Assets and recognises that the Group may only agree to such arrangement after evaluating and considering, among others, the possibility of China Aoyuan Group to settle the fees owed to the Group by cash and whether the Designated Assets are readily realisable or convertible into cash. In light of the existing global economic turmoil and the financial difficulty facing by China Aoyuan, the proposed settlement by the Designated Assets offers an alternative means to the Group to collect the receivables from China Aoyuan Group. Based on the above, the Independent Board Committee considers that the terms of each of the 2024 Master CCT Agreements are fair and reasonable, and the transactions (including the proposed annual caps and the proposed settlement by the Designated Assets) 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.

### **9. EGM AND SHAREHOLDERS' APPROVAL**

Set out on pages EGM-1 to EGM-3 is a notice convening the EGM to be held at Event Room 1&2, Lower Ground Floor, New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 19 December 2023 at 10:00 a.m. at which the resolutions will be proposed to consider and, if thought fit, approve, *inter alia*, each of the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder. Voting on all proposed resolutions at the EGM will be taken by poll.

Any Shareholder with a material interest in the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder and his/her/its associate(s) is (are) required to abstain from voting on the ordinary resolutions approving the same.

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## LETTER FROM THE BOARD

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China Aoyuan and its associates, indirectly holding 183,386,250 Shares, representing approximately 25.25% of the issued share capital of the Company as at the Latest Practicable Date and having a material interest in the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder, will abstain from voting on the ordinary resolutions to approve the foregoing matters 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 are no other Shareholders who have a material interest in the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder. As such, no other Shareholders will be required to abstain from voting on the ordinary resolutions to approve the foregoing matters at the EGM.

The proxy form of the EGM is enclosed. Such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.aoyuanjksh.com>).

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 or postponement 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/postponed meeting should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

Please note that there will be no distribution of corporate gifts and refreshments at the EGM.

### **10. 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 2024 Master CCT Agreements are fair and reasonable, and the transactions (including the proposed annual caps and the proposed settlement by the Designated Assets) 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. 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 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder.

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## LETTER FROM THE BOARD

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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 2024 Master CCT Agreements are fair and reasonable, and the transactions (including the proposed 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, 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 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder.

### 11. ADDITIONAL INFORMATION

Your attention is drawn to (a) the letter from the Independent Board Committee as set out on pages 29 to 30 of this circular which contains its recommendations to the Independent Shareholders as to voting at the EGM; (b) the letter from Altus Capital as set out on pages 31 to 64 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to each of the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder; and (c) the general information as set out in the Appendix to this circular.

The Independent Shareholders are advised to read the aforesaid letters and appendix before deciding as to how to vote on the resolutions in relation to each of the 2024 Master CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder.

Yours faithfully,  
By Order of the Board  
**Aoyuan Healthy Life Group Company Limited**  
**Li Huiqiang**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the 2024 Master CCT Agreements 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)**

14 November 2023

*To the Independent Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF THE 2023 EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 14 November 2023 (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, whether the terms of each of the 2024 Master CCT Agreements are fair and reasonable, and the transactions (including the proposed 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.

Altus 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 2024 Master CCT Agreements and the transactions (including the proposed 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 31 to 64 of the Circular.

Your attention is also drawn to (a) the letter from the Board set out on pages 6 to 28 of the Circular and (b) the general information as set out in the Appendix of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms and conditions of each of the 2024 Master CCT Agreements as well as the proposed annual caps for the continuing connected transactions contemplated under the each of the 2024 Master CCT Agreements, the interests of the Independent Shareholders and the advice of the Independent Financial Adviser, we are of the opinion that the terms of each of the 2024 Master CCT Agreements are fair and reasonable, and the transactions (including the proposed 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 2024 Master CCT Agreements and the transactions (including the proposed 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*

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## LETTER FROM ALTUS CAPITAL

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*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2024 Master CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps), which have been prepared for the purpose of incorporation in the Circular.*

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Altus Capital Limited  
21 Wing Wo Street,  
Central, Hong Kong

14 November 2023

*To the Independent Board Committee and the Independent Shareholders*

**Aoyuan Healthy Life Group Company Limited**

Units 1901–02, 19th Floor  
One Peking, No. 1 Peking Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

Dear Sirs and Madams,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Master CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps). Details of which are set out in the “Letter from the Board” contained in the circular dated 14 November 2023 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

References are made to (a) the announcements of the Company dated 28 August 2023, 18 September 2023, 4 October 2023 and 31 October 2023 in relation to, among others, the 2024 Master CCT Agreements; and (b) the announcements of the Company dated 5 November 2020 and 4 June 2021 and the circulars of the Company dated 7 December 2020 and 16 July 2021 in relation to, among others, the 2021 Master CCT Agreements.

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## LETTER FROM ALTUS CAPITAL

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As each of the 2021 Master CCT Agreements is in the ordinary and usual course of business of the Group and will expire by 31 December 2023, on 28 August 2023 (after trading hours), 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 China Aoyuan Group) entered into the 2024 Master CCT Agreements for a term commencing on 1 January 2024 and ending on 31 December 2026 to renew the continuing connected transactions contemplated under each of the 2021 Master Property Management Agreements, the 2021 Master Commercial Operational Agreements and the 2021 Master Intelligent Engineering Agreements.

### **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, China Aoyuan was the substantial shareholder of the Company. China Aoyuan and its associates indirectly hold 183,386,250 Shares, representing approximately 25.25% 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 contemplated under each of the 2024 Master CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (other than the profits ratio) in respect of the proposed annual caps under each of the 2024 Master CCT Agreements exceed 5%, the transactions (including the proposed annual caps) contemplated thereunder constitute non-exempt continuing connected transactions and are subject to reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **THE INDEPENDENT BOARD COMMITTEE**

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 as to (i) whether each of the 2024 Master CCT Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of each of the 2024 Master CCT Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (iii) whether the proposed annual caps have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the EGM after taking into account the recommendation from the Independent Financial Adviser.

### **THE INDEPENDENT FINANCIAL ADVISER**

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the 2024 Master CCT Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of each of the 2024 Master CCT Agreements and

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## LETTER FROM ALTUS CAPITAL

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the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (iii) whether the proposed annual caps have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the EGM.

We have not acted as an independent financial adviser or financial adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that the remuneration for our engagement to opine on the 2024 Master CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps) is at market level and not conditional upon successful passing of the resolutions to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of the Company.

### **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others, (i) the 2024 Master CCT Agreements; (ii) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2023; (iv) the annual report of China Aoyuan for the year ended 31 December 2022 (the “**2022 Annual Report of China Aoyuan**”); (v) the annual report of China Aoyuan for the year ended 31 December 2021 (the “**2021 Annual Report of China Aoyuan**”) and (vi) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

### **1. Information of the Company and China Aoyuan**

#### *The Company*

The Company is a renowned property management service and commercial operational service provider in the PRC. 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 in the PRC.

#### *China Aoyuan*

China Aoyuan Group is principally engaged in (a) property development; (b) property investment; (c) provision of property management services; (d) hotel operation; and (e) sales of goods in the PRC.

### **2. The 2024 Master CCT Agreements**

#### ***2.1. Reasons and benefits of entering into the 2024 Master CCT Agreements***

Taking into account the principal activities of the Group as described in the paragraph headed “1. Information of the Company and China Aoyuan” above, we believe that it is in the ordinary and usual course of business of the Group to provide property management services and related value-added services and commercial operational services for properties developed or owned by China Aoyuan Group.

As each of the 2021 Master CCT Agreements will expire on 31 December 2023, the 2024 Master CCT Agreements represent a continuation of the existing arrangements in respect of the Group’s provision of property management services, commercial operational services and intelligent engineering services to China Aoyuan Group respectively during the Group’s ordinary and usual course of business.

We noted from the Management that the Group has maintained a long-term business relationship with China Aoyuan Group for over 15 years. With the long-term business relationship and proven track record in business transactions between the Group and China Aoyuan Group, we noted from the Management that the services provided to China Aoyuan Group have brought a stable revenue stream to the Group and the Group can benefit from less communication costs with higher efficiency compared to independent third parties. In view of the past operational convenience and benefits brought to the Group as elaborated above, the continuity of the business relationships with China Aoyuan Group is beneficial to the long-term development of the Group.

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## LETTER FROM ALTUS CAPITAL

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Further, we noted that pursuant to each of the 2024 Master CCT Agreements, there is an additional payment method for China Aoyuan Group to settle the service fees through the transfer of Designated Assets (subject to acceptance by the Group as further discussed below). We understand from the Management that as adversely impacted by the macroeconomic environment and the COVID-19 pandemic, China Aoyuan Group has been facing liquidity pressure in the past few years. In this regard, we noted from the 2022 Annual Report of China Aoyuan that its financial position has been deteriorating with substantial amount of outstanding borrowings. In particular, we noted that China Aoyuan's bank balances and cash amounted to approximately RMB5,110.3 million as at 31 December 2022, which is insufficient to cover its current portion of bank and other borrowings of approximately RMB66,690.3 million and current portion of senior notes and bonds of approximately RMB32,755.5 million as at the same date. We also noted that China Aoyuan incurred net current liabilities of approximately RMB29,869.1 million as at 31 December 2022.

Based on the information provided by the Management, we noted that as at 30 June 2023, the service fees due from China Aoyuan Group amounted to over RMB300 million; majority of which were past due for more than one year.

Considering the above, we concur with the Management's view that the additional payment method provided under the 2024 Master CCT Agreements enables the Group to have more flexibility in the collection of receivables from China Aoyuan Group, which in turn, can better safeguard the Group and the Shareholders' interests from financial perspective. We have further considered that under the 2024 Master CCT Agreements, the Group is entitled, but not obliged to accept and agree to any proposed settlement by the Designated Assets, subject to the Group's reasonable evaluation and assessment of different factors from time to time, including but not limited to, the financial conditions of the Group, the composition and conditions of the Designated Assets, the benefits of such arrangement to the Company and the Shareholders and the results of the due diligence (if any) on the Designated Assets. In addition, the value of the Designated Assets would be valued by an independent professional valuer and shall be mutually confirmed by the Company and China Aoyuan.

Taking into account the liquidity position of China Aoyuan Group, as well as the fact that it is at the Group's full discretion to accept and agree to any proposed settlement by the Designated Assets, we concur with the Management's view that the additional payment method provided under each of the 2024 Master CCT Agreements is in the interests of the Company and the Shareholders as a whole.

Overall, the Management believes and we concur that the transactions contemplated under each of the 2024 Master CCT Agreements will continue to be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM ALTUS CAPITAL

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### *2.2. 2024 Master Property Management Agreement*

To assess the fairness and reasonableness of the 2024 Master Property Management Agreement, we have considered the followings.

#### *2.2.1. Principal terms of the 2024 Master Property Management Agreement*

Pursuant to the 2024 Master Property Management Agreement which has a fixed term from 1 January 2024 to 31 December 2026 (both days inclusive), the principal terms include:

- (i) the scope of the property management services shall be the property management services in pre-sale stage, pre-delivery stage and post-delivery stage, including pre-sale sales assistance services, security, cleaning, greening, repair and maintenance services, property or parking space sales agency services and related value-added services, to properties developed or owned by China Aoyuan Group; and
- (ii) the service fees shall be payable by China Aoyuan Group to the Group in cash and can be set off, deducted or withheld by the Group from any fees collected by the Group for and on behalf of China Aoyuan Group in the process of providing property management services pursuant to the 2024 Master Property Management Agreement. In the event that China Aoyuan Group is not able to settle the service fees in cash within the prescribed period, the Group and China Aoyuan Group may negotiate alternative payment method in good faith. China Aoyuan Group may transfer the Designated Assets to the Group in settlement of the relevant service fees under the 2024 Master Property Management Agreement and the Group is entitled (but not obliged) to accept such arrangement after its reasonable evaluation and assessment.

#### *Our views*

We noted that the principal terms of the 2024 Master Property Management Agreement are substantially the same as those under the 2021 Master Property Management Agreements, except for (i) addition of alternative payment method for China Aoyuan Group to settle the service fees through the transfer of Designated Assets; and (ii) restatement of property management service scope to include property or parking space sale agency services.

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## LETTER FROM ALTUS CAPITAL

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We understand that the Group has adopted a pricing policy in relation to the property management services to be provided to China Aoyuan Group under the 2024 Master Property Management Agreement, which the Group shall apply, with priority, the state or local government guidance price on property management service fees determined by the social average cost of property management services as verified by the price administration department of the people's government. 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; and (d) the pricing charged by the Group and other property management service providers in the PRC in relation to provision of property management services provided to the Independent Third Parties in the properties of substantially same conditions and sizes. For details, please refer to the paragraph headed "5. Pricing policy" in the "Letter from the Board" of the Circular.

According to the Management, the abovementioned pricing policy applies consistently to both China Aoyuan Group and independent third party customers of the Group, which indicates that both China Aoyuan Group and independent third party customers have been treated equally and fairly in this regard.

We noted that the Group has established internal control measures to monitor the implementation of pricing policy of the transactions contemplated under the 2024 Master Property Management Agreement. In this regard, we have obtained the full list of property management service transactions entered into between the Group and China Aoyuan Group for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 respectively. We have selected a total of 22 samples of property management service transactions contemplated under the 2021 Master Property Management Agreements for review (the "**Property Management Service Samples**"). The Property Management Service Samples are selected based on (i) top five property management service transactions during each of the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 respectively; and (ii) in addition, to cover all types of property management services provided by the Group to China Aoyuan Group, we have selected extra two, one and four property management service transactions during each of the respective years/period based on the top transaction for each type of property management services that have not been covered under the top five transactions selected as abovementioned. As advised by the Management, the Group had only entered into six similar property management service transactions with independent third party property developers in the PRC during the term of the 2021 Master Property Management Agreements (up to date). In this regard, we have obtained all of the aforesaid contracts for review and noted that (i) the services provided by the Group to the independent third party property developers are comparable to those provided to China Aoyuan Group, which involve

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## LETTER FROM ALTUS CAPITAL

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property management services provided during the pre-sale stage, pre-delivery stage and post-delivery stage; and (ii) the pricing terms offered to the independent third party property developers are comparable to those offered to China Aoyuan Group. In addition, we also noted that the unit prices of the Property Management Service Samples follow the state or local government guidance price on property management service fees, where applicable. In this regard, we understand that certain provinces in the PRC have implemented price ceilings for property management service fees (being the state or local government guidance price). Upon our review of the Property Management Service Samples, we noted that, where applicable, the unit rate of property management fees charged by the Group did not exceed the respective price ceiling.

Considering that the Property Management Service Samples obtained and reviewed (for details of the samples reviewed, please refer to the paragraph headed “3. Internal control measures” below) cover the period of the 2021 Master Property Management Agreements (up to date) as well as the various types of property management services provided to China Aoyuan Group, we believe the sample size is sufficient. Taking into account that the Group applies the same pricing policy for the provision of property management service to both China Aoyuan Group and independent third party property developers, we are of the view that the Group’s internal control had been adhered to comply with the aforementioned pricing policy for the provision of property management service to China Aoyuan Group. We also believe there exist procedures to ensure the transactions contemplated under the 2024 Master Property Management Agreement will be continuously carried out on normal commercial terms and with reference to the aforementioned pricing policy and accordingly, fair and reasonable.

With respect to the addition of alternative payment method for China Aoyuan Group to settle service fees payable under the 2024 Master Property Management Agreement, as further discussed in the paragraph headed “2.1. Reasons and benefits of entering into the 2024 Master CCT Agreements” above, in light of the liquidity position of China Aoyuan Group (for instance, its net current liabilities position as well as significant shortfall in bank balances and cash to cover current portion of bank and other borrowings as elaborated above), such alteration aims to provide flexibility for the Group in the collection of receivables from China Aoyuan Group. In this regard, we have conducted desktop search on recent announcements published by PRC property management companies that are listed on the Stock Exchange since the second half of 2023 which reflects the recent sentiment and prevailing practice in the PRC. We noted that there were two PRC property management companies entered into agreements with their respective shareholders, being property developers in the PRC, to accept receiving assets to settle the outstanding payables due under their respective existing continuing connected transactions as follows. It is an exhaustive list based on these criteria.

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## LETTER FROM ALTUS CAPITAL

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Date of announcement	Company name	Stock code	Details of transaction
11 August 2023	Jinke Smart Services Group Co., Ltd.	9666	On 11 August 2023, Jinke Smart Services Group Co., Ltd. (together with its subsidiaries, the “ <b>Jinke Smart Services Group</b> ”) entered into property transfer agreements with Jinke Property Group Co., Ltd. (together with its subsidiaries, excluding the Jinke Smart Services Group, the “ <b>Jinke Property Group</b> ”), pursuant to which Jinke Property Group shall transfer 36 properties (the “ <b>Offset Properties</b> ”) to the Jinke Smart Services Group to serve as payment in lieu of the payables arising from continuing connected transactions in relation to the provision of property management services by the Jinke Smart Services Group to the Jinke Property Group. The 36 Offset Properties consist of 19 residential properties, 6 commercial properties, 8 office buildings and 3 industrial properties.
28 August 2023	A-Living Smart City Services Co., Ltd.	3319	On 28 August 2023, A-Living Smart City Services Co., Ltd. (together with its subsidiaries, the “ <b>A-Living Group</b> ”) entered into supplemental agreements to their existing continuing connected transactions agreements with Agile Group Holdings Limited (together with its subsidiaries, excluding the A-Living Group, the “ <b>Agile Group</b> ”), pursuant to which in the event Agile Group is unable to pay the outstanding service fee payable under the relevant existing continuing connected transactions agreements, the A-Living Group may elect to accept assets from the Agile Group’s unsold property assets (including but not limited to office buildings, shops and commercial housing) as settlement of the outstanding payables.

We noted that the above transactions are comparable to the alternative payment arrangement contemplated under the 2024 Master CCT Agreements where both involving a PRC property management company accepting assets as settlement method for payables due under the continuing connected transactions from its shareholder, being a PRC property developer. We are of the view that such can provide an alternative method for the Group to collect its receivables due from China Aoyuan Group, subject to satisfactory due diligence (if any) and valuation on the Designated Assets conducted by independent property valuer. We understand that the Group,

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## LETTER FROM ALTUS CAPITAL

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before making any decision on the proposed settlement by the Designated Assets, will evaluate and consider, amongst others, likelihood of China Aoyuan Group to settle the receivables by cash, as well as whether the Designated Assets are readily realisable or convertible into cash. As advised by the Management, settlement through Designated Assets will only be considered as a secondary option when settlement by cash is unlikely after thorough assessment made by the Group. We considered that in the case where the likelihood of cash settlement by China Aoyuan Group is low, it will be a better option for the Group to obtain Designated Assets as an alternative settlement method as compared to receivables being uncollectable. In addition, we understand that the Group will negotiate with China Aoyuan Group for Designated Assets that are more readily realisable into cash. In this regard, we noted that according to the 2022 Annual Report of China Aoyuan, China Aoyuan Group had investment properties amounted to approximately RMB12.6 billion, approximately 87.1% of which were completed investment properties including retail shops, offices and commercial buildings. Therefore, we believe that in the case where settlement through Designated Assets has to be considered, China Aoyuan Group should possess certain assets that may be readily converted into cash for the Group to negotiate for. Overall, having considered the above as well as the prevailing market practice, we are of the view that the addition of alternative payment method under the 2024 Master Property Management Agreement is fair and reasonable.

With respect to the restatement of scope of property management services to include property or parking space sales agency services, we noted from the Management that such is to accommodate the evolving needs of China Aoyuan Group as well as to align with the current market practice of other property management service providers in the PRC. In this regard, we have conducted desktop search on (i) all the prospectuses issued and published on the Stock Exchange since 2021 (i.e. commencement of the 2021 Master Property Management Agreements) up till the Latest Practicable Date; and (ii) all the existing application proofs published on the Stock Exchange as at the Latest Practicable Date, of PRC property management companies. We considered that a review period since 2021, being the commencement of the 2021 Master Property Management Agreements, provides a reasonable reference on scope of services recently offered by PRC property management companies. From our aforementioned desktop search, we noted that there are 14 PRC property management companies engaged in the provision of property or parking space sales agency services as follows. It is an exhaustive list based on these criteria.

	<b>Company name</b>	<b>Stock code</b>	<b>Type(s) of sales agency services provided</b>	<b>Agency fee rate</b>
1	Zhong An Intelligent Living Service Limited	2271	Parking space	Not disclosed
2	Lushang Life Services Co., Ltd	2376	Property and parking space	Not disclosed

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**LETTER FROM ALTUS CAPITAL**

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	<b>Company name</b>	<b>Stock code</b>	<b>Type(s) of sales agency services provided</b>	<b>Agency fee rate</b>
3	Suxin Joyful Life Services Co., Ltd.	2152	Property	Not disclosed
4	Dowell Service Group Co. Limited	2352	Property and parking space	Not disclosed
5	Redco Healthy Living Company Limited	2370	Parking space	35% of sale proceeds
6	Jinmao Property Services Co., Limited	816	Parking space	Not disclosed
7	Desun Real Estate Investment Services Group Co., Ltd.	2270	Property	Not disclosed
8	Kangqiao Service Group Limited	2205	Property	Not disclosed
9	Dexin Services Group Limited	2215	Property	4.5% of sale proceeds
10	Ling Yue Services Group Limited	2165	Parking space	Not disclosed
11	Landsea Green Life Service Company Limited	1965	Property	2% to 30% of sale proceeds
12	Yuexiu Services Group Limited	6626	Parking space	Not disclosed
13	New Hope Service Holdings Limited	3658	Property	Not disclosed
14	Shum Yip Property Operations Group Co., Ltd	N/A <sup>(note)</sup>	Property	50% to 95% of monthly rental proceeds

*Note:* The information is being extracted from application proof. Therefore, stock code is not available.

Therefore, we concur with the Management's view that it is not uncommon for property management companies in the PRC to include property or parking space sales agency services within their property management services scope. We are of the view that the restatement of scope of property management services pursuant to the 2024 Master Property Management Agreement on the one hand, reflects the current market practice of the property management service industry in the PRC and enables the Group to meet the fast-changing needs of China Aoyuan Group and maintain its competitiveness in the market; on the other hand, provides an additional revenue stream for the Group.

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## LETTER FROM ALTUS CAPITAL

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Taking into account of the above, we are of the view that the terms of the 2024 Master Property Management Agreement are on normal commercial terms and are fair and reasonable.

### 2.2.2. Proposed annual caps

#### 2.2.2.1. Existing annual caps and historical variances

The following table summarises (i) the historical transaction amounts between the Group and China Aoyuan Group under the 2021 Master Property Management Agreements; and (ii) the corresponding existing annual cap, for each of the two years ended 31 December 2022 and the six months ended 30 June 2023 respectively.

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>six months</b>
	<b>2021</b>	<b>2022</b>	<b>ended 30 June</b>
	<i>(RMB'000)</i>		<b>2023</b>
Historical transaction amount	266,445	86,696	29,664
Existing annual cap	667,480	901,100	1,203,060 (for the year ending 31 December 2023)
Utilisation rate (approximately)	39.9%	9.6%	2.5% <sup>(Note)</sup>

*Note:* This utilisation rate is calculated based on (i) historical transaction amount for the six months ended 30 June 2023; and divided by (ii) the existing annual cap for the year ending 31 December 2023.

As shown in the above table, the utilisation rates of the existing annual caps decreased from approximately 39.9% in 2021 to approximately 9.6% in 2022. For the six months ended 30 June 2023, the actual transaction amount represented approximately 2.5% of the existing annual cap for the year ending 31 December 2023. In terms of actual transaction amount, the Group's provision of property management services to China Aoyuan Group decreased by approximately 67.5% from approximately RMB266.4 million in 2021 to approximately RMB86.7 million in 2022, and further decreased to approximately RMB29.7 million for the six months ended 30 June 2023.

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## LETTER FROM ALTUS CAPITAL

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As advised by the Management, China Aoyuan Group has been facing operational and financial pressure in the past few years mainly due to challenges brought by the COVID-19 pandemic, macroeconomic environment, policy adjustment towards the PRC real estate industry as well as increasingly intense industry competition. In this regard, we noted from the 2021 Annual Report of China Aoyuan and the 2022 Annual Report of China Aoyuan that China Aoyuan's contracted GFA sold decreased significantly by approximately 80.9% from approximately 11.0 million sq.m. in 2021 to approximately 2.1 million sq.m. in 2022. As a result, such deterioration in the operating performance of China Aoyuan Group adversely impacted its demand for property management services provided by the Group and in turn, led to relatively low levels of utilisation rates of existing annual caps during the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023.

We noted that such downward trend is an industry-wide phenomenon, for instance, based on the data published by the National Bureau of Statistics of China on 28 February 2023, the real estate's new construction area and sales area in 2022 decreased by approximately 39.4% and 24.3% respectively on a year-on-year ("YoY") basis.

### 2.2.2.2. Proposed annual caps

The following table sets out the proposed annual caps for fees payable by China Aoyuan Group to the Group for the provision of the property management services under the 2024 Master Property Management Agreement for the years ending 31 December 2024, 2025 and 2026 respectively.

	<b>For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(RMB'000)</i>		
Proposed annual cap	250,000	250,000	250,000

In determining the above proposed annual caps, we understand from the Management that the Company has taken into consideration:

- (i) having regard to the existing uncertain global macroeconomic environment and depressed market conditions facing by the PRC property developers, the proposed annual caps under the 2024 Master Property Management Agreement for the three years ending 31 December 2026 are lower than those under the 2021 Master Property Management Agreements for the three years ending 31 December 2023;

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## LETTER FROM ALTUS CAPITAL

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- (ii) despite paragraph (i) above and the low utilisation rate of the annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023, the government authorities in the PRC have been making continuing efforts to stimulate the property market through implementation of planned measures, such as easing the purchase restrictions and reducing the down payment ratios for first-home and second-home. As such, the Group expects that the PRC property market will gradually show signs of recovery and accordingly there will still be a steady demand from China Aoyuan Group for the Group's property management services for the three years ending 31 December 2026;
- (iii) with reference to a research report relating to Chinese consumers issued by a research institute in December 2022, it is expected that the number of middle and high-income households in the PRC, being the primary driving force for the growth in the PRC's consumption market, will continue to increase. In addition to the expected gradual progress of the PRC property market brought about by the planned measures in paragraph (ii) above and given the increasing number of middle and high-income households in the PRC which usually demand tailor-made and innovative services, it is expected that there will be a rising demand for diversified and high-quality property management services and related value-added services. This indicates a considerable growth potential and a potentially vast market for the demand of property or parking space sales agency services and value-added services and therefore a stable demand from China Aoyuan Group for the Group's property management services for the three years ending 31 December 2026;
- (iv) the historical number of contracted engagements (excluding the sales assistance service engagements set out in paragraph (v) below) awarded by China Aoyuan Group to the Group for the provision of the property management services for each of the three years ended 31 December 2022 was 134, 229 and 229 respectively. Under the 2021 Master Property Management Agreements, the increase in the revenue generated from the above increasing number of contracted engagements was offset by the decrease in the revenue as a result of the decreasing number of sales assistance service engagements set out in paragraph (v) below, resulting in the overall decrease in the historical transactional amount. However, given the aforementioned increasing number of contracted engagements coupled with the stimulus measures relating to the PRC property market released by the PRC government authorities, it is expected that the number of

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## LETTER FROM ALTUS CAPITAL

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contracted engagements awarded by China Aoyuan Group to the Group for the provision of property management services will progressively increase for the three years ending 31 December 2026; and

- (v) out of 173, 168 and 117 sales projects launched by China Aoyuan Group for the three years ended 31 December 2022 respectively, the number of sales assistance service engagements awarded by China Aoyuan Group to the Group for the same period was 151, 128 and 110 respectively. Based on the above, the average ratio of China Aoyuan Group's sales assistance service engagements awarded to the Group for the three years ended 31 December 2022 was approximately 85%. Further, out of China Aoyuan Group's delivered GFA of approximately 6.05 million sq.m., 6.34 million sq.m. and 2.55 million sq.m. for the three years ended 31 December 2022, the GFA of the property management engagements awarded by China Aoyuan Group to the Group for the same period was approximately 4.88 million sq.m., 7.43 million sq.m. and 1.94 million sq.m. respectively. Based on the above, the average ratio of China Aoyuan Group's pre-delivery property management engagements awarded to the Group for the three years ended 31 December 2022 was approximately 95%. As it is expected that the business and operation of China Aoyuan Group for the three years ending 31 December 2026 will gradually restore to pre-pandemic conditions and the aforementioned ratios can be maintained in the coming three years, it is expected that the transactional amount under the 2024 Master Property Management Agreement for the three years ending 31 December 2026 will be similar to the historical transactional amount under the 2021 Master Property Management Agreements for the year ended 31 December 2021, resulting in the proposed annual caps under the 2024 Master Property Management Agreement for the three years ending 31 December 2026 being near to the historical transactional amount under the 2021 Master Property Management Agreements for the year ended 31 December 2021.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management and obtained the relevant working for review. Considering the relatively low utilisation rates of the existing annual caps as discussed above, we noted that the Management has set a largely lowered level of proposed annual cap of RMB250 million for each of the years ending 31 December 2024, 2025 and 2026 respectively as compared to the existing annual caps of approximately RMB667.5 million, RMB901.1 million and RMB1,203.1 million for the years ended/ending 31 December 2021, 2022 and 2023 respectively. Such level of proposed annual cap correspond to the actual transaction amount of approximately RMB266.4 million for the year ended 31 December 2021.

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## LETTER FROM ALTUS CAPITAL

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Based on our review of the calculation working as well as discussion with the Management, we understand that the aforementioned proposed annual caps primarily consisted of (i) pre-sale sales assistance service fees; (ii) pre-delivery property management service fees; (iii) pre-sale property management service fees; and (iv) post-delivery property management service fees in relation to unsold units. In addition, we also noted that the Management has taken into account the restated scope of service under the 2024 Master Property Management Agreement, being property or parking space sales agency services. Whilst it is expected that there will be a rising demand to such services as mentioned above, we noted that the amount is not expected to be material as compared to the proposed annual caps in the next three years.

In relation to (i) pre-sale sales assistance service fees, it correlates to the number of sales centre of China Aoyuan Group which are managed by the Group. We understand that it is estimated based on (a) the existing number of sales centre of China Aoyuan Group, being 14, with an expected annual increment of five sales centre during each of the three years ending 31 December 2026, as indicated by China Aoyuan Group; (b) the historical average award rate to the Group of approximately 85% as abovementioned; and (c) the historical average fees per sales centre charged by the Group, being approximately RMB230,000.

In relation to (ii) pre-delivery property management service fees, it correlates to the expected GFA delivery by China Aoyuan Group. We understand that it is estimated based on (a) the expected GFA to be delivered in 2023 based on the delivery schedule provided by China Aoyuan Group, being approximately 1.8 million sq.m., with an expected annual increment of 5% during each of the three years ending 31 December 2026 as indicated by China Aoyuan Group; and (b) the historical average fees per sq.m. charged by the Group in relation to pre-delivery property management service, being approximately RMB6.5 per sq.m..

In relation to (iii) pre-sale property management service fees, it correlates to new construction site area of China Aoyuan Group. We understand from the Management that in 2023 (up to date), China Aoyuan Group has no new construction site yet. However, as indicated by China Aoyuan Group, it is expected that such construction activities will gradually resume and it is expected that the new construction site area would achieve around 50% of the pre-COVID-19 levels during each of the three years ending 31 December 2026, being approximately 4.0 million sq.m.. The Group has adopted historical average fees per sq.m. charged in relation to pre-sale property management service, being approximately RMB4.5 per sq.m..

In relation to (iv) post-delivery property management service fees in relation to unsold units, we understand that it is estimated based on (a) the existing area of unsold unit managed for China Aoyuan Group of approximately

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## LETTER FROM ALTUS CAPITAL

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32.4 million sq.m.; (b) the expected GFA delivery as discussed above; (c) the historical average award rate to the Group of approximately 95% as abovementioned; (d) the historical rate of unsold units of approximately 13.0%; and (e) the historical average fees per sq.m. charged by the Group for property management services, being approximately RMB26.1 per sq.m..

In relation to property or parking space sales agency, we noted that the respective agency fees accounted for less than 5% of the proposed annual cap for each of the three years ending 31 December 2026. We understand that the Management has assumed an agency fee rate of 5% for sales agency transactions. Based on our desktop search in relation to PRC property management companies that engaged in the provision of property or parking space sales agency services as elaborated in the paragraph headed “2.2.1. Principal terms of the 2024 Master Property Management Agreement” above, such 5% of assumed agency fee rate is within the range of 2% to 35% of agency fee rate as disclosed in their respective prospectus or application proof (where applicable). We noted that the agency fee rate of Shum Yip Property Operations Group Co., Ltd as disclosed in its application proof is based on monthly rental proceeds, thus it is not comparable to the Group’s agency fee rate for the above analysis perspective.

Overall, we noted that the fee rates assumed in arriving at the proposed annual cap are largely in line with historical averages. The expected increase in transaction amount in the next three years mainly comes from the expected increase in pre-delivery and pre-sale activities of China Aoyuan Group. In this regard, we noted that since the COVID-19 pandemic restriction policies had been lifted in the PRC at the end of 2022, the PRC government has introduced a number of supporting policies to stabilise market confidence and expectations. For instance, key measures included allowing banks to extend maturing loans to property developers, supporting property sales by reducing the size of down payments and interest rates on mortgage, as well as ensuring the delivery of pre-sold properties to home-buyers. Although based on the latest data published by the National Bureau of Statistics of China that the total commodity housing sales area for the nine months ended 30 September 2023 dropped by approximately 7.5% on a period-on-period basis, such decrease is of a much lesser extent as compared to the same period in 2022 of approximately 22.2%. On the other hand, we noted from the 2022 Annual Report of China Aoyuan that as at 31 December 2022, China Aoyuan Group has 267 projects with a total landbank of approximately 30.83 million sq.m. Considering (i) the latest PRC government’s supporting policies towards the real estate market; (ii) that the adverse impact brought about by the COVID-19 pandemic would have been lessened as compared to the situation in the past few years; and (iii) the latest landbank of China Aoyuan Group, we concur with the Management’s view that it is probable for China Aoyuan Group to gradually recover and in turn, increase its demand for the Group’s property management services in the next few years.

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## LETTER FROM ALTUS CAPITAL

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In addition to the above, considering that (i) the Group is not obliged under the 2024 Master Property Management Agreement to use up the proposed annual caps; (ii) the proposed annual caps can provide flexibility for the Group to provide property management services to China Aoyuan Group subject to their future demand; and (iii) there exists internal control measures to govern the Group's provision of property management service transactions with China Aoyuan Group, where consistent pricing policy will be applied to both China Aoyuan Group as well as independent third party property developer, we are of the view that the proposed annual cap of RMB250 million for each of the three years ending 31 December 2026 in relation to the provision of the property management services under the 2024 Master Property Management Agreement are fair and reasonable.

### ***2.3. 2024 Master Commercial Operational Agreement***

To assess the fairness and reasonableness of the 2024 Master Commercial Operational Agreement, we have considered the followings.

#### *2.3.1. Principal terms of the 2024 Master Commercial Operational Agreement*

Pursuant to the 2024 Master Commercial Operational Agreement which has a fixed term from 1 January 2024 to 31 December 2026 (both days inclusive), the principal terms include:

- (i) the scope of the commercial operational services shall be market research and positioning services, business tenant management and rent collection services, and other commercial operational services or value-added services in response to the market demand, to properties developed or owned by China Aoyuan Group; and
- (ii) the service fees shall be payable by China Aoyuan Group to the Group in cash and can be set off, deducted or withheld by the Group from any fees collected by the Group for and on behalf of China Aoyuan Group in the process of providing commercial operational services pursuant to the 2024 Master Commercial Operational Agreement. In the event that China Aoyuan Group is not able to settle the service fees in cash within the prescribed period, the Group and China Aoyuan Group may negotiate alternative payment method in good faith. China Aoyuan Group may transfer the Designated Assets to the Group in settlement of the relevant service fees under the 2024 Master Commercial Operational Agreement and the Group is entitled (but not obliged) to accept such arrangement after its reasonable evaluation and assessment.

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## LETTER FROM ALTUS CAPITAL

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### *Our views*

We noted that the principal terms of 2024 Master Commercial Operational Agreement are substantially the same as those under the 2021 Master Commercial Operational Agreements, except for addition of alternative payment method for China Aoyuan Group to settle the service fees through the transfer of Designated Assets.

We understand that the Group has adopted a pricing policy in relation to the commercial operational services to be provided to China Aoyuan Group under the 2024 Master Commercial Operational Agreement, where the service fees 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; and (b) the pricing charged by the Group and other commercial operational service providers in the PRC in relation to provision of commercial operational services provided to the Independent Third Parties in properties of substantially same conditions and sizes. For details, please refer to the paragraph headed "5. Pricing policy" in the "Letter from the Board" of the Circular.

According to the Management, the abovementioned pricing policy applies consistently to both China Aoyuan Group and independent third party customers of the Group, which indicates that both China Aoyuan Group and independent third party customers have been treated equally and fairly in this regard.

We noted that the Group has established internal control measures to monitor the implementation of pricing policy of the transactions contemplated under the 2024 Master Commercial Operational Agreement. In this regard, we have obtained the full list of commercial operational service transactions entered into between the Group and China Aoyuan Group for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 respectively. We have selected a total of 15 samples of commercial operational service transactions contemplated under the 2021 Master Commercial Operational Agreements for review (the "**Commercial Operational Service Samples**"). The Commercial Operational Service Samples are selected based on the top five commercial operational service transactions provided to China Aoyuan Group during each of the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 respectively. As advised by the Management, the Group had not entered into similar commercial operational service transaction with independent third party property developer during the term of the 2021 Master Commercial Operational Agreements (up to date). Nonetheless, we have conducted desktop search on (i) all the prospectuses issued and published on the Stock Exchange since 2021 (i.e. commencement of the 2021 Master Commercial Operational Agreements) up till the Latest Practicable Date; and (ii) all the existing application proofs published on the Stock Exchange as at the Latest Practicable Date, of PRC property management companies. We considered that a

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## LETTER FROM ALTUS CAPITAL

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review period since 2021, being the commencement of the 2021 Master Commercial Operational Agreements, provides a reasonable reference on the pricing terms recently charged by PRC property management companies in relation to the provision of commercial operational services. From our aforementioned desktop search, we noted that there are five PRC property management companies that have publicly disclosed their pricing charged for its commercial operational services as follows. It is an exhaustive list based on these criteria.

Company name	Stock code	Service scope	Pricing terms
Zhuhai Wanda Commercial Management Group Co., Ltd	N/A <sup>(note)</sup>	Commercial operation services, including (i) certain pre-opening consultancy services; (ii) operational management services; (iii) property management services; and (iv) value-added services	20% to 40% of net operating income
Hollwin Urban Operation Service Group Co., Ltd.	N/A <sup>(note)</sup>	Commercial operation services, such as market commercial positioning, tenant sourcing services, safety management and daily maintenance	15% or 30% of rent
Shum Yip Property Operations Group Co., Ltd.	N/A <sup>(note)</sup>	Commercial operational services, including commercial leasing, operational services involving the daily operation of the commercial properties, and promotional services	Basic management fee of 3% to 5% of operating income, and profit management fee of 4% to 7% of profit
New Hope Service Holdings Limited	3658	Commercial operational service, including (i) market research and position and opening preparation services; (ii) commercial operation services, such as tenant sourcing services, tenant management services, commercial management services and marketing and promotion services; and (iii) commercial properties	10% of rent for tenant management services  <i>(pricing terms of other services under commercial operational services have not been disclosed)</i>

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## LETTER FROM ALTUS CAPITAL

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Company name	Stock code	Service scope	Pricing terms
SCE Intelligent Commercial Management Holdings Limited	606	Commercial property management and operational services, including (i) basic commercial property management services, such as security, cleaning, repair and maintenance, tenant assistance, marketing and promotion services; (ii) pre-opening management services; and (iii) other value-added services	5% of rent for tenant management and rent collection services  <i>(pricing terms of other services under commercial property management and operational services have not been disclosed)</i>

*Note:* The information is being extracted from application proof. Therefore, stock code is not available.

According to the table above, we noted that the commercial operational services provided by the PRC property management companies generally involve the management of commercial properties, tenant management and other value-added services that are comparable to those provided by the Group to China Aoyuan Group. Regarding the pricing terms, we noted that these vary among different property management companies. Based on our review of the Commercial Operational Service Samples, we noted that only Zhuhai Wanda Commercial Management Group Co., Ltd's pricing terms is comparable to the Group's. We further noted that the Group's pricing terms, being approximately 30% in terms of earnings sharing ratio, is within the range of Zhuhai Wanda Commercial Management Group Co., Ltd's 20% to 40% as disclosed above. Although there is only one comparable company being identified, considering that (i) there is limited public information in relation to pricing terms charged by PRC property management companies for commercial operational services and the fact that the pricing terms vary among different property management companies; (ii) it is an exhaustive list based on the above research criteria; and (iii) the pricing terms of the Group is within the range of the comparable company, we considered that it is a reasonable reference in assessing the Group's pricing terms in relation to the provision of commercial operational services.

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## LETTER FROM ALTUS CAPITAL

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Considering that the Commercial Operational Service Samples obtained and reviewed (for details of the samples reviewed, please refer to the paragraph headed “3. Internal control measures” below) cover the period of the 2021 Master Commercial Operational Agreements (up to date), we believe the sample size is sufficient. Taking into account that (i) the Group applies the same pricing policy for the provision of commercial operational service to both China Aoyuan Group and independent third party property developer; and (ii) the Group’s pricing terms in relation to commercial operational services provided to China Aoyuan Group is within the range of pricings charged by the independent third party property management company as discussed above, we are of the view that the Group’s internal control had been adhered to comply with the aforementioned pricing policy for the provision of commercial operational services to China Aoyuan Group. We also believe there exist procedures to ensure the transactions contemplated under the 2024 Master Commercial Operational Agreement will be continuously carried out on normal commercial terms and with reference to the aforementioned pricing policy and accordingly, fair and reasonable.

For our views in relation to the payment terms, please refer to the paragraph headed “2.2.1. Principal terms of the 2024 Master Property Management Agreement” above.

Taking into account of the above, we are of the view that the terms of the 2024 Master Commercial Operational Agreement are on normal commercial terms and are fair and reasonable.

### 2.3.2. Proposed annual caps

#### 2.3.2.1. Existing annual caps and historical variances

The following table summarises (i) the historical transaction amounts between the Group and China Aoyuan Group under the 2021 Master Commercial Operational Agreements; and (ii) the corresponding existing annual cap, for each of the two years ended 31 December 2022 and the six months ended 30 June 2023 respectively.

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>six months</b>
	<b>2021</b>	<b>2022</b>	<b>ended 30 June</b>
	<i>(RMB’000)</i>		
Historical transaction amount	77,945	31,002	12,275

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**LETTER FROM ALTUS CAPITAL**

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	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB'000)</i>		
Existing annual cap	221,430	272,220	316,650 (for the year ending 31 December 2023)
Utilisation rate (approximately)	35.2%	11.4%	3.9% <sup>(Note)</sup>

*Note:* This utilisation rate is calculated based on (i) historical transaction amount for the six months ended 30 June 2023; and divided by (ii) the existing annual cap for the year ending 31 December 2023.

As shown in the above table, the utilisation rates of the existing annual caps decreased from approximately 35.2% in 2021 to approximately 11.4% in 2022. For the six months ended 30 June 2023, the actual transaction amount represented approximately 3.9% of the existing annual cap for the year ending 31 December 2023. In terms of actual transaction amount, the Group's provision of commercial operational services to China Aoyuan Group decreased by approximately 60.2% from approximately RMB77.9 million in 2021 to approximately RMB31.0 million in 2022, and further decreased to approximately RMB12.3 million for the six months ended 30 June 2023.

We understand from the Management that as a result of the COVID-19 pandemic and the related control measures implemented by the PRC government, such as business and entertainment facilities closures as well as suspension of dine-in services, rent reductions had been provided to tenants in 2021 and 2022. As the Group's commercial operational fees are mainly derived from a portion of the rental receivables, this has adversely affected the Group's commercial operational income and led to a low utilisation rate of the existing annual caps. In addition, under the backdrop that China Aoyuan Group has been facing operational and financial pressure in the past few years as further discussed in the paragraph headed "2.2.2.1. Existing annual caps and historical variances" above, China Aoyuan Group had been streamlining its property investment portfolio in return for liquid resources. In this regard, we noted from the 2022 Annual Report of China Aoyuan that its investment properties decreased by approximately 10.8% from approximately RMB14,147.7 million as at 31 December 2021 to approximately RMB12,623.1 million as at 31 December 2022.

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## LETTER FROM ALTUS CAPITAL

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As a result, the corresponding demand for the Group's commercial operational service had been adversely affected.

### 2.3.2.2. Proposed annual caps

The following table sets out the proposed annual caps for the fees payable by China Aoyuan Group to the Group for the provision of the commercial operational services under the 2024 Master Commercial Operational Agreement for the years ending 31 December 2024, 2025 and 2026 respectively.

	For the year ending 31 December		
	2024	2025	2026
	<i>(RMB'000)</i>		
Proposed annual cap	200,000	200,000	200,000

In determining the above proposed annual caps, we understand from the Management that the Company has taken into consideration:

- (i) having regard to the current volatile business environment and unfavourable market conditions facing by the PRC property developers, the proposed annual caps under the 2024 Master Commercial Operational Agreement for the three years ending 31 December 2026 are lower than those under the 2021 Master Commercial Operational Agreements for the three years ending 31 December 2023;
- (ii) despite paragraph (i) above and the low utilisation rate of the annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023, based on the number of commercial projects and office buildings expected to be delivered by China Aoyuan Group for the three years ending 31 December 2026 after discussion between the Group and China Aoyuan Group and the stimulation to the number of commercial projects and properties as a result of the initiatives implemented by the PRC government authorities to promote foreign investment and the planned measures to activate the property market, the Group expects that there will be a steady demand from China Aoyuan Group for the Group's commercial operational services for the three years ending 31 December 2026;
- (iii) the historical number of contracted engagements awarded by China Aoyuan Group to the Group for the provision of commercial operational services for the three years ended 31 December 2022 was 22, 23 and 20 respectively and the historical GFA of commercial operational projects awarded by China Aoyuan Group to the Group for

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## LETTER FROM ALTUS CAPITAL

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the three years ended 31 December 2022 was approximately 0.94 million sq.m., 1.08 million sq.m. and 0.72 million sq.m. respectively. As it is expected that the business and operation of China Aoyuan Group for the three years ending 31 December 2026 will gradually resume to pre-pandemic levels, it is expected that the transactional amount under the 2024 Master Commercial Operational Agreement for the three years ending 31 December 2026 will be similar to the annual cap under the 2021 Master Commercial Operational Agreements for the year ended 31 December 2021, resulting in the proposed annual caps under the 2024 Master Commercial Operational Agreement for the three years ending 31 December 2026 being near to the annual cap under the 2021 Master Commercial Operational Agreements for the year ended 31 December 2021; and

- (iv) under the existing profit-sharing arrangement which is only applicable to the shopping malls under the Group's management, the Group is entitled to approximately 30% of the operating profit of the shopping malls for the provision of commercial operational services for such shopping malls. The above sharing ratio was determined by the Group and China Aoyuan Group after arm's length negotiations and has been adopted by the Group since the listing of the Company. Throughout the years, as there is no material change to the business model of Group's commercial operational service segment and the average gross profit margin of the Group's commercial operational service segment for the three years ended 31 December 2022 has been maintained at a stable level at approximately 36.6%, the Group's sharing ratio has been maintained at approximately 30% under the existing profit-sharing arrangement. Notwithstanding that the historical sharing ratio is acceptable to the Company, increasing the Group's sharing ratio under such arrangement helps increase the Group's revenue for the provision of commercial operational services, the Group is therefore considering to negotiate and explore with China Aoyuan Group about the feasibility of increasing the Group's sharing ratio under such arrangement.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management and obtained the relevant working for review. Considering the relatively low utilisation rates of the existing annual caps as discussed above, we noted that the Management has proposed a lower level of annual cap of RMB200 million for each of the years ending 31 December 2026 as compared to the existing levels of approximately RMB221.4 million, RMB272.2 million and RMB316.7 million for the years ended/ending 31 December 2021, 2022 and 2023 respectively.

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## LETTER FROM ALTUS CAPITAL

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Based on our review of the calculation working as well as discussion with the Management, we noted that the aforementioned proposed annual caps are derived at mainly based on (i) the existing area of commercial properties managed and operated by the Group that are owned by China Aoyuan Group of approximately 0.6 million sq.m.; (ii) the assumption that there will be no rental reductions to tenants in the next three years; and (iii) the existing level of pricing terms (i.e. the earnings sharing ratio of approximately 30%) in relation to the provision of commercial operational service. We further noted that the proposed annual cap of RMB200 million provides room for the Group to negotiate a reasonable increase in earnings sharing ratio for the provision of commercial operational services to China Aoyuan Group in the next three years.

In view of the COVID-19 pandemic restriction policies having been lifted in the PRC and the business and entertainment activities gradually returning to normal, we concur with the Management's view that the abovementioned basis and assumptions to be reasonable.

In addition to the above, considering that (i) the Group is not obliged under the 2024 Master Commercial Operational Agreement to use up the proposed annual caps; (ii) the proposed annual caps can provide flexibility for the Group to provide commercial operational services to China Aoyuan Group subject to their future demand; and (iii) there exist internal control measures to govern the Group's provision of commercial operational service transactions with China Aoyuan Group, where consistent pricing policy will be applied to both China Aoyuan Group as well as independent third party property developer, we are of the view that the proposed annual cap of RMB200 million for each of the three years ending 31 December 2026 in relation to the provision of commercial operational services under the 2024 Master Commercial Operational Agreement are fair and reasonable.

### ***2.4. 2024 Master Intelligent Engineering Agreement***

To assess the fairness and reasonableness of the 2024 Master Intelligent Engineering Agreement which has a fixed term from 1 January 2024 to 31 December 2026 (both days inclusive), we have considered the followings.

#### *2.4.1. Principal terms of the 2024 Master Intelligent Engineering Agreement*

Pursuant to the 2024 Master Intelligent Engineering Agreement, the principal terms include:

- (i) the scope of the intelligent engineering services shall be (a) provision of intelligent design and engineering services and related services, such as provision of video surveillance and control system, video intercom system and perimeter protection system; (b) communication facilities construction,

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## LETTER FROM ALTUS CAPITAL

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fibre-to-home services and related services; and (c) provision of smart devices, such as smart home products, smart connected devices and big data products; and

- (ii) the service fees shall be payable by China Aoyuan Group to the Group in cash and can be set off, deducted or withheld by the Group from any fees collected by the Group for and on behalf of China Aoyuan Group in the process of providing intelligent engineering services pursuant to the 2024 Master Intelligent Engineering Agreement. In the event that China Aoyuan Group is not able to settle the service fees in cash within the prescribed period, the Group and China Aoyuan Group may negotiate alternative payment method in good faith. China Aoyuan Group may transfer the Designated Assets to the Group in settlement of the relevant service fees under the 2024 Master Intelligent Engineering Agreement and the Group is entitled (but not obliged) to accept such arrangement after its reasonable evaluation and assessment.

### *Our views*

We noted that the principal terms of 2024 Master Intelligent Engineering Agreement are substantially the same as those under the 2021 Master Intelligent Engineering Agreements, except for addition of alternative payment method for China Aoyuan Group to settle the service fees through the transfer of Designated Assets.

We understand that the Group has adopted a pricing policy in relation to the intelligent engineering services to be provided to China Aoyuan Group under the 2024 Master Intelligent Engineering Agreement, where the local government prescribed price on intelligent engineering service fees issued by the local ministry of housing and urban-rural development shall be applied with priority. The local ministry of housing and urban-rural development, which is responsible for the management and monitoring of the pricing and costs of construction and engineering projects, will usually issue the prescribed price in relation to the staff costs, the material costs and the costs of purchase or rental of mechanical equipment related to engineering projects. 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 expected to be within the range between 5% and 10%; and (d) the pricing charged by the Group in relation to provision of intelligent engineering services provided to the Independent Third Parties. For details, please refer to the paragraph headed "5. Pricing policy" in the "Letter from the Board" of the Circular.

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## LETTER FROM ALTUS CAPITAL

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According to the Management, the abovementioned pricing policy applies consistently to both China Aoyuan Group and independent third party customers of the Group, which indicates that both China Aoyuan Group and independent third party customers have been treated equally and fairly in this regard.

We noted that the Group has established internal control measures to monitor the implementation of pricing policy of the transactions contemplated under the 2024 Master Intelligent Engineering Agreement. In this regard, we have obtained the full list of intelligent engineering service transactions entered into between the Group and China Aoyuan Group for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 respectively. We have selected a total of 13 samples of intelligent engineering service transactions contemplated under the 2021 Master Intelligent Engineering Agreements for review (the “**Intelligent Engineering Service Samples**”). The Intelligent Engineering Service Samples are selected based on top five intelligent engineering service transactions during each of the years ended 31 December 2021 and 2022 respectively; while for the six months ended 30 June 2023, there are only three transactions and we have selected all for review. As advised by the Management, the Group had not entered into similar intelligent engineering service transaction with independent third party property developer in the PRC during the term of the 2021 Master Intelligent Engineering Agreements (up to date). Based on our review of the Intelligent Engineering Service Samples, we noted that the pricing terms were determined in accordance with the Group’s pricing policies as described above. We have also conducted desktop search on (i) all the prospectuses issued and published on the Stock Exchange since 2021 (i.e. commencement of the 2021 Master Intelligent Engineering Agreements) up till the Latest Practicable Date; and (ii) all the existing application proofs published on the Stock Exchange as at the Latest Practicable Date, of PRC property management companies. We considered that a review period since 2021, being the commencement of the 2021 Master Intelligent Engineering Agreements, provides a reasonable reference on the pricing terms recently charged by PRC property management companies in relation to the provision of intelligent engineering services. From our aforementioned desktop search, we noted that there is one PRC property management company that has publicly disclosed its pricing charged for its property engineering services as follow. It is an exhaustive list based on these criteria.

Company name	Stock code	Service scope	Pricing terms
Roiserv Lifestyle Services Co., Ltd.	2146	Property engineering services, primarily including community security system installation, power connection and distribution lines and signage installation, project dewatering and construction site fence installation and also provide engineering consulting services	Overall markup of 4% to 11%

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## LETTER FROM ALTUS CAPITAL

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According to the table above, the overall mark-up charged by Roiserv Lifestyle Services Co., Ltd. ranges from 4% to 11% is comparable to the Group's pricing policy of 5% to 10%'s target margin. We noted that the property engineering services provided by the aforementioned PRC property management company involves the construction and installation of community security system, power connection and distribution lines etc., which are comparable to those provided by the Group to China Aoyuan Group in terms of both involving the provision of small-scale building works. Although there is only one comparable company being identified, considering that (i) there is limited public information in relation to pricing terms charged by PRC property management companies for intelligent engineering services; (ii) it is an exhaustive list based on the above research criteria; and (iii) the pricing terms of the comparable company are comparable to that of the Group, we considered that it is a reasonable reference in assessing the Group's pricing terms in relation to the provision of intelligent engineering services. In addition, we have also considered that the pricing policies which take into account costs plus an overall target margin of 5% to 10% enables the Group to ensure a profit from taking on the intelligent engineering service transaction; in addition, we noted that such target margin aligns with the Group's segment results margin of approximately 11.7% for its property management services in 2022. Since the provision of intelligent engineering service falls under the property management service segment as classified in the 2022 Annual Report, we believe the aforementioned segment result margin would serve as a suitable proxy to assess the reasonableness of the target margin for intelligent engineering service transaction.

Considering that the Intelligent Engineering Service Samples obtained and reviewed (for details of the samples reviewed, please refer to the paragraph headed "3. Internal control measures" below) cover the period of the 2021 Master Intelligent Engineering Agreements (up to date), we believe the sample size is sufficient. Taking into account that (i) the Group applies the same pricing policy for the provision of intelligent engineering service to both China Aoyuan Group and independent third party property developer; and (ii) the Group's pricing terms in relation to intelligent engineering services provided to China Aoyuan Group is comparable to the range of markup charged by the independent third party property management company as discussed above, we are of the view that the Group's internal control had been adhered to comply with the aforementioned pricing policy for the provision of intelligent engineering service to China Aoyuan Group. We also believe there exist procedures to ensure the transactions contemplated under the 2024 Master Intelligent Engineering Agreement will be continuously carried out on normal commercial terms and with reference to the aforementioned pricing policy and accordingly, fair and reasonable.

For our views in relation to the payment terms, please refer to the paragraph headed "2.2.1. Principal terms of the 2024 Master Property Management Agreement" above.

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## LETTER FROM ALTUS CAPITAL

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Taking into account of the above, we are of the view that the terms of the 2024 Master Intelligent Engineering Agreement are on normal commercial terms and are fair and reasonable.

### 2.4.2. Proposed annual caps

#### 2.4.2.1. Existing annual caps and historical variances

The following table summarises (i) the historical transaction amounts between the Group and China Aoyuan Group under the 2021 Master Intelligent Engineering Agreements; and (ii) the corresponding existing annual cap, for each of the two years ended 31 December 2022 and the six months ended 30 June 2023 respectively.

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>six months</b>
	<b>2021</b>	<b>2022</b>	<b>ended 30 June</b>
	<i>(RMB'000)</i>		<b>2023</b>
Historical transaction amount	60,635	7,663	401
Existing annual cap	147,710	208,570	296,190 (for the year ending 31 December 2023)
Utilisation rate (approximately)	41.1%	3.7%	0.1% <sup>(Note)</sup>

*Note:* This utilisation rate is calculated based on (i) historical transaction amount for the six months ended 30 June 2023; and divided by (ii) the existing annual cap for the year ending 31 December 2023.

As shown in the above table, the utilisation rates of the existing annual caps decreased from approximately 41.1% in 2021 to approximately 3.7% in 2022. For the six months ended 30 June 2023, the actual transaction amount represented approximately 0.1% of the existing annual cap for the year ending 31 December 2023. In terms of actual transaction amount, the Group's provision of intelligent engineering service to China Aoyuan Group decreased by approximately 87.4% from approximately RMB60.6 million in 2021 to approximately RMB7.7 million in 2022, and further decreased to approximately RMB0.4 million for the six months ended 30 June 2023.

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## LETTER FROM ALTUS CAPITAL

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As advised by the Management, under the backdrop that China Aoyuan Group has been facing operational and financial pressure in the past few years as further discussed in the paragraph headed “2.2.2.1. Existing annual caps and historical variances” above, China Aoyuan’s operating performance has been deteriorating in the past few years. Since the Group’s intelligent engineering services are provided for property development construction sites during pre-sale and pre-delivery stages, the corresponding demand from China Aoyuan Group has also been adversely affected.

### 2.4.2.2. Proposed annual caps

The following table sets out the proposed annual caps for the fees payable by China Aoyuan Group to the Group for the provision of the intelligent engineering services under the 2024 Master Intelligent Engineering Agreement for the years ending 31 December 2024, 2025 and 2026 respectively.

	<b>For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(RMB'000)</i>		
Proposed annual cap	50,000	50,000	50,000

In determining the above proposed annual caps, we understand from the Management that the Company has taken into consideration:

- (i) having regard to the existing unstable global macroeconomic environment and challenging business environment facing by the PRC property developers, the proposed annual caps under the 2024 Master Intelligent Engineering Agreement for the three years ending 31 December 2026 are lower than those under the 2021 Master Intelligent Engineering Agreements for the three years ending 31 December 2023;
- (ii) despite paragraph (i) above and the low utilisation rate of the annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023, the Group expects that there will be a steady demand from China Aoyuan Group for the Group’s intelligent engineering services for the three years ending 31 December 2026 in light of the active measures taken by the government authorities in the PRC to revive the property sector and bolster the property market, such as lifting the purchase restrictions and lowering mortgage requirements for homebuyers; and
- (iii) as the living and working habits have drastically changed in the post COVID-19 period, the residents and customers expect intelligent upgrade, innovative technology applications and high-quality smart

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## LETTER FROM ALTUS CAPITAL

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devices in the neighbourhood and working environment. In the meantime, it is expected that the PRC property market will gradually pick up in light of the favourable market incentives introduced by the PRC government authorities. Based on the above, the increasing demand for more convenient and customer-friendly property management services and community construction and planning for the three years ending 31 December 2026 supports an increasing demand for the Group's intelligent engineering services for the same period.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management and obtained the relevant working for review. Considering the relatively low utilisation rates of the existing annual caps as discussed above, we noted that the Management has set a largely lowered level of proposed annual cap of RMB50 million for each of the years ending 31 December 2024, 2025 and 2026 respectively as compared to the existing annual caps of approximately RMB147.7 million, RMB208.6 million and RMB296.2 million for the years ended/ending 31 December 2021, 2022 and 2023 respectively. Such level of proposed annual cap correspond to the actual transaction amount of approximately RMB60.6 million for the year ended 31 December 2021.

Based on our review of the calculation working as well as discussion with the Management, we understand that the aforementioned proposed annual caps are derived at mainly based on (i) the expected GFA delivery by China Aoyuan Group in the next three years as further discussed in the paragraph headed "2.2.2.2. Proposed annual caps" above; and (ii) the historical average pricings charged by the Group for the provision of intelligent engineering services. In this regard, we noted that the expected increase in transaction amount primarily stems from the expected growth in construction and delivery activities of China Aoyuan Group. As discussed in the paragraph headed "2.2.2.2. Proposed annual caps" above, we concur with the Management's view that it is reasonable to expect China Aoyuan may recover and regain its momentum in its property development activities and in turn, increase its demand for the Group's intelligent engineering services in the next few years.

In addition to the above, considering that (i) the Group is not obliged under the 2024 Master Intelligent Engineering Agreement to use up the proposed annual caps; (ii) the proposed annual caps can provide flexibility for the Group to provide intelligent engineering services to China Aoyuan Group subject to their future demand; and (iii) there exist internal control measures to govern the Group's provision of intelligent engineering service transactions with China Aoyuan Group, where consistent pricing policy will be applied to both China Aoyuan Group as well as independent third party property developer, we are of the view that the proposed annual cap of RMB50 million for each of the three years ending 31 December 2026 in relation to the provision of the intelligent

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## LETTER FROM ALTUS CAPITAL

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engineering services under the 2024 Master Intelligent Engineering Agreement are fair and reasonable.

### 3. Internal control measures

We have obtained and reviewed the Group's internal control measures in relation to the 2024 Master CCT Agreements and noted that (i) the pricing policies for the provision of the relevant services pursuant to the 2024 Master CCT Agreements will be supervised and monitored by the assistant general manager of the legal and compliance department of the Group and the deputy general manager of the financial management centre 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; and (ii) the listing compliance director of the financial management centre of the Group will also conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under the 2024 Master CCT Agreements 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 China Aoyuan Group exceeds the annual caps contemplated under the 2024 Master CCT Agreements and compare the respective ratios of the revenue derived from the Independent Third Parties and China Aoyuan Group to ensure that the Company will not have undue reliance on China Aoyuan Group. In addition, we noted that such pricing policy will be applied consistently to both China Aoyuan Group and independent third party customers of the Group. For details, please refer to the paragraph headed "6. Internal control" in the "Letter from the Board" of the Circular.

As mentioned in the paragraphs headed "2.2.1. Principal terms of the 2024 Master Property Management Agreement", "2.3.1. Principal terms of the 2024 Master Commercial Operational Agreement" and "2.4.1. Principal terms of the 2024 Master Intelligent Engineering Agreement" above, we have selected samples of property management service, commercial operational service and intelligent engineering service transactions with China Aoyuan Group for the two years ended 31 December 2022 and the six months ended 30 June 2023 respectively, which includes, among others, contracts, internal approval documents, invoices and service fee breakdowns. Regarding the sampling basis of the aforementioned transactions, please refer to the paragraphs headed "2.2.1. Principal terms of the 2024 Master Property Management Agreement", "2.3.1. Principal terms of the 2024 Master Commercial Operational Agreement" and "2.4.1. Principal terms of the 2024 Master Intelligent Engineering Agreement" above. We noted from such samples that the pricing terms offered to China Aoyuan Group adhere to the pricing policies of the Group.

Further, the auditors of the Company and the independent non-executive Directors will conduct annual review on the transactions contemplated under the 2024 Master CCT Agreements pursuant to the requirements of Chapter 14A of the Listing Rules. In this regard, we noted from the 2022 Annual Report that the auditors of the Company and the independent non-executive Directors had conducted annual review of the transactions contemplated under the 2021 Master CCT Agreements and there were no findings under such annual review.

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## LETTER FROM ALTUS CAPITAL

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In view of the above, the Management is of the view and we concur that the internal control measures in relation to the 2024 Master CCT Agreements are adequate and reasonable.

### RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the 2024 Master CCT Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the 2024 Master CCT Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (iii) the proposed annual caps in relation to the 2024 Master CCT Agreements are fair and reasonable.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the 2024 Master CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps).

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**  
**Jeanny Leung**  
*Responsible Officer*

*Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she 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

### (a) 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 Part XV 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 the 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:

#### *Long positions in the Shares and underlying shares in the Company*

<b>Name of Directors</b>	<b>Capacity/ Nature of interest</b>	<b>Interest in the Shares and underlying shares of the Company</b>	<b>Approximate percentage of interest in the Company</b>
Li Huiqiang (“ <b>Mr. Li</b> ”)	Interest of controlled corporation ( <i>Note</i> )	217,148,750	29.90%
Mr. Ruan Yongxi	Beneficial owner	278,000	0.04%

*Note:* Mr. Li is the sole shareholder of StarBridge Hong Kong Limited (being the sole general partner of NanYue StarBridge LPF) and Zhong Xin Global Limited (being the sole limited partner of NanYue StarBridge LPF). NanYue StarBridge LPF is interested in the entire issued share capital of Best Discovery International Limited, which in turn holds 217,148,750 Shares.

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.

**(b) Substantial Shareholders**

So far as known to any Director 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 were recorded in the register required to be kept under section 336 of the SFO or were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company, were as follows:

*Long positions (L) or short positions (S) in the Shares and underlying shares in the Company*

<b>Name of Shareholders</b>	<b>Capacity/Nature of interest</b>	<b>Interest in the Shares and underlying shares of the Company</b>	<b>Approximate percentage of interest in the Company</b>
Best Discovery International Limited (“ <b>Best Discovery</b> ”)	Beneficial owner ( <i>Note 1</i> )	217,148,750(L)	29.90%
Jin Yi Financial Group Limited (“ <b>Jin Yi</b> ”)	Investment manager ( <i>Note 1</i> )	217,148,750(L)	29.90%
NanYue StarBridge LPF (“ <b>NanYue StarBridge</b> ”)	Interest of controlled corporation ( <i>Note 1</i> )	217,148,750(L)	29.90%
StarBridge Hong Kong Limited (“ <b>StarBridge HK</b> ”)	Interest of controlled corporation ( <i>Note 1</i> )	217,148,750(L)	29.90%

Name of Shareholders	Capacity/Nature of interest	Interest in the Shares and underlying shares of the Company	Approximate percentage of interest in the Company
Zhong Xin Global Limited (“ <b>Zhong Xin</b> ”)	Interest of controlled corporation ( <i>Note 1</i> )	217,148,750(L)	29.90%
Mr. Guo Ziwen (“ <b>Mr. Guo</b> ”)	Settlor/Beneficiary of a trust ( <i>Note 3</i> )	183,386,250(L)	25.25%
Ms. Jiang Miner (“ <b>Ms. Jiang</b> ”)	Settlor/Beneficiary of a trust ( <i>Note 3</i> )	183,386,250(L)	25.25%
Joy Pacific Group Limited (“ <b>Joy Pacific</b> ”)	Interest of controlled corporation ( <i>Note 3</i> )	179,226,250(L)	24.68%
	Beneficial owner ( <i>Note 3</i> )	4,160,000(L)	0.57%
Sturgeon Limited	Interest of controlled corporation ( <i>Note 3</i> )	183,386,250(L)	25.25%
Arowana Holdings Ltd. (“ <b>Arowana</b> ”)	Interest of controlled corporation ( <i>Note 3</i> )	183,386,250(L)	25.25%
First Advisory Trust (Singapore) Limited (“ <b>First Advisory</b> ”)	Trustee ( <i>Note 3</i> )	183,386,250(L)	25.25%
Ace Rise Profits Limited (“ <b>Ace Rise</b> ”)	Interest of controlled corporation ( <i>Note 3</i> )	179,226,250(L)	24.68%
Main Trend Limited (“ <b>Main Trend</b> ”)	Beneficial owner ( <i>Note 2</i> )	179,226,250(L)	24.68%
Star Image Development Limited (“ <b>Star Image</b> ”)	Interest of controlled corporation ( <i>Note 2</i> )	179,226,250(L)	24.68%

Name of Shareholders	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> )	179,226,250(L)	24.68%
Infini Master Fund	Beneficial owner	58,043,000(L)	8.00%
JPMorgan Chase & Co. ("JPMC")	Interest of controlled corporation ( <i>Note 4</i> )	3,207,990(L)	0.44%
	Person having a security interest in shares ( <i>Note 4</i> )	56,262,000(L)	7.74%
	Interest of controlled corporation ( <i>Note 4</i> )	3,188,990(S)	0.43%

## Notes:

- (1) As at the Latest Practicable Date, Best Discovery is wholly owned by NanYue Starbridge. Jin Yi is the fund manager of NanYue Starbridge, whilst Starbridge HK and Zhong Xin are the sole general partner and the sole limited partner of NanYue Starbridge, respectively. Mr. Li is the sole shareholder of Starbridge HK and Zhong Xin. As such, each of NanYue Starbridge, Jin Yi, Starbridge HK, Zhong Xin and Mr. Li is deemed to be interested in the Shares held by Best Discovery by virtue of the SFO.
- (2) Main Trend (which is wholly and beneficially owned by Star Image, which is in turn wholly owned by China Aoyuan) is interested in approximately 24.68% of the total issued share capital of the Company. By virtue of the SFO, China Aoyuan is deemed to be interested in the Shares held by Main Trend.
- (3) China Aoyuan is owned as to 47.05% 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 Arowana, as nominee for First Advisory 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 and Ms. Jiang is the settlor and beneficiary of The Golden Jade Trust. Accordingly, each of Joy Pacific, Sturgeon Limited, Arowana, First Advisory, Mr. Guo and Ms. Jiang is deemed to be interested in the Shares held by China Aoyuan by virtue of the SFO.
- (4) The long position interests of JPMC were held through its various controlled corporations and in the capacity as person having a security interest in Shares. In the meantime, the short position interests of JPMC were held through its various controlled corporations. The long position in 59,469,990 Shares and the short position in 3,188,990 Shares were directly held by J.P. Morgan Securities Plc, which is wholly owned by J.P. Morgan Capital Holdings Limited. J.P. Morgan Capital Holdings Limited is wholly owned by J.P. Morgan International Finance Limited, which is wholly owned by JPMorgan Chase Bank, National Association, the sole shareholder of which is JPMC. The long position interests included derivative interests in 1,750,000 underlying units in cash settled unlisted derivatives and the short position interests included derivative interests in 249,000 underlying units in cash settled unlisted derivatives. As such, JPMC is deemed to be interested in the Shares held by J.P. Morgan Securities Plc 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 (other than the Directors or the chief executives of the Company) 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 were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors 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 2022 (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 (a) the 2021 Master CCT Agreements; (b) an 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 China Aoyuan Group) in relation to the leasing of certain premises from China Aoyuan Group to the Group for office use for a term expiring on 31 December 2023; (c) an 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 China Aoyuan Group) in relation to the sale of electrical appliances to China Aoyuan Group for a term expiring on 31 December 2023; and (d) an 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 China Aoyuan Group) in relation to the general health and wellness services provided by the Group to China Aoyuan Group for a term expiring on 31 December 2023, 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 confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being 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:

<b>Name</b>	<b>Qualification</b>
Altus Capital	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

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

- (a) 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;
- (b) 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 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (c) 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 ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.aoyuanjksh.com>) for a period of 14 days commencing from the date of this circular:

- (a) the 2024 Master Property Management Agreement;
- (b) the 2024 Master Commercial Operational Agreement;
- (c) the 2024 Master Intelligent Engineering Agreement;
- (d) the letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (e) the letter of advice from the Independent Board Committee, the text of which is set out in this circular;
- (f) the consent letter of Altus Capital as referred to in the paragraph headed “6. Qualification and consent of expert” in this appendix; and
- (g) this circular.

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## NOTICE OF THE 2023 EGM

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### 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 TUESDAY, 19 DECEMBER 2023

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of Aoyuan Healthy Life Group Company Limited (the “**Company**”) will be held at Room 1&2, Lower Ground Floor, New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 19 December 2023 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, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 14 November 2023 (the “**Circular**”).

#### ORDINARY RESOLUTIONS

**“THAT**

- (1) the 2024 Master Property Management 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 proposed annual caps) contemplated thereunder, be and are hereby confirmed and approved;
- (2) the 2024 Master Commercial Operational 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 proposed annual caps) contemplated thereunder, be and are hereby confirmed and approved;
- (3) the 2024 Master Intelligent Engineering 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 proposed annual caps) contemplated thereunder, be and are hereby confirmed and approved; and

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## NOTICE OF THE 2023 EGM

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- (4) 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/her to be incidental to, ancillary to or in connection with the matters contemplated in and completion of each of the 2024 Master CCT Agreements.”

By Order of the Board  
**Aoyuan Healthy Life Group Company Limited**  
**Li Huiqiang**  
*Chairman*

Hong Kong, 14 November 2023

*As at the date of this notice, the executive Director is Mr. Cheng Siu Fai; the non-executive Directors are Mr. Li Huiqiang, Mr. Ruan Yongxi, Mr. Zhu Yunfan and Ms. Jiang Nan; 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 (except where the chairman of the meeting decides to allow resolution relating purely to a procedural or administrative matter to be voted on by a show of hands) pursuant to the articles of association of the Company and the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The results of the poll will be published on the websites of the Stock Exchange and the Company 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 is entitled to appoint a proxy or if he holds two or more shares, may appoint more than one proxy to attend and vote instead of him. 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 form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, 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 appointed for the EGM or any adjournment or postponement (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM or any adjournment or postponement and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 December, 2023 to Tuesday, 19 December 2023, both dates inclusive. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 December 2023.

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## NOTICE OF THE 2023 EGM

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5. Where there are joint holders of any share of the Company, any one of such persons may vote at the EGM either personally or by proxy, in respect of such share of the Company as if he were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
6. If Typhoon Signal No. 8 or above or a “black” rainstorm warning or “extreme conditions after super typhoons” announced which is/are in effect any time after 7:00 a.m. on the date of the EGM, the EGM will be postponed and shareholders of the Company will be informed of the date, time and venue of the postponed EGM by a supplementary notice, posted on the respective website(s) of the Stock Exchange and the Company. The EGM will be held as scheduled regardless of whether or not an amber or red rainstorm warning signal is in force. After considering their own situations, shareholders of the Company should decide whether they would attend the EGM under bad weather condition and if they do so, they are advised to exercise care and caution.
7. Please note that there will be no distribution of corporate gifts and refreshments at the EGM.
8. References to dates and time in this notice are to Hong Kong dates and time.