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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Aoyuan Group Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or to the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the transferee.

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### 中國奧園集團股份有限公司 China Aoyuan Group Limited

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 3883)

#### (I) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY JOY PACIFIC UNDER SPECIFIC MANDATE; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



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



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Capitalised terms used in this cover page have the same meanings as defined in this circular unless otherwise provided.

A letter from the Board is set out on pages 7 to 18 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transaction contemplated thereunder is set out on pages 21 to 35 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Friday, 26 November 2021 at Shek-O Room, Lower Level I, Kowloon Shangri-La, Hong Kong, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong is set out on pages 46 to 47 of this circular. A form of proxy for the EGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 11:00 a.m. on Wednesday, 24 November 2021) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish, and in such case, the form of proxy shall be deemed to be revoked.

#### PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this document for measures being taken to try to prevent and control the spread of the Coronavirus at the EGM, including:

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

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company encourages attendees to wear face masks and reminds Shareholders that they may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

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

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

Hong Kong, 8 November 2021

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## PRECAUTIONARY MEASURES FOR THE EGM

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

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or to their best of knowledge had close contact with any person who has recently travelled to, any affected countries or areas outside of Hong Kong (as per the guidelines issued by the Hong Kong government at <http://www.chp.gov.hk/en/features/102742.html>) at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue;
- (iii) The Company encourages attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats; and
- (iv) No refreshments will be served, and there will be no corporate gifts.

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

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

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

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## PRECAUTIONARY MEASURES FOR THE EGM

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

Investor Relations  
Email: [ir@aoyuan.net](mailto:ir@aoyuan.net)  
Tel: 852 3622 2122  
Fax: 852 2180 6189

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

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong  
Contact Us: [www.computershare.com/hk/contact](http://www.computershare.com/hk/contact)  
Tel: 852 2862 8555  
Fax: 852 2865 0990

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## DEFINITIONS

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

“Ace Rise”	Ace Rise Profits Limited, a company incorporated in the British Virgin Islands with limited liability
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (except Saturday, Sunday and public holiday) on which banks in Hong Kong and the PRC are open for business
“Company”	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)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	date of completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be held by the Company to approve the Subscription Agreement and the transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate
“Financial Adviser”	Wings Securities Limited, a licensed corporation under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) under the SFO, being the financial adviser to the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent Board committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Subscription, namely Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Lee Thomas Kang Bor, which will be formed to advise the Independent Shareholders on the Subscription Agreement and transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate
“Independent Financial Adviser”	FUTEC Financial Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate
“Independent Shareholders”	for the purpose of the Subscription, shareholders of the Company other than (i) Mr. Guo Zi Wen and his associates, including Joy Pacific and Ace Rise; and (ii) any other Shareholders who have a material interest in the Subscription
“Independent Third Party(ies)”	a party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Joy Pacific”	Joy Pacific Group Limited, a company incorporated in the British Virgin Islands with limited liability, being the subscriber under the Subscription Agreement
“Last Trading Day”	24 September 2021, being the last trading date immediately preceding the date of the Subscription Agreement
“Latest Practicable Date”	3 November 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

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## DEFINITIONS

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“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 in the issued share capital of the Company
“Share Option(s)”	the share option(s) to subscribe for Share(s) under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 29 May 2018
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription of the Subscription Shares by Joy Pacific pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement entered into between the Company and Joy Pacific on 27 September 2021 in respect of the Subscription
“Subscription Price”	HK\$3.708 per Subscription Share
“Subscription Share(s)”	161,813,000 new Shares to be allotted and issued to Joy Pacific pursuant to the Subscription Agreement
“Successful Lotus”	Successful Lotus Limited, a company incorporated in the British Virgin Islands with limited liability

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## DEFINITIONS

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“Successful Lotus Subscription”	the subscription of 107,875,000 new Shares by Successful Lotus pursuant to a subscription agreement dated 27 September 2021 entered into between the Company and Successful Lotus at an issue price of HK\$3.708 per Share, details of which are disclosed in the Company’s announcements titled “Subscription of New Shares by Successful Lotus under General Mandate” dated 27 September 2021 and “Completion of Subscription of New Shares by Successful Lotus under General Mandate” dated 8 October 2021, respectively
“USD”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

*In this circular, translation of RMB into HK\$ based on the exchange rate of RMB1.00 to HK\$1.2023. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.*

*\* The English translation of Chinese name(s) in this circular, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*



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LETTER FROM THE BOARD

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中國奧園集團股份有限公司  
China Aoyuan Group Limited

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 3883)

*Executive Directors:*

Mr. Guo Zi Wen (*chairman*)  
Mr. Guo Zi Ning (*vice chairman and  
chief executive officer*)  
Mr. Ma Jun (*co-president*)  
Mr. Chen Zhi Bin (*co-president and  
chief financial officer*)  
Mr. Chan Ka Yeung Jacky (*senior vice  
president and co-chief financial officer*)

*Non-executive Director:*

Mr. Zhang Jun

*Independent Non-executive Directors:*

Mr. Tsui King Fai  
Mr. Cheung Kwok Keung  
Mr. Lee Thomas Kang Bor

*Registered Office:*

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

*Principal place of business  
in Hong Kong:*

Units 1901-2, 19th Floor  
One Peking, No. 1 Peking Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

8 November 2021

*To the Shareholders*

Dear Sir/Madam,

**(I) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NEW SHARES BY  
JOY PACIFIC UNDER SPECIFIC MANDATE;  
AND  
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcements dated 27 September 2021 and 2 November 2021 made by the Company in relation to the Subscription Agreement and the transaction contemplated thereunder.

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## LETTER FROM THE BOARD

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On 27 September 2021 (after trading hours), the Company and Joy Pacific entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Joy Pacific has conditionally agreed to subscribe for, 161,813,000 Subscription Shares in cash under the Specific Mandate at the Subscription Price of HK\$3.708 per Subscription Share.

The purposes of this circular are to provide you: (i) a letter from the Board containing further details of the Subscription Agreement and the transaction contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transaction contemplated thereunder; (iii) the opinion of the Independent Financial Adviser in respect of the Subscription Agreement and the transaction contemplated thereunder; (iv) notice of convening the EGM; and (v) other information as required under the Listing Rules.

### THE SUBSCRIPTION

The principal terms of the Subscription Agreement are set out below.

#### Subscription Agreement

##### Date

27 September 2021 (after trading hours)

##### Parties

- (A) the Company; and
- (B) Joy Pacific

As at the Latest Practicable Date, Joy Pacific was interested in approximately 53.47% of the total issued share capital of the Company, of which approximately 49.76% was registered in the name of Ace Rise and approximately 3.71% was registered in its name. Joy Pacific is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding and wholly-owned by Sturgeon Limited. Sturgeon Limited is wholly-owned by Asia Square Holdings Ltd., as nominee and trustee for J. Safra Sarasin Trust Company (Singapore) Ltd. 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. The settlors of The Golden Jade Trust are (i) Mr. Guo Zi Wen, an executive Director, the Chairman of the Company and a controlling Shareholder, and (ii) Ms. Jiang Miner, spouse of Mr. Guo Zi Wen. Each of Mr. Guo Zi Wen and Joy Pacific is a controlling Shareholder and thus a connected person of the Company under the Listing Rules.

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## LETTER FROM THE BOARD

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### Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and Joy Pacific has conditionally agreed to subscribe for, 161,813,000 Subscription Shares in cash at the Subscription Price.

The Subscription Shares represent:

- (i) approximately 5.77% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 5.46% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, subject to completion of the Subscription and assuming there will be no other changes in the total number of issued Shares between the Latest Practicable Date and the Completion Date.

### Subscription Price

The Subscription Price of HK\$3.708 per Subscription Share:

- (i) represents a discount of approximately 4.43% over the closing price of HK\$3.88 per Share as quoted on the Stock Exchange as at 24 September 2021, being the last trading date immediately preceding the date of the Subscription Agreement;
- (ii) is equal to the average closing price of HK\$3.708 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement;
- (iii) represents a discount of approximately 54.78% to unaudited consolidated net asset value attributable to owners of the Company per Share as at 30 June 2021 (the “**Unaudited June 2021 NAV**”) of approximately RMB6.82 (equivalent to HK\$8.20) per Share; and
- (iv) represents a premium of approximately 36.83% to the closing price of HK\$2.71 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm’s length negotiations between the Company and Joy Pacific with reference to the recent market prices of the Shares, recent trading volume of the Shares and recent market conditions.

In determining the Subscription Price, the Board was aware that the Subscription Price represents a discount of approximately 54.78% to the Unaudited June 2021 NAV, and the Board also noted that during the period from 30 June 2021 (around three months prior to the Last Trading Day) up to the Last Trading Day, the closing price of the Shares as quoted on the Stock Exchange had been consistently at a considerable discount to the Unaudited June 2021 NAV, ranging from approximately 20.12% to 59.02%, and the said discount to the Unaudited 2021 June NAV is within such range. As a matter of fact, the price of the Shares had been descending over the past year and had been trading below the then net asset value

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## LETTER FROM THE BOARD

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per Share during most of the trading days in 2021 up to the Latest Practicable Date, which implies that public investors may not be willing to purchase the Shares at a price as high as the net asset value per Share, and also indicates that the Subscriber and/or other interested investors can acquire the Shares on the market at a price which is at a substantial discount to the net asset value per Share.

In addition, if the Company would have to adopt other forms of equity fundraising exercises, it would be a common pricing basis and inevitable to determine the relevant subscription or placing price with reference to the prevailing market price of the Shares, or even at a discount to which. Despite the Subscription Price being lower than the Unaudited June 2021 NAV, it represents a mild discount of only approximately 4.43% to the closing price of the Shares as at the Last Trading Day and is equal to the average closing price of HK\$3.708 per Share for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

The Board also noted that the price of the Shares has been in a general downward trend in the past 12 months, which was attributable to the changing macro-environment and fluctuating market in the property sector. At the time of resolving to conduct the Subscription, the Board would not be able to assess whether the price of the Shares would further descend or would rebound, but having considered the prevailing market condition, the financial needs of the Group and the reasons set out in the paragraph headed “Reasons for and benefits of the Subscription” below, the Board is of the view that this is the right time to conduct the Subscription.

Based on the above, the Board considers that it would be more appropriate to determine the Subscription Price with reference to the prevailing market price of the Shares, which reflects the fair market value of the Shares, instead of making reference to the net asset value per Share.

The Directors, after excluding (a) Mr. Guo Zi Wen, who is interested in the entire issued share capital of Joy Pacific through a trust arrangement; (b) Mr. Guo Zi Ning, who is the brother of Mr. Guo Zi Wen; and (c) the independent non-executive Directors (whose view in respect of, among others, the Subscription Price is set out in the Letter from the Independent Board Committee in this circular after reviewing and considering the advice of the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular), further consider that the Subscription Price, despite representing a discount of approximately 54.78% to the Unaudited June 2021 NAV, is still 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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### Conditions precedent to the Subscription

Pursuant to the Subscription Agreement, completion of the Subscription is conditional upon the fulfillment (or waiver) of the following conditions:

- (a) the listing of the Shares not having been revoked and the Shares continuing to be listed on the Stock Exchange before Completion (save for any temporary suspension or halt in trading pending the release of an announcement or circular in connection with the Subscription Agreement), the Stock Exchange or the SFC not having expressed that it will raise any objection against the listing status of the Shares or require the trading of Shares to be suspended due to the transaction contemplated under the Subscription Agreement or any reasons in connection with the transaction contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Subscription Shares, and such approval not having been revoked before Completion;
- (c) all necessary consents, approvals, authorisations and/or waivers required to be obtained on the part of the Company to effect the execution, completion and performance of the obligations and other terms of the Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (d) the Independent Shareholders having passed all necessary resolutions in the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares;
- (e) the representations and warranties given by the Company under the Subscription Agreement being true, correct, complete in all material aspects and not misleading in any aspects when made and remaining true, correct, complete in all material aspects and not misleading in any aspects as at the Completion Date;
- (f) there shall be no material breach by the Company of its obligations or undertakings under the Subscription Agreement; and
- (g) Joy Pacific being satisfied that there has not been any material adverse change or effect since the date of the Subscription Agreement.

If the above conditions have not been fulfilled or waived (save for conditions (a) to (d) which are not waivable) before 31 December 2021 or such later date as the Company and Joy Pacific may from time to time agree in writing, the Subscription Agreement shall terminate and be null and void and of no further effect and neither the Company and Joy Pacific shall have any liability to one another, save for any antecedent breach(es) of any obligation under the Subscription Agreement.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, (i) condition (a) had been fulfilled; and (ii) neither the Company nor Joy Pacific had any intention to waive any of the above conditions precedent.

### Completion of the Subscription

Completion of the Subscription shall take place within five (5) Business Days after satisfaction or waiver of the conditions set out above, or such other date as the Company and Joy Pacific may agree in writing. The Subscription Shares will not be subject to lock-up.

### Ranking of subscription shares

The Subscription Shares shall rank, upon issue, *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

### APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

### FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the Successful Lotus Subscription set out below, the Company did not conduct any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

<b>Date of announcement(s)</b>	<b>Fund raising activity</b>	<b>Net proceeds</b>	<b>Proposed use of the net proceeds</b>
27 September 2021 and 8 October 2021	Subscription of 107,875,000 new Shares by Successful Lotus under the General Mandate at an issue price of HK\$3.708 per Share, which was completed on 8 October 2021.	Approximately HK\$399 million	As working capital and general corporate purposes of the Group.

The Company intends to utilise the net proceeds from the issue of Shares under the Successful Lotus Subscription by 30 November 2021. As at the Latest Practicable Date, none of the aforesaid net proceeds had been utilised.

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## LETTER FROM THE BOARD

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### EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has issued 2,803,758,354 Shares, and there is no Share Option outstanding. Save for the aforesaid, the Company does not have other classes of securities, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion, assuming that there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date to the Completion Date:

	<b>As at the Latest Practicable Date</b>		<b>Immediately after Completion</b>	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
<b>Non-public Shareholders</b>				
Ace Rise	1,395,201,062 <sup>(Note)</sup>	49.76%	1,395,201,062	47.05%
Joy Pacific	103,911,563 <sup>(Note)</sup>	3.71%	265,724,563	8.96%
<b>Public Shareholders</b>				
Successful Lotus	107,875,000	3.85%	107,875,000	3.64%
Other public Shareholders	<u>1,196,770,729</u>	<u>42.68%</u>	<u>1,196,770,729</u>	<u>40.35%</u>
<b>Total</b>	<b><u>2,803,758,354</u></b>	<b><u>100.00</u></b>	<b><u>2,965,571,354</u></b>	<b><u>100.00</u></b>

*Notes:* The 1,395,201,062 shares are registered in the name of Ace Rise, while 103,911,563 ordinary shares are registered in the name of Joy Pacific. 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 (a company wholly-owned by Ms. Su Chaomei who is the wife of Mr. Guo Zi Ning, an executive Director). Sturgeon Limited is wholly-owned by Asia Square Holdings Ltd., as nominee and trustee for J. Safra Sarasin Trust Company (Singapore) Ltd. holding such interests on trust for the beneficiaries of The Golden Jade Trust, a discretionary family trust established under the laws and regulations of Singapore. The settlors of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner, spouse of Mr. Guo Zi Wen.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE SUBSCRIBER AND THE COMPANY

#### The Subscriber

Joy Pacific is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding and wholly-owned by Sturgeon Limited. Sturgeon Limited is wholly-owned by Asia Square Holdings Ltd., as nominee and trustee for J. Safra Sarasin Trust Company (Singapore) Ltd. 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. The settlors of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner, spouse of Mr. Guo Zi Wen.

Mr. Guo Zi Wen is the founder of the Group, and holds a master degree in business administration. He is an executive Director of the Group, the Chairman of the Company, the chairman of the nomination committee of the Company and a controlling Shareholder. Mr. Guo Zi Wen is also a director of certain subsidiaries of the Company. He is mainly responsible for the formulation of development strategies of the Company, as well as giving guidance to the Group's project planning, financing and investment, and leads the overall administration management of the Group.

In 2001, Mr. Guo Zi Wen was honored by national main stream media and China Real Estate Association as one of the Top 10 Persons in Real Estate Industry. In 2004, he received the China Real Estate Special Contribution Award, and the China Real Estate Theory Research Contribution Award and was named one of the Top 10 Outstanding Real Estate Entrepreneurs in the PRC in the same year. In 2008, he was awarded as one of the Top 10 Outstanding Entrepreneurs of the Past Three Decades in China Real Estate and was recognized as one of the Top 30 Leaders in the Residential Construction of Guangdong. In 2010, he was named "Outstanding Leader" in the event "Leaders of Real Estate of Guangdong in Ten Golden Years" and in 2011, Mr. Guo was named "CAPITAL Leader of Excellence 2011". In 2014, he received the Award of "Outstanding Leaders for the Year" nominated by Nanfang Media and Peking University. In 2015, he was awarded "2015 Corporate Social Responsibility Outstanding Enterprise Award" (2015企業社會責任傑出企業家獎) by Xinhuanet.com (新華網).

Each of Mr. Guo Zi Wen and Joy Pacific is a controlling Shareholder and thus a connected person of the Company under the Listing Rules.

#### The Company

The Company is one of the leading property developers in the PRC and is principally engaged in the businesses of property development and investment, urban redevelopment, property management, cultural tourism, technology, etc.

### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The central and local governments continued to promote the stable and healthy development of the real estate market by introducing financial, land, market and regulatory policies, such as the "three red lines", and insisting on the implementation of the long-term



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## LETTER FROM THE BOARD

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mechanism of “housing is for living in, not for speculation”. The Company has engaged in active adjustments to further improve its management and operational efficiency. The Company is on track to reduce its overall debt size and optimize its credit metrics, with the goal of fulfilling all the requirements of the “three red lines” at the earliest time. The Company considers that the Subscription, which will increase both the equity and cash of the Company, and in turn will enhance its working capital, liquidity positions and net assets, thus the Group’s credit indicators, especially indicators relating to the “three red lines”, will be beneficial to the Company’s efforts in this respect.

The Company also considers that the Subscription will strengthen the collaboration between the Company and the controlling Shareholder, and can demonstrate the commitment of the controlling Shareholder to the Company and the confidence of the controlling Shareholder towards the prospects of the Group.

The Company has considered other fund raising methods, including bank borrowings and rights issue or open offer to existing Shareholders.

Bank borrowings may not be achievable on favourable terms or on a timely basis, as it would inevitably require a longer negotiation and processing time with the relevant banks. It would also cause additional interest burden on the Group and increase the gearing ratio of the Group. It is also likely that the banks would impose more stringent conditions, in light of the recent market volatility, on the loans which may affect the Group’s flexibility in its operations.

In respect of rights issue or open offer to existing Shareholders, although the existing Shareholders would be able to maintain their prorata shareholding in the Company, these fund raising methods would need a relatively longer timeframe to complete, as there would be relatively lengthy and heavy preparation work for issuing of a more detailed listing document. Furthermore, the Company would have to spend more time to liaise with the parties involved such as the professional advisers, underwriters, share registrar and financial printer, and incur more expenses such as underwriting commission, documentation, printing and other professional fees associated with the rights issue or open offer. The Company expects that an additional amount of not less than HK\$16 million, including an underwriting commission of approximately 2.5% of the gross proceeds, documentation, printing and professional fees, and an additional one month, would be required for conducting rights issue or open offer.

As compared to the above fund raising methods, when balanced against the merits of the Subscription, the Company considers that the Subscription was the most efficient method to raise further capital.

Having considered the above, the Directors, after excluding (i) Mr. Guo Zi Wen, who is interested in the entire issued share capital of Joy Pacific through a trust arrangement; (ii) Mr. Guo Zi Ning, who is the brother of Mr. Guo Zi Wen; and (iii) the independent non-executive Directors whose views will be set out in the Letter from the Independent Board Committee in this circular after reviewing and considering the advice of the

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## LETTER FROM THE BOARD

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Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular, consider that the Subscription Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### USE OF PROCEEDS

The gross proceeds of the Subscription is expected to be approximately HK\$600 million. After deducting related fees and expenses, the net proceeds of the Subscription will amount to approximately HK\$599 million. The Company intends to utilise the aforesaid net proceeds from the Subscription (the “**Net Proceeds**”) in the following manner:

- approximately 88% of the Net Proceeds, which is equivalent to approximately HK\$527 million, will be used for general corporate purposes such as payment of bonds and bank loans interests, by 31 January 2022; and
- approximately 12% of the Net Proceeds, which is equivalent to approximately HK\$72 million, will be used for working capital to such as staff costs, office rental and utilities, by 30 June 2022.

### IMPLICATIONS OF THE LISTING RULES

As at the Latest Practicable Date, Joy Pacific was interested in approximately 53.47% of the total issued share capital of the Company, of which approximately 49.76% was registered in the name of Ace Rise and approximately 3.71% was registered in its name. Joy Pacific is wholly-owned by Sturgeon Limited, which is in turn wholly-owned by Asia Square Holdings Ltd., as nominee and trustee for J. Safra Sarasin Trust Company (Singapore) Ltd. holding such interests on trust for the beneficiaries of The Golden Jade Trust, a discretionary family trust. The settlors of The Golden Jade Trust are (i) Mr. Guo Zi Wen, an executive Director, the Chairman of the Company and a controlling Shareholder, and (ii) Ms. Jiang Miner, spouse of Mr. Guo Zi Wen. Each of Mr. Guo Zi Wen and Joy Pacific is a controlling Shareholder and thus a connected person of the Company under the Listing Rules. Accordingly, the Subscription Agreement constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### SPECIFIC MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM. The Specific Mandate, if approved, will be valid until 31 December 2021. If the Subscription is not completed on or before 31 December 2021, further approval from the Independent Shareholders will be sought, and the Company will further comply with the requirements of the Listing Rules.

### GENERAL

The Company will seek approval from the Independent Shareholders at the EGM in relation to the Subscription Agreement and the transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate.

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## LETTER FROM THE BOARD

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By virtue of the interests of Mr. Guo Zi Wen in the Subscription Agreement, Mr. Guo Zi Wen and Mr. Guo Zi Ning, brother of Mr. Guo Zi Wen, had abstained from voting in respect of the relevant Board resolutions relating to the Subscription Agreement. Save for the aforesaid, no other Directors has a material interest in the Subscription Agreement and was required to abstain from voting on the Board resolutions approving the Subscription Agreement.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Subscription Agreement shall abstain from voting on the resolutions to approve the Subscription Agreement at the EGM. As at the Latest Practicable Date, Mr. Guo Zi Wen and his close associates, namely Ace Rise and Joy Pacific, who together are interested in 1,499,112,625 Shares, representing approximately 53.47% of the total issued share capital of the Company, will be required to abstain from voting on the relevant resolutions at the EGM accordingly. Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Subscription Agreement and will be required to abstain from voting on the relevant resolutions to approve the Subscription Agreement at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement and the transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate. FUTECH Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

**Shareholders and potential investors should note that Completion is subject to fulfillment (or waiver) of the condition(s) as set out in the Subscription Agreement, and the Subscription may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

### EGM

The EGM will be convened at which ordinary resolution will be proposed to consider and, if thought fit, approve the Subscription Agreement and the transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate.

A notice convening the EGM to be held at 11:00 a.m. on Friday, 26 November 2021, at Shek-O Room, Lower Level I, Kowloon Shangri-La, Hong Kong, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong is set out on pages 46 to 47 of this circular for the purpose of considering and, if thought fit, passing the resolution as set out therein.

A form of proxy for use by the Shareholders at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed

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## LETTER FROM THE BOARD

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for the holding of the EGM (i.e., at or before 11:00 a.m. on Wednesday, 24 November 2021 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to the Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure that the chairman of the EGM shall demand voting on all resolution(s) set out in the notice of EGM be taken by way of poll.

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders; and (ii) the letter from the Independent Financial Adviser set out on pages 21 to 35 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate.

The Board (including all the independent non-executive Directors after reviewing and considering the advice of the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular, but excluding (i) Mr. Guo Zi Wen, who is interested in the entire issued share capital of Joy Pacific through a trust arrangement; (ii) Mr. Guo Zi Ning, who is the brother of Mr. Guo Zi Wen), considers that the terms and conditions of the Subscription Agreement and the transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate.

### ADDITIONAL INFORMATION

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

Yours faithfully  
**China Aoyuan Group Limited**  
**Guo Zi Wen**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### 中國奧園集團股份有限公司 China Aoyuan Group Limited

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 3883)

8 November 2021

*To the Independent Shareholders*

Dear Sir or Madam,

#### **CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY JOY PACIFIC UNDER SPECIFIC MANDATE**

We refer to the circular of the Company to the Shareholders dated 8 November 2021 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the paragraph headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise you in connection with the Subscription, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Independent Financial Adviser advising the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate, as set out on pages 21 to 35 of the Circular and the letter from the Board set out on pages 7 to 18 of the Circular.

Having considered, among other matters, the terms of the Subscription Agreement, the opinion of the Independent Financial Adviser as stated in its letter, and the principal factors and reasons taken into consideration by it in arriving at its opinion, we are of the opinion that the terms of the Subscription Agreement are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and the Subscription, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Subscription Agreement and the transaction contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate, to be proposed at the EGM.

Yours faithfully,

**Independent Board Committee**

**Tsui King Fai**  
*Independent Non-executive  
Director*

**Cheung Kwok Keung**  
*Independent Non-executive  
Director*

**Lee Thomas Kang Bor**  
*Independent Non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter from FUTEK Financial Limited to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder for the purpose of inclusion in this circular.*



Suite 622, Ocean Centre  
Harbour City  
Kowloon  
Hong Kong

8 November 2021

*To the Independent Board Committee and  
the Independent Shareholders of China Aoyuan Group Limited*

Dear Sirs,

### **CONNECTED TRANSACTIONS IN RELATION TO SUBSCRIPTION OF NEW SHARES BY JOY PACIFIC UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 8 November 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 27 September 2021 (after trading hours), the Company and Joy Pacific entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Joy Pacific has conditionally agreed to subscribe for 161,813,000 Subscription Shares in cash under the Specific Mandate at the Subscription Price of HK\$3.708 per Subscription Share. The total consideration payable by Joy Pacific under the Subscription Agreement amounts to HK\$600,002,604.

As at the Latest Practicable Date, Joy Pacific was interested in approximately 53.47% of the total issued share capital of the Company, of which approximately 49.76% was registered in the name of Ace Rise and approximately 3.71% was registered in its name. Joy Pacific is wholly-owned by Sturgeon Limited, which is in turn wholly-owned by Asia Square Holdings Ltd., as nominee and trustee for J. Safra Sarasin Trust Company (Singapore) Ltd. holding such interests on trust for the beneficiaries of The Golden Jade Trust, a discretionary

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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family trust. The settlors of The Golden Jade Trust are (i) Mr. Guo Zi Wen, an executive Director, the Chairman of the Company and a controlling Shareholder, and (ii) Ms. Jiang Miner, spouse of Mr. Guo Zi Wen. Each of Mr. Guo Zi Wen and Joy Pacific is a controlling Shareholder and thus a connected person of the Company under the Listing Rules. Accordingly, the Subscription Agreement constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Guo Zi Wen and Mr. Guo Zi Ning, brother of Mr. Guo Zi Wen, by virtue of the interest of Mr. Guo Zi Wen in the Subscription Agreement, had abstained from voting in respect of the relevant Board resolutions relating to the Subscription Agreement. Save for the aforesaid, no other Directors has a material interest in the Subscription Agreement and was required to abstain from voting on the Board resolutions approving the Subscription Agreement.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Lee Thomas Kang Bor, has been formed to advise the Independent Shareholders on whether (i) the terms of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the respective resolutions to approve the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder at the EGM. We, FUTEC Financial Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### OUR INDEPENDENCE

As at the Latest Practicable Date, FUTEC Financial Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of FUTEC Financial Limited. In the last two years, our affiliate, HeungKong Capital Limited had acted as the independent financial adviser of the Aoyuan Healthy Life Group Company Limited in relation to revision of annual caps for continuing connected transactions and continuing connected transaction in relation to general health and wellness services which a circular dated 16 July 2021 was issued. Apart from normal professional fees paid or payable to us in connection with the aforementioned engagement and the existing engagement as the independent financial adviser, no arrangement exist whereby we have received or will receive any fees or benefits from the Company. Given that remuneration for our engagement to opine on the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder are on normal commercial terms and not conditional upon successful passing of this resolution at the EGM, we consider that we are independent of the Company pursuant to Rule 13.84 of the Listing Rules. Based on the foregoing and notwithstanding we had acted as independent financial adviser to the Company in the last



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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two years, we are qualified to give independent advice in respect of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder as described above.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to the Announcement and the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinion expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have reviewed, among others, the Subscription Agreement, the annual report of the Company for the year ended 31 December 2020 (“**2020 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2021 (“**2021 Interim Report**”), certain corporate and financial information of the Group, and the information set out in the Announcements and the Circular. We have assumed that all the information and facts supplied, opinions expressed, statements and representations made to us by the Directors and/or the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation, intention, are reasonably made after due enquiry and careful consideration by the management of the Company in the Circular. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscribers or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economics conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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revise or reaffirm our opinion. In addition, nothing contained in the letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder, we have taken into consideration the following principal factors and reasons:

#### 1. Background of the Group and Joy Pacific

##### *The Group*

With reference to the Letter from the Board, the Group is principally engaged in the businesses of property development and investment, urban redevelopment, property management, cultural tourism, technology, etc.

##### *Joy Pacific*

With reference to the Letter from the Board, Joy Pacific is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding and wholly-owned by Sturgeon Limited. Sturgeon Limited is wholly-owned by Asia Square Holdings Ltd., as nominee and trustee for J. Safra Sarasin Trust Company (Singapore) Ltd. 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. The settlors of The Golden Jade Trust are (i) Mr. Guo Zi Wen, an executive Director, the Chairman of the Company and a controlling Shareholder, and (ii) Ms. Jiang Miner, spouse of Mr. Guo Zi Wen.

Mr. Guo Zi Wen is the founder of the Group, and holds a master degree in business administration. He is an executive Director of the Group, the Chairman of the Company, the chairman of the nomination committee of the Company and a controlling Shareholder. Mr. Guo Zi Wen is also a director of certain subsidiaries of the Company. He is mainly responsible for the formulation of development strategies of the Company, as well as giving guidance to the Group's project planning, financing and investment, and leads the overall administration management of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In 2001, Mr. Guo Zi Wen was honored by national main stream media and China Real Estate Association as one of the Top 10 Persons in Real Estate Industry. In 2004, he received the China Real Estate Special Contribution Award, and the China Real Estate Theory Research Contribution Award and was named one of the Top 10 Outstanding Real Estate Entrepreneurs in the PRC in the same year. In 2008, he was awarded as one of the Top 10 Outstanding Entrepreneurs of the Past Three Decades in China Real Estate and was recognized as one of the Top 30 Leaders in the Residential Construction of Guangdong. In 2010, he was named “Outstanding Leader” in the event “Leaders of Real Estate of Guangdong in Ten Golden Years” and in 2011, Mr. Guo was named “CAPITAL Leader of Excellence 2011”. In 2014, he received the Award of “Outstanding Leaders for the Year” nominated by Nanfang Media and Peking University. In 2015, he was awarded “2015 Corporate Social Responsibility Outstanding Enterprise Award” (2015企業社會責任傑出企業家獎) by Xinhuanet.com (新華網).

Each of Mr. Guo Zi Wen and Joy Pacific is a controlling Shareholder and thus a connected person of the Company under the Listing Rules.

### 2. Financial information of the Group

Set out below is a summary of the financial information of the Group for the year ended 31 December 2020 (“FY2020”), for the year ended 31 December 2019 (“FY2019”), for the six months ended 30 June 2021 (“6M2021”) as extracted from the 2020 Annual Report and 2021 Interim Report, respectively.

	<b>FY2020</b> <i>(audited)</i> RMB'000	<b>FY2019</b> <i>(audited)</i> RMB'000	<b>6M2021</b> <i>(unaudited)</i> RMB'000	<b>6M2020</b> <i>(unaudited)</i> RMB'000
<b>Revenue</b>	<b>67,793,792</b>	<b>50,531,150</b>	<b>32,509,667</b>	<b>28,243,000</b>
– Property development	64,416,624	48,090,825	30,710,015	27,340,677
– Property investment	238,825	273,011	119,486	98,483
– Others <i>(Note)</i>	3,138,343	2,167,314	1,680,166	803,840
<b>Profit for the year</b>	<b>7,051,046</b>	<b>5,221,830</b>	<b>2,842,557</b>	<b>2,839,886</b>

*Note:* Others include property management services, sales of goods and others.

	<b>As at</b> <b>31 December</b> <b>2020</b> <i>(audited)</i> RMB'000	<b>As at</b> <b>31 December</b> <b>2019</b> <i>(audited)</i> RMB'000	<b>As at</b> <b>30 June</b> <b>2021</b> <i>(unaudited)</i> RMB'000	<b>As at</b> <b>30 June</b> <b>2020</b> <i>(unaudited)</i> RMB'000
Total Assets	325,678,456	289,880,433	316,154,630	298,587,136
Total Liabilities	271,425,810	252,883,825	262,863,651	256,493,176
<b>Net Asset</b>	<b>54,252,646</b>	<b>36,996,608</b>	<b>53,290,979</b>	<b>42,093,960</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *FY2020 vs FY2019*

The Group's revenue increased by approximately 34.2%, from approximately RMB50,531.2 million for FY2019 to approximately RMB67,793.8 million for FY2020. The increase was mainly attributable to the increase in revenue derived from property development, resulting from increase in sales of residential apartments from approximately RMB38,188.2 million for FY2019 to approximately RMB52,639.6 million for FY2020, representing a growth of approximately 37.8%. With reference to 2020 Annual Report, this was mainly attributable to an increase of gross floor area of delivered property from 5.21 million sq.m in 2019 to 6.89 million sq.m in 2020. Meanwhile, the Group recorded an increase in net profit of approximately 35.0%, from approximately RMB5,221.8 million for FY2019 to approximately RMB7,051.0 million for FY2020, which was in line with the revenue growth.

The Group's net assets amounted to approximately RMB54,252.6 million as at 31 December 2020, which increased from RMB36,996.6 million as at 31 December 2019, representing a growth of approximately 46.6%. With reference to 2020 Annual Report, it was mainly attributable to the profit for the year ended 31 December 2020 of approximately RMB7,051.0 million.

### *6M2021 vs 6M2020*

The Group's revenue increased by approximately 15.1%, from approximately RMB28,243.0 million for 6M2020 to approximately RMB32,509.7 million for 6M2021. The increase was mainly attributable to the increase in gross floor area of delivered properties to 3.68 million sq.m from 2.88 million sq.m in the same period of 2020. Meanwhile, the Group recorded an increase in net profit of approximately 0.1% for 6M2021.

The Group's net assets amounted to approximately RMB53,291.0 million as at 30 June 2021, which increased significantly from RMB42,094.0 million as at 30 June 2020, representing a growth of approximately 26.6%. With reference to 2021 Interim Report, it was mainly attributable to the profit for the period in between 6M2021 and 6M2020.

### **3. Reasons for and use of proceeds from the Subscription**

With reference to the Letter from the Board, the Company is one of the leading property developers in the PRC. The Group is principally engaged in the businesses of property development and investment, urban redevelopment, property management, cultural tourism, technology etc.

As set out in the Letter from the Board, the central and local governments continued to promote the stable and healthy development of the real estate market by introducing financial, land, market and regulatory policies, such as the "three red lines", and insisting on the implementation of the long-term mechanism of "housing is for living in, not for speculation". The Company has engaged in active adjustments to further improve its management and operational efficiency. The Company is on track to reduce its overall debt

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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size and optimize its credit metrics, with the goal of fulfilling all the requirements of the “three red lines” at the earliest time. The Company considers that the Subscription, which will increase both the equity and cash of the Company, and in turn will enhance its working capital, liquidity positions and net assets, thus the Group’s credit indicators, especially indicators relating to the “three red lines”, will be beneficial to the Company’s efforts in this respect.

The Company also considers that the Subscription will strengthen the collaboration between the Company and the controlling Shareholder, and can demonstrate the commitment of the controlling Shareholder to the Company and the confidence of the controlling Shareholder towards the prospects of the Group.

As advised by management of the Company, the Group has considered alternative fund raising methods, including bank borrowings, rights issue or open offer.

Bank borrowings may not be achievable on favourable terms or on a timely basis, as it would inevitably require a longer negotiation and processing time with the relevant banks. It would also cause additional interest burden on the Group and increase the gearing ratio of the Group. It is also likely that the banks would impose more stringent conditions, in light of the recent market volatility, on the loans which may affect the Group’s flexibility in its operations.

In respect of rights issue or open offer to existing Shareholders, although the existing Shareholders would be able to maintain their prorata shareholding in the Company, these fund raising methods would need a relatively longer timeframe to complete, as there would be relatively lengthy and heavy preparation work for issuing of a more detailed listing document. Furthermore, the Company would have to spend more time to liaise with the parties involved such as the professional advisers, underwriters, share registrar, and financial printer, and incur more expenses such as underwriting commission, documentation and other professional fees associated with the rights issue or open offer. The Company expects that an additional amount of not less than HK\$16 million, including an underwriting commission of approximately 2.5% of the gross proceeds, documentation, printing and professional fees, and an additional one month, will be required for conducting rights issue or open offer.

As compared to the above fund raising methods, when balanced against the merits of the Subscription, the Company considers that the Subscription is the most efficient method to raise further capital.

Further, the Subscription reflects the confidence and commitment of the controlling Shareholder, towards the long term and sustainable development of the Company, and that the continuing support of the controlling Shareholder is crucial to ensure the business stability and long term development of the Group.

In view of (i) the reasons for and the benefits of the Subscription as mentioned above; (ii) the possible lengthy negotiation time with the banks; (iii) the possible lengthy preparation time and additional transaction costs that could be incurred by the Group in conducting rights issue or open offer; and (iv) that the Subscription demonstrates the controlling Shareholder’s confidence and commitment to the Company, we concur with the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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view of the Directors that the Subscription is an appropriate means of fund raising for the Company at the moment and is in the interests of the Company and the Shareholders as a whole.

With reference to the Letter from the Board, it is intended that the gross proceeds and net proceeds from the Share Subscription are estimated to be approximately HK\$600 million and HK\$599 million, respectively. The Company intends to use the net proceeds for the Group's working capital and general corporate purpose. The Company intends to utilise the aforesaid net proceeds from the Subscription (the "Net Proceeds") in the following manner:

- approximately 88% of the Net Proceeds, which is equivalent to approximately HK\$527 million, will be used for general corporate purposes such as payment of bonds and bank loans interest, by 31 January 2022.
- approximately 12% of the Net Proceeds, which is equivalent to approximately HK\$72 million, will be used for working capital to such as staff costs, office rental and utilities, by 30 June 2022.

Having considered:

- (i) the Subscription is an appropriate means of fund raising;
- (ii) the Net Proceeds from the Subscription can facilitate the Group's working capital and general corporate purpose; and
- (iii) our discussion with the management of the Company about the intended use of Net Proceeds from the Subscription and the reasons thereof as discussed above.

Based on the above, we concur with the view of the Directors that although the Subscription is not conducted in the ordinary and usual course of business of the Company, the Subscription is in the interest of the Company and the Shareholders as a whole.

#### **4. Principal terms of the Subscription Agreement**

On 27 September 2021 (after trading hours), the Company and Joy Pacific entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Joy Pacific has conditionally agreed to subscribe for 161,813,000 Subscription Shares in cash under the Specific Mandate at the Subscription Price of HK\$3.708 per Subscription Share. The total consideration payable by Joy Pacific under the Subscription Agreement amounts to HK\$600,002,604.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Subscription Shares*

Pursuant to the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder, Joy Pacific has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 161,813,000 Subscription Shares, representing:

- (1) approximately 6.00% of the existing total number of issued shares of 2,695,883,354 shares on 27 September 2021, being the date of the Subscription Agreement (“**Agreement Date**”);
- (2) approximately 5.77% of the existing total number of issued Shares of 2,803,758,354 shares as at the Latest Practicable Date; and
- (3) approximately 5.46% of the existing total number of issued Shares of 2,965,571,354 shares immediately after completion of the Subscription.

The Subscription Shares will be allotted and issued pursuant under the Specific Mandate to be sought at the EGM. The Specific Mandate, if approved, will be valid until 31 December 2021. If the Subscription is not completed on or before 31 December 2021, further approval from the Independent Shareholders will be sought, and the Company will further comply with the requirements of the Listing Rules.

The Subscription Shares shall be free from any interest, claim or equity of any person (including any right to acquire, option or right of pre-emption or conversion) or any mortgage, charge, pledge, lien, encumbrances, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement, or any agreement to create any of the above, and with full legal and beneficial title, and together with all rights attaching to them as at the date of completion of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder, with rights which rank pari passu to the Shares in issue, including the right to vote, to receive all distributions and dividends declared, made or paid on or after the date of completion of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder.

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

### *Subscription Price*

With reference to Letter from the Board, the Subscription Price is HK\$3.708 per Subscription Share:

- (1) represents a discount of approximately 4.43% to the closing price of HK\$3.88 per Share as quoted on the Stock Exchange as at 24 September 2021, being the last trading date immediately preceding the date of the Subscription Agreement;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (2) is equal to the average closing price of HK\$3.708 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement;
- (3) a discount of approximately 54.78% to unaudited consolidated net asset value attributable to owners of the Company per Share as at 30 June 2021 (the “**Unaudited June 2021 NAV**”) of approximately RMB6.82 (equivalent to HK\$8.20) per Share; and
- (4) represents a premium of approximately 36.83% to the closing price of HK\$2.71 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

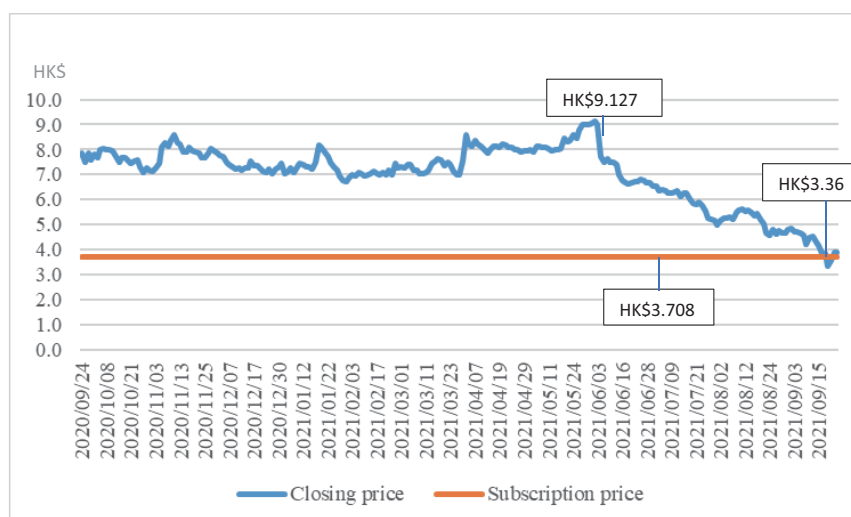
### *Analysis on the Subscription Price*

In order to assess the fairness and reasonableness of the Subscription Price, we conducted the following analysis:

#### *a) Share Price performance*

Set out below is a chart showing the movement of the daily closing price of the Shares as quoted on the Stock Exchange from 24 September 2020 up to and including the last trading date immediately preceding the Agreement Date (the “**Review Period**”), being approximately a one-year period, which is reasonable and representative for Shareholders’ reference in regard to the Subscription Price as (i) a one-year period represents a reasonable period to reflect the performance of the closing price of the Shares in response to the prevailing market condition and operating condition; (ii) a shorter review period can only demonstrate the Share price performance in a limited and specific time which may be distorted by specific events; and (iii) it is commonly used for analysis purpose.

**Historical daily closing price per Share during the Review Period**



Source: The Stock Exchange’s Website



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$9.127 per Share recorded on 2 June 2021 and HK\$3.36 recorded on 20 September 2021, respectively. The Subscription Price of HK\$3.708 is (i) within the closing price range of the Shares during the Review Period; and (ii) close to the lower end of the closing price range of the Shares during the Review Period. As depicted from the above chart, the closing prices of the Shares reached its peak of HK\$9.127 on 2 June 2021 and dropped significantly since 2 June 2021 and exhibited a general downward trend.

With reference to the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and Joy Pacific with reference to the recent market prices of the Shares, recent trading volume of the Shares and recent market conditions.

In determining the Subscription Price, the Board was aware that the Subscription Price represents a discount of approximately 54.78% to the Unaudited June 2021 NAV, and the Board also noted that during the period from 30 June 2021 (around three months prior to the Last Trading Day) up to the Last Trading Day, the closing price of the Shares as quoted on the Stock Exchange had been consistently at a considerable discount to the Unaudited June 2021 NAV, ranging from approximately 20.12% to 59.02%, and the said discount to the Unaudited 2021 June NAV is within such range. As a matter of fact, the price of the Shares had been descending over the past year and had been trading below the then net asset value per Share during most of the trading days in 2021 up to the Latest Practicable Date, which implies that public investors may not be willing to purchase the Shares at a price as high as the net asset value per Share, and also indicates that the Subscriber and/or other interested investors can acquire the Shares on the market at a price which is at a substantial discount to the net asset value per Share.

In addition, if the Company would have to adopt other forms of equity fund raising exercises, it would be a common pricing basis and inevitable to determine the relevant subscription or placing price with reference to the prevailing market price of the Shares, or even at a discount to which. Despite the Subscription Price being lower than the Unaudited June 2021 NAV, it represents a mild discount of only approximately 4.43% to the closing price of the Shares as at the Last Trading Day and is equal to the average closing price of HK\$3.708 per Share for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Board also noted that the price of the Shares has been in a general downward trend in the past 12 months, which was attributable to the changing macro-environment and fluctuating market in the property sector. At the time of resolving to conduct the Subscription, the Board would not be able to assess whether the price of the Shares would further descend or would rebound, but having considered the prevailing market condition, the financial needs of the Group and the reasons set out in the paragraph headed “Reasons for and benefits of the Subscription” from the Letter from the Board, the Board is of the view that this is the right time to conduct the Subscription.

Based on the above, the Board considers that it would be more appropriate to determine the Subscription Price with reference to the prevailing market price of the Shares, which reflects the fair market value of the Shares, instead of making reference to the net asset value per Share.

Further, we also noted from 2021 Interim Report and advised by the management, the PRC Government upheld its mechanism of “housing is for living in” to ensure a steady level in both land and housing prices, the PRC Property industry which the Group currently operates is affected and a gradual slowdown in the PRC property sector might occur.

In light of the above, it is noted that the Subscription Price (i) is equal to the average closing price of HK\$3.708 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Agreement Date; (ii) falls within the range of the closing prices of the Shares as quoted on the Stock Exchange during the Review Period; (iii) the Shares had been trading below the net asset value per share during most of the trading days in 2021 up to the Latest Practicable Date; and (iv) the downward trend of the Company’s share price due to the recent market conditions. We concur with the view of the Directors that the Subscription price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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b) *Liquidity*

Set out below are (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period:

Month	Total trading volume of the Shares	No. of trading days in each month	Average daily trading volume of the Shares for the month/ period	% of the Average Volume to total number of issued Shares as at the Agreement Date (Note 1)
<b>2020</b>				
September	33,879,624	5	6,775,924	0.251%
October	117,175,329	18	6,509,740	0.241%
November	188,565,260	21	8,884,060	0.330%
December	120,329,982	22	5,469,544	0.203%
<b>2021</b>				
January	191,561,188	20	9,578,059	0.355%
February	170,583,682	18	9,476,871	0.352%
March	250,082,987	23	10,873,173	0.403%
April	124,577,808	19	6,556,727	0.243%
May	138,432,594	20	6,921,630	0.257%
June	183,030,200	21	8,715,724	0.323%
July	180,767,822	21	8,607,992	0.319%
August	226,293,562	22	10,286,071	0.382%
September (up to and including 24 September 2021)	374,422,011	17	22,024,824	0.817%
<b>Maximum</b>			22,024,824	0.817%
<b>Minimum</b>			5,469,544	0.203%
<b>Average</b>			9,283,103	0.344%

Sources: *The Stock Exchange's Website*

Note 1: Based on 2,695,883,354 Shares as at the Agreement Date.

As illustrated in the above table, the average daily trading volume was low during the Review Period, with a range of approximately 5,469,544 Shares in December 2020 to approximately 22,024,824 Shares in September 2021, representing approximately 0.203% to 0.817% of the number of Shares in issue as at the end of relevant month/period. It illustrates that the trading volume of the Shares is relatively thin.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The relatively thin trading liquidity of the Shares may lead to difficulties for the Company to pursue other financing alternatives when considering fundraising exercises, such as placement of new Shares to independent investors, rights issue and open offer.

In light of the above and the trading of the Shares is not considered as active, setting the Subscription Price at a discount is reasonable. As such, we are of the view that it is reasonable to set the Subscription Price at a discount to the latest Share prices to balance the low liquidity of the Shares during the Review Period.

### **5. Financial effects of the Share Subscription to the Group**

#### *Liquidity*

According to the 2021 Interim Report, the Group had bank balances and cash of approximately RMB60,645.5 million as at 30 June 2021. Upon the completion of the Subscription, the Group's working capital and liquidity positions will be improved as the cash and bank balances will be increased by the net proceeds of approximately HK\$599.0 million. Accordingly, the cash position, gearing ratio and current ratio of the Group are expected to be improved upon the completion of the Subscription.

#### *Net assets*

According to the 2021 Interim Report, the net assets of the Group was approximately RMB53,291.0 million as at 30 June 2021. Upon completion of the Subscription, the net assets of the Group are expected to increase as a result of the availability of the proceeds from the Subscription.

### **6. Effect on shareholding structure of the Company**

With reference to the shareholding table in the section headed "Effect on the shareholding of the Company" in the Letter from the Board, upon completion of the Subscription, the shareholding interests of the existing public Shareholder would be diluted by approximately 5.77%, representing a decrease in the existing public Shareholders interests in the Company from approximately 42.68% at the Latest Practicable Date to approximately 40.35%, assuming no other change in the issued share capital of the Company other than the issue of Subscription Shares. In this regard, taking into account (i) the reasons for and benefits of the Subscription; and (ii) the terms of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the Subscription is acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the principal factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the respective resolution to be proposed at the EGM to approve the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**FUTEC Financial Limited**  
**Billy Wong**  
*Managing Director*

*Mr. Billy Wong is a Responsible Officer of FUTEC Financial Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Wong has over 15 years' experience in corporate finance advisory in Greater China, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

### (a) Share capital of the Company

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the Completion Date, save for the allotment and issue of the Subscription Shares) are as follows:

#### (i) Share capital as at the Latest Practicable Date:

Authorised:			
Class	Par value per Share	Number	Total nominal value
Ordinary	HK\$0.01	100,000,000,000	HK\$1,000,000,000
Issued and fully paid:			
Class	Par value per Share	Number	Total nominal value
Ordinary			
(i) Shares in issue	HK\$0.01	2,803,758,354	HK\$28,037,583.54

#### (ii) Share capital immediately upon Completion of the Subscription (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the Completion Date, save for the allotment and issue of the Subscription Shares)

Authorised:			
Class	Par value per Share	Number	Total nominal value
Ordinary	HK\$0.01	100,000,000,000	HK\$1,000,000,000

Issued and fully paid: Class	Par value per Share	Number	Total nominal value
Ordinary			
(i) Subscription Shares to be issued pursuant to the Subscription	HK\$0.01	161,813,000	HK\$1,618,130
(ii) Shares immediately before the date of Completion	HK\$0.01	2,803,758,354	HK\$28,037,583.54
Shares in issue upon Completion	<b>Grand total</b>	<b>2,965,571,354</b>	<b>HK\$29,655,713.54</b>

All existing issued Shares rank *pari passu* in all respects, including, in particular, as to dividends, voting rights and capital.

No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived. As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

Save as disclosed above, as at the Latest Practicable Date, no shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

Save and except for the allotment and issuance of 107,875,000 Shares on 8 October 2021 pursuant to the Successful Lotus Subscription, since 31 December 2020, the date to which the latest published audited financial statements of the Company were made up, and up to and including the Latest Practicable Date, no Shares had been allotted and issued by the Company.

## 3. DISCLOSURE OF INTERESTS

## (a) Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

- (i) Long position in shares and/or underlying shares under equity derivatives of the Company:

Name of Director	Capacity in which interests were held	Number of Shares/ underlying Shares (Note 1)	Approximate percentage of the issued share capital
Mr. Guo Zi Wen	Settlor of The Golden Jade Trust	1,499,112,625 (L) (Note 2)	53.47%
Mr. Guo Zi Ning (Note 3)			
Mr. Ma Jun	Beneficial owner	3,500,000(L)	0.12%
Mr. Zhang Jun	Beneficial owner	2,989,000(L)	0.11%
Mr. Chan Ka Yeung Jacky	Beneficial owner	2,850,000(L)	0.10%
Mr. Chen Zhi Bin	Beneficial owner	1,250,000(L)	0.04%

*Notes:*

- The letter “L” denotes long position in the Shares.
- Among these 1,499,112,625 Shares, 1,395,201,062 shares are registered in the name of Ace Rise, while 103,911,563 ordinary shares are registered in the name of Joy Pacific. 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 (a company wholly owned by Ms. Su Chaomei who is the wife of Mr. Guo Zi Ning, a Director of the Company). Sturgeon Limited is wholly owned by Asia Square Holdings Ltd., as nominee and trustee for J. Safra Sarasin Trust Company (Singapore) Ltd. 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. The settlors of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner, spouse of Mr. Guo Zi Wen.



3. Since April 2013, upon completion of a share transfer, 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, a company wholly owned by Ms. Su Chaomei who is the wife of Mr. Guo Zi Ning, a Director of the Company. As a result, Mr. Guo Zi Ning has a deemed effective interest of about 5.0% of the shares of the Company. Since Ace Rise is not a controlled corporation of Mr. Guo Zi Ning or Ms. Su Chaomei under the SFO, no notice has been filed under the SFO by Mr. Guo Zi Ning in respect his deemed interest in Ace Rise.

- (ii) Long position in shares and/or underlying shares of the associated corporation of the Company:

Name of Director	Name of associated corporation	Capacity in which interests were held	Number of Shares/ underlying shares	Approximate percentage of the issued share capital
Mr. Guo Zi Ning	Aoyuan Healthy Life Group Company Limited	Interest of spouse	1,143,000(L) (Note)	0.16%

*Note:* The 1,143,000 shares are beneficially owned by Ms. Su Chaomei, who is the spouse of Mr. Guo Zi Ning.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

**(b) Substantial Shareholders**

As at the Latest Practicable Date, the following person (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity in which interests were held	Number of Shares/ underlying Shares (Note 1)	Approximate percentage of the issued share capital
Jiang Miner (Note 2)	Settlor of The Golden Jade Trust	1,499,112,625(L)	53.47%
Joy Pacific (Note 2)	Interest of controlled corporation	1,395,201,062(L)	49.76%
	Beneficial owner	103,911,563(L)	3.71%
Sturgeon Limited (Note 2)	Interest of controlled corporation	1,499,112,625(L)	53.47%
Asia Square Holdings Ltd (Note 2)	Interest of controlled corporation	1,499,112,625(L)	53.47%
J. Safra Sarasin Trust Company (Singapore) Limited (Note 2)	Trustee	1,499,112,625(L)	53.47%
Ace Rise (Note 2)	Beneficial owner	1,395,201,062(L)	49.76%

*Notes:*

- The letter "L" denotes long position in the Shares.
- 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. Surgeon Limited is wholly-owned by Asia Square Holdings Ltd., as nominee and trustee for J. Safra Sarasin Trust Company (Singapore) Ltd. 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 Zi Wen, an executive director of the Company, and Ms. Jiang Miner, the spouse of Mr. Guo Zi Wen, is the settlor of The Golden Jade Trust.

**4. DIRECTORS' SERVICE CONTRACTS**

Each of the existing executive Directors has been appointed for a term of three years subject to the provision of retirement and rotation of directors under the articles of association of the Company.

Each of the independent non-executive Directors has been appointed for a term of one year at an annual remuneration set out in their appointment letters and other discretionary bonuses as may be determined by the Board according to the recommendation of the Remuneration Committee of the Company subject to the provision of retirement and rotation of Directors under the articles of association of the Company.

Save as disclosed above, as at the Latest Practicable Date, no other Directors had entered into service contracts with the Company which were not determined by the Company within one year without payment of compensation, other than statutory compensation.

#### **5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS**

On 15 June 2021, the Company as the issuer and certain subsidiaries of the Company as guarantors entered into a purchase agreement with Deutsche Bank, Guotai Junan International, Haitong International, UBS, Bank of China (Hong Kong), The Bank of East Asia, Limited, Barclays, China International Capital Corporation, CMBC Capital, CMB International, China CITIC Bank International, Goldman Sachs (Asia) L.L.C., J.P. Morgan and Standard Chartered Bank in connection with the issue of the USD200,000,000 7.95% senior notes due 2024 (the “Notes Issue”). Pursuant to the Notes Issue, Mr. Guo Zi Wen, an executive Director and the Chairman of the Company, and Ms. Jiang Miner, the spouse of Mr. Guo Zi Wen, have jointly purchased the senior notes in an aggregate amount of USD5,000,000.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any direct or indirect interests in any assets which have acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2020, being the date of which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

#### **6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors had interests in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

#### **7. MATERIAL ADVERSE CHANGE**

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

**8. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries 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 against the Company or any of its subsidiaries.

**9. QUALIFICATIONS AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given its opinions or advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
FUTEC Financial Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the expert above did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The expert above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

The letter and recommendation given by FUTEC Financial Limited is given as of the date of this circular for incorporation herein.

**10. MATERIAL CONTRACTS**

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (a) the subscription agreement dated 27 September 2021 and entered into between the Company as issuer and Successful Lotus as subscriber in relation to the Successful Lotus Subscription;
- (b) the Subscription Agreement;

- (c) the formal equity transfer agreements dated 14 July 2021 entered into between 深圳市凱弦投資有限責任公司 (Shenzhen Kaixian Investment Co., Ltd.\*), an indirect wholly-owned subsidiary of the Company, as purchaser, and Aoyuan Beauty Valley Technology Co., Ltd. (奧園美谷科技股份有限公司), an indirect non-wholly owned subsidiary of the Company, as vendor, in relation to the transfer of the 100% equity interests in 京漢置業集團有限責任公司 (Kinghand Property Group Co., Ltd.\*), 100% equity interests in 北京養嘉健康管理有限公司 (Beijing Yangjia Health Management Co., Ltd.\*), and 35% equity interests in 蓬萊華錄京漢養老服務有限公司 (Penglai Hualu Kinghand Senior Care Services Co., Ltd\*);
- (d) a share transfer agreement dated 19 February 2021 entered into by the Company as transferor and Star Image Development Limited, a direct wholly-owned subsidiary of the Company, as transferee, for the transfer of the entire issued share capital of Main Trend Limited, which was settled by the allotment and issue of one ordinary share to the Company by Star Image Development Limited;
- (e) the equity transfer agreement dated 10 July 2020 entered into among 通威實業(西藏)有限公司 (Tongwei Industries (Tibet) Co., Ltd.\*) as vendor, 成都宜華置業有限公司 (Chengdu Yihua Property Co., Ltd.\*), a wholly-owned subsidiary of the Company, as purchaser, and 通威集團有限公司 (Tongwei Group Co., Ltd.\*) and 廣東奧園商業地產集團有限公司 (Guangdong Aoyuan Commercial Real Estate Group Co., Ltd.\*) as guarantors, pursuant to which 成都宜華置業有限公司 (Chengdu Yihua Property Co., Ltd.\*) agreed to acquire and 通威實業(西藏)有限公司 (Tongwei Industries (Tibet) Co., Ltd.\*) has agreed to sell 98% equity interests in and partial debt of 成都通威實業有限公司 (Chengdu Tongwei Industries Co., Ltd.\*) at the consideration of RMB1,936,265,300 in total; and
- (f) the formal share transfer agreement dated 15 May 2020 entered into among 京漢控股集團有限公司 (Kinghand Holdings Group Co., Limited\*; “**Kinghand**”) as vendor, 深圳奧園科星投資有限公司 (Shenzhen Aoyuan Kexing Investment Company Limited\*; “**Aoyuan Kexing**”), a wholly-owned subsidiary of the Company and as designated by the purchaser, 奧園集團(廣東)有限公司 (Aoyuan Group (Guangdong) Co., Ltd.\*), a wholly-owned subsidiary of the Company, and Mr. Tian Han (田漢), pursuant to which Aoyuan Kexing has conditionally agreed to acquire and Kinghand has conditionally agreed to sell 229,231,817 shares of 京漢實業投資集團股份有限公司 (Kinghand Industrial Investment Group Co., Ltd.\*), representing approximately 29.30% of the share capital which is equivalent to approximately 29.99% of the issued shares with voting rights of 京漢實業投資集團股份有限公司 (Kinghand Industrial Investment Group Co., Ltd\*), at the consideration of approximately RMB1,159,913,000.

## 11. GENERAL

- (a) Save as disclosed, none of the Directors had 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 proposed to be acquired or disposed of by or leased to any member of

the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date.

- (b) Save as disclosed, as at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.
- (c) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The joint company secretaries of the Company are Ms. Wong Mei Shan, a member of the Hong Kong Institute of Certified Public Accountants, and Ms. Lee Mei Yi, an executive director of Corporate Services of Tricor Services Limited and a fellow member of The Hong Kong Chartered Governance Institute.
- (f) The entire issued share capital of Joy Pacific is indirectly held on trust for the beneficiaries of The Golden Jade Trust, the settlors of which are Mr. Guo Zi Wen and Ms. Jiang Miner. The directors of Joy Pacific are Mr. Guo Zi Wen and Ms. Jiang Miner. The registered office of Joy Pacific is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (g) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

## 12. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://en.aoyuan.com.cn>) for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Board, the text of which is set out in this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

- (e) the consent letter as referred to in the paragraph headed “9. Qualifications and Consent of Expert” in this appendix;
- (f) the material contracts referred to in the paragraph headed “10. Material Contracts” in this appendix;
- (g) the annual reports of the Company for the two financial years ended 31 December 2019 and 31 December 2020;
- (h) the interim report of the Company for the six months ended 30 June 2021; and
- (i) this circular.

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## NOTICE OF EGM

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### 中國奧園集團股份有限公司 China Aoyuan Group Limited

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 3883)

#### NOTICE OF EGM

**NOTICE IS HEREBY GIVEN** that a general meeting (the “**EGM**”) of China Aoyuan Group Limited (the “**Company**”) will be held at Shek-O Room, Lower Level I, Kowloon Shangri-La, Hong Kong, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 26 November 2021 at 11:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company. Words and expressions that are not expressly defined in this notice of EGM shall bear the same meaning as that defined in the shareholder circular dated 8 November 2021 (the “**Circular**”):

#### ORDINARY RESOLUTION

##### THE SUBSCRIPTION

“**THAT:**

- (a) the Subscription Agreement entered into between the Company and the Joy Pacific (a copy of the Subscription Agreement has been produced to the meeting and marked “A” and initially by the chairman of the meeting for identification purpose) and the consummation of transaction contemplated thereunder as more particularly described in the Circular and the terms and conditions set out in the Subscription Agreement be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the approval for the listing of, and the permission to deal in the Subscription Shares on the Stock Exchange, the Directors be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement from the date of passing of this resolution until 31 December 2021; and
- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents, instruments and agreements as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreement and the transaction contemplated thereunder and all other matters incidental thereto or in connection therewith.”

By order of the Board  
**China Aoyuan Group Limited**  
**Guo Zi Wen**  
*Chairman*

Hong Kong, 8 November 2021



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## NOTICE OF EGM

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*Notes:*

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or 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 in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the meeting (i.e. not later than 11:00 a.m. on Wednesday, 24 November 2021) or the adjourned meeting (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 meeting 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 meeting, the Register of Members of the Company will be closed from Tuesday, 23 November 2021 to Friday, 26 November 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents 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, 22 November 2021.
5. In the interest of all stakeholders’ health and safety and consistent with the guidelines for the prevention and control of COVID-19, the Company encourages Shareholders, particularly those who are subject to quarantine in relation to COVID-19, to appoint the Chairman of the above meeting as their proxy to vote at the above meeting as an alternative to attending in person.
6. References to time and dates in this notice are to Hong Kong time and dates.

*As at the date of this notice, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Mr. Ma Jun, Mr. Chen Zhi Bin and Mr. Chan Ka Yeung Jacky; the non-executive director of the Company is Mr. Zhang Jun; and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Lee Thomas Kang Bor.*