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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 registered institution 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

**(1) MAJOR TRANSACTION –
DISPOSAL OF INTEREST IN THE TARGET GROUP
AND
(2) NOTICE OF THE SECOND EXTRAORDINARY
GENERAL MEETING 2024**

Capitalised terms used in this cover page should have the same meanings as those defined in the section headed “Definitions” in this circular.

A Letter from the Board is set out on pages 6 to 21 of this circular.

A notice convening the EGM to be held at 24th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road on Wednesday, 10 July 2024 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the respective websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://en.aoyuan.com.cn>).

Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 11:00 a.m. on Monday, 8 July) or any adjournment thereof (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 event, the form of proxy shall be deemed to be revoked.

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.

17 June 2024

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DEFINITIONS

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

“Add Hero Notes”	has the meaning as defined under the section headed “8 Financial Impact of the Disposal and Use of Proceeds” in the Letter from the Board in this circular
“Agreement”	the share purchase agreement dated 13 May 2024 (after trading hours) and entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Business Day”	any day other than a Saturday, Sunday or provincial or federal holiday on which banks are not open for business in Toronto, Ontario, Canada
“Canadian Valuation”	has the meaning as defined under the section headed “3 Basis of the Consideration” in the Letter from the Board in this circular
“Class A Shares”	30 Class A common shares in the share capital of the Target Company in issue as at the Latest Practicable Date
“Class B Shares”	70 Class B common shares in the share capital of the Target Company in issue as at the Latest Practicable Date
“Company”	China Aoyuan Group Limited (中國奧園集團股份有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 3883)
“Completion Date”	the date of completion of the Disposal
“Condition(s)”	condition(s) precedent to the completion of the Disposal as stipulated in the Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Disposal of CAD68,000,070 (equivalent to approximately HK\$391,000,403)

DEFINITIONS

“Construction Loan”	the M2M Project Phase 1 construction loan owed by the Target Company, which amounted to CAD299.2 million (equivalent to HK\$1,720.4 million) as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of all the Class B Shares and TS1 Shares in issue by the Vendor pursuant to the terms of the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Agreement and the transactions contemplated thereunder
“Equity Value”	has the meaning as defined under the section headed “3 Basis of the Consideration” in the Letter from the Board in this circular
“Equity Value Independent Valuer”	Knight Frank Asset Appraisal Limited
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) who is/are not connected person(s) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of connected persons of the Company
“Land Loan”	the M2M Project Phases 2 and 3 land loan owed by the Target Company, which amounted to CAD50 million (equivalent to HK\$287.5 million) as at the Latest Practicable Date
“Latest Practicable Date”	14 June 2024, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“LOI”	the letter of intent of 23 February 2024 (as amended by a supplemental letter of 15 March 2024 and a second supplemental letter of 10 April 2024) and entered into by the Parties in relation to the Disposal
“Model Code”	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“M2M Project”	certain mixed-use development projects located at 5799-5915 Yonge Street, Toronto, Ontario, Canada
“M2M Project Phase 1 Buildings”	two mixed-use condominiums with a total of 808 residential units, which are under construction as at the Latest Practicable Date
“M2M Project Phase 1 (Business)”	for the purpose of the Canadian Valuation only, comprising the M2M Project Phase 1 Buildings, assets and liabilities attributable thereto (e.g. bank borrowings, deposits on real estates sales, etc.) but excluding bank balances and cash of approximately CAD15.0 million (equivalent to approximately HK\$86.3 million) held by the Phase 1 LP as at 15 March 2024
“Parties”	collectively, the Vendor and the Purchaser
“Phase 1 LP”	has the meaning as defined under the section headed “5 Information on the Target Group – Corporate information of major companies in the Target Group” in the Letter from the Board in this circular
“Phase 2 LP”	has the meaning as defined under the section headed “5 Information on the Target Group – Corporate information of major companies in the Target Group” in the Letter from the Board in this circular
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property Independent Valuer”	Knight Frank Petty Limited
“Purchaser”	Winnet Capital Ltd., a company incorporated under the laws of Ontario of Canada with limited liability

DEFINITIONS

“Reference Value”	has the meaning as defined under the section headed “3 Basis of the Consideration” in the Letter from the Board in this circular
“Relevant Assets”	has the meaning as defined under the section headed “4 Shareholders Agreement” in the Letter from the Board in this circular
“Restructuring”	restructuring of the Group’s material offshore indebtedness which was consummated by the Company on 20 March 2024
“Roll Out Option”	has the meaning as defined under the section headed “4 Shareholders Agreement” in the Letter from the Board in this circular
“RSA”	has the meaning as defined under the section headed “8 Material Contract” of Appendix IV to this circular
“Sale Shares”	70 Class B Shares and 68,000,000 TS1 Shares, representing all the issued shares in the respective classes of shares in the Target Company
“Schemes”	the parallel schemes of arrangement implemented in relation to the Restructuring
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders Agreement”	the shareholders agreement to be entered into between the Purchaser, the Vendor and the Target Company on or around the Completion Date, key terms of which are set out in the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Ontario Aoyuan Property Limited, a company incorporated under the laws of Ontario of Canada with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Target Group”	the Target Company and its subsidiaries

DEFINITIONS

“TS1 Shares”	68,000,000 M2M Project Phase 1 tracking shares in the share capital of the Target Company in issue as at the Latest Practicable Date
“TS2/3 Shares”	29,142,857 M2M Project Phases 2 and 3 tracking shares in the share capital of the Target Company in issue as at the Latest Practicable Date
“Vendor”	Aoyuan Property Holdings (Canada) Ltd., a company incorporated under the laws of Ontario of Canada with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“CAD”	Canadian dollar, the lawful currency of Canada
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent

In this circular, translation of CAD into HK\$ is based on the exchange rate of CAD1.00 to HK\$5.75. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Canadian dollars have been, could have been or may be converted at such or any other rate or at all.

LETTER FROM THE BOARD



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. Chen Zhi Bin
Mr. Tan Yi
Mr. Cheng Siu Fai

Registered Office:

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

Independent Non-executive Directors:

Mr. Cheung Kwok Keung
Mr. Lee Thomas Kang Bor
Mr. Wong Wai Keung Frederick

Principal Place of

Business in Hong Kong:

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

Principal Place of Business in the PRC:

Aoyuan Mansion
No. 108, Huangpu Avenue West
Tianhe District, Guangzhou
PRC

17 June 2024

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION –
DISPOSAL OF INTEREST IN THE TARGET GROUP
AND**

(2) NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING

1 INTRODUCTION

Reference is made to the announcement of the Company dated 13 May 2024 in relation to the Disposal.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) a property valuation report on the M2M Project Phase 1 Buildings; (iii) a valuation report on the entire economic interest in the M2M Project Phase 1; and (iv) the notice convening the EGM.

2 THE DISPOSAL

Summarised below are the principal terms of the Agreement:

Date

13 May 2024 (after trading hours)

Parties

Vendor: Aoyuan Property Holdings (Canada) Ltd.

Purchaser: Winnet Capital Ltd.

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, there is, and in the past twelve months, has been, no material loan arrangement between (a) the Purchaser, its director and its ultimate beneficial owner; and (b) the Company or any connected person at the Company level or subsidiary level (to the extent that such subsidiaries are involved in the Disposal).

Subject matter

Pursuant to the terms of the Agreement, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 70 Class B Shares and 68,000,000 TS1 Shares, representing all the issued shares in the respective classes of shares in the Target Company. Subject to the Shareholders Agreement becoming effective, the TS 1 Shares will represent 100% of the economic interest in the M2M Project Phase 1.

Please refer to the section headed "4 Shareholders Agreement" in the Letter from the Board in this circular for more details.

Key Conditions to completion of the Disposal

Completion of the Disposal is subject to the satisfaction or waiver (as applicable) of the following key Conditions:

- (a) the Shareholders Agreement having been executed;

LETTER FROM THE BOARD

- (b) no governmental authority having issued, promulgated, enforced or entered any order that has the effect of making the transactions contemplated under the Agreement illegal or otherwise restraining or prohibiting consummation of such transactions;
- (c) the Agreement and the transactions contemplated thereunder having been approved by the Shareholders at the EGM; and
- (d) the Vendor having vacated or discharged all of the construction liens on the title of any of the M2M Project Phase 1 Buildings no later than the Completion Date, and there being no construction lien registered on the title of any of the M2M Project Phase 1 Buildings on the Completion Date.

Conditions (a), (b) and (c) cannot be waived, whilst Condition (d) can be waived by the Purchaser.

As of the Latest Practicable Date, none of the above Conditions (a) to (d) have been satisfied.

Completion

Completion of the Disposal shall take place on the 25th Business Day following the satisfaction of Condition (c) or such other date as the Parties may agree. The Purchaser may terminate the Agreement if Condition (d) is not waived or fulfilled at anytime prior to completion of the Disposal.

With effect from the Completion Date, the Purchaser shall assume all material contracts relating to the M2M Project Phase 1 (to the extent such contracts have been provided to the Purchaser in the course of the due diligence exercise). Following Completion, the Purchaser shall proceed with the sale of the pre-sold units within the M2M Project Phase 1, the intent being that proceeds will be used to settle agreed expenses such as realtors' commissions, conveyance fees, tax and any balance being applied towards the repayment of certain construction loan owed by the Target Group.

Consideration and payment terms

The total consideration for the Disposal is CAD68,000,070 (equivalent to approximately HK\$391,000,403). The Consideration shall be paid by the Purchaser to the Vendor in the following manner:

- (a) on the Completion Date, crediting to the Consideration the initial deposit of CAD3,000,000 (equivalent to HK\$17,250,000) which had been paid in accordance with the terms of the LOI;
- (b) on the Completion Date, crediting to the Consideration the further deposit of CAD3,800,000 (equivalent to HK\$21,850,000) which is payable upon satisfaction of Condition (c);

LETTER FROM THE BOARD

- (c) on the Completion Date, payment of CAD70 (equivalent to approximately HK\$403) by way of wire transfer;
- (d) no later than ten (10) Business Days from the Completion Date, repayment of the non-interest bearing promissory note in the amount of CAD47,600,000 (equivalent to HK\$273,700,000) issued by the Purchaser to the Vendor on the Completion Date; and
- (e) within ten (10) Business Days from the Vendor having repaid the Land Loan and the related charge over the Target Group's interest in the entire M2M Project having been released, payment of CAD13,600,000 (equivalent to HK\$78,200,000) by way of wire transfer.

In the event the promissory note referred to in sub-paragraph (d) above is not fully repaid within the stipulated timeframe, the Vendor shall have the right to acquire the Sale Shares at CAD1 (equivalent to approximately HK\$6) immediately and the initial and further deposits shall, together with interest accrued thereon, be forfeited by the Purchaser as liquidated damages. The Consideration is subject to downward adjustments for any (i) payment made by the Phase 1 LP to settle liabilities or obligations in respect of the M2M Project Phases 2 and 3, and (ii) cash distribution to the partners of the Phase 1 LP, in each case during the period from 1 January 2024 until the Completion Date. As at the Latest Practicable Date, the amount of downward adjustments to the Consideration is expected to be approximately CAD2,050,000 (equivalent to approximately HK\$11,787,500).

3 BASIS OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the Group and the Purchaser, taking into account: (i) the adjusted net asset value of the Phase 1 LP attributable to the M2M Project Phase 1 of approximately CAD65.7 million (equivalent to approximately HK\$377.8 million) (the "**Reference Value**"), which is the unaudited net asset value of the Phase 1 LP attributable to the M2M Project Phase 1 as at 15 March 2024 of approximately CAD84.4 million (equivalent to approximately HK\$485.3 million) as adjusted downward to reflect a valuation deficit of approximately CAD18.7 million (equivalent to approximately HK\$107.5 million), which is in turn based on an independent valuation of the M2M Project Phase 1 (Business) (the "**Canadian Valuation**") as at 15 March 2024 amounting to CAD50.7 million (equivalent to approximately HK\$291.5 million), a summary of which is set out below; and (ii) the reasons for and benefits of the Disposal as described under the paragraph headed "9 Reasons for and Benefits of the Disposal" in the Letter from the Board in this circular.

Due to reasons relating to, among other things, the valuation standard adopted in the Canadian Valuation and company policy of the Canadian independent valuer, the Company subsequently engaged the Property Independent Valuer and the Equity Value Independent Valuer to prepare valuation reports on the M2M Project Phase 1 Buildings and the economic interest in the M2M Project Phase 1 for inclusion in this circular. The Company notes the difference between the Reference Value (which is based on, among other things, the Canadian Valuation) and the Equity Value is immaterial. For completeness, based on the

LETTER FROM THE BOARD

market value (i.e. the adjusted net asset value) of the Phase 1 LP attributable to the M2M Project Phase 1 as at 18 March 2024, which amounted to CAD64.4 million (equivalent to HK\$370.3 million) (the “**Equity Value**”) as assessed by the Equity Value Independent Valuer, the Consideration represents a premium of approximately 5.6% over the Equity Value. Please refer to Appendix III to this circular for further information on the Equity Value.

As mentioned above, the Company commissioned the Canadian Valuation for the purpose of determining the Consideration. According to the Canadian Valuation, the value of the M2M Project Phase 1 (Business) as at 15 March 2024 amounted to CAD50.7 million (equivalent to HK\$291.5 million). In preparing the Canadian Valuation, the Canadian independent valuer adopted the residual method, which involved deducting costs of construction and development profit from the expected market value or revenue of the completed M2M Project Phase 1 Buildings. The residual approach was used to determine the value of the M2M Project Phase 1 (Business) as the M2M Project Phase 1 Buildings were under construction as at 15 March 2024. The valuation deficit of approximately CAD18.7 million (equivalent to approximately HK\$107.5 million) was primarily due to (a) the risk/time discount factor taking into account the time between the valuation effective date and construction completion, and (b) bulk sale assumption taking into account conditions of the real estate market in Toronto.

The Canadian Valuation was based on certain assumptions and limiting conditions, including (a) the subject property (i.e. the M2M Project Phase 1 Buildings) comprising two mixed-use towers as approved by the relevant government authority of the City of Toronto; (b) assuming (i) the subject property was free of value influencing encumbrances, (ii) the subject property was free and clear of any environmental contamination which would impede its current or future use, (iii) the subject property complied with restrictive covenants and applicable laws and regulations in all material respects, and (iv) leases identified were enforceable and rents were paid in full when due and payable pursuant to the terms thereof; and (c) the Canadian Valuation relying on data and information obtained from the Company and other sources which the Canadian independent valuer considered reliable, without independent verification by the Canadian independent valuer. The Directors have been advised that the key assumptions adopted in the Canadian Valuation are common for assessing the value of a property development project operating in a manner similar to the M2M Project Phase 1 (Business).

The Directors have reviewed the Canadian Valuation, including the valuation basis, methodology and parameters applied, and having considered the analysis of the Canadian independent valuer in relation to valuation methodology and approach, the Directors agree with the adoption of residual method for the purpose of the Canadian Valuation. In light of the aforesaid, the Directors are of the view that the Canadian Valuation is fair and reasonable.

Further, the Directors have been advised that the difference between the valuation as determined by the Canadian independent valuer and the Equity Value Independent Valuer is mainly attributable to the different valuation methods used (namely residual method in respect of the M2M Project Phase 1 (Business) vs asset approach in respect of the Equity Value), as well as the exclusion of bank balances and cash held by the Phase 1 LP from the

LETTER FROM THE BOARD

scope of the Canadian Valuation. In assessing the value of the M2M Project Phase 1 Buildings, the Property Independent Valuer adopted the market approach by making reference to comparable sales evidence in the relevant market and taking into account the estimated construction costs as well as costs to be expended to complete the development – the Directors note that the Canadian Valuation also took into account such costs. With regard to the Equity Value, the Equity Value Independent Valuer used the asset approach and adjusted the net asset value of the Phase 1 LP attributable to the M2M Project Phase 1 to market value (where appropriate) – the Directors note that the adjusted net asset value concept was also adopted in the calculation of the Reference Value as described above. The Directors are of the view that the valuation conducted by the Property Independent Valuer and the Equity Value Independent Valuer is fair and reasonable.

The Directors have also enquired about the qualifications and experience of the Canadian independent valuer, the Property Independent Valuer and the Equity Value Independent Valuer. To the best of the Directors' knowledge and belief and having made all reasonable enquiries, the Directors are of the view that the Canadian independent valuer, the Property Independent Valuer and the Equity Value Independent Valuer are qualified to perform, as well as experienced and competent in performing, valuation of the target assets for the purpose of the Disposal.

Accordingly, the Directors consider that the Consideration and the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

4 SHAREHOLDERS AGREEMENT

Summarised below are the principal terms of the Shareholders Agreement:

Parties: The Purchaser, the Vendor and the Target Company

Governance: The board of directors shall initially comprise three directors, of which two shall be designated by the Vendor and one shall be designated by the Purchaser.

The quorum shall be a majority of directors, including one director designated by each of the Purchaser and the Vendor. The directors shall vote and act in accordance with the underlying principle that all decision-making with respect to the M2M Project Phase 1 and Phases 2 and 3 shall be the right of the holders of the TS1 Shares and TS2/3 Shares, respectively.

LETTER FROM THE BOARD

Key reserved matters:

Key reserved matters, which are subject to the written consent by shareholders holding at least 75% of the common shares in the Target Company, include sale of the Target Company or its subsidiaries (unless permitted under the Shareholders Agreement), any alteration or waiver of the rights, preferences or privileges attaching to any shares of the Target Company, the issuance of any shares (other than in accordance with the Shareholders Agreement), and any liquidation, dissolution or winding-up of the Target Company.

Rights attached to share classes:

As at the Latest Practicable Date, the Target Company has four classes of shares in issue: (i) Class A Shares, (ii) Class B Shares, (iii) TS1 Shares, and (iv) TS2/3 Shares. Each class of shares has the rights prescribed in the articles of association of the Target Company and the Shareholders Agreement.

Class A Shares and Class B Shares are subject to the rights attached to the TS1 Shares and TS2/3 Shares, such as right to dividend and right to return of capital upon winding up of the Target Company. Class A Shares and Class B Shares have the same rights between themselves, except that each Class A Share and Class B Share in issue will be entitled to three votes and one vote, respectively, at any shareholder meeting of the Target Company holder of such share is entitled to vote. Holders of Class A Shares and Class B Shares are entitled to vote on matters which are not specific to the M2M Project or related distributions, such as change of directors, liquidation, dissolution and winding up. Upon completion of the Disposal, the Vendor will control a majority of the voting rights attached to the common shares in the Target Company.

LETTER FROM THE BOARD

TS1 Shares and TS2/3 Shares represent 100% of the economic interest in the M2M Project Phase 1 and Phases 2 and 3, respectively. TS1 Shares and TS2/3 Shares have voting rights in respect of matters relating to the M2M Project Phase 1 and Phases 2 and 3, respectively, but not matters of the Target Company which are not specific to the M2M Project. TS1 Shares and TS2/3 Shares are entitled to distributions from net cash generated from the M2M Project Phase 1 and Phases 2 and 3 respectively. In the event of liquidation, dissolution or winding up of the Target Company, TS1 Shares and TS2/3 Shares shall have rights to the net cash (after tax) generated by, or assets associated to, the M2M Project Phase 1 and Phases 2 and 3, respectively.

**Obligations and liabilities
relating to the M2M Project:**

Holders of Class B Shares and TS1 Shares shall be responsible for all obligations and liabilities of the M2M Project Phase 1, including but not limited to repayment of the Construction Loan. Following completion of the Disposal, other than the Construction Loan for which the Purchaser will be responsible, the Company does not expect to provide further financial support for the construction of the M2M Project Phase 1 Buildings.

Holders of Class A Shares and TS2/3 Shares shall be responsible for all obligations and liabilities of the M2M Project Phases 2 and 3, including but not limited to repayment of the Land Loan.

Each shareholder shall exercise his/its voting rights in a manner such that all the cash of the Phase 1 LP will be held for the benefit of and be deployed by holders of Class B Shares and TS1 Shares and all other cash held by the Target Group will be held for and be deployed by holders of Class A Shares and TS2/3 Shares.

LETTER FROM THE BOARD

Roll Out Option:

Upon full repayment of the Construction Loan and release of the charge over the M2M Project Phase 1, the Vendor has the right, but is not obliged, to sell land and properties other than the M2M Project Phase 1 (the “**Relevant Assets**”) to an entity designated by the Vendor (which is expected to be a subsidiary of the Company) for CAD1 (equivalent to approximately HK\$6) (the “**Roll Out Option**”). As the Construction Loan is secured by the Target Group’s interest in the entire M2M Project, the Target Group is not permitted to, among other things, dispose of the Relevant Assets before the Construction Loan is repaid full. In light of the above, and having considered conditions of the property market in Ontario (being a relatively weak housing market resulting from factors such as elevated interest rates, increase in supply (in terms of number of units under construction), etc) and the financial position of the Group (details of which are set out in the annual report of the Company for the year ended 31 December 2023 and the section headed “3 Working Capital” set out in Appendix I to this circular), the Directors are of the view that the exercise conditions to the Roll Out Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

In the event the Vendor exercises the Roll Out Option, the Vendor shall sell all its Class A Shares and TS2/3 Shares to the Purchaser for an aggregate consideration of CAD30 (equivalent to approximately HK\$173), and the Target Company shall be directed to sell the entity holding the Relevant Assets to an entity designated by the Vendor for CAD1 (equivalent to approximately HK\$6). In the event the Relevant Assets and the M2M Project Phase 1 are both held under the same entity, the Relevant Assets shall be transferred to the entity proposed to be sold by the Target Company under the Roll Out Option for CAD1 (equivalent to approximately HK\$6) prior to exercise of the Roll Out Option. Upon completion of the aforesaid transactions in connection with the exercise of the Roll Out Option, the Purchaser will become the sole shareholder of the Target Company, the primary assets of which are expected to be the M2M Project Phase 1, as well as bank deposits and cash generated from the operations of the M2M Project Phase 1.

The Roll Out Option, once exercised, will allow the Group to control the Relevant Assets in a manner which is consistent with the way in which the Relevant Assets are controlled as at the Latest Practicable Date, as well as after the Disposal but without being subject to, among other things, the articles of association of the Target Company and the Shareholders Agreement. The Roll Out Option is part and parcel of the disposal of the M2M Project Phase 1 to the Purchaser as it permits the Purchaser to have full control over the M2M Project Phase 1 through the holding company (i.e., the Target Company) after encumbrances over the M2M Project have been released. The exercise of the Roll Out Option is not expected to affect the Group's entitlement to the economic interest in the Relevant Assets, the entirety of which is attributable to the Group both before and after completion of the Disposal. For the reasons above, the Roll Out Option does not constitute an "option" for the purposes of Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

- Right of first offer:** The Vendor shall have a right of first offer in the event of a sale of any Class B Shares and/or TS1 Shares to a third party.
- Pre-emptive rights:** Issuance of new shares by the Target Company shall be offered to all its shareholders in proportion to the respective shareholders' shareholding in the Target Company. A shareholder shall have the right to take up any offered securities which are not taken up by fellow shareholder(s).

5 INFORMATION ON THE TARGET GROUP

Corporate information of major companies in the Target Group

The Target Company

The Target Company is a company incorporated under the laws of Ontario of Canada with limited liability, which is principally engaged in investment holding and its major asset is the M2M Project. As at the Latest Practicable Date, it is a wholly-owned subsidiary of the Company.

The M2M Project is located in Toronto, Ontario, Canada. The project is being developed in three phases, with each of the M2M Project Phase 1 and the M2M Project Phase 2 comprising two multi-storey towers and a shared multi-storey podium (including retail and commercial space and, in the case of the M2M Project Phase 2 only, community recreation facility), and the M2M Project Phase 3 being approved for the construction of a multi-storey mixed use building.

Upon completion of the Disposal, the Target Company shall continue to be a subsidiary of the Company. Details of how the results attributable to the different phases of the M2M Project will be accounted for are set out in the section headed "8 Financial Impact of the Disposal and Use of Proceeds" in the Letter from the Board in this circular.

2591260 Ontario Inc.

2591260 Ontario Inc. is a company incorporated under the laws of Ontario of Canada with limited liability, which is principally engaged in investment holding. As at the Latest Practicable Date, it is a wholly-owned subsidiary of the Target Company and holds the land title for the M2M Project Phase 1 and Phases 2 and 3. As at the Latest Practicable Date, the M2M Project Phase 1 is 93% complete and expected to be fully completed in 6 to 9 months, and over 85% of the residential units, office and retail have already been pre-sold. The M2M Project Phases 2 and 3 are in the status of bare land and the development plan has been finalised but yet to be implemented as at the Latest Practicable Date.

LETTER FROM THE BOARD

5799 Yonge Street Limited Partnership (the “Phase 1 LP”)

The Phase 1 LP is a limited partnership formed under the laws of Ontario of Canada, which is principally engaged in property development in Canada and one of the developers of the M2M Project. As at the Latest Practicable Date, the issued units of the Phase 1 LP are owned as to 99.99% by the Target Company (as limited partner) and 0.01% by 5799 Yonge Street Project Ltd. (as general partner).

M2M Phase 2 Limited Partnership (the “Phase 2 LP”)

The Phase 2 LP is a limited partnership formed under the laws of Ontario of Canada, which is principally engaged in property development in Canada and one of the developers of the M2M Project. As at the Latest Practicable Date, the issued units of the Phase 2 LP are owned as to 99.99% by the Target Company (as limited partner) and 0.01% by M2M Phase 2 Project Ltd. (as general partner).

Financial information

Set out below is certain unaudited consolidated financial information of the Target Group for the two financial years ended 31 December 2022 and 2023:

	For the year ended 31 December 2022 CAD	For the year ended 31 December 2023 CAD
Revenue	–	–
Loss before tax	Approximately 18.7 million (equivalent to approximately HK\$107.5 million)	Approximately 91.8 million (equivalent to approximately HK\$527.9 million)
Loss after tax	Approximately 18.7 million (equivalent to approximately HK\$107.5 million)	Approximately 91.8 million (equivalent to approximately HK\$527.9 million)

The unaudited consolidated total assets and net asset value of the Target Group as at 31 December 2023 were approximately CAD663.2 million (equivalent to approximately HK\$3,813.4 million) and CAD194.0 million (equivalent to approximately HK\$1,115.5 million), respectively.

LETTER FROM THE BOARD

For completeness, the unaudited consolidated total assets and net asset value of the Phase 1 LP attributable to the M2M Project Phase 1 as at 31 December 2023 were approximately CAD477.0 million (equivalent to approximately HK\$2,742.8 million) and CAD84.4 million (equivalent to approximately HK\$485.3 million), respectively. As at 18 March 2024, the unaudited consolidated total assets and net asset value of the Phase 1 LP attributable to the M2M Project Phase 1 were approximately CAD498.7 million (equivalent to approximately HK\$2,867.5 million) and CAD84.4 million (equivalent to approximately HK\$485.3 million), respectively.

6 INFORMATION ON THE VENDOR AND THE GROUP

The Vendor is a company incorporated under the laws of Ontario of Canada with limited liability, which is principally engaged in investment holding. As at the Latest Practicable Date, it is a wholly-owned subsidiary of the Company and the sole shareholder of the Target Company.

The Group is principally engaged in the businesses of (i) development and sales of properties; (ii) lease of investment properties and (iii) hotel operation, provision of property management services, sales of goods and provision of cosmetic services.

7 INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated under the laws of Ontario of Canada with limited liability, which is principally engaged in investment holding. As at the Latest Practicable Date, the Purchaser is wholly owned by Ms. Shiya Li, who is an entrepreneur and founder of the Purchaser.

8 FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

The net proceeds from the Disposal (after downward adjustments and deducting transaction costs) are expected to be approximately CAD64.5 million (equivalent to approximately HK\$370.9 million). Subject to audit, the Group is expected to recognise an estimated loss of approximately CAD16.4 million (equivalent to approximately HK\$94.3 million) from the Disposal, based on the difference between the Consideration and the unaudited net asset value of the Phase 1 LP attributable to the M2M Project Phase 1 as at 18 March 2024. Shareholders and potential investors should note that the above figures are for illustrative purposes only.

The proceeds from the Disposal will be used to redeem the notes in principal amounts of USD500,000,000, USD650,000,000 and USD650,000,000 maturing in 2029, 2030 and 2031 respectively issued by Add Hero Holdings Limited, a wholly owned subsidiary of the Company (the “**Add Hero Notes**”) pursuant to the terms and conditions of the Add Hero Notes.

Upon completion of the Disposal, although the Target Company will continue to be a subsidiary of the Company, the financial results attributable to the M2M Project Phase 1 will no longer be accounted for in the consolidated financial statements of the Group. In other words, the financial statements of the Group will derecognise all assets and liabilities attributable to the M2M Project Phase 1 (the unaudited net asset value of the Phase 1 LP

LETTER FROM THE BOARD

attributable to the M2M Project Phase 1 as at 18 March 2024 was approximately CAD84.4 million (equivalent to approximately HK\$485.3 million)) and recognise cash and other receivables in respect of the Consideration (being CAD68,000,070 (equivalent to approximately HK\$391,000,403)), as well as the loss from the Disposal (expected to be approximately CAD16.4 million (equivalent to approximately HK\$94.3 million)). Taking into account the key terms of the Shareholders Agreement (in particular voting and economic rights attached to the shares which will continue to be held by the Group after completion of the Disposal), the Company will continue to account for 100% of the financial results attributable to the M2M Project Phases 2 and 3 in the consolidated financial statements of the Group after completion of the Disposal.

Upon completion of the Disposal, 100% of the financial results attributable to the M2M Project Phase 1 (including assets, liabilities, revenue and profits/losses) will no longer be accounted for in the consolidated financial statements of the Group despite that a member of the Target Group will remain the legal owner of the M2M Project Phase 1. Following completion of the Disposal, the Purchaser will account for 100% of the financial results attributable to the M2M Project Phase 1.

9 REASONS AND BENEFITS OF THE DISPOSAL

The Group has been affected by the negative real estate market in PRC. The real estate industry in the PRC was still in the stage of bottoming out and national investment in real estate and contracted sales continued to decline throughout the past year. The financial condition of the Group is further worsened by the slowing down of the Group's business, which is attributable to the continued market downturn and the dampening of purchasers' confidence in the PRC property market in the past year. As disclosed in the annual report of the Company for the year ended 31 December 2023, the Group's contracted sales was approximately RMB13.71 billion in total, representing a decline of approximately 32.2% as compared to 2022.

The Group has faced difficulties in accessing conventional financing channels (including bank financing and external debt refinancing) since 2021. As a consequence of the aforesaid, the Group is currently in need of additional capital to meet its financial obligations and cope with its liquidity issues.

Due to the liquidity issues of the Group, the Company took various measures to improve the Group's liquidity and cash flows. On 20 March 2024, the Company consummated the Restructuring which was implemented through the Schemes. Pursuant to the terms of the Schemes, the Company shall, among other things, negotiate, agree, enter into and consummate the sale for cash consideration of all the Group's offshore real estate projects on or before 20 March 2026 in order to redeem the Add Hero Notes.

In addition, it is in the interest of the Group to reduce the investment commitment required in respect of property development in Ontario of Canada. The Disposal would provide quick relief to the Group from the on-going funding of the M2M Project Phase 1 to completion and improve the overall financial position of the Group. After the Disposal, the Purchaser will be responsible for taking over the M2M Project Phase 1 in its final stage of development, managing the closing of the pre-sold units, selling the remaining inventory, as well as managing deficiencies and post-occupancy warranties.

LETTER FROM THE BOARD

Notwithstanding that the Company would record a loss on the Disposal of approximately CAD16.4 million (equivalent to approximately HK\$94.3 million), the Consideration represents a premium of approximately 5.6% over the Equity Value and the terms of the Disposal, as agreed upon by the Parties, are advantageous to the Group amid uncertain market conditions. The Parties currently anticipate a prompt completion following execution of the Agreement, with a view to ensuring a quick and efficient transaction process.

Having made prudent assessment on the above, the Directors are of the view that it would be beneficial for the Company and its stakeholders (including the Shareholders) as a whole to pursue the Disposal. The Directors are further of the view that the terms (including the Consideration) of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

10 LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain in respect of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

11 THE EGM

Set out on pages EGM-1 to EGM-2 of this circular is the notice of the EGM at which, inter alia, an ordinary resolution will be proposed to the Shareholders to consider and approve the Agreement and the transactions contemplated thereunder.

For the purpose of determining the Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 5 July 2024 to Wednesday, 10 July 2024, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfer of the Shares 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, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, not later than 4:30 p.m. on Thursday, 4 July 2024.

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://en.aoyuan.com.cn>). Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposited, 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 at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor

LETTER FROM THE BOARD

Services Limited, at Shops 1712-1716, 17/F, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the EGM (i.e. not later than 11:00 a.m. on Monday, 8 July) or any adjournment thereof (as the case may be). Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof if they so wish, and in such event, the form of proxy shall be deemed to be revoked.

None of the Directors had any material interest in the transactions contemplated under the Agreement and accordingly none of them was required to abstain from voting in the board resolutions in respect of the Agreement and the transactions contemplated thereunder.

12 RECOMMENDATION

The Board is of the view that the terms of the Agreement and the transactions contemplated thereunder, are on normal commercial terms and such terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution for approving the Agreement and the transactions contemplated thereunder to be proposed at the EGM.

13 ADDITIONAL INFORMATION

Your attention is also drawn to the appendices to this circular.

Shareholders and potential investors of the Company should note that completion of the Disposal is subject to the satisfaction or waiver (if applicable) of the Conditions. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours faithfully,
On behalf of the Board
China Aoyuan Group Limited
Guo Zi Wen
Chairman

1 FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for the three years ended 31 December 2023 were disclosed in the following documents which have been published on the website of the Company (<https://en.aoyuan.com.cn>) and the website of the Stock Exchange (www.hkexnews.hk):

- (i) Annual report of the Company for the year ended 31 December 2021 (pages 105 to 343) <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0727/2023072700223.pdf>
- (ii) Annual report of the Company for the year ended 31 December 2022 (pages 117 to 311) <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0727/2023072700231.pdf>
- (iii) Annual report of the Company for the year ended 31 December 2023 (pages 93 to 267) <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0430/2024043001121.pdf>

2 STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, details of the Group's indebtedness and contingent liabilities were as follows:

(i) Bank and other borrowings

The Group had bank and other borrowings of approximately RMB56,879 million, of which approximately RMB46,938 million was secured and guaranteed, approximately RMB9,630 million was secured or guaranteed, and approximately RMB311 million was unsecured and unguaranteed.

(ii) Senior notes and bonds

The Group had senior notes and bonds of approximately RMB25,199 million (inclusive of mandatory convertible bonds in the principal amount RMB1,016 million issued as part of the Restructuring), of which RMB19,130 million was secured and guaranteed by subsidiaries of the Company, RMB5,053 million was secured and unguaranteed, and RMB1,016 million was unsecured and unguaranteed.

(iii) Amounts due to non-controlling shareholders of subsidiaries

The Group had amounts due to non-controlling shareholders of subsidiaries of approximately RMB2,006 million, which were non-trade in nature, unsecured and unguaranteed.

(iv) Amounts due to joint ventures

The Group had amounts due to joint ventures of approximately RMB7,670 million, which were non-trade in nature, unsecured and unguaranteed.

(v) Amounts due to associates

The Group had amounts due to associates of approximately RMB1,181 million, which were non-trade in nature, unsecured and unguaranteed.

(vi) Lease liabilities

The Group had lease liabilities of approximately RMB1,479 million, which were unsecured and unguaranteed.

(vii) Contingent liabilities

The Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers and banking facilities granted to joint ventures and associates of the Group amounting to approximately RMB71,964 million.

Save for the aforesaid and apart from intra-group liability and normal trade payables in the ordinary course of business, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 30 April 2024.

3 WORKING CAPITAL

As at 30 April 2024, the bank and other borrowings of the Group was approximately RMB56,879 million and the senior notes and bonds of the Group was approximately RMB25,199 million (inclusive of mandatory convertible bonds in the principal amount RMB1,016 million issued as part of the Restructuring), of which approximately RMB50,913 million and approximately RMB1,157 million will be due for repayment within one year respectively. The Group had bank deposit balances of approximately RMB3,861 million, of which approximately RMB2,724 million was restricted cash. As at 30 April 2024, the bank and other borrowings of approximately RMB44,495 million was repayable on demand due to defaults or cross defaults in repayment. Such conditions indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

In preparing the working capital forecast for the Group for the 14 months ending 30 June 2025 (which covers the next 12 months from the date of publication of this circular), the Group was unable to obtain any legally binding agreements including: (i) written extension agreements with revised repayment schedule with relevant lenders in respect of overdue bank and other borrowings; (ii) written agreements with relevant lenders in respect of bank and other borrowings that they will not exercise their rights to demand immediate repayment of the relevant bank and other borrowings prior to their scheduled contractual

repayment dates, as triggered by cross-default derived from the non-payment of bank and other borrowings; (iii) confirmations on the renewal of existing loans which are yet due but will be due for repayment within the 14 months ending 30 June 2025. As such, based on the existing default/cross-default events, the Group was unable to confirm that it would have sufficient working capital for its present requirements for at least 12 months from the date of the publication of this circular as required under paragraph 30 of Appendix D1B to the Listing Rules.

The Group has the following plans to ensure that it would have sufficient working capital for at least the 14 months ending 30 June 2025:

- (i) The Group has been actively negotiating with various onshore lenders on the renewal and extension of borrowings. As at the date of approval of this circular, the Group has entered into contractual arrangements with certain onshore financial institutions to extend the maturity of existing onshore financing arrangements, involving onshore borrowings of approximately RMB16,739 million in principal amount. The Directors consider that the Group will be able to extend the repayment period for its other onshore financing arrangements;
- (ii) The Group has been actively exploring potential asset disposal opportunities to create liquidity for, inter alia, repayment of the various instruments which are issued pursuant to the Schemes;
- (iii) In order to ensure the stability and sustainable operation of the Group's business, the Group has consolidated and optimised resources to revitalise the construction and sales of its properties, reducing its operating expenses and improving the Group's liquidity position, including the following measures:
 - (a) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables;
 - (b) The Group has prioritised delivery of property development projects. As at the date of approval of this circular, majority of the Group's property development projects are progressing according to schedule, and the Group continues to ensure the completion and delivery of its property development projects;
 - (c) The Group will continue to adopt stringent cost control and actively implement additional measures to further reduce discretionary spending;
 - (d) The Group will continue to obtain support from its contractors and suppliers in completing its property development projects; and

- (iv) The Group has been proactive in seeking ways to settle the outstanding litigations of the Group. The Directors believed that the Group will reach an amicable solution to address claims and disputes where the outcome is not certain at this stage.

Taking into account the financial resources available to the Group, including the internally generated funds, the net proceeds from the Disposal and the existing borrowings, and based on the assumptions that the Group will be able to renew repayment schedules of bank and other borrowings as forecast and the relevant lenders of the existing bank and other borrowings will not exercise their rights to demand immediate repayment of the relevant borrowings prior to their scheduled contractual repayment dates, as triggered by cross-default derived from the non-payment of bank and other borrowings, in the absence of unforeseeable circumstances, the Directors, after due and careful consideration, are of the opinion that the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of publication of this circular.

In the event the above plans could not be effectively implemented or were not successful as expected, the Group will not have sufficient working capital for the next 12 months from the date of the publication of this circular. The Company will consider and seek for other appropriate alternative plan(s), including but not limited to potential equity or debt fund raising exercise, in order to ensure that the Group will have sufficient working capital.

The Company has obtained a letter on the working capital statement from its auditor as required under Rule 14.66(12) of the Listing Rules.

4 MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5 RECONCILIATION STATEMENT

The Company has engaged the Equity Value Independent Valuer, to determine the Equity Value as at 18 March 2024, the text of which is set out in Appendix III to this circular.

The table below sets forth the reconciliation between the net book value of the Phase 1 LP attributable to the M2M Project Phase 1 as reflected in the annual report of the Company for the year ended 31 December 2023 and the Equity Value as set out in Appendix III to this circular.

CAD

Net book value of the Phase 1 LP attributable the M2M Project Phase 1 as at 31 December 2023	84.4 million (equivalent to HK\$485.3 million)
Construction costs incurred for the period between 31 December 2023 and 18 March 2024	14.8 million (equivalent to HK\$85.1 million)
Decrease in cash and cash equivalents for the period between 31 December 2023 and 18 March 2024	-1.2 million (equivalent to HK\$6.9 million)
Construction loan incurred for the period between 31 December 2023 and 18 March 2024	-13.6 million (equivalent to HK\$78.2 million)
	<hr/>
Net book value of the Phase 1 LP attributable to the M2M Project Phase 1 as at 18 March 2024	84.4 million (equivalent to HK\$485.3 million)
Valuation deficit	-20.0 million (equivalent to HK\$115.0 million)
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Equity Value as at 18 March 2024	64.4 million (equivalent to HK\$370.3 million)
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6 FINANCIAL AND TRADING PROSPECT

After completion of the Disposal, the Group will continue to engage in the businesses of (i) development and sales of properties; (ii) lease of investment properties and (iii) hotel operation, provision of property management services, sales of goods and provision of cosmetic services.

In the first quarter of 2024, the Central Economic Work Conference and the Two Sessions proposed to optimize regulatory policies for the real estate industry while adapting to changes in supply and demand of the real estate market, in order to promote the stable and healthy development of the market and a new development model of real estate industry. Going forward, the Group will continue to accelerate the sales of its properties and speed up the collection of outstanding sales proceeds, at the same time consolidating resources for construction to enable the steady progress of property delivery. In addition, investment properties and hotel portfolio continue to show signs of recovery, and the Group will maintain and manage its investment properties and hotels in an efficient manner in order to generate recurring rental income and stable cash flow. For other business segment, the Group is actively seeking potential purchasers in respect of its non-core businesses and assets in order to generate additional cashflow and reduce liabilities. The completion of the Restructuring enables the Group to improve its net asset position significantly and reduce its financial pressure. The Group will closely monitor the economic and political situation and

take a cautious and prudent approach in cost management, operational efficiency and financial discipline. Adhering to a corporate culture of “Being Low-key, Pragmatic and Rational” and with a view to becoming a high-quality and professional player, the Group will continue to integrate resources and accelerate the recovery of its operations in order to create more value for its shareholders, potential investors and the society.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with its valuation of the M2M Project Phase 1 Buildings as at 18 March 2024.



Knight Frank
4/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

17 June 2024

The Board of Directors
China Aoyuan Group Limited
Unit 1901-02, 19th Floor
One Peking, No 1 Peking Road
Tsim Sha Tsui, Kowloon Hong Kong

Dear Sirs,

Property Held for Sale by the Group – Phase 1 of Nos. 5799 & 5915 Yonge Street and Nos. 46-47 Averill Crescent, Toronto, Canada (the “Property”)*

In accordance with the instructions from Aoyuan Property Holdings (Canada) Ltd. (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for us to value the Property in Canada for disposal purpose, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 18 March 2024.

Basis of Valuation

Our valuation is our opinion of the market value of the property interest, which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”.

Market value is understood as the value of an asset or liability estimated without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In preparing our valuation report, we have complied with the requirements contained within relevant provisions of Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, “The HKIS Valuation Standards 2020” issued by the Hong Kong Institute of Surveyors and “The RICS Valuation – Global Standards” issued by the Royal Institution of Surveyors.

Valuation Methodology

We have valued the Property by Market Approach and Income Approach with reference to available market comparable transactions and assumed sale of property interest with the benefit of vacant possession. We have also taken into account the estimated development costs and costs incurred as at the Valuation Date, etc as provided to us by the Group. In arriving at our valuation, we have adopted the Market Approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the developments.

We adopted Market Approach for the residential portion, as market comparable transactions are readily available for residential properties that are vacant. Market Approach is the most common and reliable valuation approach for valuing property by referencing to market comparable transactions of similar properties. We thus applied Market Approach to value the residential portion.

We adopted Income Approach for office the office portion and the retail portion. The office portion of the Property is located in a podium from level 3 to 7 underneath residential towers. The office block is unique in physical nature comparing to other office development in the area. Most of the office developments are low-rise single office blocks or high-rise office buildings with curtain wall. Comparable sale transactions of similar office blocks are not available in the locality. Therefore, rental comparables which could reflect the market demand of the subject office portion are considered to be more appropriate to represent the market value of the Property. The retail portion of the Property is leased with contractual rental income. Income Approach reflecting the rental income of the retail portion during the lease term is thus the appropriate method.

Title Documents and Encumbrances

We have not caused land search for the Property valued and have been provided by the Group with copies of extracts of title documents relating to the Property. The title owner of the Property is 2591260 Ontario Inc., which is a wholly-owned subsidiary of Ontario Aoyuan Property Limited. However, we have not inspected the original documents to verify

ownership or to verify any amendments, which may not appear on the copies handed to us by the Group. In the course of our valuation, we have relied on the information given by the Group regarding the title and other legal matters relating to the Property. We have no reason to doubt the truth and accuracy of the information provided to us by you which is material to the valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Source of Information

We have relied to a considerable extent on the information given by the Group, including but not limited to total budget, cost to complete, completion date of buildings, list of sold units, list of inventory units, lease agreement, development approval, land title report and lien charges, etc. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, completion date of the buildings, particulars of occupancy, tenancy particulars, site and floor areas, and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the correctness of the site and floor areas of the Property and we have assumed that the site and floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

Inspection and Structural Condition

The Property was inspected by our Clement Leung MFin MCIREA MHKIS MRICS RPS (GP), on June 5, 2024. However, we have not carried out site investigations to determine the suitability of ground conditions and services, etc. We reviewed the architectural field review report dated 6 April 2024, and the mechanical and electrical field review report dated 6 March 2024 to investigate the building conditions and the mechanical and electrical progresses. Our valuation is prepared on the assumptions that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Identity of Property to be valued

We exercised reasonable care and skill (but will not have an absolute obligation to the Group) to ensure that the Property, identified by the property address in the instructions, is the Property inspected by us and contained within our valuation report.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property have been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Remarks

We have prepared the valuation based on the information and data available to us as at the valuation date. While the current market is influenced by various policies and regulations, increased global conflicts could add further fluctuations in real estate market. It must be recognised that enactment of emergency measures, changes in mortgage requirements or international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the valuation date may affect the value of the Property.

We have no present or prospective interest in the Property that is the subject to this report, and have no personal interest or bias with respect to the parties involved.

Currency

Unless otherwise stated, all money amounts stated are in Canadian Dollar (CAD).

Our valuation report is attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Clement W M Leung MFin MCIREA MHKIS MRICS RPS (GP)
RICS Registered Valuer
Executive Director, Head of China Valuation & Advisory

Remarks: Clement W M Leung, is a qualified valuer (MCIREA MHKIS MRICS RPS (GP)) and has more than 30 years' experience in valuation of properties in Hong Kong, the People's Republic of China, the Asia Pacific Region, the United States of America and Canada. In this valuation, Clement Leung conducted site inspection and the valuation was completed with the assistances from a valuer from Cushman & Wakefield Toronto office being as qualified AACI, P.App. Canadian valuer.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 18 March 2024
Phase 1 of Nos. 5799 & 5915 Yonge Street and Nos. 46-47 Averill Crescent, Toronto, Canada	<p>The property comprises Phase 1 of a parcel of mixed-use development land with a site area of approximately 28,659.61 sq m which will be developed into 3 phases (the “Development”).</p> <p>The Development is located in Newtonbrook neighbourhood (C14 ward), North York, in the north end of Toronto. The area is characterized as a mix of commercial and residential uses. The neighbourhood features a variety of housing options, including single-family homes, townhouses, condominiums.</p> <p>Planning of the Phase 1 of the Development is approved by City of Toronto for two mixed-use towers of 36 and 34 storeys connected by a podium. As at the effective date of this appraisal, the development has secured all land use planning applications.</p> <p>The property comprises two mixed-use towers with a total of 808 residential units, one with 36-storey (Tower A) and the other one with 34-storey (Tower B) erected over a podium and four car parking basements.</p> <p>The podium comprises 5 office levels, a ground retail level, residential floors and 25 townhouses on Level 1 to Level 6.</p> <p>The property comprises a total gross floor area of approximately 766,788 sq ft and the area breakdown is listed as follows:</p>	<p>The property is under construction and substantially completed. According to the Group, the construction of the project is 93% complete and is expected to be completed in 6 to 9 months from the valuation date.</p> <p>The retail portion is subject to a lease agreement with a supermarket tenant, H-Mart, and commences from 1 April 2024 with the following lease terms and net rates: 1st to 5th year – CAD40 per sq ft 6th to 10th year – CAD45 per sq ft 11th to 15th year – CAD50 per sq ft</p> <p>After the 15th year of the lease, the tenant has the right to extend this lease for two further periods of five years each with the then market net rates.</p> <p>The property is subject to no other lease agreement.</p>	<p>CAD425,400,000 (CANADIAN DOLLARS FOUR HUNDRED TWENTY FIVE MILLION AND FOUR HUNDRED THOUSAND ONLY)</p>

Use	Approximate Gross Floor Area (sq ft)
Residential	689,202
Retail	35,263
Office	42,323
Total	<u>766,788</u>

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 18 March 2024
	The car park basement also comprises 968 car parking spaces.		
	The property is held under a freehold estate.		

Notes:

- The property is currently owned by 2591260 Ontario Inc.
- As advised by the Group, a portion of residential units with a total salable floor area of 536,245 sq ft, 541 units of residential parking and 661 units of lockers of the property have been pre-sold at a total consideration of CAD57,968,996 (the “**Presold Portion Value**”). As the pre-sold units were sold to independent purchasers in the open market, and the Presold Portion Value is a fixed contracted value, therefore we consider the Presold Portion Value to reflect the market value of the property as is. According to the Group’s instruction, we have taken the pre-sold units into consideration in the course of our valuation.
- The breakdown of the un-sold portion with market value is listed below.

	No. of units	Unit price (CAD per sq ft)	Average unit size (sq ft)	Market Value (CAD)
Residential Units	52	690	1,113	39,917,190
Retail	1	650	30,000	19,500,000
Office	1	200	29,340	5,868,000

- As advised by the Group, the construction cost incurred and the projected outstanding cost of the property as at the valuation date were approximately CAD368,242,000 and CAD51,000,000 respectively. Accordingly, we have taken into account the aforesaid cost in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming they were completed as at the valuation date, was estimated approximately as CAD606,900,000 (the “**Gross Development Value**”).

The Gross Development Value is derived by summation of the 100% Presold Portion Value and 75% of the market value of unsold portion. An en-bloc discount of 25% has been applied to reflect the single transaction for the Group to effectively dispose of all the unsold portion.

As advised by the Group, the projected outstanding cost of CAD51,000,000 (the “**Outstanding Costs**”) mainly consists of the cost to complete construction work of CAD23,800,000, the unpaid sales commission to real estate agents of CAD14,700,000, construction financing costs of CAD8,300,000, contingency of CAD1,300,000 and other outstanding costs.

- The Market Value of the property CAD425,400,000 is derived from the Gross Development Value less 8.6% sales tax, less the Outstanding Costs, less a developer’s profit and/or risk discount factor of 10%, then applied the time discount to achieve the present value.

The property is still under construction and anticipated to be complete in December 2024. To reflect the un-completed status of the property, a developer’s profit and/or risk discount of 10% is allowed to reflect the profit and risk factor in converting the property to completed status.

The present value factor is 0.9286 by adopting a time discount rate of 9.75% per annum for approximately 9 months counting from the valuation date to the estimated completion date of the property in December 2024.

6. According to the information provided, the property is subject to the following mortgages.

Registration Date	Chargor(s)	Chargee(s)	Amount
May 28, 2018	2591260 Ontario Inc.	HSBC Bank Canada	\$110,000,000
March 28, 2019	2591260 Ontario Inc.	Travelers Insurance Company of Canada	\$125,000,000
March 4, 2020	2591260 Ontario Inc.	HSBC Bank Canada	\$450,000,000
February 15, 2024	2591260 Ontario Inc.	Torino Drywall Inc. (Construction Lien)	\$4,500,602
March 1, 2024	2591260 Ontario Inc.	Premform Construction Ltd. (Construction Lien)	\$6,319,051
		Total	\$695,819,653

7. According to the Statement of Approval for site plan issued by City of Toronto on May 31, 2023, M2M Phase 1 is approved for two mixed-used towers of 34 and 36 storeys connected by a podium with a total of 808 residential units, with a total gross floor area of 71,236 square metres, of which 64,029 square metres will be for residential uses, 3,276 square metres for retail uses, and 3,932 square metres will be for office uses, as per the proposed plans and drawings.
8. Pursuant to the conditional share purchase agreement entered into between the Company and Winnet Capital Ltd. dated May 13, 2024, certain shares of Ontario Aoyuan Property Limited, representing the entire economic interest in the M2M Project Phase 1, was sold at a total consideration of CAD68,000,070.
9. We have prepared our valuation based on the following assumptions:
- The property has a proper legal title;
 - All land premium and other costs of resettlement and public utilities services have been fully settled;
 - The property is free and clear of any environmental contaminations; and
 - The construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities.
10. In the valuation, we have considered the following comparables in the vicinity.

Residential

Address	Transaction Date	Unit Size (sq ft)	Sale price (CAD)	Unit price (CAD per sq ft)
28 Pemberton Ave 1000, Toronto	5/13/2024	1,000-1,199	670,000	609
35 Finch Ave E 2205, Toronto	2/7/2024	1,000-1,199	750,000	682
35 Finch Ave E 25025, Toronto	5/13/2024	1,000-1,199	780,000	709
35 Finch Ave E 905, Toronto	5/03/2024	1,000-1,199	770,000	700
5793 Yonge St Ph202, Toronto	3/14/2024	1,000-1,199	805,000	732

While the remaining unsold residential units of the property are substantially completed with relatively large areas (average saleable area is 1,113 sq ft per unit), we have selected all the completed residential condominium units sold from January 2024 to May 2024 in Newtonbrook East neighbourhood of North York, Toronto with similar size to the subject units as comparables. Those transacted units range approximately from 1,000 sq ft to 1,199 sq ft, and the transacted unit price ranges from CAD609 per sq ft to CAD732 per sq ft (on a saleable floor area basis).

Office

Subject office is located in a podium from level 3 to 7 underneath residential towers. The office (undivided with a total of 29,340 sq sf leasable area) will be leased unfinished.

In the course of our valuation for the office portion, we have identified and considered rental transactions of office units within North York, Toronto which is the subject locality.

Address	Date of Commencement of Lease	Unit Size (sq ft)	Net rent (CAD per sq ft)
5775 Yonge Street, Suite 1805, Toronto	1/1/2024	1,366	19.50
30 Lesmill Rd 5, Toronto	6/1/2024	2,900	19.95
26 Lesmill Rd 1B, Toronto	8/1/2023	2,852	12.00
1446 Don Mills Rd 240, Toronto	1/1/2024	6,649	11.00

We have chosen the recent comparables dated close to the valuation date in between August 1, 2023 and June 1, 2024. The comparable office unit size ranges from 1,366 sq ft to 6,649 sq ft with unit rent ranging from CAD11.00 per sq ft to CAD19.95 per sq ft (on a leasable floor area basis). Although the total approximate gross floor area for office use in the property is approximately 42,323 sq ft, the office portion of the property could be divided into smaller units similar to the comparables. Therefore, we consider the comparables to be appropriate.

In the course of our valuation, we adopted capitalization rate of 7.5% for office portion, which is in line with the Q1 2024 research reports from Colliers International and CBRE Group Inc, with the office cap rates in Toronto at 6.5%-7.5% and 8.0%, respectively.

Retail

The subject retail space (only one unit with leasable area 30,000 sq ft) is on ground floor which is currently being leased to a supermarket for 15 years subject to further renewal terms, with net rent of CAD40 per sq feet per annum for year 1-5, CAD45 for year 6-10 and CAD50 for year 11-15.

Therefore, leases to supermarkets are selected as comparables. While availability of supermarket rental comparables is limited, we have identified and considered rental transactions of supermarkets within the Greater Toronto Area, leased in the past 5 years. The sizes of the comparables are relatively similar to subject property.

Address	Unit Size (sq ft)	Contracted Net Rent (CAD per sq ft)
2150 McNicoll Avenue, ON M1V 0E3 (Supermarket)	60,832	37.37
93 Laird Dr, East York, ON M4G 3V1 (Supermarket)	28,780	40.62
3275 Hwy 7, Markham, ON L3R 3P9 (Supermarket)	47,716	35.67

In the course of our valuation, we adopted capitalization rate of 6.5% for retail portion, which is in line with the Q1 2024 research reports from Colliers International and CBRE Group Inc, with the retail cap rates in Toronto at 5.5%-6.5% (grocery stores) and 6.5%, respectively.

APPENDIX III VALUATION REPORT ON THE ENTIRE ECONOMIC INTEREST IN THE M2M PROJECT PHASE 1

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Asset Appraisal Limited, an independent valuer, in connection with its valuation of the entire economic interest in the M2M Project Phase 1 as at 18 March 2024.



Knight Frank
4/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

17 June 2024

The Board of Directors
China Aoyuan Group Limited
Unit 1901-02, 19th Floor
One Peking, No 1 Peking Road
Tsim Sha Tsui, Kowloon Hong Kong

Dear Sirs,

VALUATION OF 100% ECONOMIC INTEREST IN M2M PROJECT PHASE I

In accordance with your instructions, we have undertaken a valuation on behalf of China Aoyuan Group Limited (“**China Aoyuan**” or the “**Client**”) to determine the market value of 100% economic interest in M2M Project Phase I (“**M2M Project Phase I**”) under 5799 Yonge Street Limited Partnership (“**Partnership**”) as of 18 March 2024 (the “**Valuation Date**”).

The valuation will be used as reference on the circular dated 17 June 2024 (the “**Circular**”) in regard to the possible disposal of the interest in M2M Project Phase I (the “**Possible Disposal**”). The valuation and findings in this report will be used for the abovementioned purpose only.

Basis of Valuation

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”.

APPENDIX III VALUATION REPORT ON THE ENTIRE ECONOMIC INTEREST IN THE M2M PROJECT PHASE 1

We have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. Our valuation was performed so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

Scope of Work

In conducting the valuation, we have

- coordinated with the Client or its representatives for the purposes of obtaining such information and documents as required for the valuation;
- discussed with the Client or its representatives in order to understand the background and rationale of the valuation assignment;
- discussed with the Client or its representatives and analyze financial information of the Partnership;
- conducted our valuation analysis based on our findings and understanding from the Client or its representatives; and
- prepared our valuation report, detailing our investigations, analysis, methodologies and assumptions which have been based upon in arriving at our opinion of value.

Sources of Information

Our valuation analysis is based on our discussion with the management of the Client during the course of our engagement and we have considered, reviewed and relied on the information provided and the publicly available sources. Major sources of information include the following:

- The Client's announcement relating to the major transaction – disposal of interest in the target group dated 13 May 2024 (“**Announcement**”);
- Financial statements of the Partnership as of the Valuation Date (“**Management Accounts**”);
- Property valuation report prepared independently by Knight Frank Petty Limited (“**Property Valuation**”) as incorporated in Appendix II of the Circular;
- Valuation report regarding the interest of the M2M Project as of 31 December 2023 as prepared by PricewaterhouseCoopers Inc.; and
- Corporate structure of Ontario Aoyuan Property Limited (the “**Target Company**”).

APPENDIX III VALUATION REPORT ON THE ENTIRE ECONOMIC INTEREST IN THE M2M PROJECT PHASE 1

Background

According to the Announcement, the Possible Disposal refers to the selling of the TS 1 tracking shares of the Target Company, representing 100% of the economic interest in the M2M Project Phase 1 with a total consideration of Canadian Dollars (CAD)68,000,070. The Target Company is a company incorporated under the laws of Ontario of Canada with limited liability and is a wholly-owned subsidiary of the Client.

The M2M Project is located at 5799 Yonge Street in Toronto, Ontario and is being developed in three phases. M2M Project Phase 1 consists of a 34-storey tower and a 36-storey tower rising from a shared 8-storey podium. The podium will include retail and commercial space. M2M Project Phase 2 comprises two towers, a 34-storey tower and a 40-storey tower rising from a 9-storey podium. The podium will include retail and commercial space, in the case of the M2M Project Phase 2 only, a community recreation facility. The M2M Project Phase 3 has been approved for the construction of a multi-storey mixed use building.

According to the Announcement, the Partnership is a limited partnership formed under the laws of Ontario of Canada, which is principally engaged in property development in Canada and one of the developers of the M2M Project. The issued units of the Partnership are owned as to 99.99% by the Target Company.

Valuation Approaches

The value of an asset, business or business interest can be conducted by one or more of the three generally accepted valuation approaches: asset-based approach, market approach and income approach.

Asset Approach

A general way of estimating the value of a business and/or equity interest using methods based on the market value of individual business assets less liabilities. It is founded on the principle of substitution, i.e. an asset is worth no more than it would cost to replace all of its constituent parts.

Market Approach

A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised asset relative to market comparables. For the market approach to be used, a sufficient number of comparable companies to make comparisons must be available, with the industry composition must be similar such that meaningful comparisons can be made.

APPENDIX III VALUATION REPORT ON THE ENTIRE ECONOMIC INTEREST IN THE M2M PROJECT PHASE 1

Income Approach

This approach focuses on the economic benefits generated by the income producing capability of an enterprise. The underlying theory of this approach is that the value of an enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Among the three approaches, we considered the income approach as not an adequate approach for this valuation because this involves a lot of assumptions and estimates while not all of the assumptions and estimates can be easily quantified or reliably measured, and there is no sufficient information to allow detailed planning for reliable positive profit or cash-flow projections. We also considered that the market approach as not applicable for the valuation, as there are insufficient relevant comparable companies or market transactions available in the marketplace. Thus, we determined that the asset approach was the most appropriate valuation approach to value the equity interest in the M2M Project Phase 1 under the Partnership. The adjusted net assets value method under the asset approach is applied in the valuation.

General Assumptions

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of assumptions have been made in our valuation analysis and in the preparation of the reported assessed figures. The assumptions are:

- The Client has appointed Knight Frank Petty Limited to perform the valuation of the properties in the M2M Project Phase 1, which we have adopted in the valuation of the economic interest in the M2M Project Phase 1 under the Partnership. Our scope of work does not cover the independent review and verification of the Property Valuation. Should the result of the Property Valuation changes, our valuation would be changed accordingly;
- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation;
- There will be no major changes in the current taxation law in the areas in which the Target Company or the Partnership conducting its operation, including the rate of tax payable and all applicable laws and regulations remains unchanged;
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing;
- There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;

APPENDIX III VALUATION REPORT ON THE ENTIRE ECONOMIC INTEREST IN THE M2M PROJECT PHASE 1

- The Target Company or the Partnership will remain free from claims and litigation against the business or their customers that will have a material impact on value;
- The Target Company or the Partnership is unaffected by any statutory notice and that operation of the Target Company or the Partnership gives, or will give, no rise to a contravention of any statutory requirements;
- The Target Company or the Partnership is not subject to any unusual or onerous restrictions or encumbrances;
- The potential bad debt arising from the operation of the Target Company or the Partnership, if any, will not materially affect the business operations.

Valuation Methodologies

In this valuation exercise, we utilize the adjusted net assets method under the Asset Approach to determine the equity value of the M2M Project Phase 1 under the Partnership. Under this method, we start with the reported book value of assets and liabilities and then adjust the book value of individual assets and liabilities, where necessary, to market value.

According to the Management Accounts, total assets and total liabilities attributable to the M2M Project Phase 1 under the Partnership as of the Valuation Date are amounted to CAD498,685,681 and CAD414,246,964, respectively, resulting in an equity interest of CAD84,438,717.

Key inputs and adjustments

The following summarizes the adjustments, if any, made to the assets and liabilities attributable to the M2M Project Phase 1 under the Partnership:

Property under development

According to the Management Accounts, the major asset is the property under development (“**PUD**”) which refers to the M2M Project Phase 1 and was amounted to CAD427,576,353, representing approximately 86% of the total assets. We have made reference to the Property Valuation and we have adopted the estimated market value of CAD425,400,000 as the adjusted value for the PUD. The valuation procedures and assumptions can be found in Property Valuation.

Harmonized sales tax and other receivables

According to the Management Accounts, Harmonized Sales Tax (HST) and Other Receivables was amounted to CAD3.47 million, in which according to the management of the Client, the refund of CAD1.8 million of spending for City of Toronto was not expected to recover. In this regard, these receivables were written off in this valuation.

APPENDIX III VALUATION REPORT ON THE ENTIRE ECONOMIC INTEREST IN THE M2M PROJECT PHASE 1

Bank balances and cash, deposits held in trust and restricted cash

According to the Management Accounts, bank balances and cash, deposits held in trust and restricted cash were amounted to CAD52,864,718. Since these items are in the form of money and are the most liquid asset, we have not made any adjustment and we have adopted the book value as its market value as at the Valuation Date.

Deferred sales commissions, prepaid expenses and deposits

According to the Management Accounts, deferred sales commissions, prepaid expenses and deposits were amounted to CAD14,777,316, representing the sales commissions paid to the real estate agents. We have assumed that no material errors in the accounting record as at the Valuation Date and therefore we have not made any adjustment to the item.

Amount due to related party

According to the Management Accounts, amount due to related party were amounted to CAD8,079 which was insignificant and therefore no adjustment was made and the book value as at the Valuation Date was adopted as its market value in the valuation.

Bank borrowings

According to the Management Accounts, bank borrowings were amounted to CAD277,765,230. It represents the amount of construction loan borrowed for the M2M Project Phase 1. No adjustment was made and the book value as at the Valuation Date was adopted as its market value in the valuation.

Deposits on real estate sales

According to the Management Accounts, deposits on real estate sales were amounted to CAD100,264,842. It represents the amount of deposits received from purchasers in relation to sales of the condo units. We have assumed that no material errors in the accounting record as of the Valuation Date and therefore we have not made any adjustment to the item.

Account payable and accrued liabilities

According to the Management Accounts, account payable and accrued liabilities were amounted to CAD36,208,813, representing the amount of construction work done by contractors but not yet paid; and the holdback payable amount to be released to contractors at project completion. These liabilities are settled either on demand or in short period of time and no material timing difference was noted. No adjustment was made and the book value as at the Valuation Date was adopted as its market value in the valuation.

APPENDIX III VALUATION REPORT ON THE ENTIRE ECONOMIC INTEREST IN THE M2M PROJECT PHASE 1

Discount for lack of marketability

Discount for lack of marketability (“**DLOM**”) reflects the ability of converting shares into immediate cash and is normally applied to the valuation of privately held companies. Compared to publicly listed companies, private companies do not have a known market price and is not readily marketable. Therefore, a privately held company is theoretically worth less than a public company with the same business, given other things being the same.

In determining the DLOM for the M2M Project Phase 1 under the Partnership, we have taken into account the business nature and the convertibility of the controlling interest of the M2M Project Phase 1. In addition, we have made reference to the report “Stout Restricted Stock Study Companion Guide (2023 Edition)” prepared by Stout Risius Ross, LLC, in which an average marketability discount of 20.5% is suggested. In view of the above, we adopted a DLOM of 20% in the valuation.

Market Value of M2M Project Phase 1 under the Partnership

The book value and the adjusted net assets value of the M2M Project Phase 1 under the Partnership as of the Valuation Date was illustrated as follows:

	Book Value (CAD)	Adjustments	Market Value (CAD)
Assets			
Bank balances and cash	15,036,086	–	15,036,086
Deposits held in trust	33,444,860	–	33,444,860
Restricted cash	4,383,772	–	4,383,772
Harmonized sales tax and other receivables	3,467,294	(1,800,000)	1,667,294
Prepaid expenses and deposits	14,777,316	–	14,777,316
Property under development	<u>427,576,353</u>	<u>(2,176,353)</u>	<u>425,400,000</u>
Total Assets	<u>498,685,681</u>	<u>(3,976,353)</u>	<u>494,709,328</u>
Liabilities			
Due to related party	(8,079)	–	(8,079)
Bank borrowings	(277,765,230)	–	(277,765,230)
Deposits on real estate sales	(100,264,842)	–	(100,264,842)
Accounts payable and accrued liabilities	<u>(36,208,813)</u>	<u>–</u>	<u>(36,208,813)</u>
Total liabilities	<u>(414,246,964)</u>	<u>-</u>	<u>(414,246,964)</u>
Net assets	84,438,717	(3,976,353)	80,462,364
Discount for lack of marketability			<u>(16,092,473)</u>
Market value as of Valuation Date			64,369,891
Market value as of Valuation Date, rounded			64,400,000

APPENDIX III VALUATION REPORT ON THE ENTIRE ECONOMIC INTEREST IN THE M2M PROJECT PHASE 1

Limiting Conditions

- The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.
- As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.
- We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.
- Knight Frank Asset Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.
- No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.
- Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
- We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.
- This valuation report has been prepared solely as reference on the Circular only.
- This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this valuation report is only for the purpose of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

APPENDIX III VALUATION REPORT ON THE ENTIRE ECONOMIC INTEREST IN THE M2M PROJECT PHASE 1

Remarks

Unless otherwise stated, all money amounts stated are in Canadian Dollar (CAD).

We have no present or prospective interest in the Partnership that is the subject of this report and have no personal interest or bias with respect to the parties involved.

Opinion of Value

Based on our analysis, it is our opinion that as of the Valuation Date, we are of the opinion that the market value of 100% economic interest of the M2M Project Phase I under the Partnership is reasonably represented in the amount of **CANADIAN DOLLARS SIXTY FOUR MILLION FOUR HUNDRED THOUSAND ONLY (CAD64,400,000)**.

Yours faithfully

For and on behalf of

Knight Frank Asset Appraisal Limited

Andrew C L Chan

CFA FRM MBA

Director

Corporate Valuation & Advisory

Clement W M Leung

MFin MCIREA MHKIS MRICS RPS (GP)

Executive Director

Head of China Valuation & Advisory

Notes:

1. Clement W M Leung, is a qualified valuer and has more than 30 years' experience in valuation of properties in Hong Kong, the People's Republic of China, the Asia Pacific Region, the United States of America and Canada.
2. Andrew C L Chan CFA FRM MBA has over 22 years' experience in corporate valuation, investment and financial analysis and has been participating in various valuation projects in the People's Republic of China, Hong Kong and Singapore.

1 RESPONSIBILITY STATEMENT

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

2 DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the beneficial interests and short positions of the Directors, chief executive and supervisors of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO), which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the shares, underlying shares and debentures of the Company

Name	Personal interest	Corporate interest	Total number of Shares interested	Approximate percentage of interests (%)
Mr. Guo Zi Wen	-	1,339,205,669 ^(Note1)	1,339,205,669	35.54%
Mr. Chen Zhi Bin	1,250,000	-	1,250,000	0.03%
Mr. Cheng Siu Fai	100,000	-	100,000	0.003%

Notes:

- 1,073,481,106 ordinary shares are registered in the name of Ace Rise Profits Limited while 265,724,563 ordinary shares are registered in the name of Joy Pacific Group Limited. Ace Rise Profits Limited is owned as to 90% by Joy Pacific Group Limited (which in turn is wholly owned by Sturgeon Limited) and as to 10% by Hopka Investments Limited. Sturgeon Limited is wholly-owned by Arowana Holdings Limited, as nominee for First Advisory Trust (Singapore) Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. The settlors of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner.
- Based on the Company's total number of 3,768,321,547 issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the directors, chief executive or supervisors of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3 SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, so far as the Directors are aware, there were no persons (other than directors, chief executive and supervisors of the Company) who held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO:

Long positions in shares of the Company

Name of shareholder	Capacity	Total number of Shares interested	Approximate percentage of interests (%)
Ace Rise Profits Limited ^(Note 1)	Beneficial owner	1,073,481,106	28.49%
Joy Pacific Group Limited ^(Note 1)	Interest of controlled corporation/ Beneficial owner	1,339,205,669	35.54%
Sturgeon Limited ^(Note 1)	Interest of controlled corporation	1,339,205,669	35.54%
Arowana Holdings Ltd. ^(Note 1)	Interest of controlled corporation	1,339,205,669	35.54%
First Advisory Trust (Singapore) Limited ^(Note 1)	Trustee	1,339,205,669	35.54%
Ms. Jiang Miner ^(Note 1)	Settlor of The Golden Jade Trust	1,339,205,669	35.54%
GIC Private Limited ^(Note 2)	Interest of controlled corporation / Investment manager	339,584,895	9.01%

Notes:

- 1,073,481,106 ordinary shares are registered in the name of Ace Rise Profits Limited while 265,724,563 ordinary shares are registered in the name of Joy Pacific Group Limited. Ace Rise Profits Limited is owned as to 90% by Joy Pacific Group Limited (which in turn is wholly owned by Sturgeon Limited) and as to 10% by Hopka Investments Limited. Sturgeon Limited is wholly-owned by Arowana Holdings Limited, as nominee for First Advisory Trust (Singapore) Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. The settlors of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner.
- 276,993,293 ordinary shares are held by GIC Private Limited as investment manager, while 62,591,602 shares are registered in the name of Deltabona Investment Pte. Ltd. (which in turn is wholly owned by Deltavest Pte. Ltd.), while Deltavest Pte Ltd. is wholly owned by Eurovest Pte Ltd. (which is wholly owned by GIC Private Limited).
- Based on the Company's total number of 3,768,321,547 issued Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, so far as was known to the Directors, no Director or proposed Director is a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4 COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business that competed or was likely to compete with the business of the Group.

5 SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

6 INTEREST OF DIRECTORS IN THE GROUP'S ASSETS

As at the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2023, the date to which the latest published audited accounts of the Group have been made up.

7 INTERESTS OF DIRECTORS IN CONTRACTS

The Directors confirm that there was no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested which was significant in relation to the business of the Group.

8 MATERIAL CONTRACT

Save for the restructuring support agreement (the “**RSA**”) entered into by the Company and its creditors, the key terms of which are disclosed in the announcements of the Company dated 2 July 2023 and 11 July 2023, there are no contracts that are or may be material, not being contracts entered into during the ordinary course of business, which have been entered into by the Group within the two years immediately preceding the Latest Practicable Date.

The RSA formed the basis of the implementation of the Restructuring, which was effected through a series of inter-locking and inter-conditional schemes of arrangement in Hong Kong, the Cayman Islands and the British Virgin Islands. Under the Schemes, in consideration of the release of claims against the Company and its offshore subsidiaries in respect of certain material offshore indebtedness, the Group issued various securities in favour of the Scheme creditors, including new Shares, the Add Hero Notes, payment-in-kind debt instruments, mandatory convertible bonds and perpetual securities issued by the Company. Pursuant to the RSA, each eligible creditor was entitled to, among other things, an RSA fee equal to 0.25% of the aggregate eligible debt held by such creditor as at the record date and payment-in-kind debt instruments issued by the Company. The Restructuring was consummated on 20 March 2024.

9 LITIGATION

As at the Latest Practicable Date, the Group had the following significant litigations which remained outstanding:

- (i) two PRC banks as claimants filed a lawsuit against the Group in relation to a contractual dispute over certain loan arrangement with a claimed amount of approximately RMB994 million;
- (ii) an equity investment company as claimant filed a lawsuit against the Group in relation to a contractual dispute over certain loan arrangement with a claimed amount of approximately RMB468 million;
- (iii) an asset management company and a trust company as claimants filed a lawsuit against the Group in relation to a contractual dispute over certain loan arrangement with a claimed amount of approximately RMB792 million;
- (iv) an equity investment company as claimant filed a lawsuit against the Group in relation to a contractual dispute over certain loan arrangement with a claimed amount of approximately RMB2,129 million;
- (v) a PRC bank as claimant filed a lawsuit against the Group in relation to contractual disputes over certain loan arrangements with an aggregate claimed amount of approximately RMB1,012 million;
- (vi) a PRC bank as claimant filed a lawsuit against the Group in relation to contractual disputes over certain loan arrangements with an aggregate claimed amount of approximately RMB642 million; and
- (vii) a property development company as claimant filed a lawsuit against the Group in relation to a contractual dispute over certain loan arrangement with a claimed amount of approximately RMB515 million.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any other company in the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against either the Company or any other company in the Group.

10 EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:–

Name	Qualification
Knight Frank Asset Appraisal Limited	Independent professional valuer
Knight Frank Petty Limited	Independent professional valuer

As at the Latest Practicable Date, the experts were not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, the experts did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Group or are proposed to be acquired or disposed of by or leased to the Group since 31 December 2023, being the date up to which the latest published audited consolidated accounts of the Company were made up.

As at the Latest Practicable Date, the experts have given and have not withdrawn their respective written consent to the issue of this circular with the inclusion of and reference to its name and statements in the form and context in which it appears.

11 MISCELLANEOUS

- (i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (ii) The principal place of business of the Company in Hong Kong is Units 1901-2, 19th Floor, One Peking, No. 1 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (iii) The Company's branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (iv) The company secretary of the Company is Ms. Wong Mei Shan. She is a certified public accountant and a fellow member of Hong Kong Institute of Certified Public Accountants, with over 10 years of experience in company secretarial, corporate governance and compliance affairs. She holds a bachelor of business administration degree in accounting from the Hong Kong University of Science and Technology and a bachelor of laws degree from the University of London.

- (v) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

12 DOCUMENTS ON DISPLAY

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

- (i) the Agreement;
- (ii) the letters of consent from each of the experts as referred to in paragraph headed “10 Experts’ qualifications and consents” in this appendix;
- (iii) the property valuation report on the M2M Project Phase 1 Buildings, the text of which is set out in Appendix II to this circular; and
- (iv) the valuation report on the entire economic interest in the M2M Project Phase 1, the text of which is set out in Appendix III to this circular.

NOTICE OF EGM



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 THE SECOND EXTRAORDINARY GENERAL MEETING 2024

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting 2024 (the “**EGM**”) of China Aoyuan Group Limited (the “**Company**”) will be held at 24th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong on Wednesday, 10 July 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

1 **“THAT**

- (a) the agreement (the “**Agreement**”) proposed to be entered into between Aoyuan Property Holdings (Canada) Ltd. (the “**Vendor**”) and Winnet Capital Ltd. (the “**Purchaser**”) in relation to, among other matters, the proposed disposal by the Vendor of 70 Class B common shares and 68,000,000 M2M Project Phase 1 tracking shares (the “**TS1 Shares**”) in Ontario Aoyuan Property Limited (the “**Target Company**”), with the TS1 Shares representing 100% of the economic interest in the M2M Project Phase 1 in Toronto, Ontario, Canada, subject to the shareholders agreement to be entered into among the Purchaser, the Vendor and the Target Company, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Agreement and any of the transactions contemplated thereunder including but not limited to the Agreement.”

On behalf of the Board
China Aoyuan Group Limited
Guo Zi Wen
Chairman

Hong Kong, 17 June 2024

NOTICE OF EGM

Registered Office:

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

Principal Place of

Business in the PRC:
Aoyuan Mansion
No. 108, Huangpu Avenue West
Tianhe District, Guangzhou
PRC

Principal Place of

Business in Hong Kong:

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

Notes:

- (i) 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.
- (ii) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/its. 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.
- (iii) In order to be valid, a form of proxy 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, Wan Chai, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. not later than 11:00 a.m. on Monday, 8 July) or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish and, in such event, the form of proxy shall be deemed to be revoked.
- (iv) The transfer books and register of shareholders will be closed from Friday, 5 July 2024 to Wednesday, 10 July 2024, both dates inclusive, in order to determine the entitlement of shareholders to attend and vote at the above meeting, during which period no share transfers can be registered. All transfers 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, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 4 July 2024, in order to qualify for attending and voting at the EGM.
- (v) 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. Chen Zhi Bin, Mr. Tan Yi and Mr. Cheng Siu Fai; and the independent non-executive directors are Mr. Cheung Kwok Keung, Mr. Lee Thomas Kang Bor and Mr. Wong Wai Keung Frederick.