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奧園健康生活集團有限公司

AOYUAN HEALTHY LIFE GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3662)

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

REVISION OF ANNUAL CAPS UNDER THE 2021 SUPPLEMENTAL AGREEMENTS

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

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

As it is expected that the actual transaction amounts for the provision of the Relevant Services will exceed the existing annual caps provided under the relevant 2021 Master CCT Agreements, on 4 June 2021 (after trading hours), the Company (for itself and as trustee for the benefit of other members of the Group) entered into the 2021 Property Management Supplemental Agreement, the 2021 Commercial Operational Supplemental Agreement and the 2021 Intelligent Engineering Supplemental Agreement with China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) pursuant to which the parties agreed to revise the annual caps for the provision of the Property Management Services, the Commercial Operational Services and the Intelligent Engineering Services for the three years ending 31 December 2023, respectively.

2021 MASTER GENERAL HEALTH AND WELLNESS AGREEMENT

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

IMPLICATIONS UNDER THE LISTING RULES

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

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

GENERAL

Each of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder are subject to the approval by the Independent Shareholders by way of ordinary resolutions at the EGM.

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

A circular containing, among others, (i) a letter from the Board containing further information on the 2021 Property Management Supplemental Agreement, the 2021 Commercial Operational Supplemental Agreement, the 2021 Intelligent Engineering Supplemental Agreement, the 2021 Master General Health and Wellness Agreement and the continuing connected transactions (including the annual caps) contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in connection with the aforesaid; (iii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; and (iv) a notice convening the EGM together with the proxy form, will be despatched to the Shareholders on or before 16 July 2021, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Mr. Guo Zining and Mr. Ruan Yongxi, both being the non-executive Directors, and Mr. Zheng Wei, being the executive Director, hold directorship(s) and/or as senior management in China Aoyuan and its associates. Accordingly, Mr. Guo Zining, Mr. Ruan Yongxi and Mr. Zheng Wei have abstained from voting on the relevant Board resolutions approving the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder. Save as the aforesaid, none of the other Directors has a material interest in the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder.

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

2021 MASTER PROPERTY MANAGEMENT AGREEMENT

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

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

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

2021 MASTER COMMERCIAL OPERATIONAL AGREEMENT

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

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

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

2021 MASTER INTELLIGENT ENGINEERING AGREEMENT

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

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

- Date: 5 November 2020
- Parties: (i) the Company (for itself and as trustee for the benefit of other members of the Group); and
- (ii) China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group).
- Subject: Pursuant to the 2021 Master Intelligent Engineering Agreement, the Group will provide the Parent Group with the Intelligent Engineering Services, including but not limited to provision of design and engineering services for intelligentisation, communication facilities construction, fibre-to home services and smart devices.
- Term: The 2021 Master Intelligent Engineering Agreement has a fixed term from 1 January 2021 to 31 December 2023 (both days inclusive).

REVISION OF ANNUAL CAPS UNDER THE 2021 SUPPLEMENTAL AGREEMENTS

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

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

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

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

Revised Annual Caps

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

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

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

- (a) the historical number of contracted engagements awarded by the Parent Group to the Group for the provision of property management services for each of the three years ended 31 December 2020 and the potential increment of contracted engagements from the Parent Group requiring the Property Management Services after the Director’s due and careful enquiry with the Parent Group;
- (b) based on the Parent Group’s updated development plan for the years from 2021 to 2023 provided to the Group, the total pre-delivery GFA of the Parent Group’s pre-delivery property management engagements awarded to the Group is expected to increase to approximately 7,500,000 sq.m., 9,800,000 sq.m. and 12,700,000 sq.m. for the three years ending 31 December 2023, respectively;

- (c) the number of preliminary property management contracts awarded by the Parent Group to the Group for the three years ending 31 December 2023 is expected to increase as a result of the expected increase in the number of urban renewal projects awarded to the Parent Group during the same periods;
- (d) the revenue derived from the provision of the community value-added services for the three years ending 31 December 2023 is expected to increase because of the expected increase in the number of community value-added service projects awarded by the Parent Group to the Group during the same periods; and
- (e) the estimated 10% annual increment in the service fees to be charged by the Group taking into account the expected inflation.

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

- (a) the historical number of contracted engagements awarded by the Parent Group to the Group for the provision of commercial operational services for each of the three years ended 31 December 2020 and the potential increment of contracted engagements from the Parent Group requiring the Commercial Operational Services for the three years ending 31 December 2023 after the Director's due and careful enquiry with the Parent Group;
- (b) the total GFA of commercial operational projects granted by the Parent Group to the Group is expected to increase for the three years ending 31 December 2023 based on the Parent Group's updated development plan during the same periods;
- (c) the total revenue generated from the commercial operational projects is expected to increase for the three years ending 31 December 2023 due to the expected increase in the demand for the Group's preliminary planning and consultation services as a result of the expected increase in the number of urban renewal projects awarded to the Parent Group during the same periods; and
- (d) the estimated 5% annual increment in the service fees in relation to rent collection services along with the expected rental inflation.

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

- (a) the expected increase in the demand for the Intelligent Engineering Services arising from the changes in the community construction and planning of the properties developed or owned by the Parent Group;

- (b) the expected increase in the diversity of the Intelligent Engineering Services arising from the expected increase in customer-friendly Property Management Services and Commercial Operational Services; and
- (c) the estimated 10% annual increment in the service fees to be charged by the Group taking into account the expected inflation.

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

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

2021 MASTER GENERAL HEALTH AND WELLNESS AGREEMENT

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

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

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

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

Annual caps and basis of determination

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

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

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

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

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

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

The Group set the existing annual caps under the 2021 Master CCT Agreements based on the then business development plan provided by the Parent Group. Since new business plans emerged and the previously contemplated projects which were at a preliminary stage have now become more concrete (though which may be subject to legally binding agreements or further negotiation and implementation processes), the Group is informed by the Parent Group that urban renewal is one of the main development strategies of the Parent Group and it will

be increasingly important in the coming years. It is expected that the number of urban renewal projects awarded to the Parent Group would gradually increase by the year of 2023 and the Parent Group would engage the Group for the provision of more Property Management Services, including but not limited to security, cleaning and repair and maintenance services at the pre-delivery stage and more Commercial Operational Services, including but not limited to preliminary planning and consultation services, such as conducting market research and analysis and providing advice on the design and construction plan of the urban renewal projects from marketing and positioning perspectives. The expected increase in the demand for the Property Management Services and the Commercial Operational Services leads to the expected increase in the actual transaction amounts for the relevant services for the three years ending 31 December 2023. As a result, the Group needs to revise the existing annual caps under the 2021 Master Property Management Agreement and the 2021 Master Commercial Operational Agreement in accordance with the updated business plans of the Parent Group.

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

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

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

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

The Company

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

China Aoyuan

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

PRICING POLICY

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

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

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

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

After considering the above factors, every time before performing any such project or contract, the relevant subsidiary of the Company which will enter into the individual contract with the relevant subsidiary of China Aoyuan will prepare the contract (inclusive of the fee and other terms) which is comparable to that offered or to be offered to the Independent Third Parties after consulting the legal and compliance department and the internal control department and submit the contract to the chief financial officer of the Group, who may present the contract to the Board for review when he deems necessary, for final review and approval. The chief financial officer of the Group will review the contract (inclusive of the fee and other terms) to evaluate and make sure that such fee or price and terms are (a) based on

the aforementioned pricing policies and market comparison for similar services or products; and (b) no more favourable to the connected persons than those which have been offered or to be offered by the Group to the Independent Third Parties. The transactions could only be carried out after the chief financial officer of the Group has given his approval therefor. When the Group determines the prevailing market prices of those similar to the Relevant Services and the General Health and Wellness Services, the Group shall refer to contemporaneous transactions with the Independent Third Parties in respect of similar services or products and any market information based on the experience of the Group's management or the dealings with other players in the market.

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

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

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

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

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

the Parent Group and the Independent Third Parties to the Group and the demand for related services during the same periods; and (ii) the expected increase in the Group's total revenue derived from the provision of commercial operational services for each of the three years ending 31 December 2023 as a result of the expected increase in the total GFA of commercial operational projects awarded by both the Parent Group and the Independent Third Parties during the same periods. The Group anticipates that the revenue derived from the Parent Group would account for less than 50% of the Group's estimated total revenue for each of the three years ending 31 December 2023;

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

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

INTERNAL CONTROL

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

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

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

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

IMPLICATIONS UNDER THE LISTING RULES

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

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

GENERAL

Each of the 2021 Supplemental Agreements and the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder are subject to the approval by the Independent Shareholders by way of ordinary resolutions at the EGM.

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

A circular containing, among others, (i) a letter from the Board containing further information on the 2021 Property Management Supplemental Agreement, the 2021 Commercial Operational Supplemental Agreement, the 2021 Intelligent Engineering Supplemental Agreement, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in connection with the aforesaid; (iii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; and (iv) a notice convening the EGM together with the proxy form, will be despatched to the Shareholders on or before 16 July 2021, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Mr. Guo Zining and Mr. Ruan Yongxi, both being the non-executive Directors, and Mr. Zheng Wei, being the executive Director, hold directorship(s) and/or as senior management in China Aoyuan and its associates. Accordingly, Mr. Guo Zining, Mr. Ruan Yongxi and Mr. Zheng Wei, have abstained from voting on the relevant Board resolutions approving the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder. Save as the aforesaid, none of the other Directors has a material interest in the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder.

DEFINITIONS

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

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

“2019 Property Management Supplemental Agreement”	the agreement dated 13 March 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) to amend and supplement the 2019 Master Property Management Agreement
“2021 Commercial Operational Supplemental Agreement”	the agreement dated 4 June 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) to amend and supplement the 2021 Master Commercial Operational Agreement
“2021 Intelligent Engineering Supplemental Agreement”	the agreement dated 4 June 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) to amend and supplement the 2021 Master Intelligent Engineering Agreement
“2021 Master CCT Agreements”	collectively, the 2021 Master Property Management Agreement, the 2021 Master Commercial Operational Agreement and the 2021 Master Intelligent Engineering Agreement
“2021 Master Commercial Operational Agreement”	the agreement dated 5 November 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) in relation to the Commercial Operational Services provided by the Group to the Parent Group for a term commencing on 1 January 2021 and ending on 31 December 2023
“2021 Master General Health and Wellness Agreement”	the agreement dated 4 June 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) in relation to the General Health and Wellness Services provided by the Group to the Parent Group for a term commencing on the Approval Date and ending on 31 December 2023

“2021 Master Intelligent Engineering Agreement”	the agreement dated 5 November 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) in relation to the Intelligent Engineering Services provided by the Group to the Parent Group for a term commencing on 1 January 2021 and ending on 31 December 2023
“2021 Master Property Management Agreement”	the agreement dated 5 November 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) in relation to the Property Management Services provided by the Group to the Parent Group for a term commencing on 1 January 2021 and ending on 31 December 2023
“2021 Property Management Supplemental Agreement”	the agreement dated 4 June 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and China Aoyuan (for itself and as trustee for the benefit of other members of the Parent Group) to amend and supplement the 2021 Master Property Management Agreement
“2021 Supplemental Agreements”	collectively, the 2021 Property Management Supplemental Agreement, the 2021 Commercial Operational Supplemental Agreement and the 2021 Intelligent Engineering Supplemental Agreement
“Approval Date”	the date on which the Company has obtained the approval of the Independent Shareholders at the EGM in respect of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“China Aoyuan”	China Aoyuan Group Limited (中國奧園集團股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3883)
“Commercial Operational Services”	the commercial operational services provided by the Group to the Parent Group pursuant to the 2021 Master Commercial Operational Agreement (as amended and supplemented by the 2021 Commercial Operation Supplemental Agreement), as further detailed in the paragraph headed “2021 Master Commercial Operational Agreement” of this announcement
“Company”	Aoyuan Healthy Life Group Company Limited (奧園健康生活集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3662)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened by the Company to consider the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder
“General Health and Wellness Services”	the general health and wellness services provided by the Group to the Parent Group pursuant to the 2021 Master General Health and Wellness Agreement, as further detailed in the paragraph headed “2021 Master General Health and Wellness Agreement” of this announcement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries

“Healthcare Products”	the healthcare products and medical devices which may be purchased by the Parent Group from the Group from time to time pursuant to the 2021 Master General Health and Wellness Agreement, including but not limited to body composition analysis devices, bone mass measurement devices and ultrasonic sensors
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all three independent non-executive Directors, established to advise the Independent Shareholders in respect of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder
“Independent Financial Adviser”	HeungKong Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder
“Independent Shareholders”	the Shareholders who do not have a material interest in the 2021 Supplemental Agreements, the 2021 Master General Health and Wellness Agreement and the transactions (including the annual caps) contemplated thereunder
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) (has the meaning ascribed to it under the Listing Rules) of the Company and is/are independent of and not connected with the Company and directors, supervisors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates

“Intelligent Engineering Services”	the intelligent engineering services provided by the Group to the Parent Group pursuant to the 2021 Master Intelligent Engineering Agreement (as amended and supplemented by the 2021 Intelligent Engineering Supplemental Agreement), as further detailed in the paragraph headed “2021 Master Intelligent Engineering Agreement” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parent Group”	China Aoyuan and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Property Management Services”	the property management services provided by the Group to the Parent Group pursuant to the 2021 Master Property Management Agreement (as amended and supplemented by the 2021 Property Management Supplemental Agreement), as further detailed in the paragraph headed “2021 Master Property Management Agreement” of this announcement
“Relevant Services”	collectively, the Property Management Services, the Commercial Operational Services and the Intelligent Engineering Services
“Revised Annual Caps”	has the meaning ascribed to it under the paragraph headed “Revised Annual Caps” of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the Shares
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“sq.m.”	the measurement unit of square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

“%” per cent.

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

Hong Kong, 4 June 2021

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