
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Proposal or the Scheme, this Scheme Document and/or the accompanying forms of proxy or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your securities in the Company, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser(s) or transferee(s), or the licensed securities dealer or registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Scheme Document should be read in conjunction with the accompanying forms of proxy, the contents of which form part of the terms and conditions of the Proposal and the Scheme. This Scheme Document is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Scheme Document and the accompanying forms of proxy, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Scheme Document and the accompanying forms of proxy.

The Proposal or the Scheme are being made for the securities of an exempted company incorporated in Bermuda with limited liability and are subject to Hong Kong disclosure and other procedural requirements, which are different from those of the U.S.. The financial information included in this Scheme Document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the U.S..

Huajin Investment Company Limited

(Incorporated in Samoa with limited liability)



Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 982)

SCHEME DOCUMENT

(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT;

AND

(2) PROPOSED WITHDRAWAL OF LISTING OF HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED

Financial Adviser to the Offeror



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

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

ALTUS CAPITAL LIMITED

Altus Capital Limited

Unless the context otherwise requires, capitalised terms used in this Scheme Document have the same meanings as those defined in the section headed "Definitions" in this Scheme Document.

A letter from the Board is set out on pages 17 to 24 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Shareholders in respect of the Proposal and the Scheme is set out on pages 25 to 26 of this Scheme Document. A letter from the Independent Financial Adviser containing their advice to the Independent Board Committee in connection with the Proposal and the Scheme is set out on pages 27 to 45 of this Scheme Document. The Explanatory Statement is set out on pages 46 to 63 of this Scheme Document. The actions to be taken by the Shareholders are set out on pages 8 to 12 of this Scheme Document.

Notices convening the Court Meeting and the SGM to be held at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong, on Wednesday, 28 August 2024 at 10:00 a.m., Hong Kong time, in the case of the Court Meeting, and at 10:30 a.m., Hong Kong time (or immediately after the conclusion or adjournment of the Court Meeting), in the case of the SGM, are set out on pages IV-1 to IV-3 and V-1 to V-3 of this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the SGM or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting (if you are a Scheme Shareholder), and the enclosed **WHITE** form of proxy in respect of the SGM (if you are a Shareholder), in accordance with the instructions printed thereon and to lodge them with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated under Part II of this Scheme Document headed "Actions to be Taken". If the **PINK** form of proxy is not so lodged, it may alternatively be handed to the chairman of the Court Meeting (who will have absolute discretion as to whether or not to accept it) at the Court Meeting. If the **WHITE** form of proxy is not so lodged, it will not be valid. Completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

This Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

19 July 2024

IMPORTANT NOTICES

NOTICE TO U.S. INVESTORS

The Proposal and the Scheme relate to the cancellation of the securities of a Bermuda company by means of a scheme of arrangement provided for under the laws of Bermuda. The Proposal and the Scheme are subject to Hong Kong disclosure and other procedural requirements, which are different from those of the U.S..

A transaction effected by means of a scheme of arrangement is not subject to the tender offer or the proxy solicitation rules under the U.S. Securities Exchange Act of 1934. Accordingly, the Proposal and the Scheme are subject to the disclosure and other procedural requirements and practices applicable in Bermuda and Hong Kong to schemes of arrangement which differ from those applicable under the U.S. federal securities laws.

The receipt of cash pursuant to the Proposal or the Scheme by a U.S. holder of Scheme Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each holder of Scheme Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Proposal and the Scheme applicable to him/her/it.

It may be difficult for U.S. holders of Scheme Shares to enforce their rights and any claim arising out of the U.S. federal securities laws in connection with the Proposal and the Scheme, since the Offeror and the Company are located in a country outside the U.S., and some or all of their respective officers and directors may be residents of a country other than the U.S.. U.S. holders of Scheme Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

None of the Proposal, the Scheme nor this Scheme Document have been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have such authorities approved or disapproved or passed judgement upon the fairness or the merits of the Proposal or the Scheme, or determined if the information contained in this Scheme Document is adequate, accurate or complete. Any representation to the contrary is a criminal offence in the U.S..

IMPORTANT NOTICES

PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This Scheme Document may include certain “forward-looking statements”. These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this Scheme Document include statements about the expected effects on the Company of the Proposal and the Scheme, the expected timing and scope of the Proposal and the Scheme, and all other statements in this Scheme Document other than historical facts. Forward-looking statements include, without limitation, statements typically containing words such as “believes”, “intends”, “expects”, “anticipates”, “targets”, “estimates”, “envisages”, “may”, “will” or “should” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction or waiver (where applicable) of the Conditions to the Proposal, as well as additional factors, such as general, social, economic and political conditions in the countries in which the Offeror and/or the Group operate or other countries which have an impact on the Offeror and/or the Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Offeror and/or the Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Offeror and/or Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Offeror and/or Group operate and regional or general changes in asset valuations. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. All written and oral forward-looking statements attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date and each of the Offeror and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws or the Takeovers Code.

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In this Scheme Document, the following terms have the meanings set out below unless the context requires otherwise.

“2021 Annual Report”	the annual report of the Company for the financial year ended 31 December 2021
“2022 Annual Report”	the annual report of the Company for the financial year ended 31 December 2022
“2023 Annual Report”	the annual report of the Company for the financial year ended 31 December 2023
“acting in concert”	has the meaning ascribed to such terms under the Takeovers Code
“Altus Capital Limited” or “Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee in connection with the Proposal and the Scheme
“Announcement”	the announcement dated 27 May 2024 jointly issued by the Company and the Offeror in relation to, among other things, the Proposal and the Scheme
“Announcement Date”	27 May 2024, being the date of the Announcement
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authorisations”	all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, waivers, consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals, and all appropriate waiting periods (including extensions thereof), which are required or necessary in connection with the Proposal under any applicable laws or regulations
“Beneficial Owner(s)”	any beneficial owner(s) of Shares whose Shares are registered in the name of a Registered Owner(s) other than him/herself
“Board”	the board of Directors of the Company

“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.29 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Huafa Property Services Group Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 982)
“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the section headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Statement
“Court”	the Supreme Court of Bermuda
“Court Meeting”	a meeting of the Scheme Shareholders convened at the directions of the Court, to be held at Portion 2, 12/F., The Center, 99 Queen’s Road Central, Central, Hong Kong, on Wednesday, 28 August 2024 at 10:00 a.m., Hong Kong time, notice of which is set out in Appendix IV to the Scheme Document, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Director(s)”	director(s) of the Company
“Disinterested Scheme Share(s)”	Scheme Share(s) held by the Disinterested Shareholders
“Disinterested Shareholder(s)”	Shareholder(s) other than the Offeror and the Offeror Concert Parties

“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof
“Explanatory Statement”	the explanatory statement in relation to the Scheme, as set out in Part VII headed “Explanatory Statement” of this Scheme Document
“Facility”	the loan facility granted by Ping An Bank Co., Ltd., Hong Kong Branch to the Offeror for financing the consideration payable under the Proposal
“Facility Agreement”	the interest bearing loan facility agreement entered into between Ping An Bank Co., Ltd., Hong Kong Branch and the Offeror as borrower dated 27 June 2024 in relation to the Facility of up to HK\$1,682,000,000 made available by Ping An Bank Co., Ltd., Hong Kong Branch to the Offeror to finance the consideration payable under the Proposal
“Group”	the Company and its subsidiaries
“Guang Jie”	Guang Jie Investment Limited (光傑投資有限公司), a company incorporated under the laws of Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of Huafa Properties and of which the Offeror is a direct wholly-owned subsidiary
“Guotai Junan Capital”	Guotai Junan Capital Limited, a corporation licensed under the SFO to engage in type 6 regulated activity (as defined under the SFO), and the financial adviser to the Offeror in respect of the Proposal
“Guotai Junan Group”	Guotai Junan Securities Co. Ltd. (stock codes: 601211.SH and 2611.HK) and its subsidiaries, including but not limited to Guotai Junan International Holdings Limited (stock code: 1788); Guotai Junan Securities (Hong Kong) Limited, a corporation licensed under the SFO to engage in type 1, type 2 and type 4 regulated activities (as defined under the SFO); and Guotai Junan Capital
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huafa Properties”	Zhuhai Huafa Properties Co., Ltd. (珠海華發實業股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600325) and a non-wholly owned subsidiary of Zhuhai Huafa
“Independent Board Committee”	the independent board committee of the Company comprising Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai, each being an independent non-executive Director, established by the Board to make a recommendation to the Disinterested Shareholders as to (a) whether the Proposal and the Scheme are, or are not, fair and reasonable; and (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Last Trading Day”	14 May 2024, being the last trading day prior to the issue of the Announcement
“Latest Practicable Date”	16 July 2024, being the latest practicable date prior to the date of this Scheme Document for ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 November 2024 or such other date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct, and in all cases as permitted by the Executive
“Macau”	the Macau Special Administrative Region of the PRC

“Meeting Record Date”	Wednesday, 28 August 2024, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the SGM
“offer period”	has the meaning ascribed to it in the Takeovers Code, which commenced on 27 May 2024, being the Announcement Date
“Offeror”	Huajin Investment Company Limited (鑄金投資有限公司), a company incorporated under the laws of Samoa with limited liability and a wholly-owned subsidiary of Guang Jie
“Offeror Concert Party(ies)”	persons who are acting in concert or presumed to be acting in concert with the Offeror under the Takeovers Code, including Guang Jie, the Guotai Junan Group and Ms. Chen Yin
“Offeror Director(s)”	director(s) of the Offeror
“PRC”	the People’s Republic of China, which, for the purpose of this Scheme Document, excludes Hong Kong, Macau and Taiwan
“Proposal”	the conditional proposal for the privatisation of the Company by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in this Scheme Document
“Registered Owner”	any person (including, without limitation, a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a Shareholder
“Registrar”	Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office
“Relevant Authorities”	any competent governments and/or governmental bodies, regulatory bodies, courts or institutions (including without limitation the SFC and the Stock Exchange)

“RMB”	Renminbi, the lawful currency of the PRC
“Relevant Period”	the period commencing from 27 November 2023 (being the date falling six (6) months before the commencement of the offer period) up to and including the Latest Practicable Date
“Scheme”	the scheme of arrangement between the Company and the Scheme Shareholders under section 99 of the Companies Act involving, among other things, the cancellation of all of the Scheme Shares
“Scheme Document”	this composite scheme document of the Company and the Offeror containing, among other things, further details of the Proposal and the Scheme
“Scheme Record Date”	Thursday, 19 September 2024, or such other date as may be announced to the Shareholders, being the record date for the purposes of determining the entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Share(s)”	all of the Share(s) and such further Share(s) as may be issued prior to the Scheme Record Date, other than those held by the Offeror and Guang Jie
“Scheme Shareholder(s)”	registered holder(s) of Scheme Share(s)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened and to be held at Portion 2, 12/F., The Center, 99 Queen’s Road Central, Central, Hong Kong, on Wednesday, 28 August 2024 at 10:30 a.m., Hong Kong time (or immediately after the conclusion or adjournment of the Court Meeting), for the purposes of considering and, if thought fit, approving all resolutions necessary for the implementation of the Proposal, notice of which is set out in Appendix V to the Scheme Document, or any adjournment thereof

“Share(s)”	ordinary share(s) of HK\$0.00025 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong issued by the SFC, as amended from time to time
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“Zhuhai Huafa”	Zhuhai Huafa Group Company Limited* (珠海華發集團有限公司)
“Zhuhai Huafa Group”	Zhuhai Huafa and its subsidiaries
“%”	per cent

* *For identification purpose only*

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Only Scheme Shareholders and/or Shareholders (as the case may be) whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting and/or the SGM (as the case may be). For the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 22 August 2024 to Wednesday, 28 August 2024 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for the right to attend and to vote at the Court Meeting and/or the SGM, all transfers of share accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Wednesday, 21 August 2024. A subsequent purchaser of Shares will need to obtain the **PINK** form of proxy in respect of the Court Meeting and/or the **WHITE** form of proxy in respect of the SGM from the transferor if he or she wishes to attend or vote at the Court Meeting and/or the SGM.

A **PINK** form of proxy for use at the Court Meeting and a **WHITE** form of proxy for use at the SGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the SGM or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting (if you are a Scheme Shareholder), **and** the enclosed **WHITE** form of proxy in respect of the SGM (if you are a Shareholder), in accordance with the instructions printed thereon, and to lodge them at the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than the following times and dates in order to be valid:

- the **PINK** form of proxy for use at the Court Meeting must be lodged no later than 10:00 a.m. on Monday, 26 August 2024 or, if it is not so lodged, may alternatively be handed to the chairman of the Court Meeting (who shall have absolute discretion as to whether or not to accept it) at the Court Meeting; and
- the **WHITE** form of proxy for use at the SGM must be lodged no later than 10:30 a.m. on Monday, 26 August 2024, failing which it will not be valid.

The completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish. In such event, the relevant form of proxy will be revoked by operation of law.

Voting at the Court Meeting and the SGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the SGM, you will still be bound by the outcome of the Court Meeting and/or the SGM if, among other things, the resolutions are passed by the requisite majorities of the Scheme Shareholders, Disinterested Shareholders and/or the Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and/or the SGM in person or by proxy.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the SGM on Wednesday, 28 August 2024 by no later than 7:00 p.m.. If all of the resolutions are passed at the Court Meeting and/or the SGM, further announcement(s) will be made in relation to, among other things, the outcome of the hearing of the petition for the sanction of the Scheme by the Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

2. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OTHER THAN HKSCC NOMINEES

The Company will not recognise any person as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner (other than HKSCC Nominees), you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the SGM.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the SGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the SGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name prior to the Meeting Record Date, if you wish to vote (in person or by proxy) at the Court Meeting and/or the SGM.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the SGM or, as applicable, the latest time for lodging transfers of Shares, in order to provide the Registered Owner with sufficient time to complete his/her forms of proxy or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the

forms of proxy in respect of the Court Meeting and/or the SGM or, as applicable, the latest time for lodging transfers of Shares, any such Beneficial Owner should comply with the requirements of such Registered Owner.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the SGM shall be in accordance with all relevant provisions in the bye-laws of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should he/she so wish, and in such event, the relevant form of proxy will be revoked by operation of law.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company as at the Meeting Record Date will be counted as members of the Company for the purposes of calculating whether or not a majority in number of members of the Company present and voting at the Court Meeting have approved the Scheme under section 99 of the Companies Act. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as members of the Company in their own names prior to the Meeting Record Date.

3. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE DEPOSITED IN CCASS

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has, in turn deposited such Shares with, a CCASS Participant, regarding voting instructions to be given to such persons. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and the SGM, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Share(s) beneficially owned by you should be voted at the Court Meeting and/or the SGM; or
- (b) become a Registered Owner as of the Meeting Record Date and thereby have the right to attend and vote at the Court Meeting and/or the SGM (as appropriate) by withdrawing any or all of your Share(s) from CCASS and becoming a Registered Owner of such Share(s) prior to the Meeting Record Date. For withdrawal of Shares

from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Share(s) are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Share(s) into your name so as to qualify to attend and vote at the Court Meeting and/or the SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Share(s) from CCASS and register them in your name.

The procedures for voting in respect of the Scheme by the Investor Participants and the other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of HKSCC” and the “HKSCC Operational Procedures” in effect from time to time.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company as at the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company present and voting at the Court Meeting have approved the Scheme under section 99 of the Companies Act. In accordance with the direction from the Court, HKSCC Nominees will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as members of the Company in their own names prior to the Meeting Record Date.

4. EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or at the SGM.

If you are a Beneficial Owner and wish to be counted individually in the calculation of the “majority in number” requirement at the Court Meeting, you should make arrangements to become a Registered Owner of some or all of your Shares prior to the Meeting Record Date.

If you keep any Shares in a share lending programme, you are strongly encouraged to recall any outstanding Shares on loan prior to the Meeting Record Date to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly encouraged to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which those Shares should be voted at the Court Meeting

and/or at the SGM without delay and/or withdraw some or all of your Shares from CCASS and become a Registered Owner of such Shares prior to the Meeting Record Date and exercise your right to vote (in person or by proxy) at the Court Meeting and/or the SGM.

If you are a Registered Owner holding Shares on behalf of Beneficial Owners, you should inform the relevant Beneficial Owners about the importance of exercising their right to vote. You should also remind the relevant Beneficial Owners that if they wish to be counted individually in the calculation of the “majority in number” requirement at the Court Meeting, they should make arrangements to become a Registered Owner of some or all of their Shares prior to the Meeting Record Date.

IF APPROVED AND IMPLEMENTED, THE PROPOSAL WILL BE BINDING ON ALL OF THE SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE SGM.

IF YOU ARE IN ANY DOUBT 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.

5. ENQUIRIES CONCERNING ADMINISTRATIVE MATTERS

If you have any enquiries concerning administrative or procedural matters (such as dates, documentation and procedures) relating to the Court Meeting and/or the SGM, please call the customer service hotline of the Registrar at +852 2980 1333 between 9:00 a.m. and 5:00 p.m. on Mondays to Fridays, excluding Hong Kong public holidays.

The hotline cannot and will not provide advice on the merits of or whether or not to vote for the Proposal and/or the Scheme or give financial or legal advice. If you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

PART III**EXPECTED TIMETABLE**

The timetable set out below is indicative only and is subject to change. Further announcement(s) will be made in the event that there is any change to the following timetable.

Event	Hong Kong Times and Dates (unless otherwise specified)
Date of despatch of this Scheme Document	Friday, 19 July 2024
Latest time for lodging transfers of Shares in order to become entitled to attend and vote at the Court Meeting and the SGM	4:30 p.m. on Wednesday, 21 August 2024
Register of members of the Company closed for determining entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and entitlement of the Shareholders to attend and vote at the SGM (<i>Note 1</i>)	Thursday, 22 August 2024 to Wednesday, 28 August 2024 (both days inclusive)
Latest time for lodging PINK forms of proxy in respect of the Court Meeting (<i>Note 2</i>)	10:00 a.m. on Monday, 26 August 2024 (or alternatively to be handed to the chairman of the Court Meeting)
Latest time for lodging WHITE forms of proxy in respect of the SGM (<i>Note 2</i>)	10:30 a.m. on Monday, 26 August 2024
Meeting Record Date	Wednesday, 28 August 2024
Court Meeting (<i>Note 3</i>)	10:00 a.m. on Wednesday, 28 August 2024
SGM (<i>Note 3</i>)	10:30 a.m. on Wednesday, 28 August 2024 (or immediately after the conclusion or adjournment of the Court Meeting)

PART III**EXPECTED TIMETABLE**

Announcement of the results of the Court Meeting and the SGM	no later than 7:00 p.m. on Wednesday, 28 August 2024
Expected last time for trading of Shares on the Stock Exchange	4:10 p.m. on Thursday, 29 August 2024
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Tuesday, 3 September 2024
Register of members of the Company closed for determining entitlement under the Scheme (<i>Note 4</i>)	from Wednesday, 4 September 2024 onwards
Court hearing of the petition for the sanction of the Scheme	Tuesday, 17 September 2024 (Bermuda time)
Announcement of (1) the results of the Court hearing for the petition for the sanction of the Scheme; (2) the expected Effective Date; and (3) the expected date of withdrawal of listing of the Shares on the Stock Exchange	at or before 8:30 a.m. on Thursday, 19 September 2024
Scheme Record Date	Thursday, 19 September 2024
Effective Date (<i>Note 5</i>)	Thursday, 19 September 2024 (Bermuda time)
Announcement of (1) the Effective Date; and (2) the withdrawal of listing of the Shares on the Stock Exchange	no later than 8:30 a.m. on Friday, 20 September 2024
Withdrawal of listing of Shares on the Stock Exchange becomes effective (<i>Note 6</i>)	4:00 p.m. on Monday, 23 September 2024

Latest time to despatch cheques for
the cash payment of the Cancellation Price
to the Scheme Shareholders under the Scheme (*Note 7*) on or before Monday,
30 September 2024

Notes:

1. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the SGM and no transfer of Shares will be registered during such period. This book closure period is not for determining entitlement under the Scheme.
2. Duly completed and signed forms of proxy should be deposited at the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible, but in any event no later than the respective times and dates specified in them respectively.

If the **PINK** form of proxy in respect of the Court Meeting is not so deposited, it may alternatively be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting. If the **WHITE** form of proxy in respect of the SGM is not so deposited, it will not be valid. The completion and return of a form of proxy for the Court Meeting or the SGM will not preclude a Scheme Shareholder or a Shareholder, respectively, from attending and voting in person at the relevant meeting or any adjournment thereof and in such event, the relevant form of proxy will be revoked by operation of law.

3. The Court Meeting and the SGM will be held at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong at the times and dates specified above. Please refer to the notice of the Court Meeting and the notice of the SGM as set out in pages IV-1 to IV-3 and pages V-1 to V-3, respectively, of this Scheme Document for details. If a tropical cyclone warning signal no. 8 or above, or a black rainstorm warning, or "extreme conditions" as announced by the Government of Hong Kong is or is expected to be in force at any time after 7:00 a.m. on the day of the Court Meeting and the SGM, the Court Meeting and the SGM will be adjourned. The Company will post an announcement on the websites of the Company and the Stock Exchange to notify Shareholders of the date, time and venue of the adjourned meetings.
4. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders under the Scheme and no transfer of Shares will be registered during such period.
5. The Proposal and the Scheme will become effective upon all the Conditions to the Proposal and the Scheme as set out in the section headed "3. Conditions of the Proposal and the Scheme" in the Explanatory Statement having been fulfilled or waived (as applicable).
6. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Monday, 23 September 2024.
7. Cheques for payment of the Cancellation Price will be despatched no later than seven Business Days after the Effective Date, by ordinary post in pre-paid envelopes addressed to the Scheme Shareholders at their respective registered addresses as appearing on the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the registered address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.

EFFECT OF SEVERE WEATHER ON THE LATEST DATE FOR DESPATCH OF CHEQUES

If a tropical cyclone warning signal number 8 or above, or a black rainstorm warning, or “extreme conditions” as announced by the Government of Hong Kong is/are in force, in Hong Kong:

- (a) at any time before 12:00 noon but no longer in force at or after 12:00 noon on latest date for despatch of cheques for the amounts due under the Scheme, the latest date for despatch of cheques will remain on the same Business Day; or
- (b) at any time at or after 12:00 noon on the latest date for despatch of cheques for the amounts due under the Scheme, the latest date for despatch of cheques will be rescheduled to the following Business Day which does not have any of those warnings in force at 12:00 noon and/or thereafter.



Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 982)

Executive Directors:

Mr. Zhou Wenbin

(Chairman and Chief Executive Officer)

Mr. Li Guangning

Mr. Xie Wei

Mr. Dai Geying

Ms. Luo Bin

Mr. Gu Yuanping

Independent Non-executive Directors:

Dr. Chen Jieping

Mr. Pu Yonghao

Mr. Guo Shihai

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head Office and Principal Place of
Business in Hong Kong:*

Unit 3605, 36/F

Cheung Kong Center

2 Queen's Road Central

Central, Hong Kong

19 July 2024

To the Shareholders

Dear Sir or Madam,

**(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF
HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED**

1. INTRODUCTION

On 14 May 2024, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act, involving among other things, (i) the cancellation of the

Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled and (ii) the withdrawal of listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, all Scheme Shares will be cancelled on the Effective Date. Contemporaneously with the cancellation of the Scheme Shares, the share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror.

The Shares in which the Offeror and Guang Jie is interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to 96.20% by the Offeror and 3.80% by Guang Jie, which is the direct holding company of the Offeror, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Scheme, and to give you notices of the Court Meeting and the SGM, together with the forms of proxy in relation thereto. Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Statement set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

2. TERMS OF THE PROPOSAL

Subject to the satisfaction or waiver (where applicable) of the Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive from the Offeror:

For every Scheme Share cancelled HK\$0.29 in cash

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

Your attention is drawn to the section headed “2. *Terms of the Proposal*” in the Explanatory Statement of this Scheme Document.

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Proposal and the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

Highest and lowest prices

Your attention is drawn to the section headed “*2. Terms of the Proposal – Highest and lowest prices*” in the Explanatory Statement of this Scheme Document.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will only become effective and binding on the Company and all Shareholders subject to the satisfaction or waiver (where applicable) of the Conditions set out in the section headed “*3. Conditions of the Proposal and the Scheme*” in the Explanatory Statement of this Scheme Document.

If the Conditions are satisfied or validly waived (as applicable), the Proposal and the Scheme will be binding on all of the Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM. As at the Latest Practicable Date, none of the Conditions had been satisfied or waived (where applicable).

WARNINGS: Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being satisfied or waived (where applicable). Accordingly, the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

4. CONFIRMATION OF FINANCIAL RESOURCES

The Offeror has appointed Guotai Junan Capital as its financial adviser in connection with the Proposal.

Your attention is drawn to the section headed “*4. Confirmation of Financial Resources*” in the Explanatory Statement of this Scheme Document.

5. SHAREHOLDING STRUCTURE OF THE COMPANY

Your attention is drawn to the section headed “*5. Shareholding Structure of the Company and Effect of the Proposal*” in the Explanatory Statement of this Scheme Document.

6. INFORMATION ON THE GROUP

Your attention is drawn to the section headed “6. *Information on the Group*” in the Explanatory Statement of this Scheme Document.

7. INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “7. *Information on the Offeror*” in the Explanatory Statement of this Scheme Document.

8. INTENTION OF THE OFFEROR ON THE COMPANY

Your attention is drawn to the section headed “9. *The Offeror’s Intention regarding the Group*” in the Explanatory Statement of this Scheme Document.

As at the Latest Practicable Date, the Offeror intends to withdraw the listing of Shares from the Stock Exchange upon the Scheme becoming effective and intends for the Group to continue carrying on its existing businesses following the implementation of the Proposal and does not have any plan to make any material changes to the continued employment of the employees of the Group (other than in the ordinary course of business of the Group). The Offeror will conduct a strategic review of the Group’s assets, corporate structure, capitalisation, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the implementation of the Proposal with a view to optimising the Group’s activities and development, and may make any changes as the Offeror deems necessary, appropriate or beneficial for the Group in light of its review of the Group or any future development.

The Board is aware and welcomes the Offeror’s intention in respect of the Group and its employees as set out above and in the section headed “9. *The Offeror’s Intention regarding the Group*” in the Explanatory Statement of this Scheme Document.

9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board has established the Independent Board Committee, comprising Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai, each being an independent non-executive Director, to make a recommendation to the Disinterested Shareholders as to (a) whether the Proposal and the Scheme are, or are not, fair and reasonable; and (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM.

The Board, with the approval of the Independent Board Committee, has appointed Altus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme pursuant to Rule 2.1 of the Takeovers Code.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned, and accordingly, it advises the Independent Board Committee to recommend to the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the SGM to approve and implement the Proposal and the Scheme.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

The Independent Board Committee, having been so advised, considers that the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned.

Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the SGM to approve and implement the Proposal and the Scheme.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal and the Scheme is set out in Part V of this Scheme Document.

10. REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed “*8. Reasons for and Benefits of the Proposal*” in the Explanatory Statement of this Scheme Document.

11. ACTIONS TO BE TAKEN

Your attention is drawn to Part II – Actions to be Taken of this Scheme Document.

12. COURT MEETING AND SGM

For the purpose of exercising your right to vote at the Court Meeting and/or the SGM, you are requested to read carefully the section headed “*13. Court Meeting and SGM*” in the Explanatory Statement of this Scheme Document, Part II – Actions to be Taken, and the notices of the Court Meeting and the SGM on pages IV-1 to IV-3 and pages V-1 to V-3, respectively, of this Scheme Document.

13. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being contemporaneously issued and credited as fully paid to the Offeror) and the share certificates relating to the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the

withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, subject to the Scheme becoming effective and with effect from 4:00 p.m. on Monday, 23 September 2024.

The Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An indicative expected timetable in relation to the Proposal is included in Part III – Expected Timetable of this Scheme Document.

14. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code (including Note 2 to Rule 30.1), the Proposal and the Scheme will lapse if any of the Conditions has not been fulfilled or waived (where applicable) on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapses, pursuant to the Takeovers Code, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

15. OVERSEAS HOLDERS OF THE SCHEME SHARE

Your attention is drawn to the section headed “*19. Overseas Holders of Scheme Shares*” in the Explanatory Statement of this Scheme Document.

16. TAXATION ADVICE

Your attention is drawn to the section headed “*20. Taxation Advice*” in the Explanatory Statement of this Scheme Document.

17. COSTS OF THE SCHEME

Your attention is drawn to the section headed “*21. Costs of the Scheme*” in the Explanatory Statement of this Scheme Document.

18. REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “22. *Registration and Payment*” in the Explanatory Statement of this Scheme Document.

19. GENERAL

As Zhuhai Huafa is an indirect controlling shareholder of the Offeror, Mr. Zhou Wenbin, Mr. Li Guangning, Mr. Xie Wei, Mr. Dai Geying, Ms. Luo Bin and Mr. Gu Yuanping have abstained from voting on the board resolutions of the Company in connection with the Proposal and the Scheme because of having a material interest as a director of, or due to his/her position as a senior manager of, certain companies within the Zhuhai Huafa Group (other than the Group) (as the case may be).

The Directors (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document), consider that the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

The Independent Board Committee, having been advised by the Independent Financial Adviser, the full text of the letter from which is set out in Part VI of this Scheme Document, considers that the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned.

Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the SGM to approve and implement the Proposal and the Scheme.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal and the Scheme is set out in Part V of this Scheme Document.

20. RECOMMENDATIONS

Your attention is drawn to the recommendation of the Independent Board Committee in respect of the Proposal and the Scheme as set out in the letter from the Independent Board Committee to the Disinterested Shareholders in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal and the Scheme as set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal or the Scheme.

21. FURTHER INFORMATION

You are urged to read carefully:

- (a) the letter from the Independent Board Committee to the Disinterested Shareholders set out in Part V of this Scheme Document;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee set out in Part VI of this Scheme Document;
- (c) the Explanatory Statement set out in Part VII of this Scheme Document;
- (d) the appendices to this Scheme Document, including the Scheme set out in Appendix III to this Scheme Document;
- (e) the notice of Court Meeting set out in Appendix IV to this Scheme Document; and
- (f) the notice of SGM set out in Appendix V to this Scheme Document.

In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the SGM are enclosed with this Scheme Document.

Yours faithfully

By order of the Board

Huafa Property Services Group Company Limited

Zhou Wenbin

Executive Director, Chairman and Chief Executive Officer



Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 982)

19 July 2024

To the Disinterested Shareholders

Dear Sir or Madam,

**(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF
HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED**

We refer to the scheme document (the “**Scheme Document**”) dated 19 July 2024 jointly issued by the Company and the Offeror in relation to the Proposal and the Scheme, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meaning as defined in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Shareholders as to: (a) whether the Proposal and the Scheme are, or are not, fair and reasonable; and (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM.

Altus Capital Limited, the Independent Financial Adviser, has been appointed by the Company with our approval, to advise us in respect of the Proposal and the Scheme.

We wish to draw your attention to (a) the letter from the Board as set out in Part IV of the Scheme Document; (b) the letter from the Independent Financial Adviser as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Statement as set out in Part VII of the Scheme Document.

PART V LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, having considered the terms of the Proposal and the Scheme, and having taken into account the advice and recommendation of the Independent Financial Adviser to us, and in particular the factors, reasons and recommendations as set out in the Independent Financial Adviser's letter, consider that the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned.

Accordingly, we recommend:

- (1) at the Court Meeting, the Disinterested Shareholders to vote in favour of the Scheme;
- (2) at the SGM, the Shareholders to vote in favour of:
 - (a) the special resolution to approve any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and
 - (b) the ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares.

Yours faithfully,
Independent Board Committee

Dr. Chen Jieping
*Independent Non-executive
Director*

Mr. Pu Yonghao
*Independent Non-executive
Director*

Mr. Guo Shihai
*Independent Non-executive
Director*

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Altus Capital Limited, the independent financial adviser to the Independent Board Committee in respect of the Proposal and the Scheme for the purpose of inclusion in the Scheme Document.

ALTUS.

Altus Capital Limited

21 Wing Wo Street

Central

Hong Kong

19 July 2024

To the Independent Board Committee

Huafa Property Services Group Company Limited

Room 3605, 36/F

Cheung Kong Center

2 Queen's Road Central

Central

Hong Kong

Dear Sir or Madam,

**(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF
HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Proposal and the Scheme. Our appointment as the independent financial adviser has been approved by the Independent Board Committee as set out in the Announcement dated 4 June 2024. Details of the Proposal and the Scheme are set out in the "Letter from the Board" contained in the Scheme Document dated 19 July 2024, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Proposal

Pursuant to the Announcement dated 27 May 2024, the Offeror and the Company jointly announced that the Offeror formally requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme involving, among others, the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled, and the withdrawal of the listing of the Shares on the Stock Exchange.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai, each being an independent non-executive Director has been established to make recommendation to the Disinterested Shareholders as to: (i) whether the Proposal and the Scheme are, or are not, fair and reasonable so far as the Disinterested Shareholders are concerned and (ii) whether the Disinterested Shareholders should vote in favour of the resolution to approve the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser with respect to the Proposal and the Scheme, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to (i) whether the Proposal and the Scheme are, or are not, fair and reasonable so far as the Disinterested Shareholders are concerned and (ii) whether the Disinterested Shareholders should vote in favour of the resolution to approve the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM.

We (i) are not associated or connected, financial or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Scheme Document.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal and the Scheme is at market level and not conditional upon the outcome of the Proposal and the Scheme; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

respective controlling shareholders or any parties acting in concert with any of them and can act as the independent financial adviser to the Independent Board Committee in respect of the Proposal and the Scheme.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Announcement; (ii) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”); and (iii) other information as set out in the Scheme Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us by the Company, the Directors and the management of the Company (collectively the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Scheme Shareholders of any material changes to information contained or referred to in the Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Scheme Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date, and before the despatch of the Scheme Document.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Scheme Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Scheme Shareholders arising from acceptance or non-acceptance of the Proposal and the Scheme, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Scheme Shareholders as a result of the Proposal and the Scheme. In particular, the Scheme Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional adviser on tax matters.

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PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE PROPOSAL

In arriving at our advice for the Proposal and the Scheme, we have considered the following principal factors and reasons:

1. Background and financial information of the Company

1.1 Background of the Group

The Company was incorporated in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in property management services, hotel advisory and exhibition services in the PRC.

1.2 Historical financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2021, 2022 and 2023 as extracted from the 2022 Annual Report and the 2023 Annual Report.

Extracted from the audited consolidated statement of profit or loss

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Revenue	1,283,491	1,599,056	1,775,742
– Property management services	1,267,563	1,586,027	1,775,630
– Basic property services	823,435	1,049,530	1,273,207
– Value added services			
for property owners	113,078	171,716	159,972
– Other value-added services	331,050	364,781	342,451
– Hotel advisory and exhibition services	15,928	13,029	112
Gross profit	347,872	395,795	477,911
Gross profit margin	27.1%	24.8%	26.9%
Profit for the year	156,266	194,472	250,261
Net profit margin	12.2%	12.2%	14.1%
Earnings per share (RMB)	1.55	1.92	2.48

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Extracted from the consolidated audited statement of financial position

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Non-current assets	83,597	91,593	93,691
Current assets	776,703	898,029	953,480
– Cash and cash equivalents	452,087	454,457	382,445
Total assets	860,300	989,622	1,047,171
Non-current liabilities	5,282	30,581	5,902
Current liabilities	981,327	952,959	793,274
– Interest-bearing bank borrowings	506,748	381,355	175,560
Total liabilities	986,609	983,540	799,176

Year ended 31 December 2023 (“FY2023”) compared to year ended 31 December 2022 (“FY2022”)

Revenue from contracts with customers increased from approximately RMB1,599.1 million for FY2022 to approximately RMB1,775.7 million for FY2023, representing an increase of approximately 11.0%. Such increase was mainly attributable to the increase in revenue from property management services. According to the 2023 Annual Report, the increase in revenue from property management services was mainly attributed to the expansion of the Group’s management scale for the properties developed by Zhuhai Huafa Group as well as independent property developers. As of 31 December 2023, the Group had a total contracted gross floor area (“GFA”) of approximately 60.6 million sq.m, compared to approximately 51.8 million sq.m as at 31 December 2022.

Gross profit margin increased to approximately 26.9% for FY2023 from approximately 24.8% for FY2022, which was mainly due to (i) an increase in the gross profit margin of the basic property services attributable to the Group’s refined management; and (ii) an increase in gross profit margin of the value-added services for property owners, as the Group scaled down certain services with lower gross profit margin.

For FY2023, the Group recorded a profit for the year of approximately RMB250.3 million, representing an increase of approximately 28.7% as compared to the profit for the year of approximately RMB194.5 million for FY2022. Such increase was due to the reasons mentioned above. Net profit margin increased to approximately 14.1% for FY2023 from approximately 12.2% for FY2022, which was mainly due to the same reasons as the ones for the improvement in gross profit margin.

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As at 31 December 2023, net assets of the Group increased to approximately RMB248.0 million from approximately RMB6.1 million as at 31 December 2022, which was mainly attributable to the operating results of the Group. Furthermore, we note that interest-bearing bank borrowings had decreased by 54.0% from approximately RMB381.3 million for FY2022 to approximately RMB175.6 million for FY2023.

The Group did not distribute dividends for FY2022 and FY2023.

FY2022 compared to year ended 31 December 2021 (“FY2021”)

Revenue from contracts with customers increased from approximately RMB1,283.5 million for FY2021 to approximately RMB1,599.1 million for FY2022, representing an increase of approximately 24.6%. Such increase was mainly attributable to the increase in revenue from the property management services segment. As of 31 December 2022, the Group has a total contracted GFA of approximately 51.8 million sq.m, compared to approximately 38.6 million sq.m as at 31 December 2021.

Furthermore, we note from the 2022 Annual Report that a key factor which contributed to the 51.9% increase in revenue from value-added services was due to the new community retail business.

Gross profit margin decreased to approximately 24.8% for FY2022 from approximately 27.1% for FY2021. The decline was mainly because the Group began providing certain new services under value-added services for property owners and other value-added services, which were in the early stages of business development and had lower gross profit margins.

For FY2022, the Group recorded a profit for the year of approximately RMB194.5 million, representing an increase of approximately 24.4% as compared to the profit for the year of approximately RMB156.3 million for FY2021. Such increase was due to the reasons mentioned above. Net profit margin for FY2022 was approximately 12.2%, which remained stable as compared to approximately 12.2% for FY2021.

As at 31 December 2022, net assets of the Group increased to approximately RMB6.1 million from an approximate deficit of RMB126.3 million as at 31 December 2021, which was attributable to the operating results of the Group. Furthermore, we note that interest-bearing bank borrowings had decreased by 24.7% from approximately RMB506.7 million for FY2022 to approximately RMB381.3 million for FY2023.

The Group did not distribute dividends for FY2021 and FY2022.

1.3 Outlook of the Group and the property market

As described in the section headed “1.2 Historical financial performance of the Group” above, the Group’s overall financial results had been growing in the past three financial years. Looking ahead, based on the 2023 Annual Report, the Group will strengthen the linkage with Huafa Properties, further deepen the business combination system based on property services and lifestyle services as the main business, and cultivate strategic incubation businesses such as home management, community rental and sales, and new retail.

In respect of the property market, the downward pressure faced by the property market in the PRC may pose challenges on the Group’s property management business. According to the statistics published by the National Bureau of Statistics of the PRC¹, the amount invested into property development decreased by approximately 25.0% from RMB14.8 trillion in 2021 to RMB11.1 trillion in 2023. Furthermore, based on the press release of the National Bureau of Statistics dated 17 May 2024, from January to April 2024, (i) sales of newly constructed properties for sale totalled 292.52 million sq.m, marking a year-on-year decline of 20.2%, among which sales areas of residential properties experienced a decrease of 23.8%; (ii) sales revenue of newly built properties amounted to RMB2,806.7 billion, reflecting a notable year-on-year decline of 28.3%; and (iii) residential property sales revenue saw a significant year-on-year downturn of 31.1%. In short, the lesser newly constructed projects available for sale will have an impact on the potential sales area available for the Group to provide property management services going forward.

In addition, we observe that for FY2023, properties developed by Zhuhai Huafa Group accounted for approximately 83.8% of revenue from the Company’s property management segment. Therefore, we conducted further research into the progress of construction and completed projects by Huafa Properties in the last two years. We note from Huafa Properties’ 2022 and 2023 annual reports that the total area of started construction projects depleted year-on-year by approximately 28.3% from 2.9 million sq.m in 2022 to 2.0 million sq.m in 2023 and the completed projects decreased year-on-year by approximately 22.0% from 6.6 million sq.m in 2022 to 5.1 million sq.m in 2023. Consequently, this may pose a challenge to the Company’s property management segment.

However, we note that the People’s Bank of China and the National Financial Regulatory Administration announced that the minimum down payment ratio for individuals’ commercial housing mortgages will be lowered to 15% for first-home purchases and 24% for second-home purchases on 17 May 2024. Therefore, from a macro perspective, the PRC is actively engaging in various measures to stimulate the property market in the PRC.

¹ Source: The website of the National Bureau of Statistics of the PRC at <http://data.stats.gov.cn>

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Having considered (i) the prevailing property market condition in the PRC which may pose challenges on the Group's property management business; (ii) the government's recent stimulating policies towards the property market may take time to reveal its impact; and (iii) the Group's financial performance achieved in the past three years under the headwinds from the macro environment and its current financial position, we maintain a cautious view on the outlook of the Group and the property market in the PRC.

2. Background information of the Offeror

2.1 The Offeror and its controlling shareholder

As at the Latest Practicable Date, the Offeror and Guang Jie held 3,899,990,000 Shares and 382,314,960 Shares, representing approximately 38.76% and 3.80% of the total issued Shares respectively.

Huafa Properties is a company established in the PRC with limited liability, whose shares are listed on the Shanghai Exchange (stock code: 600325) and principally engaged in property development. Huafa Properties is a non-wholly owned subsidiary of Zhuhai Huafa, a state-owned enterprise directly regulated by Zhuhai State-owned Asset Supervision and Administration Commission with its business operations primarily conducted in Zhuhai, Guangdong Province. Zhuhai Huafa, through its subsidiaries, is principally engaged in six major business segments, namely, urban operations, real estate development, financial investment, technology industry, commerce and trade services and modern services.

2.2 The Offeror's intention in relation to the Company

As disclosed in the paragraph headed "The Offeror's intention regarding the Group" in the section headed "Explanatory Statement" of the Scheme Document, it is the intention of the Offeror that the Group will continue to carry on its current business following the implementation of the Proposal and does not have any plans to make any material changes to the continued employment of the employees of the Group (other than in the ordinary source of business of the Group).

The Offeror will conduct a strategic review of the Group's assets, corporate structure, capitalisation, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the implementation of the Proposal with a view to optimising the Group's activities and development, and may make any changes as the Offeror deems necessary, appropriate or beneficial for the Group in light of its review of the Group or any future development.

We note the Proposal is made by the existing controlling Shareholder who stated that it will continue to operate the Group's businesses as it is. Based on our discussion with the Management, there is no indication from the controlling Shareholder of any intended significant activities which may fundamentally improve the Group's ongoing operations and outlook, nor which may positively impact the Group's valuation as a business.

3. Rationale of the Proposal

3.1 From perspective of the Company

According to the “Explanatory Statement” under the Scheme Document, the Company has not conducted any equity fund raising activities since 2017, being the primary benefit of having a listing status, due to relatively low liquidity in the trading of the Shares and the downward trend of the trading price of the Shares in the past years. Under such circumstances, the Company is unable to fully utilise its current listing platform as a source of funding for its long term growth. It is expected that the continued listing of the Shares may not provide any meaningful benefit to the Company in the near future.

We have reviewed the Company’s announcements and noted the last equity fund raising exercise was conducted in 2017, before the Company’s principal business shifted to property management. Coupled with the relatively thin trading volume of the Shares as detailed in the section headed “6. Historical trading liquidity of the Shares” below and ongoing costs of compliance required of a listed company on the Stock Exchange, we are of the view that the usefulness of a listed platform for the Company is limited. Furthermore, the Proposal, if successful, will provide the Offeror with more flexibility in supporting the long-term business development of the Company, without being concerned about the fluctuation of its short-term share performance, regulatory restrictions and compliance obligations arising from its listing status, and would allow the Offeror to streamline the Company’s governance structure.

3.2 From perspective of Scheme Shareholders

From the point of view of the Scheme Shareholders, the Proposal offers an opportunity to realise their investment in the Company for cash at an attractive premium over the prevailing share price. The Cancellation Price of HK\$0.29 per Share offers a premium of between 30.63% and 70.59% over the average closing prices per Share for the periods detailed in the section headed “4.1 Cancellation price comparison” below. Moreover, this price represents a premium of 970.11% over the audited consolidated net asset value per share attributable to shareholders as of 31 December 2023.

The trading liquidity of the Shares has been relatively low over a prolonged period in recent years. From our own analysis, trading liquidity for the Review Period as defined in the section “6. Historical trading liquidity of the Shares” ranged from only approximately 0.01% to 0.37% of the Group’s total issued share capital, and approximately 0.02% to 0.58% of the Shares held by the Disinterested Shareholders. The relatively low liquidity level would make any disposal of a significant number of Shares on-market difficult and may result in downward pressure on the market price of the Shares. As such, the Scheme presents an immediate opportunity for Scheme Shareholders to monetise their investments for cash and redeploy the proceeds from accepting the Scheme into other investment opportunities.

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Upon reviewing the Cancellation Price against prevailing Share prices and the trading liquidity level of the Shares in the sections headed “6. Historical trading liquidity of the Shares” and “4.2 Analysis of historical Share price performance”, we are of the view that the Proposal and the Scheme is in the interests of, and presents an opportunity for, the Disinterested Shareholders to monetise their investments for cash and redeploy the proceeds from accepting the Proposal and the Scheme into other investment opportunities.

4. The Cancellation Price

4.1 Cancellation Price comparison

The Proposal will be implemented by way of the Scheme. The Scheme will provide that, if the Scheme becomes effective, the Scheme Shares will be cancelled and extinguished in exchange for the payment to each Scheme Shareholder at the Cancellation Price of **HK\$0.29** in cash for each Scheme Share cancelled and extinguished.

The Cancellation Price represents:

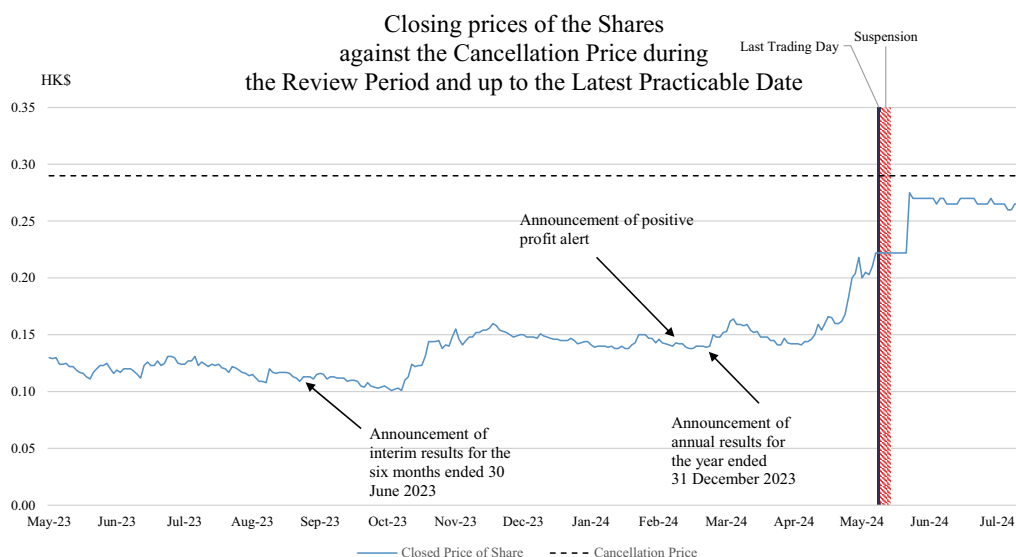
- a premium of approximately 9.43% over the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 30.63% over the closing price of HK\$0.222 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 36.79% over the average closing price of approximately HK\$0.212 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 40.10% over the average closing price of approximately HK\$0.207 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 70.59% over the average closing price of approximately HK\$0.170 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day; and
- a premium of approximately 970.11% over the audited consolidated net asset value per Share of approximately RMB0.0246 (equivalent to approximately HK\$0.0271) as at 31 December 2023.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholder and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

4.2 Analysis of historical Share price performance

In assessing the reasonableness of the Proposal and the Cancellation Price, we have considered the historical movement of the price of the Shares, as well as the comparison between price of the Shares and the Cancellation Price.

Set out below is a chart showing the movement of the closing prices of the Shares against the Cancellation Price during the period from 15 May 2023, being one year before the Last Trading Day, to the Last Trading Day (the “**Review Period**”). We are of the view that the price performance of the Shares during the Review Period can sufficiently and fairly reflect the market perception on the Company’s performance and outlook.



Source: The Stock Exchange website (www.hkex.com.hk)

As shown in the chart on closing prices of the Shares above, for the Review Period, the highest closing price of Shares was HK\$0.222 on 13 and 14 May 2024 respectively and the lowest was HK\$0.101 on 11 and 16 October 2023, with a mean of HK\$0.136. The Cancellation Price represents a premium of 30.6%, 187.1%, and 113.1% over the highest price, lowest price, and mean price respectively.

In regards to the influence of announcements on the Share prices, on 29 August 2023, the Group announced its interim results, which reported an increase of the Group’s revenue by 11.5% as compared to the corresponding period of 2022. However, closing price of Shares were not swayed by the aforesaid announcement until the beginning of October 2023 where price of Shares began to ascend to above HK\$0.150.

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On 28 February 2024, the Group announced its annual results for the year ended 31 December 2023. It was reported that the year-on-year revenue increased by 11.0%. Following such announcement, the closing price of the Shares increased to HK\$0.164 per Share on 8 March 2024, before returning to its previous level between HK\$0.140 and HK\$0.150 per Share.

Other than the above reasons, we are not aware, and the Management also confirmed that they are not aware, of any reason that had affected the fluctuation of Share prices during the Review Period.

Subsequent to the Announcement on 27 May 2024 and the resumption of trading in the Shares on 28 May 2024, the closing price of Share surged up to around HK\$0.270 and remained as this level. However, there is no assurance that the price of the Shares will sustain at the current level if the Scheme is not approved or the Proposal otherwise lapses.

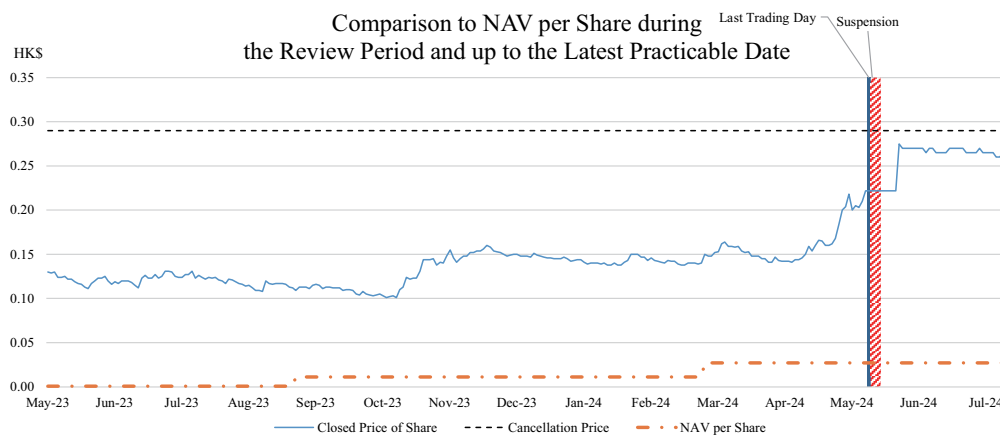
Therefore, from the perspective of the historical price performance of the Shares, we are of the view that the Cancellation Price is fair and reasonable, and presents an attractive opportunity for the Disinterested Shareholders to realise their investments.

5. Net asset value comparison

5.1 Premium of Share price over the NAV (as defined below) per Share

The Cancellation Price represents a premium of approximately 970.11% over the audited net asset value (“NAV”) per Share of approximately HK\$0.0271 as at 31 December 2023, based on the audited consolidated net asset value of the Group of RMB248.0 million (equivalent to HK\$272.6 million) as at 31 December 2023. The chart below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the Review Period, and up to the Latest Practicable Date against the Cancellation Price and latest available NAV the Company at the relevant time.

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Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. The NAV per Share was calculated based on the net assets as set out in the respective interim or annual results of the Company divided by the total number of Shares then in issue. The NAV per Share was approximately RMB0.0006 (equivalent to HK\$0.0007) for the period from 15 May 2023 to 29 August 2023, RMB0.0101 (equivalent to HK\$0.0112) for the period from 30 August 2023 to 28 March 2024 and RMB0.0246 (equivalent to HK\$0.0271) for the period from 29 March 2024 to the Latest Practicable Date respectively.
2. The exchange rate of HK\$1 = RMB0.90981 was based on the exchange rate published on the website of the State Administration of Foreign Exchange of the PRC on 27 May 2024, being the date of the Announcement.

As shown in the chart above, the Cancellation Price represents a consistent premium to the NAV per Share during the Review Period and up to the Latest Practicable Date.

In summary, given the Cancellation Price represents a premium to both the NAV per Share and closing price of the Shares during the entire Review Period, we are of the view that from the perspective of the NAV per Share comparison, the Cancellation Price is fair and reasonable, and presents an opportunity for the Disinterested Shareholders to realise their investments.

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6. Historical trading liquidity of the Shares

We have conducted a review on the trading liquidity of the Shares, and set out below are the average daily trading volume of Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares during the Review Period and up to the Latest Practicable Date as compared to the total number of issued Shares and the total number of issued Shares held by the Disinterested Shareholders as at the Latest Practicable Date.

Review Period	Average daily trading volume	Approximate % of average daily trading volume to total issued Shares (Note 1)	Approximate % of average daily trading volume to total number of Shares held by Disinterested Shareholders
2023			
15 May to 30 May	1,956,667	0.02%	0.03%
June	2,161,190	0.02%	0.04%
July	1,141,000	0.01%	0.02%
August	1,328,696	0.01%	0.02%
September	1,196,842	0.01%	0.02%
October	4,553,000	0.05%	0.08%
November	7,060,000	0.07%	0.12%
December	4,274,737	0.04%	0.07%
2024			
January	2,050,909	0.02%	0.04%
February	1,715,789	0.02%	0.03%
March	2,149,000	0.02%	0.04%
April	5,578,000	0.06%	0.10%
1 to 14 May (Last Trading Day)	37,673,333	0.37%	0.65%
Average	5,603,013	0.06%	0.10%
Subsequent to the Review Period and up to the Latest Practicable Date			
May (from 28 May to 31 May)	117,750,000	1.17%	2.04%
June	64,898,970	0.65%	1.12%
July (up to the Latest Practicable Date)	27,310,909	0.27%	0.47%

Source: The Stock Exchange website (www.hkex.com.hk)

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Note:

1. *Based on the total number of issued Shares as at each month end.*

As shown in the table above, the average daily trading liquidity of the Shares was low during the Review Period, ranging from only approximately 0.01% to 0.37% of the Group's total issued share capital, and approximately 0.02% to 0.65% of the Shares held by the Disinterested Shareholders. Such liquidity would suggest that any sale of large number of Shares on the market over a short period of time may be difficult without exerting downward pressure on the price of the Shares.

In light of the low trading liquidity of the Shares during the Review Period, the Proposal provides an assured opportunity for the Disinterested Shareholders to realise their investment in the Company for cash at the fixed Cancellation Price regardless of the number of Shares they hold, is fair and reasonable from the perspective of historical trading liquidity of Shares.

7. Market comparables

In assessing the fairness and reasonableness of the Cancellation Price, we have performed analysis on the price-to-earnings ratio (the "**P/E Ratio(s)**"), being a common parameter in assessing a company's value, of companies which are listed on the Stock Exchange and are engaged in similar businesses to those of the Group for comparison purpose ("**Comparable Company(s)**"). We have also compiled the price-to-book ratio (the "**P/B Ratio(s)**") of the Comparable Companies to provide additional reference for analysis.

On the basis (i) that the majority (over 80%) of the revenue of the Group is derived from property management business in the PRC; and (ii) the implied market capitalisation of approximately HK\$2.3 billion of the Company based on 10,060,920,000 issued Shares as at the Last Trading Date and the Cancellation Price, we have set the following selection criteria for the purpose of identifying Comparable Companies:

- (i) the share of which are listed on the Main Board of the Stock Exchange;
- (ii) of comparable size to the Company with market capitalisation as of the Last Trading Day between approximately HK\$1.1 billion (50% of the Company's market capitalisation as of the Last Trading Day) and approximately HK\$4.5 billion (200% of the Company's market capitalisation as of the Last Trading Day); and
- (iii) predominantly over 80% of revenue is derived from property management business in the PRC.

Based on the above criteria, we have identified 10 Comparable Companies which is an exhaustive list.

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Name	Stock code	Market	P/E Ratio	P/B Ratio
		capitalisation (HK\$ billion) (Note 1)		
Central China New Life Ltd.	9983	1.5	(Note 4)	0.6
Dexin Services Group Ltd.	2215	1.8	26.2	2.1
E-Star Commercial Management Co. Ltd.	6668	1.4	7.6	1.0
Ever Sunshine Services Group Ltd.	1995	3.2	6.8	0.6
Excellence Commercial Property & Facilities Mgt Group Ltd.	6989	2.0	6.1	0.5
Jinmao Property Services Co., Ltd.	816	2.6	7.0	1.5
New Hope Service Holdings Ltd.	3658	1.4	6.1	1.0
Powerlong Commercial Management Holdings Ltd.	9909	1.9	3.8	0.6
S-Enjoy Service Group Co., Ltd.	1755	2.9	6.0	0.8
Shimao Services Holdings Ltd.	873	2.4	8.0	0.3
		Maximum:	26.2	2.1
		Minimum:	3.8	0.3
		Median:	6.8	0.7
		Mean:	8.6	0.9
The Company	982	2.2	10.7 (Note 5)	10.7 (Note 6)

Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. Calculated based on the closing share price as at 14 May 2023, being the Last Trading Day, and the number of shares in issue based on the monthly return of equity issuer on movements in securities for the month ended 30 April 2024, being the latest one available before the Last Trading Day.
2. P/E Ratio was calculated based on the respective market capitalisation divided by their respective profit reported in the respective companies' latest published annual report.
3. P/B Ratio was calculated based on the respective market capitalisation divided by their respective latest net asset value reported in the respective companies' latest published annual report.
4. P/E Ratio for Central China New Life Ltd. was not applicable due to it recorded loss in FY2023.

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5. *The implied P/E Ratio of the Group was calculated based on the implied market capitalisation implied by the Cancellation Price, divided by the Group's profit published in the 2023 Annual Report.*
6. *The implied P/B Ratio of the Group was calculated based on the implied market capitalisation implied by the Cancellation Price, divided by the Group's net asset value as at 31 December 2023.*

As shown in the table above, the P/E Ratios of the Comparable Companies range from approximately 3.8 times to 26.2 times with a median of approximately 6.8 times and a mean of approximately 8.6 times. The implied P/E Ratio of the Group based on the Cancellation Price is approximately 10.7 times, which is above median and mean and within range.

The P/B Ratios of the Comparable Companies range from approximately 0.3 times to 2.1 times, with a median of approximately 0.7 times and a mean of approximately 0.9 times. The implied P/B Ratio of the Group based on the Cancellation Price and the Group's net asset value as at 31 December 2023 is approximately 10.7 times, which is above median, mean and the entire range.

In summary, from the perspective of the market comparable analysis based on the abovementioned commonly adopted yardsticks, we are of the view that the Cancellation Price is fair and reasonable.

8. Privatisation precedents

We are of the view that past privatisation transactions of companies listed on the Stock Exchange may not be a good reference for assessing the fairness and reasonableness of the Cancellation Price considering these companies are from different industries, which therefore have different market fundamentals and prospects. Accordingly, we consider the analysis in the sections above to be more relevant for the Disinterested Shareholders.

RECOMMENDATIONS

In summary, in relation to the Proposal and the Scheme, we have considered the below factors and reasons in reaching our conclusion and recommendations:

- (a) while the financial performance of the Group had grown steadily in FY2022 and FY2023, the prevailing property market condition in the PRC and the government's recent stimulating policies towards the PRC property market may take time to reveal its impact as described under the section headed "1.3 Outlook of the Group and the property market" above may, in turn, have an impact on the Group's property management business, which should be viewed cautiously going forward;

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- (b) from the Offeror and the Company's perspective, as the usefulness of a listed platform for the Company has diminished, the Scheme enables the Company to (i) reduce the ongoing administrative costs and management resources for maintaining the listing status of the Company; and (ii) provide more flexibility to the Offeror and the Group to formulate long-term commercial development and to maintain competitiveness to cope with the ever-changing market environment;
- (c) the Cancellation Price represents a premium over (i) the closing price of Shares price during the Review Period; and (ii) the NAV per Share during the Review Period;
- (d) in the view of the thin liquidity and low trading volume of the Share during the Review Period, the Scheme provides an opportunity for the Disinterested Shareholders to realise their investment in the Company for cash at the fixed Cancellation Price regardless of the number of Shares they hold without exerting downward pressure on the market price of the Shares; and
- (e) the Cancellation Price is fair and reasonable from a comparable analysis perspective as the implied P/E Ratio is above the mean and median of those of the Comparable Companies and fell within the range, and the implied P/B Ratio is above the mean, median and the entire range of the Comparable Companies;

In light of the above, we consider that, the Proposal and the Scheme offer the Scheme Shareholders an immediate assured opportunity to exit at the fixed Cancellation Price and to monetise and reallocate their investment in the Company to other investments that they may consider more attractive.

Considering the above, we (i) are of the opinion that the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) recommend the Disinterested Shareholders should vote in favour of the resolution to approve the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM.

As different Scheme Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Disinterested Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Disinterested Shareholders are reminded that their decisions to dispose of or retain their investments or exercise their rights in the Shares, having regard to their own circumstances and investment objectives and are reminded to closely monitor the market price and liquidity of the Shares during the offer period and consider selling their Shares in the open market, where possible, if the net proceeds (after deducting all transaction costs) exceed the net amount to be received under the Scheme.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

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

This Explanatory Statement constitutes the statement required under section 100 of the Companies Act.

**SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT)**

1. INTRODUCTION

On 14 May 2024, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act, involving among other things, (i) the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled and (ii) the withdrawal of listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, all Scheme Shares will be cancelled on the Effective Date. Contemporaneously with the cancellation of the Scheme Shares, the share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror.

The Shares in which the Offeror and Guang Jie, which is the direct holding company of the Offeror, are interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to 96.20% by the Offeror and 3.80% by Guang Jie, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

The purpose of this Explanatory Statement is to set out the terms and effects of the Proposal (in particular the Scheme) and to provide the Scheme Shareholders with further information in relation to the Proposal.

Particular attention is also drawn to (i) the letter from the Board set out in Part IV of this Scheme Document; (ii) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (iii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III headed "The Scheme" to this Scheme Document.

2. TERMS OF THE PROPOSAL

Subject to the satisfaction or waiver (where applicable) of the Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive from the Offeror:

For every Scheme Share cancelled HK\$0.29 in cash

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Announcement, this Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced. As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid. The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

The Cancellation Price of HK\$0.29 represents:

- (a) a premium of approximately 9.43% over the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 30.63% over the closing price of HK\$0.222 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 36.79% over the average closing price of HK\$0.212 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 40.10% over the average closing price of HK\$0.207 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 70.59% over the average closing price of HK\$0.170 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day; and

- (f) a premium of approximately 970.11% over the audited consolidated net asset value per Share of approximately RMB0.0246 (equivalent to approximately HK\$0.0271) as at 31 December 2023.

The Offeror has appointed the financial adviser in relation to the Proposal to conduct feasibility study on the Proposal for its internal reference, and has discussed internally and reviewed the relevant information including pricing methods. The Cancellation Price has been determined on an arm's length commercial basis after taking into account the financial information of the Group, the historical prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

Highest and lowest prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.275 on 28 May 2024, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.138 on 17, 18, 22 and 23 January 2024 and 20 and 21 February 2024.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will only become effective and binding on the Company and all Shareholders subject to the satisfaction or waiver (where applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by not less than three-fourths of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Disinterested Scheme Shares;
- (c) the passing by the Shareholders at the SGM of (i) the special resolution to approve any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (ii) the ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares;

- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (e) compliance, to the extent necessary, with the applicable requirements of section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
- (f) all Authorisations (if any) having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, the PRC, Hong Kong and any other relevant jurisdictions;
- (g) all Authorisations (if any) remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, which are material in the context of the Group (taken as a whole), in each aforesaid case up to and at the time when the Scheme becomes effective;
- (h) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal;
- (i) all necessary consents in connection with the Proposal and the withdrawal of listing of the Shares on the Stock Exchange which may be required under any existing contractual obligations of any member of the Group being obtained or waived by the relevant party(ies) and remaining in effect (if applicable);
- (j) since the Announcement Date, there having been no material adverse change to the business, assets, financial or trading position or the prospects or conditions (whether operational, legal or otherwise) of the Group, each taken as a whole; and

- (k) save in connection with the implementation of the Proposal, the listing of the Shares on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange, to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn.

The Conditions in paragraphs (a) to (e) (inclusive) cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraph (f) to (k) (inclusive), to the extent permissible by the relevant laws and regulations the Listing Rules and the Takeovers Code, either in whole or in part, either generally or in respect of any particular matter.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Conditions.

All of the Conditions must be satisfied or waived (where applicable) on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

With reference to the Conditions in paragraph (f) and (g), as at the Latest Practicable Date, each of the Offeror and the Company is not aware of any requirement for such Authorisations other than those set out in the Conditions in paragraphs (a) to (e).

With reference to the Condition in paragraph (h), as at the Latest Practicable Date, each of the Offeror and the Company is not aware of any such action, proceeding, suit, investigation, enquiry, statute, regulation, demand or order.

With reference to the Condition in paragraph (i), as at the Latest Practicable Date, each of the Offeror and the Company is not aware of any such consents required.

As at the Latest Practicable Date, none of the Conditions had been satisfied or waived.

If the Conditions are satisfied or validly waived (as applicable), the Proposal and the Scheme will be binding on all of the Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the SGM on Wednesday, 28 August 2024 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

WARNINGS: Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being satisfied or waived (where applicable). Accordingly, the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

4. CONFIRMATION OF FINANCIAL RESOURCES

As at the Latest Practicable Date, there are 5,778,615,040 Scheme Shares in issue.

Assuming that no new Shares will be issued up to the Scheme Record Date, the Proposal will involve making an offer to cancel 5,778,615,040 Scheme Shares in exchange for the Cancellation Price of HK\$0.29 per Scheme Share, with the maximum cash consideration payable by the Offeror under the Proposal being approximately HK\$1,675,798,000.

The Offeror proposes to finance the cash consideration payable under the Proposal in full by way of the Facility granted under the Facility Agreement.

Guotai Junan Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration payable under the Proposal.

5. SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$3,000,000 divided into 12,000,000,000 Shares and the issued share capital of the Company is HK\$2,515,230 divided into 10,060,920,000 Shares. Save for the 10,060,920,000 issued Shares, the Company does not have any other outstanding shares, options, warrants, convertible securities or other relevant securities in issue.

Shareholding Structure of the Company as at the Latest Practicable Date

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the completion of the Proposal, assuming that there will be no change in the shareholding structure of the Company before completion of the Proposal:

	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Approximately		Approximately	
	Number of Shares	% of total issued Shares	Number of Shares	% of total issued Shares
Offeror and the Offeror Concert Party(ies)				
Offeror ⁽¹⁾	3,899,990,000	38.76%	9,678,605,040	96.20%
Guang Jie ⁽¹⁾	382,314,960	3.80%	382,314,960	3.80%
Guotai Junan Group ^{(2), (4)}	6,100,000	0.06%	–	–
Ms. Chen Yin ^{(3), (4)}	1,000,000	0.01%	–	–
Sub-total	4,289,404,960	42.63%	10,060,920,000	100%
Disinterested Shareholders	5,771,515,040	57.37%	–	–
Total number of Scheme Shares⁽⁴⁾	5,778,615,040	57.44%	–	–
Total number of Shares	<u>10,060,920,000</u>	<u>100%</u>	<u>10,060,920,000</u>	<u>100%</u>

Notes:

- Guang Jie directly wholly owns the Offeror, and is therefore an Offeror Concert Party. The Shares held by the Offeror and Guang Jie will not form part of the Scheme Shares and will not be cancelled upon completion of the Proposal.

Guang Jie is wholly owned by Huafa Properties, which is a non-wholly owned subsidiary of Zhuhai Huafa. For further details, please refer to the section headed “7. Information on the Offeror”.

- As at the Latest Practicable Date, Guotai Junan Investments (Hong Kong) Limited, being a subsidiary of Guotai Junan Securities Co. Ltd. and thus a member of Guotai Junan Group and therefore an Offeror Concert Party, holds 6,100,000 Shares. Guotai Junan Capital is the financial adviser to the Offeror in connection with the Proposal. Accordingly, Guotai Junan Capital and relevant members of the Guotai Junan Group which hold Shares are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of “acting in concert” in the Takeovers Code. The 6,100,000 Shares held by members of Guotai Junan Group excludes Shares held by other parts of the Guotai Junan Group on behalf of non-discretionary investment clients.

3. Ms. Chen Yin is a director of Huafa Properties, an indirect holding company of the Offeror, and is presumed to be acting in concert with the Offeror in accordance with class (2) of the definition of “acting in concert” in the Takeovers Code and therefore an Offeror Concert Party. As at Latest Practicable Date, Ms. Chen Yin directly holds 1,000,000 Shares.
4. The Shares held by Guotai Junan Group and Ms. Chen Yin will form part of the Scheme Shares and will be cancelled upon completion of the Proposal.

6. INFORMATION ON THE GROUP

The Company is a company incorporated in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange (stock code: 982). The Group is principally engaged in property management services, hotel advisory and exhibition services.

Your attention is drawn to Appendix I headed “*Financial Information of the Group*” and Appendix II headed “*General Information*” to this Scheme Document.

7. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Samoa with limited liability, which is principally engaged in investment holding and is directly wholly owned by Guang Jie, which is in turn indirectly wholly owned by Huafa Properties. As at the Latest Practicable Date, the Offeror and Guang Jie directly held 3,899,990,000 Shares and 382,314,960 Shares, representing approximately 38.76% and 3.80% of the total issued Shares, respectively.

Huafa Properties is a company established in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (stock code: 600325) and principally engaged in property development. Huafa Properties is a non-wholly owned subsidiary of Zhuhai Huafa, a state-owned enterprise directly regulated by Zhuhai State-owned Asset Supervision and Administration Commission with its business operations primarily conducted in Zhuhai, Guangdong Province. Zhuhai Huafa, through its subsidiaries, is principally engaged in six major business segments, namely, urban operations, real estate development, financial investment, technology industry, commerce and trade services and modern services.

8. REASONS FOR AND BENEFITS OF THE PROPOSAL**For Scheme Shareholders*****An opportunity to realise their investment at an attractive premium***

The Proposal is intended to provide Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium over the prevailing share price. The Cancellation Price of HK\$0.29 per Scheme Share represents a premium ranging from approximately 30.63% to approximately 70.59% over the average closing price per Share as quoted on the Stock Exchange for the periods as mentioned under the section headed “2. Terms of the Proposal”, and a premium of 970.11% over the audited consolidated net asset value attributable to Shareholders per Share as at 31 December 2023.

The trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years. The average daily trading volume of Shares for the six-month period, 12-month period and 24-month period up to and including the Last Trading Day were approximately 5,995,537 Shares, 4,243,516 Shares and 3,541,433 Shares per trading day, representing only approximately 0.06%, 0.04% and 0.04% respectively of the total number of issued Shares as at the Announcement Date.

The low trading liquidity of the Shares could make it difficult for Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. As such, the Scheme presents an immediate opportunity for Scheme Shareholders to monetise their investments for cash and redeploy the proceeds from accepting the Scheme into other investment opportunities.

For the Offeror and the Company***Limited usage of the listing platform***

The Company has not conducted any equity fund raising activities since 2017, being the primary benefit of having a listing status, due to the relatively low liquidity in the trading of the Shares as aforesaid and the downward trend of the trading price of the Shares in the past years. Under such circumstances, the Company is unable to fully utilise its current listing platform as a source of funding for its long term growth. It is expected that continued listing of the Shares may not provide any meaningful benefit to the Company in the near future.

Reducing cost and expenses of maintaining the Company's listing status while enabling the Offeror to run the business of the Group in a more efficient and effective way

The Proposal, which entails the delisting of the Company, is expected to reduce the administrative costs and management resources associated with maintaining the Company's listing status and compliance with regulatory requirements. It could also provide more flexibilities to the Group to achieve long-term commercial development free from share price fluctuations and additional costs and expenses that may arise from the Company being a publicly listed company.

9. THE OFFEROR'S INTENTION REGARDING THE GROUP

As at the Latest Practicable Date, the Offeror intends to withdraw the listing of Shares from the Stock Exchange upon the Scheme becoming effective and intends for the Group to continue carrying on its existing businesses following the implementation of the Proposal and does not have any plan to make any material changes to the continued employment of the employees of the Group (other than in the ordinary course of business of the Group). The Offeror will conduct a strategic review of the Group's assets, corporate structure, capitalisation, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the implementation of the Proposal with a view to optimising the Group's activities and development, and may make any changes as the Offeror deems necessary, appropriate or beneficial for the Group in light of its review of the Group or any future development.

10. FINANCIAL ADVISER

The Offeror has appointed Guotai Junan Capital as its financial adviser in connection with the Proposal.

11. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board has established the Independent Board Committee, comprising Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai, each being an independent non-executive Director, to make a recommendation to the Disinterested Shareholders as to (a) whether the Proposal and the Scheme are, or are not, fair and reasonable; and (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM.

The Board, with the approval of the Independent Board Committee, has appointed Altus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme pursuant to Rule 2.1 of the Takeovers Code. The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

12. ACTIONS TO BE TAKEN

The summary of actions to be taken by the Shareholders can be found in Part II – Actions to be Taken of this Scheme Document.

13. COURT MEETING AND SGM

The Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

All Scheme Shareholders as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting to approve the Scheme, provided that only the votes of the Disinterested Shareholders will be taken into account in determining whether the Condition in paragraph (b) of the section headed “*3. Conditions of the Proposal and the Scheme*” above is satisfied.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company as at the Meeting Record Date will be counted as members of the Company for the purposes of calculating whether or not a majority in number of Scheme Shareholders have approved the Scheme at the Court Meeting under section 99 of the Companies Act at the Court Meeting. In accordance with the direction from the Court, HKSCC Nominees will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as a member of the Company in their own name prior to the Meeting Record Date.

As at the Latest Practicable Date, the Offeror and Guang Jie directly held 3,899,990,000 Shares and 382,314,960 Shares, representing approximately 38.76% and 3.80% of the total issued Shares, respectively. As the Offeror and Guang Jie are not Scheme Shareholders, the Offeror and Guang Jie will not be entitled to vote on the Scheme at the Court Meeting.

Notice of the Court Meeting is set out in Appendix IV to this Scheme Document. The Court Meeting will be held on Wednesday, 28 August 2024 at the time and place specified in the notice.

Immediately after the conclusion or adjournment of the Court Meeting, the SGM will be held for the purpose of considering and, if thought fit, approving (a) the special resolution to approve any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (b) the ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the reserve created as a result of the cancellation of the Scheme Shares to pay up in full at par such number of new Shares.

All Shareholders as at the Meeting Record Date will be entitled to attend the SGM and vote on the special resolution to approve any reduction of issued capital associated with the cancellation of the Scheme Shares and the ordinary resolution to maintain the issued share capital of the Company (as described in the Condition in paragraph (c) of the section headed “3. *Conditions of the Proposal and the Scheme*” above).

Notice of the SGM is set out in Appendix V to this Scheme Document. The SGM will be held at the same place and on the same date as the Court Meeting at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting).

As at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it had received any irrevocable commitment to vote for or against the Proposal.

Closure of the register of members of the Company

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 22 August 2024 to Wednesday, 28 August 2024 (both days inclusive) and during such period, no transfer of Shares will be registered. In order to qualify for the right to attend and vote at the Court Meeting and the SGM, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Wednesday, 21 August 2024. A subsequent purchaser of Shares will need to obtain the **PINK** form of proxy in respect of the Court Meeting and/or the **WHITE** form of proxy in respect of the SGM from the transferor if he or she wishes to attend or vote at the Court Meeting and/or the SGM.

14. VOTING REQUIREMENTS UNDER SECTION 99 OF THE COMPANIES ACT

Pursuant to section 99 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Court may, on the application of the company or of any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.

It is expressly provided in section 99 of the Companies Act that if a majority in number representing not less than three-fourths in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting (convened as directed by the Court as aforesaid), agree to any arrangement, the arrangement shall, if sanctioned by the Court, be binding on the members or class of members, as the case may be, and also on the company.

15. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

Rule 2.10 of the Takeovers Code provides that in addition to satisfying any voting requirements imposed by law as summarised above, other than with the consent of the Executive, a scheme of arrangement used to privatise a company may only be implemented if:

- (a) the scheme is approved by at least 75% of the votes attaching to the disinterested shares (i.e. shares in the company other than those which are owned by the offeror or persons acting in concert with the offeror) that are cast either in person or by proxy at a duly convened meeting of the shareholders; and
- (b) the number of votes cast against the resolution to approve the scheme at such meeting is not more than 10% of the votes attaching to all the disinterested shares.

As at the Latest Practicable Date, the Disinterested Shareholders legally or beneficially owned, controlled or had direction over a total of 5,771,515,040 Shares and 10% of the votes attached to all Scheme Shares held by the Disinterested Shareholders was 577,151,504 Shares.

16. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective, it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the SGM.

17. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being contemporaneously issued and credited as fully paid to the Offeror) and the share certificates relating to the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, subject to the Scheme becoming effective and with effect from 4:00 p.m. on Monday, 23 September 2024.

The Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An indicative expected timetable in relation to the Proposal is included in Part III – Expected Timetable of this Scheme Document.

18. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code (including Note 2 to Rule 30.1), the Proposal and the Scheme will lapse if any of the Conditions has not been fulfilled or waived (where applicable) on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapses, pursuant to the Takeovers Code, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

19. OVERSEAS HOLDERS OF SCHEME SHARES**General**

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong and Bermuda, the Takeovers Code and the Listing Rules, and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of any other jurisdictions.

This Scheme Document is not intended to, and does not, constitute an offer to buy or sell, or subscribe for any securities or the solicitation of an offer to buy or subscribe for the securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions in which they are located or resident or which they are citizens. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements in their respective jurisdictions and, where necessary, seek their own legal advice. Huafa Properties, the Offeror and the Company do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by Huafa Properties, the Offeror and the Company which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than Hong Kong) where action for that purpose is required. Accordingly, it is prohibited to (i) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction and (ii) disclose its content or (iii) use information contained therein for any purpose other than assessment of the Proposal and the Scheme, unless the information is already publicly available in another form.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal and/or the Scheme to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, compliance with the necessary formalities and the payment of any issue, transfer or other taxes due from such shareholder in such jurisdiction. Huafa Properties, the Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons.

As at the Latest Practicable Date, there were no Shareholders whose registered addresses as shown in the register of members of the Company were outside Hong Kong.

20. TAXATION ADVICE

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation and extinguishment of the Scheme Shares upon the Scheme becoming effective.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal or the Scheme. It is emphasised that none of Huafa Properties, the Offeror, the Company, Guotai Junan Capital and Independent Financial Adviser or any of their respective ultimate beneficial owners, directors, employees, officers, agents, advisers, associates, affiliates and any other person involved in the Proposal or the Scheme accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of the Proposal or the Scheme. All Scheme Shareholders and Beneficial Owners shall be solely responsible for their liabilities (including tax liabilities) in relation to the Proposal and the Scheme.

21. COSTS OF THE SCHEME

If either the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal or the Scheme, and the Scheme is not approved, all costs and expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

Since the Independent Board Committee and the Independent Financial Adviser have both recommended the Proposal and the Scheme, the Offeror and the Company have agreed that each party will bear their own costs and expenses in connection therewith.

22. REGISTRATION AND PAYMENT**Latest time for lodging transfers of Shares**

Assuming that the Scheme Record Date falls on Thursday, 19 September 2024, it is proposed that the register of members of the Company will be closed from Wednesday, 4 September 2024 onwards (or such other date as the Shareholders may be notified by way of an announcement), during such period no transfer of Shares will be registered, in order to establish entitlements under the Scheme.

In order to qualify for entitlements under the Scheme, Shareholders should ensure that the transfers of Shares are lodged with the Registrar for registration in their names or in the names of their nominees before 4:30 p.m. on Tuesday, 3 September 2024. The Registrar is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Payment of the Cancellation Price to the Scheme Shareholders

Subject to the Scheme becoming effective, cheques in respect of the Cancellation Price will be sent to the Scheme Shareholders whose names appear in the register of members of the Company as at the Scheme Record Date as soon as possible but in any event no later than seven Business Days after the Effective Date. On the basis that the Scheme becomes effective on Thursday, 19 September 2024 (Bermuda time), the cheques for the payment of the Cancellation Price are expected to be despatched on or before Monday, 30 September 2024.

Cheques for payment of the Cancellation Price will be despatched by ordinary post in pre-paid envelopes addressed to the Scheme Shareholders at their respective registered addresses as appearing on the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the registered address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding. All such cheques shall be posted at the risk of the addressees and none of Huafa Properties, the Offeror, the Company, Guotai Junan Capital, the Independent Financial Adviser and the Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal or the Scheme shall be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the date of posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any cheque which has not been cashed or which has been returned uncashed and shall place all monies represented by the cheque in a deposit or custodian account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold monies represented by uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be Thursday, 19 September 2024 (Bermuda time).

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal and the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

23. RECOMMENDATION

Your attention is drawn to the following:

- (a) the paragraph headed “*Recommendation*” in the letter from the Board in Part IV of this Scheme Document;
- (b) the letter from the Independent Board Committee in Part V of this Scheme Document; and
- (c) the letter from the Independent Financial Adviser in Part VI of this Scheme Document.

24. FURTHER INFORMATION

Further information in relation to the Proposal and the Scheme is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document and the accompanying forms of proxy. None of Huafa Properties, the Company, the Offeror, Guotai Junan Capital, the Independent Financial Adviser and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

25. LANGUAGE

In case of inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following table is a summary of the financial information of the Group for the three financial years ended 31 December 2021, 2022 and 2023 as extracted from the annual reports of the Group for the years ended 31 December 2021, 2022 and 2023, respectively.

	For the year ended 31 December		
	2023 <i>(audited)</i>	2022 <i>(audited)</i>	2021 <i>(audited)</i>
<i>(In RMB'000, except otherwise indicated)</i>			
Revenue	1,775,742	1,599,056	1,283,491
Cost of sales	<u>(1,297,831)</u>	<u>(1,203,261)</u>	<u>(935,619)</u>
Gross profit	477,911	395,795	347,872
Other income and other (losses)/gains, net	(1,737)	29,560	8,711
Selling and marketing expenses	(7,818)	(5,727)	(1,409)
Administrative expenses	(82,353)	(98,979)	(118,106)
Impairment losses on financial assets	(22,985)	(22,005)	(9,284)
Finance costs, net	(14,563)	(9,827)	(10,191)
Share of profits and losses of:			
A joint venture	180	(118)	357
Associates	<u>519</u>	<u>165</u>	<u>(536)</u>
Profit before tax	349,154	288,864	217,414
Income tax expense	<u>(98,893)</u>	<u>(94,392)</u>	<u>(61,148)</u>
Profit for the year	250,261	194,472	156,266
Attributable to:			
Owners of the parent	249,184	193,410	155,895
Non-controlling interests	<u>1,077</u>	<u>1,062</u>	<u>371</u>
	<u>250,261</u>	<u>194,472</u>	<u>156,266</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
– For profit for the year (expressed in RMB cents per share)	2.48	1.92	1.55
Dividend per share	–	–	–

The consolidated financial statements of the Group for the two financial years ended 31 December 2023 and 2022 were audited by Ernst & Young and the consolidated financial statements of the Group for the financial year ended 31 December 2021 were audited by PricewaterhouseCoopers. No qualified or modified opinion, nor any emphasis of matter or material uncertainty related to going concern was given by Ernst & Young and PricewaterhouseCoopers in respect of the Group's audited consolidated financial statements for each of the two financial years ended 31 December 2023 and 2022 and the financial year ended 31 December 2021, respectively.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2021, 2022, 2023

The Company is required to set out or refer to in this Scheme Document the consolidated statement of profit or loss, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes of equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”), (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”), and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the “**2023 Financial Statements**”), together with the significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2021 Financial Statements are set out on pages 90 to 160 in the 2021 Annual Report, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800023.pdf>

The 2022 Financial Statements are set out on pages 56 to 136 in the 2022 Annual Report, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042700423.pdf>

The 2023 Financial Statements are set out on pages 55 to 132 in the 2023 Annual Report, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0327/2024032702319.pdf>

The 2021 Financial Statements, the 2022 Financial Statements and the 2023 Financial Statements (but not any other part of the 2021 Annual Report, the 2022 Annual Report or the 2023 Annual Report) are incorporated by reference into the Scheme Document and form part of the Scheme Document.

3. INDEBTEDNESS

At the close of business on 31 May 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Scheme Document, the Group had outstanding indebtedness as set out below.

	As at 31 May 2024 <i>RMB'000</i>
Bank loans	46,162
Lease liabilities	9,423
Capital commitment	2,095

Among the outstanding bank loans as at 31 May 2024, there were no pledged assets and guarantees executed by the Group.

Save as disclosed above in this section, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at 31 May 2024, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook 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, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the directors of the Offeror were Mr. Xie Wei and Ms. Li Yanmei, and the board of directors of Huafa Properties comprised Mr. Li Guangning, Ms. Chen Yin, Mr. Guo Lingyong, Mr. Tang Jianjun, Mr. Yu Weiguo, Mr. Xie Wei, Ms. Xu Jili, Ms. Guo Jin, Mr. Zhang Yan as directors and Mr. Zhang Xuebing, Mr. Wang Yuetang, Mr. Ding Huang, Mr. Gao Zicheng and Mr. Xie Gang as independent directors.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The directors of Huafa Properties jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than information relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the Board comprised Mr. Zhou Wenbin (Chairman and Chief Executive Officer), Mr. Li Guangning, Mr. Xie Wei, Mr. Dai Geying, Ms. Luo Bin and Mr. Gu Yuanping (all being Executive Directors); Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai (all being Independent Non-executive Directors).

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror or Huafa Properties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the directors of the Offeror in their capacity as the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$3,000,000 divided into 12,000,000,000 Shares;
- (b) the issued and paid-up share capital of the Company was HK\$2,515,230 divided into 10,060,920,000 Shares;
- (c) all of the Shares currently in issue were fully paid or credited as fully paid and ranked *pari passu* in all respects including as to return of capital, dividends and voting;
- (d) no Shares had been issued by the Company since 31 December 2023 (being the end of the last financial year of the Company up to and including the Latest Practicable Date); and
- (e) save for the 10,060,920,000 Shares in issue, the Company did not have any outstanding shares, options, warrants, convertible securities or other relevant securities in issue.

3. MARKET PRICE

- (a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) at the end of each month during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date:

	Closing price per Share (HK\$)
30 November 2023	0.150
29 December 2023	0.145
31 January 2024	0.147
29 February 2024	0.150
28 March 2024	0.141
30 April 2024	0.184
14 May 2024 (being the Last Trading Day)	0.222
31 May 2024	0.270
28 June 2024	0.265
16 July 2024 (being the Latest Practicable Date)	0.265

- (b) During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.275 per Share on 28 May 2024 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.138 on 17, 18, 22 and 23 January 2024 and 20 and 21 February 2024.

4. DISCLOSURE OF INTERESTS

For the purpose of section 4 of this Appendix II, “interested” has the same meaning ascribed to that term in Part XV of the SFO.

4.1. Interests of Directors in shares of the Company and the Associated Corporations

As at the Latest Practicable Date, save as disclosed below, no Director had any interests or short positions in the shares, underlying shares and debentures of the Company (including any convertible securities, warrants, options and derivatives in respect of the Shares) or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”); or (d) to be disclosed under the Takeovers Code.

Long position in the shares and underlying shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interests	No. of ordinary shares of associated corporation held	Approximate
				percentage of total number of issued ordinary shares of associated corporation <i>(note)</i>
Dai Geying	Huafa Properties	Beneficial owner	13,500	0.0006%

Note: Calculated based on Huafa Properties total number of issued ordinary shares of 2,117,161,116 as at Latest Practicable Date.

4.2. Interests of Substantial Shareholders in the Shares

As at the Latest Practicable Date, save as disclosed below, there was no other person who had a substantial interest or short position in the Shares or underlying shares of the Company, which were required to be recorded in the register of substantial Shareholders kept by the Company pursuant to section 336 of Part XV of the SFO.

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date
Zhuhai Huafa	Interest in controlled Corporation ⁽¹⁾	4,282,304,960	42.56%
Huafa Properties	Interest in controlled Corporation ⁽¹⁾	4,282,304,960	42.56%

Note:

- (1) Huafa Properties indirectly wholly owns Guang Jie which directly holds 382,314,960 shares of the Company. The Offeror, a direct wholly-owned subsidiary of Guang Jie, also directly holds 3,899,990,000 shares of the Company. As such, Huafa Properties is deemed to be interested in 4,282,304,960 shares of the Company by virtue of its shareholding in Guang Jie and the Offeror. Since Huafa Properties is a non-wholly-owned direct subsidiary of Zhuhai Huafa, Zhuhai Huafa is deemed to be interested in 4,282,304,960 shares of the Company.

4.3. Interests of Offeror and Offeror Concert Parties in Shares

As at the Latest Practicable Date, save as disclosed in the section headed “5. Shareholding Structure of the Company and Effect of the Proposal” in the Explanatory Statement:

- (1) the Offeror did not own, control or have direction over any Shares or convertible securities, warrants, options or derivatives in respect of Shares;
- (2) no Offeror Director was interested in any Shares or convertible securities, warrants, options or derivatives in respect of Shares; and
- (3) no Offeror Concert Party owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of Shares.

4.4. Dealings in the relevant securities of the Company

(a) During the Relevant Period:

- (i) save for the series of acquisitions of an aggregate of 189,240,000 Shares by the Offeror during the period from 30 April 2024 to 14 May 2024 on the open market, details of which are set out below, none of the Offeror and the Offeror Concert Parties (including the Offeror Directors) had dealt for value in any Shares or convertible securities, warrants, options or derivatives in respect of the Shares;

Date	Purchase price per Share (HK\$)	Number of Shares purchased	Approximate % of total issued Shares
30 April 2024	0.179	3,540,000	0.0352%
	0.182	920,000	0.0091%
	0.183	500,000	0.0050%
	0.184	40,000	0.0004%
2 May 2024	0.197	520,000	0.0052%
	0.198	600,000	0.0060%
	0.199	1,000,000	0.0099%
3 May 2024	0.2	2,880,000	0.0286%
	0.199	2,100,000	0.0209%
	0.2	4,900,000	0.0487%
	0.201	1,560,000	0.0155%
	0.202	1,380,000	0.0137%
	0.203	920,000	0.0091%
7 May 2024	0.204	2,140,000	0.0213%
	0.198	2,000,000	0.0199%
	0.199	11,000,000	0.1093%
	0.2	14,000,000	0.1392%
	0.201	9,000,000	0.0895%
	0.203	1,000,000	0.0099%
	0.205	420,000	0.0042%
	0.206	80,000	0.0008%
0.208	220,000	0.0022%	
0.209	200,000	0.0020%	
0.21	80,000	0.0008%	

Date	Purchase price per Share (HK\$)	Number of Shares purchased	Approximate % of total issued Shares
8 May 2024	0.199	6,040,000	0.0600%
	0.2	14,000,000	0.1392%
	0.201	5,000,000	0.0497%
9 May 2024	0.2	2,000,000	0.0199%
	0.201	6,000,000	0.0596%
10 May 2024	0.21	6,200,000	0.0616%
13 May 2024	0.216	700,000	0.0070%
	0.217	400,000	0.0040%
	0.218	6,080,000	0.0604%
	0.219	25,320,000	0.2517%
	0.22	4,900,000	0.0487%
14 May 2024	0.223	10,520,000	0.1046%
	0.224	1,240,000	0.0123%
	0.225	<u>39,840,000</u>	<u>0.3960%</u>
Total		<u>189,240,000</u>	<u>1.88%</u>

(ii) none of the Directors had dealt for value in any Shares or convertible securities, warrants, options or derivatives in respect of Shares.

(b) During the offer period and up to the Latest Practicable Date:

(i) no subsidiaries of the Company, pension funds (if any) of any member of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) had dealt for value in any Shares or convertible securities, warrants, options or derivatives in respect of the Shares;

(ii) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;

- (iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (A) the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares, or (B) the Offeror or the Offeror Concert Parties, owned or controlled, or had any dealings in, any Shares or convertible securities, warrants, options or derivatives in respect of the Shares; and
- (iv) no fund managers connected with the Company who managed funds on a discretionary basis (other than exempt fund managers) had dealt for value in any Shares or convertible securities, warrants, options or derivatives in respect of the Shares.

4.5. Interest and dealings in the securities of the Offeror

- (a) As at the Latest Practicable Date, none of the Company or any of the Directors had any interest in the shares or convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.
- (b) During the Relevant Period, none of the Company or any of the Directors dealt for value in the shares or convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

4.6. Other interests

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “5. *Shareholding Structure of the Company and Effect of the Proposal*” in the Explanatory Statement, no Shares or convertible securities, warrants, options or derivatives in respect of the Shares were owned or controlled by a subsidiary of the Company, a pension fund (if any) of any member of the Group, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert”, or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (other than exempt principal traders and exempt fund managers);

- (b) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between (i) any person; and (ii) either: (A) the Offeror or any Offeror Concert Parties; or (B) the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (c) no Shares or convertible securities, warrants, options or derivatives in respect of the Shares were managed on a discretionary basis by any fund managers connected with the Company (other than exempt fund managers); and
- (d) none of the Company, the Directors, the Offeror or any of the Offeror Concert Parties had borrowed or lent any Shares or convertible securities, warrants, options or derivatives in respect of the Shares, save for any which have been either on-lent or sold.

4.7. Arrangements in connection with the Proposal

As at the Latest Practicable Date:

- (a) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any Offeror Concert Parties and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Proposal;
- (b) save for the share charge to be executed after completion of the Proposal in connection with the Facility in favour of the lender of all the Shares to be held by the Offeror, the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other persons and had no agreement, arrangement or understanding with any third party to do so;
- (c) there were no agreement or arrangement to which the Offeror was a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Condition;
- (d) no irrevocable commitment to vote for or against the Scheme was received by the Offeror or the Offeror Concert Parties;
- (e) save for the Cancellation Price, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any of the Offeror Concert Parties to the Scheme Shareholders in connection with the Proposal or the Scheme; and

- (f) there was no understanding, arrangement or agreement or special deal (within the ambit of Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) either (a) the Offeror or the Offeror Concert Parties; or (b) the Company or the Company's subsidiaries or associated companies.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened by or against the Group.

6. MATERIAL CONTRACTS

No contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by the Group within two years before the date of the commencement of the offer period, up to and including the Latest Practicable Date and were or might be material.

7. ARRANGEMENTS IN CONNECTION WITH THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had been or will be given any benefit as compensation for loss of office or otherwise in connection with the Proposal;
- (b) no agreement or arrangement exists between any Director and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (c) no material contracts had been entered into by the Offeror in which any Director had a material personal interest; and
- (d) none of the Directors had any interest in the Shares and would therefore not be entitled to vote at the Court Meeting or SGM.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, the Company had entered into the following service contracts and letters of appointment with the Directors:

Name of Director	Term of service contract/letter of appointment	Remuneration
Mr. Li Guangning (<i>executive Director</i>)	1 April 2023 to 31 March 2026	Director fee of HK\$120,000 per annum, and discretionary bonus, compensations or awards as determined by the remuneration committee of the Board (the " Remuneration Committee ") (<i>note</i>)
Mr. Xie Wei (<i>executive Director</i>)	1 April 2023 to 31 March 2026	Director fee of HK\$120,000 per annum, and discretionary bonus, compensations or awards as determined by the Remuneration Committee (<i>note</i>)
Mr. Dai Geying (<i>executive Director</i>)	20 April 2023 to 19 April 2026	Director fee of HK\$120,000 per annum, and discretionary bonus, compensations or awards as determined by the Remuneration Committee (<i>note</i>)
Ms. Luo Bin (<i>executive Director</i>)	20 April 2023 to 19 April 2026	Director fee of HK\$120,000 per annum, and discretionary bonus, compensations or awards as determined by the Remuneration Committee (<i>note</i>)
Dr. Chen Jieping (<i>independent non-executive Director</i>)	21 July 2023 to 20 July 2026	Director fee of HK\$150,000 per annum
Mr. Pu Yonghao (<i>independent non-executive Director</i>)	1 June 2023 to 31 May 2026	Director fee of HK\$150,000 per annum
Mr. Guo Shihai (<i>independent non-executive Director</i>)	21 July 2023 to 20 July 2026	Director fee of HK\$150,000 per annum

Note: Upon the recommendation of the Remuneration Committee and the written resolutions of the Board dated 1 June 2023, all executive Directors waived their directors' fee for the benefit of the development of the Company with effect from 1 June 2023.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the offer period; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract with more than 12 months to run irrespective of the notice period.

9. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of each of the experts who have been named in this Scheme Document or have given their opinion or advice which are contained in this Scheme Document:

Name	Qualification
Guotai Junan Capital	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Altus Capital Limited	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Each of the experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of its letter and advice (as the case may be) and the references to its name and/or opinions and/or letters in the form and context in which they are included.

10. MISCELLANEOUS

- (a) The Offeror is a company incorporated in Samoa with limited liability and is indirectly wholly-owned by Huafa Properties.
- (b) As at the Latest Practicable Date, the directors of the Offeror were Mr. Xie Wei and Ms. Li Yanmei.
- (c) The registered office of the Offeror is situated at Offshore Chambers, P.O. Box 217, Apia, Samoa, and the correspondence address of the Offeror is situated at Unit 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.
- (d) The principal members of the Offeror Concert Parties include Guang Jie and Huafa Properties.

- (e) The correspondence address of Guang Jie is situated at Unit 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.
- (f) Huafa Properties is a joint stock limited company incorporated in the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600325). The registered office of Huafa Properties is at 155 Chang Sheng Road, Zhuhai City, Guangdong Province, PRC.
- (g) As at the Latest Practicable Date, the directors of Huafa Properties were Mr. Li Guangning, Ms. Chen Yin, Mr. Guo Lingyong, Mr. Tang Jianjun, Mr. Yu Weiguo, Mr. Xie Wei, Ms. Xu Jili, Ms. Guo Jin, Mr. Zhang Yan as directors and Mr. Zhang Xuebing, Mr. Wang Yuetang, Mr. Ding Huang, Mr. Gao Zicheng and Mr. Xie Gang as independent directors.
- (h) Guotai Junan Capital is the financial adviser to the Offeror in relation to the Proposal and the Scheme, and its registered address is at 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
- (i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business in Hong Kong of the Company is at Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.
- (j) The registered office of the Independent Financial Adviser, Altus Capital Limited, is at 21 Wing Wo Street, Central, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the website of the Company at www.huafapropertyservices.com and the website of the SFC at www.sfc.hk during the period from the date of this Scheme Document until (a) the Effective Date; or (b) the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the memorandum of association and bye-laws of the Company;
- (iii) the annual reports of the Company for the years ended 31 December 2021, 31 December 2022 and 31 December 2023, respectively;
- (iv) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (v) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;

- (vi) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (vii) the written consents issued by the experts referred to in the section headed “9. Consents and Qualifications of Experts” in this Appendix;
- (viii) the service contracts and letters of appointment referred to in the section headed “8. Directors’ Service Contracts” in this Appendix; and
- (ix) this Scheme Document.

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

COMMERCIAL COURT

2024: NO. 172

IN THE MATTER OF HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED

AND

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981

SCHEME OF ARRANGEMENT

BETWEEN

HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED

AND

THE SCHEME SHAREHOLDERS

(as defined below)

(A) In this scheme of arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.29 per Scheme Share
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Huafa Property Services Group Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 982)

“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the section headed “3. <i>Conditions of the Proposal and the Scheme</i> ” in the Explanatory Statement
“Court”	the Supreme Court of Bermuda
“Court Meeting”	a meeting of the Scheme Shareholders convened at the directions of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement in relation to the Scheme as set out in the Scheme Document in compliance with section 100 of the Companies Act
“Guang Jie”	Guang Jie Investment Limited, a company incorporated under the laws of Hong Kong with limited liability, of which the Offeror is a direct wholly-owned subsidiary
“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
“Huafa Properties”	Zhuhai Huafa Properties Co., Ltd. (珠海華發實業股份有限公司), which is the indirect holding company of the Offeror and a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600325)

“Latest Practicable Date”	16 July 2024, being the latest practicable date for the purpose of ascertaining certain information contained in the Scheme Document
“Long Stop Date”	30 November 2024 or such other date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct, and in all cases as permitted by the Executive
“Offeror”	Huajin Investment Company Limited, a company incorporated under the laws of Samoa with limited liability
“Proposal”	the conditional proposal for the privatisation of the Company by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in the Scheme Document
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Scheme”	the scheme of arrangement between the Company and the Scheme Shareholders under section 99 of the Companies Act with or subject to any modification, addition or condition which may be approved or imposed by the Court
“Scheme Document”	the composite scheme document of the Company and the Offeror dated 19 July 2024, containing, among other things, further details of the Proposal and the Scheme
“Scheme Record Date”	Thursday, 19 September 2024, or such other date as may be announced to the Shareholders, being the record date for the purposes of determining the entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Shareholder(s)”	registered holder(s) of Scheme Share(s)
“Scheme Share(s)”	all of the Share(s) and such further Share(s) as may be issued prior to the Scheme Record Date, other than those held by the Offeror and Guang Jie

- | | |
|-------------------------|---|
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SGM” | the special general meeting of the Company convened for the purposes of considering and, if thought fit, approving all resolutions necessary for the implementation of the Proposal, or any adjournment thereof |
| “Share(s)” | the ordinary share(s) of HK\$0.00025 each in the share capital of the Company |
| “Shareholder(s)” | the registered holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | The Code on Takeovers and Mergers of Hong Kong issued by the SFC in Hong Kong as amended from time to time |
- (B) The Company is a limited liability company incorporated in Bermuda. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$3,000,000 divided into 12,000,000,000 Shares of which 10,060,920,000 Shares had been issued fully paid or credited as fully paid.
- (C) The Offeror has agreed to appear by HWR Limited at the hearing of the petition to sanction the Scheme and has undertaken to the Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to the Scheme.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme. The primary purpose of the Scheme is to cancel all of the Scheme Shares and to issue new Shares to the Offeror such that the Company will become owned by the Offeror as to 96.20% and Guang Jie as to 3.80%.
- (E) As at the Latest Practicable Date, the Offeror directly holds 3,899,990,000 Shares, representing approximately 38.76% of the issued Shares, and Guang Jie directly holds 382,314,960 Shares, representing 3.80% of the issued Shares.
- (F) The Offeror will procure that any Shares in respect of which it or Guang Jie is legally or beneficially interested will not be represented nor voted at the Court Meeting.

THE SCHEME**PART I****CANCELLATION OF THE SCHEME SHARES**

1. On the Effective Date:
 - (a) all of the Scheme Shares will be cancelled; and
 - (b) contemporaneously with the cancellation of the Scheme Shares, the Company will issue to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled such that the issued share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares. The reserve created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid.

PART II**CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES**

2. In consideration of the cancellation of all Scheme Shares, each Scheme Shareholder shall be entitled to receive the Cancellation Price.

PART III**GENERAL**

3. Cheques in respect of the Cancellation Price shall be sent to Scheme Shareholders whose names appear in the register of members of the Company as at the Scheme Record Date as soon as possible but in any event no later than seven Business Days after the Effective Date.
4. Cheques for payment of the Cancellation Price will be despatched by ordinary post in pre-paid envelopes addressed to the Scheme Shareholders at their respective registered addresses as appearing on the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the registered address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding. All such cheques shall be posted at the risk of the addressees and none of Huafa Properties, the Offeror, the Company, Guotai Junan Capital Limited, the Independent Financial Adviser (as defined in the Scheme Document) and the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal or the Scheme shall be responsible for any loss or delay in despatch.

5. On or after the day being six calendar months after the date of posting the cheques for the Cancellation Price, the Offeror shall have the right to cancel or countermand payment of any cheque which has not been cashed or which has been returned uncashed and shall place all monies represented thereby in a deposit or custodian account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror.
6. The Offeror shall hold monies represented by uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
7. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred. This paragraph 7 shall take effect subject to any prohibition or condition imposed by law.
8. Share certificates relating to the Scheme Shares shall cease to be valid for any purpose on the Effective Date.
9. The Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme under section 99 of the Companies Act has been delivered to the Registrar of Companies for registration.
10. The Company and the Offeror may jointly consent for and on behalf of all Scheme Shareholders to any modification(s) of or addition(s) to the Scheme or to any condition(s) which the Court may see fit to approve or impose.
11. Unless the Scheme becomes effective on or before the Long Stop Date, the Scheme shall lapse.
12. All costs, charges and expenses shall be borne in the manner described in the Scheme Document.

Dated: 19 July 2024

IN THE SUPREME COURT OF BERMUDA**CIVIL JURISDICTION****COMMERCIAL COURT****2024: NO. 172****IN THE MATTER OF HUAFA PROPERTY SERVICES GROUP COMPANY LIMITED****AND****IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 12 July 2024 made in the above matter, the Supreme Court of Bermuda (the “**Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme referred to below) to be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between Huafa Property Services Group Company Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at Portion 2, 12/F., The Center, 99 Queen’s Road Central, Central, Hong Kong on Wednesday, 28 August 2024 at 10:00 a.m. (Hong Kong time) at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of an explanatory statement required by section 100 of the Companies Act 1981 explaining, among other things, the effect of the Scheme are incorporated in the scheme document dated 19 July 2024 (the “**Scheme Document**”), of which this notice forms part. A copy of the Scheme Document may also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong during usual business hours.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the Scheme Document. The completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof if he/she so wishes and in such event, the **pink** form of proxy will be revoked by operation of law.

In the case of joint holders of a Scheme Share (as defined in the Scheme), any one of such joint holders may vote at the Court Meeting, either in person or by proxy, in respect of such Scheme Share registered in their joint names as if he/she was solely entitled thereto. However, if more than one of such joint holders is present at the Court Meeting in person or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding of the Scheme Share.

In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Court Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

It is requested that the **pink** form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 10:00 a.m. on Monday, 26 August 2024, but if the **pink** form of proxy is not so lodged, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting shall have absolute discretion as to whether or not to accept it.

By the Order, the Court has appointed Mr. Guo Shihai, an independent non-executive director of the Company, or failing him/her, any other independent non-executive director of the Company or any officer of the Company as at the date of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the proceedings of and voting at the Court Meeting to the Court.

The Scheme is subject to the subsequent sanction of the Court.

Dated: 19 July 2024

By order of the Court
HWR Limited
Attorneys for the Company

Notes:

1. Voting at the Court Meeting will be determined by way of a poll.
2. Any Scheme Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder (as defined in the Scheme Document). A Scheme Shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
3. For the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Thursday, 22 August 2024 to Wednesday, 28 August 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the Court Meeting, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 21 August 2024.

As at the date of this notice, the board of directors of the Company comprises Mr. Zhou Wenbin (Chairman and Chief Executive Officer), Mr. Li Guangning, Mr. Xie Wei, Mr. Dai Geying, Ms. Luo Bin and Mr. Gu Yuanping (all being Executive Directors); Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai (all being Independent Non-executive Directors).

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Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 982)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Huafa Property Services Group Company Limited (the “Company”) will be held at Portion 2, 12/F., The Center, 99 Queen’s Road Central, Central, Hong Kong on Wednesday, 28 August 2024 at 10:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting), for the purpose of considering and, if thought fit, approving the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the composite scheme document of the Company dated 19 July 2024 (the “Scheme Document”), of which this notice forms part.

SPECIAL RESOLUTION

1. “**THAT** for the purpose of giving effect to the Scheme between the Company and the Scheme Shareholders as set out in the Scheme Document and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting, on the Effective Date, any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares be and is hereby approved.”

ORDINARY RESOLUTION

2. “**THAT:**
 - (A) subject to and contemporaneously with the cancellation of the Scheme Shares, the issued share capital of the Company shall be maintained by the allotment and issue to the Offeror of such number of new shares of the Company (the “**New Shares**”), credited as fully paid, as is equal to the number of the Scheme Shares cancelled;

- (B) the Company shall apply the reserve created in its books of account as a result of the cancellation of the Scheme Shares in paying up in full at par the New Shares; and
- (C) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Proposal, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the shares of the Company from the Stock Exchange, subject to the Scheme taking effect; (ii) any reduction of the issued share capital of the Company; (iii) the allotment and issue of the New Shares to the Offeror referred to above; and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme which the Court may see fit to impose.”

By order of the Board

Huafa Property Services Group Company Limited

Zhou Wenbin

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 19 July 2024

Notes:

1. Each of the resolutions set out above will be put to the vote by way of a poll.
2. Any Shareholder entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a Shareholder. A Shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
3. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. A **white** form of proxy for use at the SGM (or any adjournment thereof) is enclosed with the Scheme Document. In order to be valid, the **white** form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion and return of the **white** form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM or any adjournment thereof and, in such event, the **white** form of proxy will be revoked by operation of law.

5. For the purpose of determining the entitlement of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 22 August 2024 to Wednesday, 28 August 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the right to attend and vote at the SGM, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 21 August 2024.

As at the date of this notice, the board of directors of the Company comprises Mr. Zhou Wenbin (Chairman and Chief Executive Officer), Mr. Li Guangning, Mr. Xie Wei, Mr. Dai Geying, Ms. Luo Bin and Mr. Gu Yuanping (all being Executive Directors); Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai (all being Independent Non-executive Directors).