

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult appropriate independent advisers to obtain independent professional advice.

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

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seazen
新城发展
SEAZEN GROUP LIMITED
新城發展控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1030)

CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

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

 金融有限公司
OCTAL Capital Limited

A letter from the Board is set out on pages 5 to 22 of this circular. A letter from the Independent Board Committee is set out on pages 23 to 24 of this circular. A letter from Octal Capital, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 39 of this circular.

A notice convening the EGM of the Company to be held at Room 1108, 11/F, Seazen Holdings Tower B, No. 5, Lane 388, Zhongjiang Road, Putuo, Shanghai, PRC on Thursday, 29 December 2022 at 10:00 a.m. is set out on page EGM-1 to EGM-3 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk. If you intend to attend the extraordinary general meeting by proxy, you are required to duly complete the enclosed proxy form according to the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting (i.e. before 10:00 a.m. on Tuesday, 27 December 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof if they so wish.

14 December 2022

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DEFINITIONS

In this circular (other than those set out in the Notice of EGM), unless the context otherwise requires, the following expressions shall have the following meanings:

“2022 Services Framework Agreement”	the services framework agreement dated 28 October 2021 entered into between Seazen Holdings and Jiangsu Xinchengyue in relation to the provision of property management service and value-added services for the property projects of Seazen Holdings
“2023 Seazen Framework Agreement”	the services framework agreement dated 28 October 2022 entered into between Seazen Holdings and Jiangsu Xinchengyue in relation to the provision of property management service and value-added services for the property projects of Seazen Holdings
“Annual Cap”	the annual cap of RMB1,350 million for the service fees for the services under the 2023 Seazen Framework Agreement for the year ending 31 December 2023
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Seazen Group Limited (新城發展控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 1108, 11/F, Seazen Holdings Tower B, No. 5, Lane 388, Zhongjiang Road, Putuo, Shanghai, PRC on Thursday, 29 December 2022 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, to approve the resolution in relation to the 2023 Seazen Framework Agreement and the transactions contemplated thereunder and the Annual Cap
“GFA”	gross floor area

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board of committee, comprising the independent non-executive Directors, established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the 2023 Seazen Framework Agreement and the Annual Cap
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the Annual Cap)
“Independent Shareholders”	the Shareholders, other than Mr. Wang and his associates, and all other Shareholders interested in the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the Annual Cap)
“Jiangsu Xinchengyue”	Jiangsu Xinchengyue Holdings Co., Ltd.* (江蘇新城悅控股有限公司), a company established in the PRC with limited liability. It is a subsidiary of S-Enjoy Service and a connected person of the Company
“Latest Practicable Date”	8 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mr. Wang”	Mr. Wang Zhenhua, a controlling Shareholder of the Company

DEFINITIONS

“Mr. Wang’s Associated Companies”	companies (including the Group) in which Mr. Wang can exercise or control the exercise of 30% or more of the voting power at their general meetings and their subsidiaries
“Notice of EGM”	the notice convening the EGM as set out on pages EGM-1 to EGM-3 of this circular
“PRC”	the People’s Republic of China
“Rights Issue”	the rights issue of the Company on the basis of one (1) rights share for every twenty-one (21) existing shares held on 4 January 2022
“RMB”	Renminbi, the lawful currency of the PRC
“S-Enjoy Group”	S-Enjoy Service and its subsidiaries
“S-Enjoy Service”	S-Enjoy Service Group Co., Limited (新城悅服務集團有限公司), a company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 1755). It is indirectly owned as to approximately 68.91% by Mr. Wang and therefore a connected person of the Company
“Seazen Holdings”	Seazen Holdings Co., Ltd. (新城控股集團股份有限公司), a subsidiary of the Company with its A shares listed on the Shanghai Stock Exchange (stock code: 601155) and one of Mr. Wang’s Associated Companies
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of HK\$0.001 each
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 1 November 2019
“Share Option Scheme”	the share option scheme adopted by the Company on 6 November 2012

DEFINITIONS

“sq.m.”

square meters

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

* *For identification purposes only*

seazen
新城发展

SEAZEN GROUP LIMITED

新城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1030)

Directors:

Executive Directors:

Mr. Lv Xiaoping (*Chief Executive Officer*)

Mr. Lu Zhongming

Non-Executive Directors:

Mr. Wang Xiaosong (*Chairman*)

Mr. Qu Dejun (*Vice-chairman*)

Mr. Zhang Shengman

Independent Non-Executive Directors:

Mr. Chen Huakang

Mr. Zhu Zengjin

Mr. Zhong Wei

Registered office:

Grand Pavilion

Hibiscus Way

802 West Bay Road

P.O. Box 31119

KY1-1205, Cayman Islands

Headquarters in the PRC:

11/F, Seazen Holdings Tower B

No. 5, Lane 388, Zhongjiang Road

Putuo, Shanghai

PRC

Principal place of business in Hong Kong:

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

14 December 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to (i) the announcement of the Company dated 28 October 2022 in relation to the proposed continuing connected transactions under the 2023 Seazen Framework Agreement for one year ending 31 December 2023; and (ii) Notice of EGM.

LETTER FROM THE BOARD

The main purpose of this circular is, among other things, to provide the Shareholders with the following information, so that the Shareholders can make properly informed decisions on the resolution proposed at the EGM:

1. details of the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap);
2. the opinion and recommendation of the Independent Board Committee on the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap); and
3. a letter of advice from Octal Capital to the Independent Board Committee and the Independent Shareholders containing its opinion and recommendation on the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap).

THE 2023 SEAZEN FRAMEWORK AGREEMENT

Background

The 2023 Seazen Framework Agreement was entered into between Seazen Holdings and Jiangsu Xinchengyue on 28 October 2022 (after trading hours) in relation to provision of property management services by Jiangsu Xinchengyue for a term of one year from 1 January 2023 to 31 December 2023 subject to the Annual Cap.

Principal Terms of the 2023 Seazen Framework Agreement

The principal terms of the 2023 Seazen Framework Agreement are set out below:

Date:	28 October 2022
Parties:	(i) Seazen Holdings (as the recipient of services); and (ii) Jiangsu Xinchengyue (as the service provider).
Term:	The 2023 Seazen Framework Agreement shall be effective from 1 January 2023 to 31 December 2023 (both days inclusive).
Property Management Services and Value-added Services:	Jiangsu Xinchengyue is commissioned to provide various property management services, including the maintenance, consultancy and inspection services in connection with the development projects of Seazen Holdings. Jiangsu Xinchengyue agrees to provide the following services to Seazen Holdings with the pricing policies and payment terms as briefly listed below:

LETTER FROM THE BOARD

a. Property Management Services

Scope of Services: Jiangsu Xinchengyue is responsible for providing a wide range of property management services, including maintenance, conservation and management of properties, ancillary facilities and relevant locations, preserving the cleanliness and maintaining order of the relevant areas.

Pricing Policy: The service fees shall be determined principally by arm's length negotiations according to the principles of fairness and reasonableness. The Company compares the proposed service fees obtained from comparable independent third parties providing similar services within the region and takes into account factors including prevailing market rate with reference to the location of the property, the scope of services, the expected operating costs (including but not limited to labour costs and administrative costs) and historical transaction amounts. The service fees shall not be higher than the guidance price for such property types from the local government. For the vacant properties that have been delivered but not sold by Seazen Holdings or other properties that should be paid by Seazen Holdings for property management service fees according to relevant rules and regulations, Seazen Holdings shall be charged according to the agreement or any other relevant arrangement.

LETTER FROM THE BOARD

Payment Term: Payment shall be made annually, half-yearly, quarterly or monthly (as the case may be) pursuant to the relevant terms in the subsidiary agreements to be entered into.

b. Intelligent Construction Services

Scope of Services: Jiangsu Xinchengyue will provide engineering and construction services of community intelligence system equipments, e.g., surveillance system, access control system, parking system and indoor smart homes, for the properties developed by Seazen Holdings.

Pricing Policy: The service fees shall be determined through bidding or quotation and negotiation between both parties based on the equipment and accompanying support materials required by Seazen Holdings and the construction manpower, etc.

Payment Term: Payment shall be made after the delivery of, the inspection and acceptance of the intelligent construction service pursuant to the subsidiary agreement to be entered into.

c. Sales Offices Management Services

Scope of Services: Jiangsu Xinchengyue is responsible for the cleaning, security and customer services at the sale offices, city exhibition halls, showrooms and clubhouses in the development projects.

LETTER FROM THE BOARD

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness. The Company compares the proposed service fees obtained from comparable independent third parties providing similar services within the region and combines factors including nearby active market transaction price and the service cost (including but not limited to labor cost and consumable cost), the prevailing market rate, plus comprehensive factors including reasonable management fees mark-up and others.

Payment Term: Payment shall be made quarterly or monthly pursuant to the terms of the subsidiary agreement to be entered into.

d. Property Inspection Services

Scope of Services: Before the delivery of the the property projects, Jiangsu Xinchengyue shall organise inspectors to carry out inspection of the property projects according to the notice of Seazen Holdings. Jiangsu Xinchengyue shall provide quality inspection which involves the inspection of the practical functions and the detailed perception of each residential unit; the outdoor general engineering, including roads, underground garages, community landscape, green plantation and security intelligence system. Jiangsu Xinchengyue will provide feedback based on the inspection results and in accordance to the acceptance standards of project management and inspection standards of Seazen Holdings to rectify and improve the delivery quality of Seazen Holdings.

LETTER FROM THE BOARD

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness. The Company compares the proposed service fees obtained from comparable independent third parties providing similar services within the region and based on the active market transaction price and the service cost (including but not limited to labor cost, consumable cost, etc.), the prevailing market rate, plus comprehensive factors including reasonable management fees mark-up and others.

Payment Term: Payment shall be made within one month after the delivery of property inspection services pursuant to the subsidiary agreement to be entered into.

e. Property Preliminary Stage Consultancy Services

Scope of Services: Preliminary stage of property development projects: Jiangsu Xinchengyue will provide advice including marketing strategy, property design and on the improvement of property services in areas involving engineering, procurement, design and other professional areas.

LETTER FROM THE BOARD

Pre-delivery risk assessment: Jiangsu Xinchengyue will conduct on-site risk assessment and assess the progress of construction. The risk assessment mainly includes: (1) safety (entrance and exit design, security intelligence system, fire facilities and equipment, road traffic signs, etc.); (2) engineering (elevator, power system, drainage, fire protection system, intelligence system, children's fitness facilities, lighting, lightning protection, equipment room, technical information, etc.); (3) landscape (trees, shrubs and vegetation, lawn, water collection points, dumpster placement points, road flooring, etc.).

Preparation work for pre-delivery: Jiangsu Xinchengyue will set up project team for project service and management plan optimisation, staff recruitment, initial identification of project manager, training of service personnel at all levels, clothing procurement, participation in pre-delivery risk assessment and propose rectification, material production and various preparatory work before delivery. Jiangsu Xinchengyue will coordinate and communicate with Seazen Holdings before delivery.

Pricing Policy:

The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness. The Company compares the proposed service fees obtained from comparable independent third parties providing similar services within the region and based on the active market transaction price, the cost for provision of services and the prevailing market rate.

LETTER FROM THE BOARD

Payment Term: Lump sum payment within three months after the delivery of properties of the relevant development project.

f. Parking Lot Sales Services

Scope of Services: Jiangsu Xinchengyue will provide sales agency and underwriting services in relation to parking lot developed by Seazen Holdings.

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness. The Company compares the proposed service fees obtained from comparable independent third parties providing similar services within the region and takes into account factors including the prevailing market price of the local market in the parking agent sales industry. Jiangsu Xinchengyue will either (i) charge a certain percentage of commission out of the sales income; or (ii) pay a certain underwriting deposits and therefore receive a discount (the specific discount will be determined by the prevailing market rate for similar transactions in the local market) on the price of the parking space sold by the Company and charge the gap between such discounted price and the final selling price as service fees.

Payment Term: Payment shall be made quarterly pursuant to the terms of the subsidiary agreement to be entered into.

LETTER FROM THE BOARD

g. Property Maintenance and Management Services during the Warranty Period

Scope of Services: Jiangsu Xinchengyue will provide property maintenance and management services during the warranty period after the delivery of properties developed by Seazen Holdings and to solve the housing quality issues for homeowners.

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness. The Company compares the proposed service fees obtained from comparable independent third parties providing similar services within the region and based on factors including the cost of professional personnel, management costs for the services provided by Jiangsu Xinchengyue and the prevailing market rate.

Payment Term: Payment shall be made quarterly pursuant to the terms of the subsidiary agreement to be entered into.

h. Elevator Installation and Maintenance Services

Scope of Services: Seazen Holdings has entrusted Jiangsu Xinchengyue to carry out elevator installation services in its property development projects, and to provide maintenance services for the elevators in some of the properties under its management.

LETTER FROM THE BOARD

Pricing Policy: The price shall be determined by Seazen Holdings and Jiangsu Xinchengyue based on the active market transaction price, the proposed service fees obtained from comparable independent third parties providing similar services within the region and the service cost of Jiangsu Xinchengyue (including but not limited to labor cost, consumable cost, etc.) through negotiation and the prevailing market rate.

Payment Term: Payment shall be made according to the method agreed in the specific construction contract. Generally a part of the payment shall be made upon commencement of construction, and the rest shall be paid according to the final amount after the completion of the construction and the acceptance of the project by Seazen Holdings. The payment for elevator maintenance service shall be settled quarterly according to the service contract.

i. On-site Event Planning and Layout Services

Scope of Services: Seazen Holdings has entrusted Jiangsu Xinchengyue to conduct on-site event planning and layout services for its property development project.

Pricing Policy: The price shall be determined by Seazen Holdings and Jiangsu Xinchengyue based on the active market transaction price, the proposed service fees obtained from comparable independent third parties providing similar services within the region and the service cost of Jiangsu Xinchengyue (including but not limited to labor cost, consumable cost, etc.) through negotiation and the prevailing market rate.

Payment Term: Payment shall be made in accordance with the specific site service commission contract, and the settlement shall be made based on the service quality within 1 month after the completion of the services.

LETTER FROM THE BOARD

j. Miscellaneous Entrustment Services

Scope of Services: Jiangsu Xinchengyue will provide miscellaneous entrustment service in relation to development projects organized by Seazen Holdings.

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness. The Company compares the proposed service fees obtained from comparable independent third parties providing similar services within the region and takes into account factors including locations of the development projects, the operational costs (including labour costs and material costs, if applicable) with reference to the fees for similar services and similar type of development projects in the market from time to time (if available) and the prevailing market rate.

Payment Term: Payment shall be made generally after the end of provision of services pursuant to the specific terms of the temporary subsidiary agreement to be entered into.

Subsidiary Agreement(s):

For each development project of Seazen Holdings which requires the property management services under the 2023 Seazen Framework Agreement, Seazen Holdings and Jiangsu Xinchengyue will (directly or through their respective subsidiaries) enter into subsidiary agreements setting out the specific scopes of services required and amount of fees payable in conformity with the principles (including the pricing policy mentioned above) set out in the 2023 Seazen Framework Agreement.

All transactions contemplated under the 2023 Seazen Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis. It is agreed that the terms offered by Jiangsu Xinchengyue to Seazen Holdings should not be less favorable than those offered to other parties for similar services.

LETTER FROM THE BOARD

Annual Cap and its Basis

The maximum annual service fees payable by the Group to S-Enjoy Group for the property management services and value-added services contemplated under the 2023 Seazen Framework Agreement for the year ending 31 December 2023 shall not exceed RMB1,350 million.

Set out below is the estimated allocation of the Annual Cap to the property management services and value-added services provided by S-Enjoy Group.

	<i>RMB</i>
Property management services	181,820,000
Value-added services	
– Sales offices management services	300,000,000
– Intelligent construction services	263,640,000
– Parking lots sales agency services	172,730,000
– Property inspection services	109,090,000
– Property preliminary stage consultancy services	100,000,000
– Elevator installation and maintenance services	45,450,000
– Property maintenance and management services during the warranty period	36,360,000
– On-site event planning and layout services	18,180,000
10% buffer	122,730,000
Total	1,350,000,000

The Annual Cap is determined with reference to, among others, the following factors:

- (a) the aggregate amount of approximately RMB949 million settled by Seazen Holdings for property management services and value-added services for the nine months ended 30 September 2022;
- (b) the Group's total contracted sales area of approximately 9.52 million sq.m. for the nine months ended 30 September 2022;
- (c) the expected sales scale, area and number of the Group's property projects to be managed by Jiangsu Xinchengyue, as well as the pre-sale and delivery time of such property projects;
- (d) the estimated demand of the Group for property management services and the price charged by such services; and
- (e) other factors such as the Group's business plans, inflation and 10% buffer for all categories of services.

LETTER FROM THE BOARD

Further, the amount of Annual Cap allocated each category of services is an estimation only and the amount will be adjusted based on the circumstances in the year ending 31 December 2023. In any event, the total transaction amount for all services under the 2023 Seazen Framework Agreement will not exceed the Annual Cap of RMB1,350 million.

Historical Transaction Amount under the 2022 Services Framework Agreement

The table below shows the allocation of annual caps and the actual amount charged for each of the property management services and value-added services provided by Jiangsu Xinchengyue for the three years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022:

	For the year ended 31 December 2019 (RMB million) ⁽¹⁾		For the year ended 31 December 2020 (RMB million) ⁽¹⁾		For the year ended 31 December 2021 (RMB million) ⁽¹⁾		For the nine months ended 30 September 2022 (RMB million) ⁽¹⁾	
	Allocation		Allocation		Allocation		Allocation	
	Actual amount	of annual cap	Actual amount	of annual cap	Actual amount	of annual cap	Actual amount	of annual cap
Property Management	40	60	49	82	43	80	75	135
Value-added services	787	1,008	960	1,091	1,270	1,270	874	1,515
- Intelligent construction services	246	280	315	371	469	380	306	540
- Elevator installation and maintenance services	-	-	-	-	11	50	15	50
- Sales offices management services	384	536	354	500	348	460	239	405
- Property inspection services	57	82	113	100	163	140	103	110
- Property preliminary stage consultancy services	56	79	96	80	140	120	94	100
- On-site event planning and layout services	-	-	1	-	8	20	9	15
- Parking lots sales agency services	44	31	65	35	88	60	93	255
- Property maintenance and management services during the warranty period	-	-	15	5	44	40	15	40
Total	827	1,068	1,008	1,173	1,313	1,350	949	1,650

LETTER FROM THE BOARD

Notes:

- (1) The annual caps of each category of service are for illustrative purposes only, which (i) were prepared based on the estimation of the management at the time of setting the annual cap of a particular year and (ii) have included the 10% buffer for all categories of services.

As illustrated above, the historical transaction amount that the Group settled with S-Enjoy Group (through Jiangsu Xinchengyue) for the property management services for the nine months ended 30 September 2022 was approximately RMB949 million, which is within the annual cap of RMB1,650 million under the 2022 Services Framework Agreement.

Information of the Parties

The Company is an experienced property developer principally engaged in property development, property investment and commercial property management in the PRC. Seazen Holdings is a subsidiary of the Company with its A shares listed on the Shanghai Stock Exchange (stock code: 601155).

S-Enjoy Service is a company listed on the Stock Exchange (stock code: 1755) and is an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services and public area maintenances. Jiangsu Xinchengyue is one of the principal subsidiaries of S-Enjoy Service providing the same business.

Reasons for and Benefits of the 2023 Seazen Framework Agreement

S-Enjoy Group is an experienced property management services provider in the PRC. S-Enjoy Service, through its subsidiaries including Jiangsu Xinchengyue, has managed many property projects across a number of Chinese cities, including Shanghai, Nanjing, Changzhou, Wuxi and Suzhou. The Board believes that the experiences of S-Enjoy Group shall provide reliable support to the Group's expansion of property development business.

The 2023 Seazen Framework Agreement hence represents a stable and trusted business relationship which Seazen Holdings can leverage to achieve its business objectives.

Each of the Directors (including the independent non-executive Directors whose opinion are set out in the section headed "Letter from Independent Board Committee" in this circular, after considering the advice from Octal Capital) is of the view that the 2023 Seazen Framework Agreement is entered into on an arm's length basis, on normal commercial terms and in the usual and ordinary course of business of the Group. The transactions contemplated under the 2023 Seazen Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

In order to ensure that the service scope and relevant fees of the property management services and value-added services provided by Jiangsu Xinchengyue are not less favourable than those available from independent third parties and comparable to the prevailing market rate, the Group has adopted the following measures:

- (i) the pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the management and relevant personnel of the Group to ensure the relevant continuing connected transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole;
- (ii) before entering into any subsidiary agreement in connection with the 2023 Seazen Framework Agreement, the management and relevant personnel of the Group will compare a preliminary price offered by S-Enjoy Group based on the pricing policy as described above with those obtained from comparable independent third parties with similar experiences (if any) for comparable services, so as to ensure that the service fees of the property management services and other value-added services contemplated under the 2023 Seazen Framework Agreement are fair and reasonable and is comparable to the prevailing market rate;
- (iii) as part of the internal control procedures, the implementation of the 2023 Seazen Framework Agreement and the actual number and amount of services provided by Jiangsu Xinchengyue will be monitored and reviewed by the Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions with the independent third parties, and the senior management will monitor and ensure the actual transaction amount does not exceed the Annual Cap;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s);
- (v) the Group shall use the best endeavour to comply with the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the continuing connected transactions;
- (vi) the Company will engage its external auditor to review the transactions between the Group and Jiangsu Xinchengyue under the 2023 Seazen Framework Agreement, to ensure that the transactions amount are within the Annual Cap and the transactions are conducted in accordance with the terms set out in the 2023 Seazen Framework Agreement and the Listing Rules; and
- (vii) the Group will duly disclose in the annual reports and accounts the transactions of provision of property services by Jiangsu Xinchengyue during each financial period, together with the conclusions (with basis) drawn by the independent non-executive Directors whether the transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Mr. Wang, a controlling shareholder of the Company, is indirectly holding approximately 68.91% of the equity interests in S-Enjoy Service. Accordingly, Jiangsu Xinchengyue, as a subsidiary of S-Enjoy Service, is an associate of Mr. Wang and a connected person of the Company. Therefore, the entering into of the 2023 Seazen Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the 2023 Seazen Framework Agreement is more than 5%, the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of the Board meeting, (i) Mr. Wang Xiaosong, a non-executive Director and the son of Mr. Wang; and (ii) Mr. Lv Xiaoping and Mr. Lu Zhongming, being the non-executive directors of S-Enjoy Service and the executive Directors of the Company, are considered as having a material interest in the transactions under the 2023 Seazen Framework Agreement and have abstained from voting on the Board resolutions approving the relevant agreement and the transactions contemplated thereunder (including the proposed Annual Cap). Save as mentioned above, none of the other Directors has a material interest in the transactions contemplated under the 2023 Seazen Framework Agreement, and therefore, no Director has abstained from voting on approval of the relevant resolutions.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from Independent Board Committee" in this circular, after considering the advice from Octal Capital) are of the view that the terms of continuing connected transactions contemplated under the 2023 Seazen Framework Agreement are fair and reasonable, the relevant continuing connected transactions (including the proposed Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

EGM AND PROXY ARRANGEMENT

An EGM will be convened for the Independent Shareholders to consider and, if appropriate, to approve the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap).

Mr. Wang and Mr. Wang's Associated Companies, which directly hold 4,571,603,179 ordinary Shares, representing an aggregate of approximately 70.27% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting at the EGM on the resolution in relation to the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap). Save as disclosed above, there is no other Shareholder who has any material interest in the transactions contemplated under the 2023 Seazen Framework Agreement. As such, no other Shareholder is required to abstain from voting at the EGM on the resolution in relation to the 2023 Seazen Framework Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been formed in accordance with the Listing Rules to advise the Independent Shareholders on the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap). In this connection, Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap).

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.seazengroup.com.cn/>).

Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. before 10:00 a.m. on Tuesday, 27 December 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 22 December 2022 to Thursday, 29 December 2022 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 21 December 2022.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 23 to 24 of this circular containing the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap). The advice from Octal Capital to the Independent Board Committee and the Independent Shareholders, on the fairness and reasonableness of the terms of the continuing connected transactions contemplated under the 2023 Seazen Framework Agreement (including the respective proposed Annual Cap) is set out on pages 25 to 39 of this circular.

Your attention is also drawn to the information set out in the appendix to this circular.

The financial information for the nine months ended 30 September 2022 is only based on the preliminary assessment by the Board on the management accounts of the Group and information currently available to the Group, which has not been audited or reviewed by the auditors and/or audit committee of the Company and may be subject to amendments or adjustments. Shareholders and potential investors are advised to refer to detailed financial information to be disclosed in the Company's announcement in respect of the annual results for the year ending 31 December 2022 to be published in due course. In addition, the proposed allocation of the Annual Cap as set out in the section headed "The 2023 Seazen Framework Agreement – Annual Cap and its Basis" in this circular is yet to be realised and subject to change.

By order of the Board
Seazen Group Limited
Wang Xiaosong
Chairman

seazen
新城发展

SEAZEN GROUP LIMITED

新城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1030)

14 December 2022

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 14 December 2022 (the “**Circular**”), of which this letter forms a part. Terms defined therein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether in our opinion, the terms of the 2023 Seazen Framework Agreement (including the proposed Annual Cap) are fair and reasonable so far as the Independent Shareholders are concerned, the relevant continuing connected transactions (including the proposed Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Octal Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the continuing connected transactions contemplated under the 2023 Seazen Framework Agreement (including the proposed Annual Cap). Details of the advice from Octal Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 25 to 39 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 5 to 22 of the Circular. Having considered the information contained in the letter from the Board, the interests of the Independent Shareholders and the advice and recommendations given by Octal Capital, we consider that the terms of continuing connected transactions contemplated under the 2023 Seazen Framework Agreement (including the proposed Annual Cap) are on normal commercial terms, fair and reasonable, and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution regarding the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap) to be proposed at the EGM.

Yours faithfully

Mr. Chen Huakang
Independent
non-executive Director

Mr. Zhu Zengjin
Independent
non-executive Director

Mr. Zhong Wei
Independent
non-executive Director

Independent Board Committee of Seazen Group Limited

LETTER FROM OCTAL CAPITAL

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and Independent Shareholders prepared for the purpose of inclusion in this Circular.



801-805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

14 December 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2023 Seazen Framework Agreement and the Annual Cap, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 14 December 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those defined under the definitions section of the Circular.

On 28 October 2022, the Company entered into the 2023 Seazen Framework Agreement in relation to provision of property management services and value-added services by Jiangsu Xinchengyue for a term of one year from 1 January 2023 to 31 December 2023. The 2022 Services Framework Agreement will expire on 31 December 2022.

As at the Latest Practicable Date, Mr. Wang, a controlling shareholder of the Company, is indirectly holding approximately 68.91% of the equity interests in S-Enjoy Service. Accordingly, Jiangsu Xinchengyue, as a subsidiary of S-Enjoy Service, is an associate of Mr. Wang and a connected person of the Company. As such, the 2023 Seazen Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of the transactions contemplated under the 2023 Seazen Framework Agreement is more than 5%, the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chen Huakang, Mr. Zhu Zengjin and Mr. Zhong Wei, has been established to advise the Independent Shareholders in relation to the 2023 Seazen Framework Agreement and the Annual Cap.

LETTER FROM OCTAL CAPITAL

We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the 2023 Seazen Framework Agreement and the Annual Cap. As at the Latest Practicable Date, we were not connected with the directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. During the last two years, we have not been engaged by the Company as an independent financial adviser to the Company. Accordingly, we are qualified to act as the Independent Financial Adviser in respect of the Framework Agreements and the Annual Cap pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the 2023 Seazen Framework Agreement and the Annual Cap including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice, among other things, (i) the 2023 Seazen Framework Agreement; (ii) samples of reference documents referred by the Company in determining the Annual Cap contemplated under the 2023 Seazen Framework Agreement; (iii) the annual report of the Company for the year ended 31 December 2021; (iv) the interim report of the Company for the six months ended 30 June 2022; (v) internal control policies governing the connected transactions of the Company; and (vi) other information as set out in the Circular. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed neither in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, S-Enjoy Service, and any of their respective subsidiaries and their respective associates, nor have we carried out any independent verification of the information supplied to us.

LETTER FROM OCTAL CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations in respect of the 2023 Seazen Framework Agreement and the Annual Cap, we have taken into consideration the following principal factors and reasons:

1. Information of the Group and S-Enjoy Service

a) *The Group*

The principal activities of the Group are property development, property investment and commercial property management in the PRC. As advised by the management of the Company, around 77% of the Group's projects are in relation to residential properties and the remaining projects are related to commercial buildings and complex projects.

The below summarizes the audited financial information of the Group for the two years ended 31 December 2021 ("FY2020" and "FY2021", respectively) and the unaudited financial information of the Group for the six months ended 30 June 2021 and 2022 ("HY2021" and "HY2022", respectively), as extracted from the annual report of the Company for FY2021 (the "2021 Annual Report") and the interim report of the Company for HY2022 (the "2022 Interim Report") respectively:

<i>RMB million</i>	FY2020 (audited)	FY2021 (audited)	HY2021 (unaudited)	HY2022 (unaudited)
Revenue from sale of properties	137,578	158,118	74,267	37,736
Revenue from commercial property management services	2,373	3,430	1,514	1,808
Rental income	2,935	4,296	2,002	2,454
Other income	3,233	3,693	2,019	1,354
Revenue	146,119	169,537	79,802	43,352
Gross profit	31,588	28,358	14,034	8,655
Gross profit margin	21.6%	16.7%	17.6%	20.0%
Profit attributable to shareholders of the Company	10,178	8,591	2,915	1,789
Total GFA delivered (sq.m.)	15,386,229	18,230,865	8,074,607	4,599,344

Source: 2021 Annual Report and 2022 Interim Report

LETTER FROM OCTAL CAPITAL

FY2021 compared to FY2020

The Group's principal source of revenue is from the sale of properties which accounted for almost 90% of the Group's revenue during FY2021.

The revenue of the Group increased from approximately RMB146,119 million for FY2020 to approximately RMB169,537 million for FY2021, representing an increase of approximately RMB23,418 million or 16.0%. The increase in revenue was mainly driven by the increment of property sale revenue by approximately 14.9% from FY2020 to FY2021. During FY2020 and FY2021, properties with a total GFA of approximately 18.2 million sq.m. (FY2020: 15.4 million sq.m.) were delivered during FY2021, representing an increase of 18.5% as compared to that of FY2020. The average selling price of properties delivered and recognized as sales was RMB8,673 per sq.m. in FY2021 as compared to RMB8,942 per sq.m. in FY2020.

The gross profit reduced by 10.2% from approximately RMB31,588 million for FY2020 to approximately RMB28,358 million for FY2021. The reduction in gross profit is primarily due to the lower average selling price. The profit attributable to shareholders of the Company reduced by approximately 15.6% from approximately RMB10,178 million for FY2020 to approximately RMB8,591 million for FY2021.

HY2022 compared to HY2021

The revenue of the Group decreased from approximately RMB79,802 million for HY2021 to approximately RMB43,352 million for HY2022, representing a decline of approximately RMB36,451 million or 45.7%. The decline in revenue was mainly due to the reduction of property sale revenue by approximately 49.2%. The total GFA of delivered properties decreased from 8.1 million sq.m. during HY2021 to approximately 4.6 million sq.m. during HY2022. Moreover, the average selling price of properties delivered and recognized as sales was RMB8,205 per sq.m. in HY2022 as compared to the average selling price of approximately RMB9,198 per sq.m. in HY2021.

Due to the significant reduction in property sales revenue, the gross profit reduced by 38.3% from approximately RMB14,034 million for HY2021 to approximately RMB8,655 million for HY2022. The profit attributable to shareholders of the Company reduced by approximately 38.6% from approximately RMB2,915 million for HY2021 to approximately RMB1,789 million for HY2022.

As disclosed in the 2021 Annual Report, due to the resurgence of the COVID-19 epidemic, the Group provided rent concessions to the merchants of Wuyue Plaza and led to a delay in the opening of two Wuyue Plazas during FY2021. The Company will adjust the plans of the launch of residential properties and opening of Wuyue Plazas in accordance with the epidemic development in the PRC.

Outlook of the Group

The real estate industry in the PRC is challenging in the past two years due to the slowing down in the macro-economic growth, the on-going COVID-19 prevention measures in the PRC and the tightening real estate regulations launched by the PRC government. The sluggish real estate demand has posed further downside risk to the PRC property market and the PRC property market began to show an obvious downturn. The “Three Red Lines” policy, (三條紅線), the New Regulations on Management of Financing for Real Estate Development Enterprises (房地產開發企業融資管理新規), the Management of Concentration of Real Estate Lending amongst Commercial Banks (商業銀行房地產貸款集中度管理) and the “Two Concentrations” of Land Transfer in 22 Hot-spot Cities (22熱點城市土地出讓“兩T集中”) were implemented with a long term view to regulate the debt financing of the PRC property developers.

As disclosed in the 2021 Annual Report, from 2004 to 2021, the PRC government introduced a series of regulations and policies designed to control the growth of the property market and some of them are specifically to control the growth of the residential property market. These measures resulted in downward pricing pressure on the PRC property market. The PRC government may implement further tightening measures to restrain the PRC property market at the national, provincial, municipal and/or local level, which may lead to the declining trends in transaction volume and selling prices of properties in the PRC. As a result, the Group’s financial condition and results of operations may be affected in the long run.

b) *Jiangsu Xinchengyue and S-Enjoy Service*

Jiangsu Xinchengyue is established in the PRC and is one of the subsidiaries of S-Enjoy Service which is a company listed on the Stock Exchange (stock code: 1755). S-Enjoy Service is an experienced property management services provider in the PRC and is principally engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services and public area maintenances. Jiangsu Xinchengyue is one of the principal subsidiaries of S-Enjoy Service providing the above-mentioned services in the PRC.

2. Reasons and benefits for the 2023 Seazen Framework Agreement

The Group's principal activities are property development, property investment and commercial property management in the PRC. The Company's revenue comprises revenue from sales of properties, property management, rental income and other related services income.

To support the operation of the Group's property management business, the Group has engaged S-Enjoy Group for the property management services and related value-added services since S-Enjoy Group was listed in the Stock Exchange of Hong Kong in 2018. Before that, the property management services and related value-added services of the Group was managed by Tibet Future Land Property Management Services Co., Ltd (which is currently a principal subsidiary of S-Enjoy Group) which was a subsidiary of the Group and was subsequently disposed to a controlling shareholder of the Company in 2016. To maintain the ordinary operation of the Group's property management business, the Company has been renewing the service framework agreement with S-Enjoy Group every year since 2018. According to the 2023 Seazen Framework Agreement, the scope of service is substantially same as those areas included in the 2022 Services Framework Agreement. The Directors advised that entering into the 2023 Seazen Framework Agreements will guarantee the continuity of property management services and related value-added services to the Group's customers and avoid any service disruption.

As stated in the annual report for FY2021 of S-Enjoy Service, S-Enjoy Service is an experienced property management services provider in the PRC for more than 25 years and is currently providing a wide range of property management services, such as property and facilities maintenance, security services, maintenance and cleaning services, gardening services, public areas repair and maintenance and other property management related services. According to China Index Academy (the "CIA") statistics, S-Enjoy Service is among the top property services enterprises in the PRC. In addition, according to the list of top 100 Chinese property management services enterprises announced by the CIA, the ranking of S-Enjoy Service moved up from 34th in 2010 to 11th in 2021. S-Enjoy Service has been a well-established brand in the PRC market. It is beneficial for the Group to maintain the business relationship with S-Enjoy Service which has been providing a reliable support services to the Group's property development and property investment business in the PRC.

Pursuant to the 2023 Seazen Framework Agreement, the Group could utilize the services of S-Enjoy Group on a voluntary basis and is not obliged to utilise any particular services from S-Enjoy Group or there is no minimum procurement commitment. The management of the Company also advised that the Group has maintained a list of independent property management companies which are also qualified to provide the property management services and other value-added services. In view of the flexibility of choosing service providers by the Group, the members of the Group have its internal selection mechanism to identify suitable service providers based on the terms and conditions offered, hence the Group will choose the service providers with the most favourable terms to the Group.

LETTER FROM OCTAL CAPITAL

Having considered that (i) the Group has established and maintained a long-term service relationship with S-Enjoy Group; (ii) S-Enjoy Group has been one of the qualified service providers of the Group and the Group has in-depth understanding of the services quality and workflow of S-Enjoy Service, it is important to secure a stable and reliable service provider for the Group's properties; and (iii) the non-exclusive nature of the 2023 Seazen Framework Agreement provides no procurement obligation to the Group but offers an alternative source of service provider to support the usual and ordinary course of business of the Group, we considered that the Company has commercial rationale to enter into the 2023 Seazen Framework Agreement.

3. Principal terms of the 2023 Seazen Framework Agreement

The principal terms of the 2023 Seazen Framework Agreement are summarized in the following table.

Date:	28 October 2022
Parties:	(i) Seazen Holdings (as the recipient of services) (ii) Jiangsu Xinchengyue (as the service provider).
Term:	1 January 2023 to 31 December 2023 ("FY2023") (both days inclusive).
Property Management Services and Value-added Services:	Jiangsu Xinchengyue is commissioned to provide various property management services (as below) in connection with the development projects of Seazen Holdings. a. Property Management Services b. Intelligent Construction Services c. Sales Offices Management Services d. Property Inspection Services e. Property Preliminary Stage Consultancy Services f. Parking Lot Sales Services g. Property Maintenance and Management Services during the Warranty Period h. Elevator Installation and Maintenance Services i. On-site Event Planning and Layout Services j. Miscellaneous Entrustment Services

For the details of the 2023 Seazen Framework Agreement (including scope of services, pricing policy and payment term), please refer to the Letter of the Board.

LETTER FROM OCTAL CAPITAL

Review of the principal terms

The services fees to be charged by S-Enjoy Group under 2023 Seazen Framework Agreement will be determined based on several major factors, including (i) prevailing market prices (taking into account of the location of the property projects, the scope of services, the demand of manpower, the areas of service coverage, the nature of equipment required, etc); (ii) the guidance price of such services for similar type of property projects issued by the local government; (iii) the services fees charged by the independent third parties for similar nature and scale of services. To assess the fairness of the pricing policy and payment terms, we obtained a list of services provided by S-Enjoy Group under the 2022 Services Framework Agreement (the “**CCT Service List**”). Based on the CCT Service List, we have selected three sets of contracts for each type of services under the 2022 Services Framework Agreement (except for the miscellaneous entrustment services) to understand the relevant terms agreed with S-Enjoy Group. Within each category of services, based on the amount of services fees incurred by the Group, we selected top three projects which incurred the largest amount of services fee in the first nine months of 2022 and these selected contracts are sufficient for us to understand how the transactions are conducted under the 2022 Services Framework Agreement. As advised by the management of the Company, the Group did not engage S-Enjoy Group or other independent third parties to conduct any miscellaneous entrustment services for FY2021 and the nine months ended 30 September 2022 (“**9M2022**”). Based on our review of the selected samples, we compared the proposed service fee offered by S-Enjoy Group and the independent service providers and we understood from the management of the Company that the Group conducted its internal assessment to select the appropriate service provider which offers the best available terms of services to the Group. Given that the internal control procedures of the Group in relation to the selection of service providers are effective, we are of the view that the pricing terms, in particular the service fee agreed with S-Enjoy Group, are no less favourable than those offered by independent service providers.

The management of the Company advised that the detailed scope of services of each type of services are usually determined on a case-by-case basis with reference to specific needs and requirements of each property project including but not limited to property location, sales strategy, market positioning of these properties. To govern the operation of each service engagement with S-Enjoy Group under the 2022 Services Framework Agreement, the member of the Group must enter into a subsidiary agreement with the member of S-Enjoy Group setting out the specific scope of services required and the amount of fees payable in conformity with the principles (including the pricing policy) mentioned in the 2022 Services Framework Agreement. We sample-checked subsidiary agreements entered into between the Group and the S-Enjoy Group which contains the detailed pricing terms of the service engagement and compared the pricing terms with other similar services entered with independent suppliers and noted that the pricing terms are comparable. These subsidiary agreements are duly signed and stamped by the members of the Group.

Lastly, we also noted that from the relevant payment terms as contemplated that: (a) the fees for the property management services and sales office management

LETTER FROM OCTAL CAPITAL

services are generally paid annually, half-yearly, quarterly or monthly (as the case may be), which are in line with the Group's payment terms offered to independent suppliers for similar nature of services. Such fee settlement arrangement is normal given that these services are provided on a daily basis and the service fee is generally settled on a monthly basis; (b) the service fee of intelligent construction services will only be settled after the inspection and acceptance of such services are made by the Group. It is commercially acceptable for construction service fee to be settled after the Group's inspection with satisfactory result; (c) in connection with the property inspection services and property preliminary stage consultancy services are in relation to the property pre-sales preparation services, the fee is settled after such services are completely delivered to the Group; and (d) other value-added services are made on a quarterly basis or based on the project completion status. Based on our discussion with the management of the Company, the service fee under 2023 Seazen Framework Agreement is either made on a regular interval or upon the completion of the said services up to the Group's satisfactory. In this regard, the payment terms offered to S-Enjoy Group for the transactions contemplated under the 2023 Seazen Framework Agreement would not involve material cash prepayment to S-Enjoy Group before the provision of services.

As advised by the management of the Group, the Group has internal control procedures to govern the payment approval process to external party in which the responsible department head of each service should review and inspect the service quality before passing the payment request to the finance department. The finance department only confirms and approve the service fee payment if the payment request has been approved by the authorized department heads in according to the Group's internal policy.

Based on the above, that (i) the Group has adopted a series of internal control procedures to select the appropriate services providers for each service; and (ii) the Group is required to compare the service fees proposed by S-Enjoy Group and independent third parties and select the services provider with the best available terms; we concur with the Directors that the pricing policy of the services under the 2023 Seazen Framework Agreement is on normal commercial terms in the ordinary course of business of the Group.

4. Annual Cap in relation to the 2023 Seazen Framework Agreement

	FY2020	FY2021	9M2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Actual transaction amounts	1,008	1,313	949
Approved annual caps	1,173	1,350	1,650
Utilization rates	85.9%	97.3%	76.7% (Note)

Note: The utilization rate is calculated by dividing the historical transaction amount for 9M2022 by the pro-rated annual cap.

LETTER FROM OCTAL CAPITAL

As illustrated above, the actual transaction amount between the Group and S-Enjoy Group was around RMB949 million which accounted for approximately 76.7% of the approved annual cap for FY2022. We noted that the utilization rates of FY2020 and FY2021 are relatively high in general. Should the actual transaction amount of the services contemplated under the 2022 Services Framework Agreement be annualized, the projected transaction amount is approximately RMB1,265 million which are lower than the actual transaction amount of FY2021. The relative low utilization rate for FY2022 is primarily linked with the performance of property sales of the Group during FY2022. As discussed in the previous section, the total GFA of approximately 8.1 million sq. m. were delivered in HY2021 but approximately 4.6 million sq. m. of GFA had been delivered in HY2022. The management of the Company explained that the material reduction in the property delivery to the buyers was caused by the impact of COVID-19 pandemic which led to certain cities where the Group has business operation in have been temporarily disrupted on the normal operation of the Group. Considering that the prevention measures of the COVID-19 pandemic in the PRC will be gradually normalized, the pace of property sales and property delivery of the Group will be gradually accelerated in FY2023 and the Group may have higher volume of transactions with S-Enjoy Group in FY2023.

Basis for determining the Annual Cap

The maximum annual service fees payable by the Group to S-Enjoy Group under the 2023 Seazen Framework Agreement for FY2023 will not exceed RMB1,350 million. The estimated allocation of the Annual Cap to the property management services and value-added services provided by S-Enjoy Group are set out below.

	Annual Cap <i>RMB million</i>
Property management services	182
Value-added services	
– Sales offices management services	300
– Intelligent construction services	264
– Parking lots sales agency services	173
– Property inspection services	110
– Property preliminary stage consultancy services	100
– Other value-added services (<i>Note 1</i>)	100
Buffer	121
 Total	1,350

Note 1: Other value-added services refer to property maintenance and management services during the warranty period, elevator installation and maintenance services and on-site event planning and layout services.

LETTER FROM OCTAL CAPITAL

To assess the reasonableness of the Annual Cap, we have discussed with the management of the Company on the basis and the underlying assumptions for setting the Annual Cap which are determined with reference to the following factors:

- (i) the overall estimated demands of property management services and the value-added services under the 2023 Seazen Framework Agreement are basically driven by construction progress, property pre-sale arrangement and property delivery schedule of the Group during FY2023. Since the COVID-19 pandemic is getting under control in the PRC and the Group has adopted various measures to adjust its business activities from time to time in accordance with the COVID-19 pandemic situation. The Group is expecting to gradually accelerate its property construction, property inspection and property delivery in FY2023. As such, the estimated transaction amount between the Group and S-Enjoy Group may be resumed to the level in FY2021. With reference to the 2022 Interim Report, as at 30 June 2022, the Group has around 66 million sq.m. of GFA under development and around 34 million sq. m. of GFA are currently available for sale, lease or use by the Group. These areas form the fundamental basis for the Group to determine which types of property pre-delivery services may engage S-Enjoy Group in FY2023. In addition, as at 30 June 2022, the pre-sold but not delivered properties of the Group had total GFA of approximately 34.69 million sq. m., which laid for a solid foundation for determining the services related to the pre-delivery of properties.
- (ii) As advised by the management of the Company, the proposed annual cap of each type of services under 2023 Seazen Framework Agreement are primarily based on the pre-sale and post-sale timetable of each property project. We have reviewed the estimated timetable of the Group's developing projects which require different types of property management services and value-added services in FY2023. For the property management services, these services are generally provided from the commencement of property delivery until the formation of property owner committee which will directly engage S-Enjoy Group or other services provider for the property management services. The annual cap for the property management services are projected based on (i) the existing engagement of property management services with S-Enjoy Group will continue in FY2023; (ii) the estimated property area to be managed by S-Enjoy Group in FY2023; and (iii) the historical service fee charged by S-Enjoy Group. As discussed with the management of the Company, the existing contracts of property management services with S-Enjoy Group will continue in FY2023 and potential property projects with GFA of approximately 7.5 million sq.m. may request property management services from S-Enjoy Group in FY2023, subject to the internal selection process of service providers.

LETTER FROM OCTAL CAPITAL

For the intelligent construction services, its annual cap is mainly projected based on (i) 78 sets of relevant contracts have been entered with S-Enjoy Group which will be completed by stage in FY2023; and (ii) the estimated contract sum of another 67 property projects which have been scheduled to commence the engineering and construction services of community intelligent system during FY2023; and (iii) the estimated completion status of these ongoing and potential projects.

The sales offices management services are determined with reference to the number of sales office set up by the Group for promotion and sales of properties. Based on the information provided by the Group, around 235 sales offices of the Group have engaged S-Enjoy Group to carry out the cleaning, on-site security and customer services during FY2022, among of which 149 sales offices will continue to engage such services with S-Enjoy Group in FY2023. The annual cap of the sales office management services is projected based on (i) the number of existing sales offices; (ii) the number of sales offices to be opened in FY2023; and (iii) the historical service fee charged by S-Enjoy Group.

The property preliminary stage consultancy services and property inspection services are conducted before the properties are delivered to the property buyers. The annual caps of these services are determined with reference to (i) the Group's pre-sale schedule in which around 142 property projects are planning be launched to the market in FY2023; and (ii) the interior renovation conditions of new properties in which the renovated flats will be subject to higher inspection cost.

Regarding the parking lot sales services, its annual cap is projected based on the forecast volume of carpark lots per property project to be sold during FY2023 through agents and the estimated commission per carpark lot. Based on the Group's carpark sales forecast, the Group is forecasting to sell around 11,000 carpark lots with an estimated average commission per carpark lot is around RMB13,000 which is subject to the geographical location of the property site. As advised by the management of the Company, the carpark sale in the first nine months of 2022 was affected by the slowdown in the property market. The Group is planning to enhance the marketing effort to increase the carpark sales in FY2023 with the assistance of external agencies. Therefore, the annual cap of the parking lot sale services is significantly higher than the actual transaction amount of 9M2022.

LETTER FROM OCTAL CAPITAL

- (iii) The management of the Company was aware of that the property management industry is currently facing the price inflation, in particular, the increasing labor cost, raw material cost and finance costs. According to the National Bureau of Statistics of the PRC, the consumer price inflation in the PRC was 2.1%, 2.9% and 2.5% in 2019, 2020, and 2021, respectively and the latest consume price inflation in the PRC was 2.8% in September 2022. Hence, the Annual Cap has included 10% buffer for the price inflation and ad-hoc services as a result of any unexpected change in circumstance in relation to the Group's property development projects or additional land parcels or property assets being acquired by the Group.

Having considered the above determination factors of the Annual Cap, we are of the view that the Annual Cap is justifiable.

5. Internal control procedures

In order to ensure the transactions contemplated under the 2023 Seazen Framework Agreement will be on normal commercial terms, and the relevant service fees will not be higher than the prevailing market range, the guidance price of such services for similar type of development projects issued by the local government (if applicable) and the fees charged by independent third parties. As stated in the Letter from the Broad, the Group has a series of internal control procedures in place for its daily operation to ensure the Group's conformity with the terms stipulated under the 2023 Seazen Framework Agreement.

- (i) As disclosed in the Letter from the Broad, the management and relevant personnel of the Group are responsible to supervise and monitor the pricing policy of all continuing connected transactions of the Group (including but not limited to the transactions contemplated under the 2023 Seazen Framework Agreement) to ensure the relevant continuing connected transactions to be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole;
- (ii) As disclosed in the Letter from the Broad, before entering into each subsidiary agreement in connection with the 2023 Seazen framework Agreement, the management and relevant personnel of the Group are responsible to compare a preliminary price offered by S-Enjoy Group with those obtained from comparable independent third parties with similar experiences (if any) for comparable services, so as to ensure that the service fees for the property management services and other value-added services contemplated under the 2023 Seazen Framework Agreement are fair and reasonable, and is comparable to the prevailing market rate;

LETTER FROM OCTAL CAPITAL

- (iii) As disclosed in the Letter from the Broad, the implementation of the 2023 Seazen Framework Agreement and the actual number and amount of services provided by Jiangsu Xinchengyue will be monitored and reviewed by the Board (including the independent non-executive Directors) and the senior management on a regular basis; and the senior management of the Group will monitor and ensure the actual transaction amount with S-Enjoy Group not exceeding the Annual Cap.

We have understood from and advised the management of the Company that the Company has implemented the internal control policy to the members of the Group which governs the transaction approval process in relation to the service engagement with the members of S-Enjoy Group. We have understood from the management of the Company that (i) the finance management department of the Company is responsible for the frontline governance and monitoring the transaction amount of the continuing connected transactions contemplated under the 2022 Services Framework Agreements on a monthly basis and provide the relevant report to the senior management of the Company for review; and (ii) the relevant personnel of the property project prepares the draft subsidiary agreement for internal approval process by the management of the Group and the final subsidiary agreement will stamped with the relevant company chop of the responsible entity of the Group.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged an auditor to perform independent review on all of the Company's continuing connected transactions, including the continuing connected transactions contemplated under the 2021 Services Framework Agreement. We have obtained and reviewed the Auditor's letters for the year ended 31 December 2021 (the "Auditor's Letter") in respect of the continuing connected transactions of the Group. The management of the Company has confirmed that the auditor will perform the similar independent review and issue a letter in respect of the Company's continuing connected transactions for the year ending 31 December 2023 upon the publication of annual report. The Auditor's Letter indicated that the review was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor's Letters confirmed, among others, that nothing has come to the auditor's attention that would cause them to believe that the transactions were not entered in accordance with the relevant agreement and the respective annual cap have been exceeded.

LETTER FROM OCTAL CAPITAL

Apart from the review work conducted by the auditor, an annual review of the continuing connected transactions contemplated under the 2021 Services Framework Agreement has been reviewed by the external audit firm and reported internally to the independent non-executive Directors. As disclosed in the 2021 Annual Report, all independent non-executive Directors confirmed that the transactions contemplated under the 2021 Services Framework Agreement were entered into (i) in the ordinary and usual course of business of the Group; (ii) under normal commercial terms or not less favorable terms that the Group receives or provides services from an independent third party or obtains from an independent third party; and (iii) in accordance with the agreements related to the above continuing connected transactions, the terms of which are fair and reasonable and in the interest of the Shareholders as a whole.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the 2023 Seazen Framework Agreement (including the Annual Cap) are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM for approving the 2023 Seazen Framework Agreement and the transactions contemplated thereunder (including the Annual Cap).

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Wong Wai Leung
Executive Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions of listed companies in Hong Kong subject to the compliance to the Listing Rules and the Takeovers Code. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer of Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

1. RESPONSIBILITY STATEMENT

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

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company

As at Latest Practicable Date, the Directors and chief executive of the Company had the following interests in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Interest in Shares of the Company

Name of Director	Nature of interest	Number of Shares held	Number of Shares or underlying Shares held under equity derivatives	Approximate percentage of shareholding of the Company's issued share capital
Mr. Lv Xiaoping	Beneficial owner	12,000,000 (L) ⁽⁴⁾	1,504,007 (L) ⁽²⁾	0.21%
	Beneficiary of a trust (other than discretionary interests)	2,500,000 (L) ⁽³⁾	-	0.04%
Mr. Wang Xiaosong	Beneficial owner	6,000,000 (L)	-	0.09%

Name of Director	Nature of interest	Number of Shares held	Number of Shares or underlying Shares held under equity derivatives	Approximate percentage of shareholding of the Company's issued share capital
Mr. Lu Zhongming	Beneficial owner	5,000,000 (L) ⁽⁴⁾	1,203,205 (L) ⁽²⁾	0.10%
	Beneficiary of a trust (other than discretionary interests)	2,000,000 (L) ⁽³⁾	-	0.03%
Mr. Zhang Shengman	Beneficial owner	-	1,203,205 (L) ⁽²⁾⁽⁴⁾	0.02%
	Beneficiary of a trust (other than discretionary interests)	1,200,000 (L) ⁽³⁾	-	0.02%

Notes:

- The letter "L" denotes the long position in Shares.
- Mr. Lv Xiaoping, Mr. Lu Zhongming and Mr. Zhang Shengman, Directors, were granted 1,500,000, 1,200,000 and 1,200,000 share options respectively on 1 November 2019 pursuant to the Share Option Scheme.
- Mr. Lv Xiaoping, Mr. Lu Zhongming and Mr. Zhang Shengman, Directors, were granted 2,500,000, 2,000,000 and 2,000,000 award shares on 1 September 2020 pursuant to the Share Award Scheme. On 9 April 2021, Mr. Zhang Shengman has sold 800,000 vested award shares.
- The share options granted to Mr. Lv Xiaoping, Mr. Lu Zhongming and Mr. Zhang Shengman, Directors, respectively on 1 November 2019 pursuant to the Share Option Scheme were adjusted as a result of the completion of the Rights Issue.

Interest in associated corporations

Name of Director	Name of Associated Corporation	Nature of interest	Number of Shares or underlying Shares held under equity derivatives	Approximate percentage of shareholding of the Company's issued share capital
Mr. Qu Dejun	Seazen Holdings	Beneficial owner	928,000 (L) ⁽¹⁾⁽²⁾	0.04%
Mr. Wang Xiaosong	Seazen Holdings	Beneficial owner	500,000 (L)	0.02%

Notes:

- The letter "L" denotes the long position in Shares.
- Mr. Qu Dejun was granted 328,000 share options (of which 164,000 shares were vested on 8 November 2021) and 600,000 restricted shares (of which 300,000 restricted shares were repurchased by Seazen Holdings and were cancelled later on 1 August 2022) under the subsidiary share option scheme adopted on 30 October 2019 and the Subsidiary Restricted Incentive Scheme respectively.

Save as disclosed above, as at the Latest Practicable Date, neither any of the Directors had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Substantial Shareholders' and other persons' interests and short positions in Shares and underlying Shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than Directors and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under Section 336 of the SFO:

Name of Shareholders	Identity and nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. Wang ⁽²⁾⁽³⁾⁽⁴⁾	Founder of a discretionary trust	4,470,537,274 (L)	68.72%
	Interest of spouse ⁽⁵⁾	101,065,905 (L)	1.55%
Chen Jing ⁽³⁾	Interest in a controlled corporation	101,065,905 (L)	1.55%
	Interest of spouse	4,470,537,274 (L)	68.72%
Chen Ting Sen (PTC) Limited ⁽⁴⁾	Trustee	4,470,537,274 (L)	68.72%
Infinity Fortune Development Limited ⁽⁴⁾	Interest in a controlled corporation	4,470,537,274 (L)	68.72%
First Priority Group Limited ⁽⁴⁾	Interest in a controlled corporation	4,470,537,274 (L)	68.72%
Wealth Zone Hong Kong Investments Limited ⁽⁵⁾	Beneficial owner	4,470,537,274 (L)	68.72%

Notes:

- The letter "L" denotes the long position in Shares.

2. Mr. Wang was the founder of Hua Sheng Trust, through which, Chen Ting Sen (PTC) Limited held long position in 4,470,537,274 Shares through its controlled corporations in its capacity as the trustee.
3. Ms. Chen Jing, spouse of Mr. Wang Zhenhua, holds 100% of Set Hero Developments Limited which holds the 101,065,905 Shares of the Company. Ms. Chen Jing is deemed under the SFO to be interested in the shares of Mr. Wang Zhenhua and vice versa.
4. Chen Ting Sen (PTC) Limited, as trustee of Hua Sheng Trust, which was established by Mr. Wang as settlor in favor of his family members, held 100% of the issued share capital of Infinity Fortune Development Limited, which in turn held 100% of the issued share capital of First Priority Group Limited.
5. Wealth Zone Hong Kong Investments Limited is 100% held by First Priority Group Limited.

3. COMPETING INTERESTS

Save as disclosed in the following paragraphs headed “Connected Transaction” and “Continuing Connected Transactions”, as at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates (as defined in the Listing Rules) was interested in any business (apart from the Group’s business) which competes or is likely to compete either directly or indirectly with the Group’s business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder).

Connected Transaction

On 8 February 2021, Nanjing Yungui Network Technology Co., Ltd.* (南京雲櫃網絡科技 有限公司) (as purchaser) and Jiangsu Yungui Network Technology Co., Ltd.* (江蘇雲櫃網絡技術有限公司) (a subsidiary of the Group) (as vendor) entered into the asset disposal agreement, pursuant to which the vendor agreed to dispose of the assets, which included the rights and interest of the vendor’s courier lockers and their spare parts and intangible assets relating to courier lockers, for an amount of RMB32,931,300. Further details of this transaction was set out in the announcement of the Company dated 8 February 2021.

Continuing Connected Transactions

On 28 October 2021, the services framework agreement was entered into between Seazen Holdings and Jiangsu Xinchengyue Holdings Company Limited* (江蘇新城悅控股有限公司) in relation to the provision of property management service and value-added services for the property projects of Seazen Holdings, for a term of one year from 1 January 2022 to 31 December 2022 subject to the annual cap of RMB1,650 million. Please refer to the announcement of the Company dated 28 October 2021 for details.

4. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (i) none of the Directors had any interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) Mr. Wang Xiaosong, the Chairman of the Company, a non-executive Director and the son of Mr. Wang, Mr. Lv Xiaoping and Mr. Lu Zhongming, the non-executive directors of S-Enjoy Service and the executive Directors of the Company, were considered to have a material interest in the transactions under the 2023 Seazen Framework Agreement. Save as the aforesaid, none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERT

Name	Qualification
Octal Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, to the best knowledge of the Company, Octal Capital has no shareholding in any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Octal Capital is a third party independent of the Company and its connected persons.

Octal Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter in the form and context in which it is included.

The letter from Octal Capital is set out on pages 25 to 39 of this Circular and is given as at the date of this Circular for incorporation herein.

Octal Capital has not, or has not had, direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2021, the date to which the latest published audited accounts of the Group was made up.

9. CORPORATE INFORMATION OF THE COMPANY

Registered office	Grand Pavilion Hibiscus Way 802 West Bay Road P.O. Box 31119 KY1-1205, Cayman Islands
Headquarters in the PRC	11/F, Seazen Holdings Tower B No. 5, Lane 388, Zhongjiang Road Putuo, Shanghai PRC
Principal place of business in Hong Kong	31/F, Tower Two Times Square 1 Matheson Street Causeway Bay, Hong Kong

Cayman Islands share registrar and transfer office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong branch share registrar	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Joint Company Secretaries	Ms. Zhang Wanling Ms. Ng Sau Mei

10. MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS ON DISPLAY

Copies of the following documents is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.seazengroup.com.cn/>) from the date of this circular up to and including the date of the EGM:

- (a) the 2023 Seazen Framework Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING

seazen
新城发展

SEAZEN GROUP LIMITED

新城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1030)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Seazen Group Limited (the “Company”, together with its subsidiaries, the “Group”) will be held at Room 1108, 11/F, Seazen Holdings Tower B, No. 5, Lane 388, Zhongjiang Road, Putuo, Shanghai, PRC on Thursday, 29 December 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without amendment, passing the following resolution:

ORDINARY RESOLUTION

1. “THAT:
 - (a) the 2023 Seazen Framework Agreement, a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder, be and are hereby confirmed and approved;
 - (b) the Annual Cap be and is hereby approved; and
 - (c) any one Director of the Company be and is hereby authorised for and on behalf of the Company to sign, execute, perfect and deliver all such documents and to affix the common seal of the Company on any such document as and when necessary and do all such deeds, acts, matters and things as he may in his discretion consider necessary or desirable for the purposes of or in connection with the 2023 Seazen Framework Agreement.”

By order of the Board
Seazen Group Limited
Wang Xiaosong
Chairman

The PRC, 14 December 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:
Grand Pavilion
Hibiscus Way
802 West Bay Road
P.O. Box 31119
KY1-1205
Cayman Islands

Principal place of business in Hong Kong:
31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the Meeting 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 of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting. On a poll, votes may be given either personally or by proxy.
2. In the case of joint holders, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. A form of proxy for use at the EGM is enclosed with the circular dated 14 December 2022 despatched to members of the Company.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.
5. In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. before 10:00 a.m. on Tuesday, 27 December 2022) or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
6. Completion and return of the form of proxy will not preclude a member from attending the EGM and voting in person if he so wishes. In the event that a member attends and votes at the EGM after having lodged his form of proxy, his form of proxy shall be deemed to be revoked.
7. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Thursday, 22 December 2022 to Thursday, 29 December 2022 (both days inclusive) and during such period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 21 December 2022.
8. Pursuant to Rule 13.39(4) of the Listing Rules, voting for the resolution set out in this notice will be taken by poll at the above meeting.

NOTICE OF EXTRAORDINARY GENERAL MEETING

9. To safeguard the health and safety of the Shareholders and all attendees at the EGM and to prevent the spread of the coronavirus disease 2019 (“COVID-19”), the following precautionary measures will be implemented at the EGM without limitation:

- compulsory body temperature screening;
- wearing of surgical face masks;
- no distribution of corporate gift or refreshment;
- mandatory health declaration; and
- appropriate seating arrangement to avoid over-crowding.

Any person who does not comply with the precautionary measures above may be denied entry to the venue of the EGM. The Company would like to remind the Shareholders and all attendees who will attend the EGM in person to take personal precautions and abide by the requirements of epidemic precaution and control at the venue of the EGM. The Company would also like to remind the Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to vote by filling in and submitting the Proxy Form of the EGM, and appoint the chairman of the EGM as their proxy to vote on the relevant resolution as instructed in accordance with the Proxy Form instead of attending the EGM in person. As the COVID-19 situation continues to evolve and governmental, legal and/or regulatory requirements may change prior to the EGM, the Company may implement further changes and precautionary measures for the EGM. Shareholders are advised to monitor the development of COVID-19 and check the Company’s website for future updates on the EGM arrangements (if any).

Unless otherwise stated, the capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 14 December 2022.

As at the date of this notice, the Directors are Mr. Lv Xiaoping and Mr. Lu Zhongming as executive Directors, Mr. Wang Xiaosong, Mr. Qu Dejun and Mr. Zhang Shengman as non-executive Directors and Mr. Chen Huakang, Mr. Zhu Zengjin and Mr. Zhong Wei as independent non-executive Directors.