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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in Man Sang International Limited, you should at once hand this circular, together with the accompanying form of proxy to the purchaser(s) or the transferee(s), or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**MAN SANG INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 938)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
MASTER AGREEMENT IN RESPECT OF PROVISION OF  
PROPERTY MANAGEMENT SERVICES  
AND  
DECORATION AND RENOVATION ENGINEERING SERVICES  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Advisor to the Independent Board Committee  
and the Independent Shareholders**



**瓏盛資本有限公司  
Draco Capital Limited**

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A notice convening a special general meeting of Man Sang International Limited to be held at Suite 2703, 27/F., Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Tuesday, 25 July 2023 at 4:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular. Such form of proxy is also published on the websites of the Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company at [www.msil.com.hk](http://www.msil.com.hk).

Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the special general meeting, or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

3 July 2023

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## DEFINITIONS

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*In this circular, the following terms have the meanings set forth below unless the context requires otherwise:*

“2021 Circular”	the circular dated 15 March 2021 issued by the Company in respect of the Previous Master Agreement
“Announcement”	the announcement published by the Company on 16 June 2023 in respect of the Master Agreement
“Board”	the board of Directors
“Company”	Man Sang International Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 938)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“FY2021”	the financial year ended 31 March 2021
“FY2022”	the financial year ended 31 March 2022
“FY2023”	the financial year ended 31 March 2023
“FY2024”	the financial year ending 31 March 2024
“FY2025”	the financial year ending 31 March 2025
“FY2026”	the financial year ending 31 March 2026
“Group”	the Company and its subsidiaries
“Group Companies”	the companies within the Group, including but not limited to Huiyong Property Management and Wenzhou Beichen, each a “Group Company”
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Huiyong Property Management”	Zhejiang Huiyong Property Management Service Co., Ltd.* (浙江暉永物業管理服務有限公司), formerly known as Zhejiang Doof Property Management Services Co., Ltd.* (浙江多弗物業管理服務有限公司), an indirect wholly-owned subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors, namely Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po, established for the purpose of advising the Independent Shareholders on the Master Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Financial Adviser” or “Draco Capital”	Draco Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders on the Master Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Shareholders”	the Shareholders, other than those required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the SGM, to approve the Master Agreement and the transactions contemplated thereunder
“Individual Service Agreement(s)”	the separate individual agreements to be entered between a Group Company and Mr. Hu or the Mr. Hu Controlled Companies for the provision of Services pursuant to the Master Agreement
“Latest Practicable Date”	28 June 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Segment”	the Group’s Management Services business
“Management Services”	property management services, which include all services relating to the management, maintenance, operation, service and repair in connection with real properties

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## DEFINITIONS

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“Master Agreement”	the master agreement in respect of the provision of the Management Services and Renovation Services entered into between the Company and Mr. Hu dated 16 June 2023
“Mr. Hu”	Mr. Hu Xingrong, an executive Director and the ultimate controlling Shareholder of the Company
“Mr. Hu Controlled Companies”	Mr. Hu’s direct or indirect wholly owned or 30%-controlled companies (as defined in the Listing Rules)
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes, Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Announcements”	the Company’s announcements dated 13 December 2019, 9 March 2020, 8 May 2020, 21 May 2020, 14 July 2020 and 30 October 2020
“Previous Master Agreement”	the master agreement in respect of the provision of the Management Services and Renovation Services entered into between the Company and Mr. Hu dated 24 February 2021
“Renovation Segment”	the Group’s Renovation Services business
“Renovation Services”	decoration and renovation engineering services, which include all construction services relating to demolition, procurement, design, decoration and renovation and inspection in connection with construction projects
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	collectively, the Management Services and Renovation Services
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened and held for, the purpose of considering and, if thought fit, approving, among other things, the Master Agreement and the transaction contemplated thereunder (including the proposed annual caps for the Services for FY2024, FY2025 and FY2026)
“Share(s)”	the ordinary share(s) of HK\$0.50 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	16 June 2023 (or upon fulfilment of all conditions precedent of the Master Agreement, whichever later) to 31 March 2026 (both days inclusive), subject to renewal and termination by the parties to the Master Agreement
“Wenzhou Beichen”	Wenzhou Beichen Construction Co., Ltd.* (溫州北宸建設有限公司), a subsidiary of the Company
“%”	percent

*The names of entities marked with “\*” for which no official translation exists are unofficial translations for identification purpose only and should not be regarded as their official translation.*

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LETTER FROM THE BOARD

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**MAN SANG INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 938)**

*Executive Directors:*

Mr. HU Xingrong  
Mr. HUANG Xiaohai  
Mr. JIN Jianguai  
Mr. LI Zhenyu

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Ms. PAU Yee Ling  
Mr. WONG Kwan Kit  
Mr. YUEN Hoi Po

*Principal place of business in Hong Kong:*

Unit A&B, 14/F, Teda Building  
87 Wing Lok Street  
Sheung Wan  
Hong Kong

3 July 2023

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
MASTER AGREEMENT IN RESPECT OF PROVISION OF  
PROPERTY MANAGEMENT SERVICES  
AND  
DECORATION AND RENOVATION ENGINEERING SERVICES  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS**

Reference is made to (i) the Announcement; (ii) the announcement of the Company dated 24 February 2021; and (iii) the 2021 Circular relating to, *inter alia*, the Master Agreement, the Previous Master Agreement, the transactions contemplated thereunder and the related annual caps.

The Previous Master Agreement had expired on 31 March 2023. As the Directors expect that the Group Companies will continue to provide the Services to Mr. Hu and Mr. Hu Controlled Companies from time to time, on 16 June 2023 (after trading hours), the Company

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## LETTER FROM THE BOARD

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and Mr. Hu entered into the Master Agreement, pursuant to which the Group Companies shall provide to Mr. Hu and the Mr. Hu Controlled Companies the Services. The Master Agreement is conditional upon the approval of the Independent Shareholders at the SGM.

The term of the Master Agreement will commence on 16 June 2023 (or upon fulfilment of all conditions precedent of the Master Agreement, whichever later) to 31 March 2026 (both days inclusive) unless otherwise terminated earlier or renewed in accordance with the Master Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Master Agreement; (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iv) the notice of the SGM; and (v) other information as required under the Listing Rules.

### **THE MASTER AGREEMENT**

#### **Date**

16 June 2023

#### **Parties**

- (a) The Company; and
- (b) Mr. Hu

#### **Term**

16 June 2023 (or upon fulfilment of all conditions precedent of the Master Agreement, whichever later) to 31 March 2026 (both days inclusive), subject to renewal and termination by the parties to the Master Agreement.

#### **Conditions precedent**

The effectiveness of the Master Agreement is conditional upon the Company having complied with the requirements under the Listing Rules in relation to continuing connected transactions, including but not limited to obtaining approvals from the Board, the Independent Board Committee and the Independent Shareholders in connection with the Master Agreement and transactions contemplated thereunder.



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## LETTER FROM THE BOARD

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### **Services**

During the term of the Master Agreement, Mr. Hu and the Mr. Hu Controlled Companies may from time to time engage the Group Companies to provide the Management Services and/or Renovation Services for their property management projects or decoration and renovation engineering projects, for which Individual Service Agreements shall be entered.

The Services to be provided shall be subject to (i) the Group Companies complying with all applicable local laws, rules and regulations; and (ii) the Group Companies making full use of its brand and resources and maximizing the value created for shareholders and employees of both the Group Companies and the Mr. Hu Controlled Companies.

### **Service fees and payment terms**

The service fees payable by Mr. Hu or the Mr. Hu Controlled Companies to the Group Companies in respect of the Services shall be separately agreed and paid in accordance with the terms of each Individual Service Agreement.

Based on past Management Services agreements and Renovation Services agreements entered between the Group Companies and the Mr. Hu Controlled Companies, the standard payment terms are roughly as follows:

#### ***Management Services agreements***

The service provider shall calculate the fees incurred monthly with the service recipient, according to the actual working hours of the relevant month. All parties shall confirm the fee of the relevant month before the 5th day of the following month, and payment shall be made before the 15th day of that following month.

#### ***Renovation Services agreements***

The contract is a fixed unit price contract and subject to amendments in accordance with relevant project requirements and actual amount of work done during the contract period. The fee shall be paid in several installments or monthly settlement based on the working progress.

### **Pricing principles**

The service fees for each Individual Service Agreement for both Management Services and Renovation Services shall be determined according to the following general principles:

- (a) The final consideration shall generally be determined through procedures for tender and bidding. The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented

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## LETTER FROM THE BOARD

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by the tenderer and bidder pursuant to the relevant rules and regulations of the PRC, in particular, the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) (“**Tender and Bidding Law**”).

- (b) While the Group generally prefers an approach which brings greater profit to the Group, the tenderer is often more cost conscious, and will include their preferred approach in the tender documents. If the Group considers the profitability of a particular project to be comparatively low, the Group will not participate in the tender.
- (c) If the Group Companies intend to bid for a project, the costs department of such Group Company will first evaluate the cost and price of the project, form a plan, then submit the same to the management of the Company for approval. If approved, the Group Company will prepare the bidding documents based on the requirements set by the tenderer.
- (d) The price in the Group Companies' tender shall be determined according to the scale of each project involving Management Services or Renovation Services and the prevalent market condition, with reference to comparable market prices of independent third party service providers.
- (e) In permitted cases where the tender process is not required, an agreed price shall be adopted, which shall be determined after arm's length negotiation between the parties to the contract. The agreed price is the price determined according to “reasonable costs of the project + reasonable market profit range”. The expected profit margin of the services to be provided by the Group Companies to Mr. Hu or the Mr. Hu Controlled Companies shall be no less than the profit margin the Company charges an independent third party, while the service fees shall also be no less favourable to the Group Companies than terms available to independent third parties with whom the Mr. Hu Controlled Companies transact.
- (f) Relevant laws and regulations concerning specific requirements for Management Services and Renovation Services, including in particular, the Property Management Regulations (《物業管理條例》) (“**Property Management Regulations**”) and the Construction Law of the People's Republic of China (《中華人民共和國建築法》) (“**Construction Law**”) shall be strictly complied with.

According to the Property Management Regulations, real property developers are encouraged to appoint their property management services provider by way of tender. If there are less than three bidders, or if the project concerns a residential property of a smaller scale, subject to obtaining approval from the local or provincial real estate administrative department, the appointment may be conducted by means of agreement.

According to the Tender and Bidding Law, the tender process is mandatory for certain construction projects such as large scale infrastructure or projects concerning public interests. In practice, certain developers will invite bids for Renovation Services despite it not being

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## LETTER FROM THE BOARD

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mandatory, in which case the rules and requirements under the Tender and Bidding Law shall apply. Otherwise, the Construction Law provides that service providers may be directly contracted but parties shall conclude their respective rights and obligations in writing.

As prices for Management Services and Renovations Services for property projects of different type, scale and location differ greatly, it is not commercially practical for the parties to agree on an indicative range for the fees or profit to be charged for the Individual Service Agreements. Instead, whether through bidding or through negotiating an agreed fee with the Mr. Hu Controlled Companies, the price shall be determined by coordinating market factors, including but not limited to (i) the type and location of the property, (ii) the Group's budgeted costs, (iii) the contracted scope of services and standard, (iv) the Group's brand recognition in the relevant city, and (v) relevant government-guided price, and should be in any event no more favourable to the terms and prices of the Services provided by the Group to independent third parties, and no less favourable to the Group than terms and prices made available by the Mr. Hu Controlled Companies to independent third parties.

The government-guided price refers to the pricing range or level published by the local governments for Management Services, which price will be determined by the parties through negotiations with reference to the pricing range or level. According to the Administrative Measures on Property Management Services Fees (《物業服務收費管理辦法》) (“**Measures on Property Management Services Fees**”), the administrative departments for commodity prices and real estate shall, according to the factors including property management service grading standards, jointly formulate the base price and floating range of the property management services as the government-guided price, and shall publish such government-guided price on a regular basis. The Measures on Property Management Services Fees however do not provide for the frequency of update to the government-guided prices and local governments in different cities may have their own practice and policy in updating the government-guided price taking into account of cost of property management service including labour cost and the overall economic condition of that particular city. The government-guided prices will be generally be published on the local governments' websites and the Company will keep track of related updates of relevant government-guided prices.

Along with the government-guided price, the Company will make reference to any available market price, which refers to the then bid-winning price charged by third party service providers which offer the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area where the project concerned are provided, taking into account specific factors such as project scale, technical difficulties, construction period, labour costs.

### **Renewal**

If the Company wishes to renew the Master Agreement for an extended term of three (3) financial years, the Company shall serve a written notice one (1) month prior to the expiration of the Term to Mr. Hu. The annual caps for such extended term and any other amendments or additions to the terms of the Master Agreement required in accordance with the Listing Rules

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## LETTER FROM THE BOARD

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shall be determined by both parties through amicable negotiation. If the Company does not serve a written notice to Mr. Hu, the Master Agreement shall be terminated automatically at the end of the Term.

Subject to compliance with relevant requirements of the Listing Rules, the Company may continue to renew the Master Agreement for periods of three (3) financial years in the same manner thereafter.

### Termination

Save as expressly provided, neither party may terminate the Master Agreement prior to the expiration of the Term.

The circumstances under which either party may notify the other party by giving three (3) months' prior written notice for early termination include:

- (a) if the other party goes bankrupt, enters into liquidation or dissolution proceedings, ceases business or is unable to pay its due debts;
- (b) a force majeure event or unforeseeable situation occurs and continues for more than 180 days; and
- (c) the economic interest of any party is adversely and materially affected due to the changes in applicable laws or the Listing Rules, resulting in the failure to reach a mutual agreement on adjustment or implementation of any necessary adjustments within three (3) months between the parties.

### HISTORICAL AMOUNTS

The historical transaction amounts of Management Services and Renovation Services provided by the Group Companies to Mr. Hu and Mr. Hu Controlled Companies under the Previous Master Agreements for FY2021 (audited), FY2022 (audited) and FY2023 (unaudited) were as follows:

	<b>FY2021</b> <i>(RMB million)</i> <i>(approximately)</i> (audited)	<b>FY2022</b> <i>(RMB million)</i> <i>(approximately)</i> (audited)	<b>FY2023</b> <i>(RMB million)</i> <i>(approximately)</i> (unaudited)
Management Services	8.9	8.5	9.7
Renovation Services	0.4	21.5	43.6
<b>Total</b>	<b>9.3</b>	<b>30.0</b>	<b>53.3</b>

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## LETTER FROM THE BOARD

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The annual caps set for the Management Services and Renovation Services were RMB10.5 million and RMB45.0 million respectively for each of the FY2021, FY2022 and FY2023. The actual historical transaction amounts for Renovation Services for FY2021 and FY2022 provided by the Group Companies to Mr. Hu and Mr. Hu Controlled Companies were lower than expected when determining the caps back in 2020 mainly due to the fact that (i) the business of Mr. Hu and Mr. Hu Controlled Companies was negatively impacted by the slow down in the real estate industry in the PRC resulting from the COVID pandemic in 2021, leading to a significant decrease in demand for Renovation Services; and (ii) the continuing effects of the COVID pandemic and the slower than expected recovery of business volume despite the gradual loosening of COVID restrictions in the PRC in 2022, leading to a less than expected demand for Renovation Services.

### PROPOSED ANNUAL CAPS AND BASIS FOR ANNUAL CAPS

Having considered the factors set out below, the Directors propose that the annual caps for the Management Services and Renovation Services for each of FY2024, FY2025 and FY2026 shall be as follows:

	<b>FY2024</b> <i>(RMB million)</i>	<b>FY2025</b> <i>(RMB million)</i>	<b>FY2026</b> <i>(RMB million)</i>
Management Services	10.5	10.5	10.5
Renovation Services	<u>35.0</u>	<u>35.0</u>	<u>35.0</u>
<b>Total</b>	<u><u>45.5</u></u>	<u><u>45.5</u></u>	<u><u>45.5</u></u>

The Directors have determined the annual caps in relation to the Management Services and Renovation Services on the basis of and with reference to a number of factors including:

- (a) the historical transaction amounts of Management Services and Renovation Services for FY2021 (audited), FY2022 (audited) and FY2023 (unaudited);
- (b) with respect to the Management Services annual caps:
  - (i) Management Services agreements signed between the Group Companies and the Mr. Hu Controlled Companies as at the Latest Practicable Date, which shall come into effect after commencement of the Term, contributing aggregate project sums of approximately RMB5.4 million to the Management Services annual cap for FY2024, RMB0.8 million to the Management Services annual cap for FY2025 and RMB0.6 million to the Management Services annual cap for FY2026;

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## LETTER FROM THE BOARD

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- (ii) Management Services agreements which are expected to be renewed between the Group Companies and the Mr. Hu Controlled Companies for the projects on hand, with estimated aggregate project sums of approximately RMB2.9 million, RMB7.6 million and RMB7.5 million in each of FY2024, FY2025 and FY2026, respectively; and
  - (iii) a buffer of approximately RMB2.2 million, RMB2.1 million and RMB2.4 million respectively for each of FY2024, FY2025 and FY2026 to cater for the potential demand of Management Services from the Mr. Hu Controlled Companies and any upward adjustments on the service fees for the Management Services due to inflation or potential additional demand for the Management Services during the Term;
- (c) with respect to the Renovation Services annual caps:
- (i) Renovation Services agreements to be signed between the Group Companies and the Mr. Hu Controlled Companies, with estimated aggregate project sums of approximately RMB25.0 million, RMB29.5 million and RMB34.3 million in each of FY2024, FY2025 and FY2026, respectively; and
  - (ii) a buffer of approximately RMB10.0 million, RMB5.5 million and RMB0.7 million respectively for each of FY2024, FY2025 and FY2026 to cater for (A) possible supplemental contracts relating to Renovation Services , which, even if relating to the same property (but usually a different part of the property) will be separately negotiated and agreed upon between the parties and contain separate terms and conditions, with the initial or original Renovation Services agreement relating to the same property remaining non-recurring and non-continuing; (B) the potential demand of Renovation Services from the Mr. Hu Controlled Companies; and (C) any upward adjustments on the service fees for the Renovation Services due to inflation or potential additional demand for the Renovation Services during the Term;
- (d) the estimated revenue to be recognized based on the aforementioned existing Services agreements or Services agreement expected to be entered between the Group Companies and the Mr. Hu Controlled Companies;
- (e) the anticipated demand for the Services by Mr. Hu and the Mr. Hu Controlled Companies based on the existing property projects currently owned by Mr. Hu and/or the Mr. Hu Controlled Companies in the PRC, which may or may not need to be developed in the future and for which the Group Companies' Services may be required;

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## LETTER FROM THE BOARD

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- (f) the capabilities and qualifications of the Group Companies, that the Group Companies are gradually expanding in terms of staff and resource size in order to increase the scale and number of projects to be undertaken, but also accounting for the fact that both the Management Services and Renovation Services businesses operate on a project basis, meaning new staff and resources can be hired or obtained according to the needs of specific projects; and
- (g) the Group's business development plan and strategy to diversify the Group's revenue sources, streamline the Group's operations through acquisition of business or assets to create synergies with the Group's existing businesses and strengthen the overall business capability and competitive edge of the Group in the property development industry in the PRC.

### **INTERNAL CONTROL MEASURES REGARDING CONTINUING CONNECTED TRANSACTIONS**

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company will adopt the following internal control measures in connection with the continuing connected transactions under the Master Agreement:

- (i) In order to maintain good corporate governance in protection of the Shareholders' interests as well as to resolve actual and/or potential conflict of interests among the Company, Mr. Hu shall abstain from voting on any relevant resolutions in relation to the Master Agreement at Board meetings.
- (ii) As each Individual Service Agreement is required to be approved by the Company's management, the Company's management will examine the relevant pricing terms therein, with reference to industry practice on the provision of similar services which it will monitor on a monthly basis, to ensure that the terms of the Individual Service Agreements are fair and reasonable and no more favourable to the connected persons than those charged to independent third parties.
- (iii) With reference to the different bases for Management Services and Renovation Services for determining the contribution to the annual cap for a financial year (generally, for Management Services, contribution to the annual cap is based on the number of months in the financial year for which the services are provided, whereas for Renovation Services, the contract sum of each agreement contributes fully to the annual cap of the financial year in which it is entered), the Company's management will take proper records of the actual service fees derived and actual transaction amounts under the Individual Service Agreements, and will review the aggregate transaction amounts on a monthly basis to ensure that the annual caps will not be exceeded.

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## LETTER FROM THE BOARD

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- (iv) If the annual caps are expected to be exceeded, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval by Independent Shareholders, before the annual caps are exceeded, and shall withhold approving Individual Service Agreements before such re-compliance.
- (v) The Company will implement internal checks to ensure that the procedures of the connected transactions will conform with the internal control measures, the annual caps will be complied with and that pricing is consistent among the Individual Service Agreements by random inspection of the pricing terms, payment arrangements and actual transaction amounts.
- (vi) The external auditors of the Company will conduct an annual review of the compliance with the pricing policies in the Master Agreement and transaction amounts under the Individual Service Agreements to ensure that the annual caps are not exceeded.
- (vii) The audit committee of the Company will annually review the transactions under the Individual Service Agreements and recommend any proposals to improve the internal control measures.
- (viii) The independent non-executive Directors will annually review the implementation and enforcement of the internal control measures imposed on the Individual Service Agreements and provide annual confirmations that the transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole in the Company's annual report.
- (ix) Upon expiry of the annual caps or where the Master Agreement is renewed or if there is a material change to its terms, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval by the Independent Shareholders.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER AGREEMENT**

#### **The Group's development plans**

Since around 2019, the Group has adopted a concrete expansion strategy to diversify revenue sources and create shareholders' value, in particular, by taking property development as the Group's core business and integrating upstream and downstream light assets businesses of the industrial chain, and to continuously explore opportunities to make investments and/or acquire businesses or projects that have promising outlooks and prospects.



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## LETTER FROM THE BOARD

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Through the acquisitions of subsidiaries from Mr. Hu or his associates as disclosed in the Previous Announcements, the Group has been steadily acquiring new and improved resources, skills and technology, while at the same time increasing its project scale and staff size, with an aim to promote business growth and enhance the Group's goodwill in the property development industry as a whole. Currently, the Group is deeply engaged in four business streams including (i) property development, sales and leasing of properties; (ii) provision of property management services; (iii) provision of renovation and decoration services; and (iv) hotel operation in Hokkaido, Japan, to create diversified income sources.

### **Expansion of the Management Segment and Renovation Segment**

The Group has in 2020 acquired Wenzhou Junshang Decoration Co., Ltd.\* (溫州君尚裝飾有限公司), which is the holding company of Wenzhou Beichen, which provides the Group's Renovation Services, and Huiyong Property Management, which provides the Group's Management Services.

Wenzhou Beichen was incorporated on 16 March 2017, and obtained the First-class Construction & Decoration Engineering Contractor (建築裝修裝飾工程專業承包一級) Qualification Certificate in April 2018. With said qualification certificate, Wenzhou Beichen is able to take on larger scale residential and commercial property projects, such as hotels and sportsgrounds, over time. After being acquired by the Group, Wenzhou Beichen has begun to actively participate in the bidding of new projects. The Company anticipates that the success rate of such bidding will increase progressively given the fact that Wenzhou Beichen has become a part of a Hong Kong listed company. Wenzhou Beichen has successfully undertaken various type of projects during FY2021 to FY2023, including residential and commercial properties, hotels and etc, which contributed sizeable income to the Group.

Similarly, Huiyong Property Management was recognized as one of the "2020 Top 100 Property Management Companies in China" by the China Index Academy, and the Company is confident that the Group's Management Segment will expand steadily in due course with such credentials. During FY2021 to FY2023, Huiyong Property Management has provided stable income to the Group rooted from property management services for residential communities, retail and office premises, sales offices and etc.

By entering into the Master Agreement, the Group can accumulate relevant experience and improve its reputation and goodwill in the Management Segment and Renovation Segment through transactions with the Mr. Hu Controlled Companies on large scale and noteworthy projects, which would also bring stable income, reinforce the Group's revenue stream and cash flow, and facilitate the future development plan of the Group. The Master Agreement could bring about significant synergy effect and further promote the business growth of the Group in the property development industry as a whole in the long run. The Directors are of the view that the entering into of the Master Agreement does not have any material disadvantages to the Company.

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## LETTER FROM THE BOARD

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The Directors (excluding the independent non-executive Directors whose views are set out on pages 20 to 21 of this circular) are therefore of the view that the Master Agreement is entered into in the ordinary and usual course of business of the Group and the terms as contained in the Master Agreement are on normal or better commercial terms, which are arrived at after arm's length negotiations between the parties, and that the proposed annual caps and the terms of the Master Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Relationship with and reliance on Mr. Hu**

The percentage of revenue generated from the Services amounted to approximately 6.8% (audited), 31.3% (audited) and 44.3% (unaudited) of the total revenue of the Company for FY2021, FY2022 and FY2023, respectively. Based on the Company's current estimations, it expects that the percentage of revenue generated from the transactions under the Master Agreement within the Term will range from approximately 20% to 25% of the total revenue of Company, which is expected to decrease year by year. With the Management Segment and Renovation Segment expanding and the Group's standing and competitiveness in the property development industry strengthening, the Company expects that revenue to be generated from independent third parties will increase steadily over time, and therefore reliance on transactions with Mr. Hu and/or the Mr. Hu Controlled Companies in these segments will be minimized.

The Board is thus of the view that, considering the Company's forward looking expectations, the Company does not and should not be considered to have significant reliance on Mr. Hu and/or the Mr. Hu Controlled Companies, and that the Company will continue to remain sustainable as a business and able to operate on a stand-alone basis. The Board will also assess, on a regular basis, the operations of the Management Segment and Renovation Segment, to ensure that the Group is taking all necessary actions to obtain businesses from independent third parties, and to ensure that the ratio of transactions with Mr. Hu and/or the Mr. Hu Controlled Companies is reasonable. Mr. Hu has also indicated that he does not currently have any intention to inject any or parts of his businesses into the Company.

The Board wishes to stress that any revenue estimations or forecast contained in this section is preliminary and based solely on reasonable projections for the anticipated growth in the Group, conducted by the Company's management by adopting a prudent approach, and is for reference only. The Company's business operations and financial position may differ in the future. Shareholders and investors generally should exercise caution when relying on the estimations or forecast in this section.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PARTIES

#### The Company and the Group

The Company is incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Group has been principally engaged in property development and investment which covers development, sales and leasing of properties, and has expanded its business to include property management, decoration, renovation and construction services upon the Group's acquisition of new subsidiaries since 2020.

#### Mr. Hu and the Mr. Hu Controlled Companies

Mr. Hu is an executive Director and the ultimate controlling Shareholder of the Company. The Mr. Hu Controlled Companies are engaged in numerous businesses across various industries, such as the real estate, construction and hotel development and management industries.

### LISTING RULES IMPLICATIONS

Mr. Hu is an executive Director and the ultimate controlling Shareholder of the Company and thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) calculated with reference to the proposed annual caps under the Master Agreement exceed 5%, the transactions contemplated under the Master Agreement are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company and Mr. Hu and/or the Mr. Hu Controlled Companies have entered into certain agreements for the provision of Management Services and Renovation Services prior to the Master Agreement. The Company has complied with the requirements under Chapter 14 of the Listing Rules for said agreements and the aggregate amount of said agreements fell within the de minimis exemption under Rule 14A.76 of the Listing Rules. The Company will ensure such threshold will not be exceeded before obtaining Independent Shareholders' approval for the Master Agreement at the SGM.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 13.39(6) of the Listing Rules, the Company has established the Independent Board Committee comprising all its independent non-executive Directors, namely Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po to advise the Independent Shareholders on the fairness and reasonableness of the Master Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Master Agreement.

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## LETTER FROM THE BOARD

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Draco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Master Agreement and the transactions contemplated thereunder. The appointment of Draco Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

### **SGM**

The SGM will be convened by the Company at Suite 2703, 27/F., Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Tuesday, 25 July 2023 at 4:00 p.m. for the purposes of considering, and if thought fit, approving the Master Agreement and the transactions contemplated thereunder (including the proposed annual caps).

The notice of SGM is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use at the SGM is enclosed herewith. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the SGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the SGM in person.

### **CONNECTED PERSONS REQUIRED TO ABSTAIN FROM VOTING**

As Mr. Hu, the chairman and an executive Director of the Company, has material interests in the Master Agreement, he has abstained from voting on the relevant Board resolutions approving the Master Agreement and the transactions contemplated thereunder. No other Directors have material interests in the Master Agreement or were required to abstain from voting on the relevant Board resolutions.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the Master Agreement and the transactions contemplated thereunder is required to abstain from voting on the relevant resolutions at the SGM.

As at the Latest Practicable Date, Mr. Hu is interested in 477,327,672 Shares, representing 73.75% of the issued share capital of the Company, and will abstain from voting on the proposed resolutions to approve the Master Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Master Agreement and the transactions contemplated thereunder, and therefore no other Shareholder is required to abstain from voting at the SGM in respect of the resolutions approving the aforesaid matters, and there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his Shares to a third party, either generally or on a case-by-case basis.

### RECOMMENDATION

The Independent Board Committee, having considered the advice of the Independent Financial Adviser and the relevant information contained in the Letter from the Board, considers that the proposed annual caps and the terms of the Master Agreement, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Master Agreement is entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed for approving the Master Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the additional information contained in the appendix to this circular.

**Shareholders and potential investors of the Company should note that the Master Agreement is subject to independent Shareholders' approval and therefore may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

Yours faithfully,  
By Order of the Board  
**Man Sang International Limited**  
**Hu Xingrong**  
*Chairman*



**MAN SANG INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 938)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
MASTER AGREEMENT IN RESPECT OF PROVISION OF  
PROPERTY MANAGEMENT SERVICES  
AND  
DECORATION AND RENOVATION ENGINEERING SERVICES**

3 July 2023

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular issued by the Company to the Shareholders dated 3 July 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether the Master Agreement and the transactions contemplated thereunder, including the proposed annual caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

Draco Capital has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect thereof. We wish to draw your attention to the “Letter from the Board” and the “Letter from Draco Capital” set out in the Circular, as well as the additional information set out in the appendix to the Circular.

Having considered the Master Agreement and the transactions contemplated thereunder, including the proposed annual caps, the principal factors and reasons considered by, and the advice of, Draco Capital set out in its letter of advice, we consider that the terms of the Master Agreement and the transactions contemplated thereunder, including the proposed annual caps, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Master Agreement is entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions approving the Master Agreement, the transactions contemplated thereunder and the proposed annual caps at the SGM.

Yours faithfully,

For and on behalf of  
the Independent Board Committee of  
**Man Sang International Limited**  
**Mr. Wong Kwan Kit**  
*Independent non-executive Directors*

**Ms. Pau Yee Ling**

**Mr. Yuen Hoi Po**

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## LETTER FROM DRACO CAPITAL

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*The following is the full text of the letter from Draco Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



4/F Connaught Harbourfront House  
35 Connaught Road West  
Sheung Wan, Hong Kong

3 July 2023

*To the Independent Board Committee and the Independent Shareholders of  
Man Sang International Limited*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS MASTER AGREEMENT IN RESPECT OF PROVISION OF PROPERTY MANAGEMENT SERVICES AND DECORATION AND RENOVATION ENGINEERING SERVICES**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Master Agreement with Mr. Hu (including the annual caps), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 3 July 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to (i) the Announcement; (ii) the announcement of the Company dated 24 February 2021; and (iii) the 2021 Circular relating to, inter alia, the Master Agreement, the Previous Master Agreement, the transactions contemplated thereunder and the related annual caps.

The Previous Master Agreement had expired on 31 March 2023. As the Directors expect that the Group Companies will continue to provide the Services to Mr. Hu and Mr. Hu Controlled Companies from time to time, on 16 June 2023 (after trading hours), the Company and Mr. Hu entered into the Master Agreement, pursuant to which the Group Companies shall provide to Mr. Hu and the Mr. Hu Controlled Companies the Services. The Master Agreement is conditional upon the approval of the Independent Shareholders at the SGM.



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## LETTER FROM DRACO CAPITAL

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### LISTING RULES IMPLICATIONS

Mr. Hu is an executive Director and the ultimate controlling Shareholder of the Company and thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) calculated with reference to the proposed annual caps under the Master Agreement exceed 5%, the transactions contemplated under the Master Agreement are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company and Mr. Hu and/or the Mr. Hu Controlled Companies have entered into certain agreements for the provision of Management Services and Renovation Services prior to the Master Agreement. The Company has complied with the requirements under Chapter 14 of the Listing Rules for said agreements and the aggregate amount of said agreements fell within the de minimis exemption under Rule 14A.76 of the Listing Rules. The Company will ensure such threshold will not be exceeded before obtaining Independent Shareholders' approval for the Master Agreement at the SGM.

### INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 13.39(6) of the Listing Rules, the Company has established the Independent Board Committee comprising all its independent non-executive Directors, namely Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po to advise the Independent Shareholders on the fairness and reasonableness of the Master Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Master Agreement. We, Draco Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

During the last two years, there was no engagement between the Company or Mr. Hu and/or the Mr. Hu Controlled Companies and us. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or Mr. Hu or the Mr. Hu Controlled Companies or any of its subsidiaries or their respective associates, and any parties acting in concert with them. As at the Latest Practicable Date, there were no relationships or interests between (a) the Group, Mr. Hu and/or the Mr. Hu Controlled Companies and their respective subsidiaries and associates; and (b) us that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Therefore, we consider ourselves eligible to act as the Independent Financial Adviser to the Company under the requirements of the Listing Rules.

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## LETTER FROM DRACO CAPITAL

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### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information.

We have assumed that all the information provided, and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained, and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. In formulating our recommendation in relation to the Master Agreement and pursuant to Rule 13.80(2), we have obtained and reviewed the relevant information in relation to the Management Services and the Renovation Services, among others, (i) the Master Agreement and the Previous Master Agreement; (ii) the annual report for the year ended 31 March 2022 and the interim report for the six months ended 30 September 2022 of the Company; (iii) the recent announcements of the Company; and (iv) the information set out in the Circular.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made, or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

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## LETTER FROM DRACO CAPITAL

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This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master Agreement and the continuing connected transactions contemplated thereunder (including the related annual caps) and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

#### 1 BACKGROUND INFORMATION OF THE PARTIES TO THE MASTER AGREEMENT

##### 1.1 Information on the Company and the Group

As stated in the Letter from the Board, the Company is a company incorporated in the Bermuda with limited liability, whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 938). The Group has been principally engaged in property development and investment which covers development, sales and leasing of properties, and has recently expanded its business to include property management, decoration, renovation and construction services upon the Group's acquisition of new subsidiaries since 2020.

##### 1.2 Financial Performance on the Group

###### *For the six months ended 30 September 2022 ("Interim 2022")*

With reference to the interim report of the Company for Interim 2022, revenue of the Group for Interim 2022 amounted to approximately HK\$82,919,000 (six months ended 30 September 2021: HK\$49,035,000), which comprised of leasing income from the Chongqing Property (as defined below), income from the Japan resort hotel, property management service income and renovation and decoration income. The increase in revenue by approximately HK\$33,884,000 as compared to the prior period was mainly contributed from the increase in overall revenue from all the operating segments, especially from the renovation and decoration business.

Chongqing Kingstone Land Co., Limited\* (重慶皇石置地有限公司) ("**Chongqing Kingstone**"), an indirect wholly-owned subsidiary of the Company, holds a property located at 77 Qingnian Road, Yuzhong District, Chongqing, the PRC (the "**Chongqing Property**"). It is close to Jiefangbei Walking Street which is a local and national famous pedestrian lane with numerous retail shops. Chongqing Property comprises of residential apartments (for sale), serviced apartments (for lease) managed by an internationally renowned hotel management group and a shopping mall (for lease).

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## LETTER FROM DRACO CAPITAL

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In 2020, the Group entered into the property management industry and created synergies with the Group's other businesses and has diversified the income sources of the Group. Zhejiang Huiyong Property Management Service Co., Ltd. (浙江暉永物業管理服務有限公司) (“**Huiyong**”), an indirect wholly-owned subsidiary of the Company, has several property management projects on hand as well as several potential projects in Zhejiang, Sichuan, Jiangsu, Fujian, Shanxi and Guizhou regions. The properties under management comprised a variety of property types including residential communities, retail premises, office premises, sales offices and scenic areas, etc. The revenue of the Management Segment amounted to approximately HK\$17,549,000 for Interim 2022 (six months ended 30 September 2021: HK\$14,353,000).

Wenzhou Beichen Construction Co., Ltd. (溫州北宸建設有限公司) (“**Beichen Construction**”), an indirectly held subsidiary of the Company, is a Grade One decoration and construction enterprise approved by the Ministry of Construction, specialising in decoration design and construction of hotels, shopping malls, office buildings, schools, hospitals, and other places. Its business is mainly located in Zhejiang, and is currently gradually expanding to other provinces. It has completed various quality projects with exquisite craftsmanship and sound construction management. The revenue of the Renovation Segment amounted to approximately HK\$36,321,000 for Interim 2022 (six months ended 30 September 2021: HK\$7,860,000).

For Interim 2022, gross profit of the Group amounted to approximately HK\$2,397,000 (six months ended 30 September 2021: HK\$1,837,000). The improvement in gross profit mainly arose from increase in the completed renovation and decoration projects during the Interim 2022.

During Interim 2022, the loss attributable to the equity holders of the Company decreased to approximately HK\$146,860,000 (six months ended 30 September 2021: HK\$199,856,000), and the total comprehensive expenses for the Current Period attributable to owners of the Company was approximately HK\$260,718,000 (six months ended 30 September 2021: HK\$143,451,000) which was mainly attributable to (i) loss in exchange difference on translation of foreign operations which amounted to approximately HK\$113,781,000; (ii) decrease in fair value of investment properties which amounted to approximately HK\$1,040,000; and (iii) finance cost of HK\$88,998,000.

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## LETTER FROM DRACO CAPITAL

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### *For the year ended 31 March 2022 (“FY2022”)*

With reference to the annual report of the Company for FY2022, revenue of the Group for FY2022 amounted to HK\$116,656,000 (FY2021: HK\$158,729,000), which comprised of leasing income from the Chongqing Property, income from the Japan resort hotel, property management service income and renovation and decoration income. The decrease in revenue by HK\$42,073,000 as compared to the prior year was mainly contributed from the decrease in overall revenue of Chongqing Property.

The revenue of the Management Segment amounted to approximately HK\$30,919,000 for FY2022 (FY2021: HK\$26,249,000). The revenue of the Renovation Segment amounted to approximately HK\$40,329,000 for FY2022 (FY2021: HK\$62,394,000).

During FY2022, gross loss of the Group decreased by 65.43% from HK\$24,278,000 in FY2021 to HK\$8,394,000 in FY2022. The negative profit margin decreased to 7.20% in FY2022 (FY2021: 15.30%). The improvement in gross loss mainly arose from the increased occupancy rate of serviced apartments and shopping mall in Chongqing and the reduction in the cost of operation, which resulted in significant improvement in the rental income and gross loss of the Group’s Chongqing Property. However, the pandemic had a serious impact on the overall economic environment and consumption, so that revenue from the Group’s operations could not fully offset the corresponding cost of sales and gross loss arose therefrom.

During FY2022, the loss attributable to the equity holders of the Company decreased to HK\$371,735,000 (FY2021: HK\$521,821,000), and the total comprehensive expenses for FY2022 attributable to owners of the Company was HK\$323,153,000 (FY2021: HK\$397,998,000) which was mainly attributable to (i) gross loss of HK\$8,394,000 mainly arising from unsatisfactory result of the serviced apartment operation and hotel operation in Japan resulted from travel restrictions and lockdowns measures; (ii) decrease in fair value of investment properties amounted to HK\$69,366,000; (iii) the impairment loss on properties held for sale amounted to HK\$5,710,000; and (iv) increase in finance cost to HK\$185,602,000 (FY2021: HK\$154,398,000) as finance cost was not capitalised during the year following the completion of our property redevelopment project in Chongqing.

### **1.3 Information on Mr. Hu and the Mr. Hu Controlled Companies**

Mr. Hu is an executive Director and the ultimate controlling Shareholder of the Company. The Mr. Hu Controlled Companies are engaged in numerous businesses across various industries, such as the real estate, construction and hotel development and management industries.

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## LETTER FROM DRACO CAPITAL

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### 2 CONTINUING CONNECTED TRANSACTIONS AND THE PROPOSED ANNUAL CAPS

#### 2.1 The Principal Terms

Reference is made to (i) the Announcement; (ii) the announcement of the Company dated 24 February 2021; and (iii) the 2021 Circular relating to, inter alia, the Master Agreement, the Previous Master Agreement, the transactions contemplated thereunder and the related annual caps.

The Previous Master Agreement had expired on 31 March 2023. As the Directors expect that the Group Companies will continue to provide the Services to Mr. Hu and Mr. Hu Controlled Companies from time to time, on 16 June 2023 (after trading hours), the Company and Mr. Hu entered into the Master Agreement, pursuant to which the Group Companies shall provide to Mr. Hu and the Mr. Hu Controlled Companies the Services.

The term of the Master Agreement will commence on 16 June 2023 (or upon fulfilment of all conditions precedent of the Master Agreement, whichever later) to 31 March 2026 (both days inclusive) unless otherwise terminated earlier or renewed in accordance with the Master Agreement.

The principal terms of the Master Agreement are summarised below.

#### *Date*

16 June 2023

#### *Parties*

1. The Company; and
2. Mr. Hu

#### *Term*

16 June 2023 (or upon fulfilment of all conditions precedent of the Master Agreement, whichever later) to 31 March 2026 (both days inclusive), subject to renewal and termination by the parties to the Master Agreement.

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## LETTER FROM DRACO CAPITAL

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### *Conditions Precedent*

The effectiveness of the Master Agreement is conditional upon the Company having complied with the requirements under the Listing Rules in relation to continuing connected transactions, including but not limited to obtaining approvals from the Board, the Independent Board Committee and the Independent Shareholders in connection with the Master Agreement and transactions contemplated thereunder.

### *Services*

During the term of the Master Agreement, Mr. Hu and the Mr. Hu Controlled Companies may from time to time engage the Group Companies to provide the Management Services and/or Renovation Services for their property management projects or decoration and renovation engineering projects, for which Individual Service Agreements shall be entered.

The Services to be provided shall be subject to (i) the Group Companies complying with all applicable local laws, rules and regulations; and (ii) the Group Companies making full use of its brand and resources and maximising the value created for shareholders and employees of both the Group Companies and the Mr. Hu Controlled Companies.

### *Service fees and payment terms*

The service fees payable by Mr. Hu or the Mr. Hu Controlled Companies to the Group Companies in respect of the Services shall be separately agreed and paid in accordance with the terms of each Individual Service Agreement.

Based on past Management Services agreements and Renovation Services agreements entered between the Group Companies and the Mr. Hu Controlled Companies, the standard payment terms are roughly as follows:

### *Management Services agreements*

The service provider shall calculate the fees incurred monthly with the service recipient, according to the actual working hours of the relevant month. All parties shall confirm the fee of the relevant month before the 5th day of the following month, and payment shall be made before the 15th day of that following month.

### *Renovation Services agreements*

The contract is a fixed unit price contract and subject to amendments in accordance with relevant project requirements and actual amount of work done during the contract period. The fee shall be paid in several instalments or monthly settlement based on the working progress.

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## LETTER FROM DRACO CAPITAL

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### *Pricing principles*

The service fees for each Individual Service Agreement for both Management Services and Renovation Services shall be determined according to the following general principles:

- (a) The final consideration shall generally be determined through procedures for tender and bidding. The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented by the tenderer and bidder pursuant to the relevant rules and regulations of the PRC, in particular, the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) (“**Tender and Bidding Law**”).
- (b) While the Group generally prefers an approach which brings greater profit to the Group, the tenderer is often more cost conscious, and will include their preferred approach in the tender documents. If the Group considers the profitability of a particular project to be comparatively low, the Group will not participate in the tender.
- (c) If the Group Companies intend to bid for a project, the costs department of such Group Company will first evaluate the cost and price of the project, form a plan, then submit the same to the management of the Company for approval. If approved, the Group Company will prepare the bidding documents based on the requirements set by the tenderer.
- (d) The price in the Group Companies' tender shall be determined according to the scale of each project involving Management Services or Renovation Services and the prevalent market condition, with reference to comparable market prices of independent third-party service providers.
- (e) In permitted cases where the tender process is not required, an agreed price shall be adopted, which shall be determined after arm's length negotiation between the parties to the contract. The agreed price is the price determined according to “reasonable costs of the project + reasonable market profit range”. The expected profit margin of the services to be provided by the Group Companies to Mr. Hu or the Mr. Hu Controlled Companies shall be no less than the profit margin the Company charges an independent third party, while the service fees shall also be no less favourable to the Group Companies than terms available to independent third parties with whom the Mr. Hu Controlled Companies transact.



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## LETTER FROM DRACO CAPITAL

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- (f) Relevant laws and regulations concerning specific requirements for Management Services and Renovation Services, including in particular, the Property Management Regulations (《物業管理條例》) (“**Property Management Regulations**”) and the Construction Law of the People’s Republic of China (《中華人民共和國建築法》) (“**Construction Law**”) shall be strictly complied with.

According to the Property Management Regulations, real property developers are encouraged to appoint their property management services provider by way of tender. If there are less than three bidders, or if the project concerns a residential property of a smaller scale, subject to obtaining approval from the local or provincial real estate administrative department, the appointment may be conducted by means of agreement.

According to the Tender and Bidding Law, the tender process is mandatory for certain construction projects such as large-scale infrastructure or projects concerning public interests. In practice, certain developers will invite bids for Renovation Services despite it not being mandatory, in which case the rules and requirements under the Tender and Bidding Law shall apply. Otherwise, the Construction Law provides that service providers may be directly contracted but parties shall conclude their respective rights and obligations in writing.

As prices for Management Services and Renovations Services for property projects of different type, scale and location differ greatly, it is not commercially practical for the parties to agree on an indicative range for the fees or profit to be charged for the Individual Service Agreements. Instead, whether through bidding or through negotiating an agreed fee with the Mr. Hu Controlled Companies, the price shall be determined by coordinating market factors, including but not limited to (i) the type and location of the property, (ii) the Group’s budgeted costs, (iii) the contracted scope of services and standard, (iv) the Group’s brand recognition in the relevant city, and (v) relevant government-guided price, and should be in any event no more favourable to the terms and prices of the Services provided by the Group to independent third parties, and no less favourable to the Group than terms and prices made available by the Mr. Hu Controlled Companies to independent third parties.

The government-guided price refers to the pricing range or level published by the local government for Management Services, which price will be determined by the parties through negotiations with reference to the pricing range or level. According to the Administrative Measures on Property Management Services Fees (《物業服務收費管理辦法》) (“**Measures on Property Management Services Fees**”), the administrative departments for commodity prices and real estate shall, according to the factors including property management service grading standards, jointly formulate the base price and floating range of the property management services as the government-guided price, and shall publish such government-guided price on a regular basis. The Measures on Property Management Services Fees however do not provide for the frequency of update to the government-guided prices and local governments in

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## LETTER FROM DRACO CAPITAL

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different cities may have their own practice and policy in updating the government-guided price taking into account of cost of property management service including labour cost and the overall economic condition of that particular city. The government-guided prices will be generally be published on the local government's website and the Company will keep track of related updates of relevant government-guided prices.

Along with the government-guided price, the Company will make reference to any available market price, which refers to the then bid-winning price charged by third party service providers which offer the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area where the project concerned are provided, taking into account specific factors such as project scale, technical difficulties, construction period, labour costs.

### *Our Assessment*

For our due diligence purpose, we obtained and reviewed 4 service agreements entered into between the Group and the Mr. Hu Controlled Companies in relation to the provision of the Management Services, together with 2 service agreements entered into between the Group and independent third parties to the Group (“**Independent Third Party(ies)**”) in relation to comparable property management services during the three year ended 31 March 2023, and noticed from such agreements that the service fees charged to the Mr. Hu Controlled Companies from the Management Services are no more favourable than those charged to Independent Third Parties under comparable property management services which are consistent with and did not demonstrate any discrepancy to our understandings on the arrangement of the Management Services between the Group and the Mr. Hu Controlled Companies.

We also obtained and reviewed 2 service agreement entered into between the Group and the Mr. Hu Controlled Company in relation to the Renovation Services, together with 2 service agreements entered into between the Group and Independent Third Party in relation to comparable renovation services and their respective budgeting records during the three years ended 31 March 2023. We noticed from the aforesaid documents that the fee charged to the Mr. Hu Controlled Company from the Renovation Services are no more favourable than those charged to Independent Third Party under comparable renovation services provided to Independent Third Party which are consistent with and did not demonstrate any discrepancy to our understandings on the arrangement of the Renovation Services between the Group and the Mr. Hu Controlled Companies.

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With reference to the Board Letter, the Company will adopt the internal control measures in connection with the continuing connected transactions under the Master Agreement as set out under the section headed “2.4 INTERNAL CONTROL MEASURES IN RESPECT OF THE MASTER AGREEMENT” of the Board Letter. We consider the effective implementation of such internal control measures will help to ensure fair pricing of the continuing connected transactions contemplated thereunder.

### 2.2 Historical Transaction Amounts and Proposed Annual Caps

#### *Historical Amounts*

The historical transaction amounts of Management Services and Renovation Services provided by the Group Companies to Mr. Hu and Mr. Hu Controlled Companies under the Previous Master Agreements for FY2021 (audited), FY2022 (audited) and FY2023 (unaudited) were as follows:

	For the year ended 31 March		
	2021	2022	2023
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
	(audited)	(audited)	(unaudited)
Management Services	8.9	8.5	9.7
Renovation Services	<u>0.4</u>	<u>21.5</u>	<u>43.6</u>
<b>Total</b>	<u><u>9.3</u></u>	<u><u>30.0</u></u>	<u><u>53.3</u></u>

The annual caps set for the Management Services and Renovation Services were RMB10.5 million and RMB45.0 million respectively for each of the FY2021, FY2022 and FY2023. The actual historical transaction amounts for Renovation Services for FY2021 and FY2022 provided by the Group Companies to Mr. Hu and Mr. Hu Controlled Companies were lower than expected when determining the caps back in 2020 mainly due to the fact that (i) the business of Mr. Hu and Mr. Hu Controlled Companies was negatively impacted by the slowdown in the real estate industry in the PRC resulting from the COVID pandemic in 2021, leading to a significant decrease in demand for Renovation Services; and (ii) the continuing effects of the COVID pandemic and the slower than expected recovery of business volume despite the gradual loosening of COVID restrictions in the PRC in 2022, leading to a less than expected demand for Renovation Services.

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### *The Proposed Annual Caps*

Having considered the factors set out below, the Directors propose that the annual caps for the Management Services and Renovation Services for each of FY2024, FY2025 and FY2026 shall be as follows:

	<b>For the year ended 31 March</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Management Services	10.5	10.5	10.5
Renovation Services	<u>35.0</u>	<u>35.0</u>	<u>35.0</u>
<b>Total</b>	<u><u>45.5</u></u>	<u><u>45.5</u></u>	<u><u>45.5</u></u>

### *Our View*

In assessing the reasonableness and fairness of the proposed annual caps in relation to the Management Services and Renovation Services, we have discussed with the Management and note that the proposed annual caps in relation to the Management Services and Renovation Services for the three years ending 31 March 2026 are determined with reference a number of factors including:

- (a) the historical transaction amounts of Management Services and Renovation Services for FY2021 (audited), FY2022 (audited) and FY2023 (unaudited);
- (b) with respect to the Management Services annual cap:
  - (i) Management Services agreements signed between the Group Companies and the Mr. Hu Controlled Companies as at the Latest Practicable Date, which shall come into effect after commencement of the Term, contributing aggregate project sums of approximately RMB5.4 million to the Management Services annual cap for FY2024, RMB0.8 million to the Management Services annual cap for FY2025 and RMB0.6 million to the Management Services annual cap for FY2026;
  - (ii) Management Services agreements which are expected to be renewed between the Group Companies and the Mr. Hu Controlled Companies for the projects on hand, with estimated aggregate project sums of approximately RMB2.9 million, RMB7.6 million and RMB7.5 million in each of FY2024, FY2025 and FY2026, respectively; and

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- (iii) a buffer of approximately RMB2.2 million, RMB2.1 million and RMB2.4 million respectively for each of FY2024, FY2025 and FY2026 to cater for the potential demand of Management Services from the Mr. Hu Controlled Companies and any upward adjustments on the service fees for the Management Services due to inflation or potential additional demand for the Management Services during the Term;
- (c) with respect to the Renovation Services annual cap:
  - (i) Renovation Services agreements to be signed between the Group Companies and the Mr. Hu Controlled Companies, with estimated aggregate project sums of approximately RMB25.0 million, RMB29.5 million and RMB34.3 million in each of FY2024, FY2025 and FY2026, respectively; and
  - (ii) a buffer of approximately RMB10.0 million, RMB5.5 million and RMB0.7 million respectively for each of FY2024, FY2025 and FY2026 to cater for (A) possible supplemental contracts relating to Renovation Services, which, even if relating to the same property (but usually a different part of the property) will be separately negotiated and agreed upon between the parties and contain separate terms and conditions, with the initial or original Renovation Services agreement relating to the same property remaining non-recurring and non-continuing; (B) the potential demand of Renovation Services from the Mr. Hu Controlled Companies; and (C) any upward adjustments on the service fees for the Renovation Services due to inflation or potential additional demand for the Renovation Services during the Term;
- (d) the estimated revenue to be recognized based on the aforementioned existing Services agreements or Services agreement expected to be entered between the Group Companies and the Mr. Hu Controlled Companies;
- (e) the anticipated demand for the Services by Mr. Hu and the Mr. Hu Controlled Companies based on the existing property projects currently owned by Mr. Hu and/or the Mr. Hu Controlled Companies in the PRC, which may or may not need to be developed in the future and for which the Group Companies' Services may be required;
- (f) the capabilities and qualifications of the Group Companies, that the Group Companies are gradually expanding in terms of staff and resource size in order to increase the scale and number of projects to be undertaken, but also accounting for the fact that both the Management Services and Renovation Services businesses operate on a project basis, meaning new staff and resources can be hired or obtained according to the needs of specific projects; and

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- (g) the Group's business development plan and strategy to diversify the Group's revenue sources, streamline the Group's operations through acquisition of business or assets to create synergies with the Group's existing businesses and strengthen the overall business capability and competitive edge of the Group in the property development industry in the PRC.

For our due diligence purpose, we obtained a summary of the signed agreements and agreements under negotiation in respect of the provision of the Services (the "**Summary**"). Under the Summary, the Company also estimated the schedule and the service fee to be incurred (the "**Estimated Service Fee**") under each of FY2024, FY2025 and FY2026.

We noted from the Summary that the Estimated Service Fee under each of FY2024, FY2025 and FY2026 is approximately RMB35 million (RMB10 million for Management Services and RMB25 million for Renovation Services), RMB40 million (RMB10 million for Management Services and RMB30 million for Renovation Services) and RMB44 million (RMB10 million for Management Services and RMB34 million for Renovation Services) respectively. As the aforesaid estimation was only based on currently signed agreements and agreements under negotiation, there is potential for the Group to negotiate and engage into more projects with Mr. Hu Controlled Companies for the three years ending 31 March 2026.

Thus we are of the view that the respective projection in the Estimated Service Fee is properly prepared and the annual demand for the Services is fair and reasonable. Based on the above, we are of the view that the basis of determining the proposed annual caps in relation to the Management Services and Renovation Services is fair and reasonable so far as the Independent Shareholders are concerned.

We have enquired the reasons for the fluctuation of the transactions amounts of the Renovation Services for the three years ended 31 March 2023. The Management expressed that the acquisition of Wenzhou Beichen was completed in May 2020, after which Wenzhou Beichen has been started business with companies controlled by Mr Hu. During FY2021, the Covid pandemic has caused severe disturbance to the construction and renovation projects, which led to delay in working progress and revenue generated accordingly. During FY2022 and FY2023, the projects have been resumed gradually and contributed to the substantial growth in the business volume.

Based on our discussion with the Management, we understand that the Management had taken the overall business prospects of the Group in determining the proposed annual caps of the Management Services and the Renovation Services.

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Meanwhile, based on our communication with the Management, the proposed annual caps of the Management Services and the Renovation Services are appropriate and would not cause over-reliance on Mr. Hu and/or the Mr. Hu Controlled Companies as: (i) the percentage of revenue generated from the Services amounted to approximately 6.8% (audited), 31.3% (audited) and 44.3% (unaudited) of the total revenue of the Company for FY2021, FY2022 and FY2023, respectively; (ii) the Management expects that the percentage of revenue generated from the transactions under the Master Agreement within the Term will range from approximately 20% to 25% of the total revenue of Company; (iii) the Management expects that with the Management Segment and Renovation Segment expanding and the Group's standing and competitiveness in the property development industry strengthening, the revenue to be generated from independent third parties will increase steadily over time and will continue to remain sustainable as a business and able to operate on a stand-alone basis; and (iv) the Master Agreement do not impose any obligation on the Group to conduct a committed amount of the Management Services and/or the Renovation Services with Mr. Hu and/or the Mr. Hu Controlled Companies.

We have further enquired the Management and understand that the Management will keep monitoring the revenue contribution from the Management Services and the Renovation Services in order to prevent any possible reliance issue. In the event that that there is any possibility on reliance on Mr. Hu and/or the Mr. Hu Controlled Companies, the Company would consider taking measures including, but not limited to, the Company will strive to diversify the Group's income sources via expanding its customer base and the Group will promote its other existing businesses, if appropriate.

As advised by the Management, the Company is not aware of any disadvantages in relation to or in connection with conducting the Management Services and the Renovation Services with Mr. Hu and/or the Mr. Hu Controlled Companies. Based on the above, we concur with the Company that it would be able to prevent undue reliance on Mr. Hu and/or the Mr. Hu Controlled Companies should there be further business cooperation between the Group and Mr. Hu and/or the Mr. Hu Controlled Companies in the foreseeable future.

Taking into account the above, we are of the view that the proposed annual caps of the Management Services and the Renovation Services are fairly determined and are fair and reasonable.

### **2.3 Reasons for and Benefit of Entering into the Master Agreement**

As discussed with the Management, since around 2019, the Group has adopted a concrete expansion strategy to diversify revenue sources and create shareholders' value, in particular, by taking property development as the Group's core business and integrating upstream and downstream light assets businesses of the industrial chain, and to continuously explore opportunities to make investments and/or acquire businesses or projects that have promising outlooks and prospects.



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Through the acquisitions of subsidiaries from Mr. Hu or his associates as disclosed in the Previous Announcements, the Group has been steadily acquiring new and improved resources, skills and technology, while at the same time increasing its project scale and staff size, with an aim to promote business growth and enhance the Group's goodwill in the property development industry as a whole. Currently, the Group is deeply engaged in four business streams including (i) property development, sales and leasing of properties; (ii) provision of property management services; (iii) provision of renovation and decoration services; and (iv) hotel operation in Hokkaido, Japan, to create diversified income sources. During FY2021 to FY2023, Huiyong Property Management has provided stable income to the Group rooted from property management services for residential communities, retail and office premises, sales offices and etc.

Meanwhile, we note that by entering into the Master Agreement, the Group can accumulate relevant experience and improve its reputation and goodwill in the Management Segment and Renovation Segment through transactions with the Mr. Hu Controlled Companies on large scale and noteworthy projects, which would also bring stable income, reinforce the Group's revenue stream and cash flow, and facilitate the future development plan of the Group. The Master Agreement could bring about significant synergy effect and further promote the business growth of the Group in the property development industry as a whole in the long run.

After taking into account that (i) the Group expanded its business to include property management, decoration, renovation and construction services since 2019; and (ii) the Management Segment and the Renovation Segment continue to contribute revenue to the Group for the three years ended 31 March 2023, we (i) concurred with the Directors' view that the Master Agreement was entered into in the ordinary and usual course of business of the Group; and (ii) considered that it is reasonable and commercially justifiable for the Company to enter into the Master Agreement.

Please refer to the section headed "REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER AGREEMENT" in the Board Letter for further details.

### **2.4 Internal Control Measures in Respect of the Master Agreement**

We have also reviewed the internal control measures of the Group as follows, and we considered that such internal control measures are sufficient to ensure that the continuing connected transactions contemplated under the Master Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders in accordance with the pricing policies and the principles set out in the Master Agreement and in compliance with the Listing Rules.

- (a) In order to maintain good corporate governance in protection of the Shareholders' interests as well as to resolve actual and/or potential conflict of interests among the Company, Mr. Hu shall abstain from voting on any relevant resolutions in relation to the Master Agreement at Board meetings.



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- (b) As each Individual Service Agreement is required to be approved by the Company's management, the Company's management will examine the relevant pricing terms therein, with reference to industry practice on the provision of similar services which it will monitor on a monthly basis, to ensure that the terms of the Individual Service Agreements are fair and reasonable and no more favourable to the connected persons than those charged to independent third parties.
- (c) With reference to the different bases for Management Services and Renovation Services for determining the contribution to the annual cap for a financial year (generally, for Management Services, contribution to the annual cap is based on the number of months in the financial year for which the services are provided, whereas for Renovation Services, the contract sum of each agreement contributes fully to the annual cap of the financial year in which it is entered), the Company's management will take proper records of the actual service fees derived and actual transaction amounts under the Individual Service Agreements, and will review the aggregate transaction amounts on a monthly basis to ensure that the annual caps will not be exceeded.
- (d) If the annual caps are expected to be exceeded, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval by Independent Shareholders, before the annual caps are exceeded, and shall withhold approving Individual Service Agreements before such re-compliance.
- (e) The Company will implement internal checks to ensure that the procedures of the connected transactions will conform with the internal control measures, the annual caps will be complied with, and that pricing is consistent among the Individual Service Agreements by random inspection of the pricing terms, payment arrangements and actual transaction amounts.
- (f) The external auditors of the Company will conduct an annual review of the compliance with the pricing policies in the Master Agreement and transaction amounts under the Individual Service Agreements to ensure that the annual caps are not exceeded.
- (g) The audit committee of the Company will annually review the transactions under the Individual Service Agreements and recommend any proposals to improve the internal control measures.
- (h) The independent non-executive Directors will annually review the implementation and enforcement of the internal control measures imposed on the Individual Service Agreements and provide annual confirmations that the transactions are entered into in the ordinary and usual course of business of the

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## LETTER FROM DRACO CAPITAL

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Group, on normal commercial terms or better and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole in the Company's annual report.

- (i) Upon expiry of the annual caps or where the Master Agreement is renewed or if there is a material change to its terms, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval by the Independent Shareholders.

We have reviewed the internal control manual regarding the Management Services and Renovation Services. By adopting the policy set out above, we considered that the Company will be able to ensure that (i) the terms and the service charged to the Mr. Hu Controlled Companies are no more favourable than those charged to Independent Third Parties under comparable property management services; (ii) the profit margin generated from the Renovation Services provided to the Mr. Hu Controlled Company is similar to the profit margin generated from comparable renovation services provided to Independent Third Party; and (iii) the Management Services and Renovation Services are conducted on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To further assess the above internal control procedures, we have randomly selected and obtained from the Company and reviewed (i) 2 service agreements entered into between the Group and the Mr. Hu Controlled Companies in relation to the provision of the Management Services; and (ii) 2 service agreement entered into between the Group and the Mr. Hu Controlled Company in relation to the Renovation Services, during the three years ended 31 March 2023. We noted that the samples we obtained are consistent with and did not demonstrate any discrepancy to our understandings on the internal control procedures on the Master Agreement.

We also noted from the annual report of the Company for FY2021 and FY2022 that, among other things, with respect to each of the continuing connected transactions contemplated during the respective financial year, nothing has come to the Company's auditors' attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

In view of the above, we consider that the terms of reference, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest in conducting the continuing connected transactions contemplated under the Previous Master Agreement. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above and are sufficient to ensure fair and reasonable pricing of the Management Services and Renovation Services, that the execution of the Management Services and Renovation Services would be fair and reasonable and in the interests of the Group, and the proposed annual caps under the Management Services and Renovation Services will be closely monitored and will not be exceeded.

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## LETTER FROM DRACO CAPITAL

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### **2.5 Reporting Requirements and Conditions of the Continuing Connected Transactions Contemplated Under the Master Agreement**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the continuing connected transactions contemplated under the Master Agreement are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the Company's annual report whether the continuing connected transactions have been entered into:
  - (a) in the ordinary and usual course of business of the Group;
  - (b) on normal commercial terms of better; and
  - (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the continuing connected transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
  - (a) have not been approved by the Board;
  - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the continuing connected transactions involve the provision of goods or services by the Group;
  - (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
  - (d) have exceeded the respective proposed annual caps;
- (iii) the Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (ii); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

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## LETTER FROM DRACO CAPITAL

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We have reviewed the annual report of the Company for FY2021 and FY2022 and noted that the independent non-executive Directors and the auditor of the Company have reviewed, including but not limited to, the continuing connected transactions contemplated under the Previous Master Agreement during such period, and provided the relevant confirmations. Based on such compliance record, we are of the view that there are appropriate and effective measures to govern the future execution of such continuing connected transactions and to safeguard the interests of the Independent Shareholders.

Based on the above and in light of the reporting requirements attached to the continuing connected transactions and the Group's internal control measures as discussed in the section headed "2.4 INTERNAL CONTROL MEASURES IN RESPECT OF THE MASTER AGREEMENT" above in this letter, we consider that the Company has adopted adequate internal control measures to be able to comply with the Listing Rules requirements with respect to the supervision and monitoring of the transactions contemplated under the Master Agreement.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Master Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Master Agreement and the continuing connected transactions contemplated thereunder (including the related annual caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Master Agreement and the continuing connected transactions contemplated thereunder (including the related annual caps).

Yours faithfully,

For and on behalf of

**Draco Capital Limited**

**Kevin Choi**

**Leon Au Yeung**

*Managing Director*

*Director*

*Mr. Kevin Choi and Mr. Leon Au Yeung are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 11 and 9 years of experience in corporate finance industry, respectively.*

## 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

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

### Long positions in the Shares and underlying Shares

Name of Director	Nature of interest	Number of Shares/ Underlying Shares held	Approximate percentage of issued share capital of the Company
Mr. Hu Xingrong	Interest in a controlled corporation	477,327,672 (Note)	73.75%

*Note:* The entire issued share capital of China DaDi Group Limited is wholly-owned by Mr. Hu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Mr. Hu, an executive Director, is a director of China DaDi Group Limited, the Company's substantial shareholder. As at the Latest Practicable Date, so far as known to the Directors, no other Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

### 3. DISCLOSURE OF INTERESTS OF THE SHAREHOLDERS PURSUANT TO THE SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

#### Long positions in the Shares and underlying Shares

Name of Shareholder	Nature of interest	Number of Shares/ Underlying Shares held	Approximate percentage of issued share capital of the Company
China DaDi Group Limited	Beneficial owner	477,327,672 (Note)	73.75%

*Note:* These shares were directly owned by China DaDi Group Limited, which is wholly-owned by Mr. Hu.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

#### 4. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests of the Directors of the Company in competing business that were required to be disclosed pursuant to Rule 8.10 of the Listing Rules as informed by the relevant Directors were as follows:

Mr. Hu is the chairman of the board of directors of Doof International Holding Group Company Limited\* (多弗國際控股集團有限公司) (“**Doof Group**”), a company established in the PRC which is a large-scale comprehensive privately-owned enterprise group, which has business of properties development in the PRC. The Company is an investment holding company whose subsidiaries are principally engaged in the development, sales and leasing of properties, as well as provision of property management services and renovation and decoration services and hotel management. Therefore, the business of properties development in the PRC engaged by Doof Group (the “**Excluded Business**”) may be regarded as being potentially competing (directly or indirectly) with the Group’s business, and Mr. Hu is regarded as being interested in the Excluded Business.

The Doof Group has a number of properties and land reserves in various regions in the PRC, and the Group has no plans to invest in properties in the same regions. While there is one overlapped region, being Chongqing, the Group’s businesses and the Doof Group’s business in Chongqing differ greatly in terms of project size, nature and target customers. The Doof Group’s development projects generally target middle-class households, whereas the Group targets upper middle and upper class households and high-end customers.

Apart from Mr. Hu, Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu (all being executive Directors of the Company) are vice presidents of Doof Group. To the best knowledge of the Company after making all reasonable enquiries, Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu had no shareholding interest in the Doof Group. The Company was informed by Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu that they were merely maintaining their positions as vice presidents of Doof Group in a non-executive nature.

The Group and the Excluded Business under Doof Group are managed by separate companies with separate management and administration. With the overseeing and supervision of the independent non-executive Directors of the Company, the Board is of the view that the Group should be capable of carrying on its businesses independently of, and at arm’s length from, the Excluded Business of Doof Group. The Board shall also regularly assess the Company’s business development to ensure that there is no issue of competition.

**5. DIRECTORS' MATERIAL INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT**

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2022 (being the date to which the latest published audited financial statements of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, save for the existing agreements between the Group Companies and the Mr. Hu Controlled Companies in connection with the provision of the Services and the Master Agreement, in which Mr. Hu, the chairman and an executive Director of the Company has material interests, and has abstained from voting on the relevant board resolutions approving the Master Agreement and the transactions contemplated thereunder.

Please refer to the "Letter from the Board" set out on pages 5 to 19 of this circular for details relating to the Master Agreement.

**6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or have proposed to enter, into any service contracts with the Company or any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

**7. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**8. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion or advice which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Draco Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO



The expert above has given and has not withdrawn its written consent to the issue of this circular with copies of its letter and the references to its name included herein the form and context in which it appears.

The letter from the above expert is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, the expert above did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the expert above did not have any direct or indirect interests in any assets which have since 31 March 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) 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.

## **9. DOCUMENT ON DISPLAY**

Copy of the Master Agreement will be displayed on the websites of the Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.msil.com.hk](http://www.msil.com.hk) for 14 days from the date of this circular.

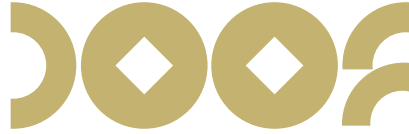
## **10. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Ho Wing Yan. Ms. Ho is an associate member the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (b) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The principal place of business of the Company in Hong Kong is at Unit A&B, 14/F, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, 4th floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (f) The English text of this circular prevails over the Chinese text in case of inconsistency.

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## NOTICE OF SGM

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### MAN SANG INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 938)**

#### NOTICE OF SGM

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Man Sang International Limited (the “**Company**”) will be held at Suite 2703, 27/F., Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Tuesday, 25 July 2023 at 4:00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions. Capitalised terms defined in the circular dated 3 July 2023 issued by the Company (the “**Circular**”) of which this notice forms part shall have the same meanings when used herein unless otherwise specified:

#### ORDINARY RESOLUTION

**1. “THAT:**

- (a) the execution of the Master Agreement (a copy of which has been produced to the SGM marked “A” and initialled by the chairman of the SGM for the identification purpose) entered into between the Company and Mr. Hu by any one of the Directors of the Company or any person authorized by the Board, and the transactions contemplated thereunder, including the proposed annual caps and the implementation thereof, be and are hereby approved, confirmed and ratified; and
- (b) any one of the Directors be and is hereby authorised to do all such acts and things and sign, agree, ratify, execute, perfect or deliver all such documents or instruments under hand (or where required, under the common seal of our Company together with another Director or any person authorised by the board of Directors) and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Master Agreement and any of the transactions contemplated thereunder.”

By Order of the Board  
**Man Sang International Limited**  
**Hu Xingrong**  
*Chairman*

Hong Kong, 3 July 2023

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## NOTICE OF SGM

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*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal place of business in Hong Kong:*

Unit A&B, 14/F, Teda Building  
87 Wing Lok Street  
Sheung Wan  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting convened (or any adjournment thereof) is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy, must be deposited together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority, at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjourned thereof).
3. Members whose names appear on the register of members of the Company at 4:30 p.m. on 19 July 2023 will be entitled to attend and vote at the SGM. In order to qualify for attending the SGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, whose share registration public offices are located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 19 July 2023.
4. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the SGM and in such event, the relevant form of proxy shall be deemed to be revoked.
5. In compliance with the Listing Rules and the articles of association of the Company, all resolution set out in this notice of the SGM will be voted on by way of poll.

*As at the date of this notice, the Board comprises Mr. Hu Xingrong (Chairman), Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu as executive Directors; and Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po as independent non-executive Directors.*