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

If you have sold or transferred all your shares in China Aoyuan Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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中國奧園集團股份有限公司 China Aoyuan Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3883)

(1) POSSIBLE TRANSACTIONS IN CONNECTION WITH THE RESTRUCTURING INVOLVING, AMONG OTHERS: (a) ISSUE OF MANDATORY CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND (b) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE; AND (2) NOTICE OF EGM

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

A letter from the Board is set out on pages 8 to 61 of this circular.

A notice convening the EGM of the Company to be held at 24th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong on Wednesday, 10 January 2024 at 11:00 a.m. is set out on pages 62 to 64 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the respective websites of The Stock Exchange of Hong Kong Limited (<https://www.hkexnews.hk>) and the Company (<https://www.aoyuan.com.cn>).

Whether or not you are able to attend the meeting, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting (i.e. not later than 11:00 a.m. on Monday, 8 January 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting or any adjournment thereof if they so wish, and in such event, the form of proxy shall be deemed to be revoked.

References to time and dates in this circular are to Hong Kong time and dates.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

15 December 2023

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DEFINITIONS

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

“Add Hero”	Add Hero Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Add Hero BVI Scheme”	the scheme of arrangement to be effected between Add Hero and certain of its creditors pursuant to section 179A of the Business Companies Act, 2004 of the BVI for the purposes of implementing the Restructuring, subject to, any modification, addition or condition which the BVI Court may think fit to approve or impose, as appropriate
“Add Hero HK Scheme”	the scheme of arrangement to be effected between Add Hero and certain of its creditors pursuant to Sections 670, 673 and 674 of the Companies Ordinance (Cap. 622) of Hong Kong for the purposes of implementing the Restructuring, subject to, any modification, addition or condition which the Hong Kong Court may think fit to approve or impose, as appropriate
“Add Hero Notes”	the new secured notes in the aggregate principal amount of US\$1,800,000,000 to be issued by Add Hero as scheme consideration in the Add Hero Schemes
“Add Hero Schemes”	collectively, the Add Hero HK Scheme and the Add Hero BVI Scheme
“Announcement”	the announcements of the Company dated 2 July 2023, 11 July 2023, 10 August 2023, 22 September 2023, 11 October 2023, 7 November 2023, 27 November 2023, 29 November 2023 and 4 December 2023 in relation to the possible transactions in connection with the Restructuring involving, among others, (a) the issuance of the Aoyuan MCB under the Specific Mandate, (b) the issuance of the New Shares under the Specific Mandate and the transfer of the Transfer Shares by the Sponsor, (c) the issuance of the Aoyuan New Notes, and (d) the issuance of the Aoyuan Perpetuals
“Aoyuan MCB”	the new zero-coupon mandatory convertible bonds due 2028 in the principal amount of US\$143,000,000 to be issued by the Company on the Restructuring Effective Date pursuant to the Aoyuan MCB Trust Deed

DEFINITIONS

“Aoyuan MCB Conversion Price”	the conversion price per Aoyuan Share (subject to adjustments) in respect of the Aoyuan MCB
“Aoyuan MCB Conversion Shares”	the Aoyuan Shares to be issued upon conversion of the Aoyuan MCB
“Aoyuan MCB Trust Deed”	the trust deed to be entered into between, among others, the Company and the Aoyuan MCB Trustee pursuant to which the Aoyuan MCB are to be issued
“Aoyuan MCB Trustee”	Madison Pacific Trust Limited in its capacity as “Trustee” under the Aoyuan MCB Trust Deed, including any of its successors
“Aoyuan New Notes”	the new 5.5% secured notes due 2031 in the principal amount of US\$500,000,000 to be issued by the Company on the Restructuring Effective Date, of which US\$400,000,000 in principal amount of Aoyuan New Notes will be paid as China Aoyuan Scheme Consideration and US\$100,000,000 in principal amount of Aoyuan New Notes will be paid as consent fees pursuant to the Restructuring Support Agreement
“Aoyuan Perpetuals”	the new perpetual securities in the principal amount of US\$1,600,000,000 to be issued by the Company on the Restructuring Effective Date
“Aoyuan Shares”	the ordinary shares of the Company that are listed on the Stock Exchange
“Board”	the board of the Company
“Business Day”	any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the City of New York, in London, in Hong Kong, in Singapore, in the PRC, in the BVI or in the Cayman Islands are authorised or required, by law or governmental regulation, to close
“BVI”	the British Virgin Islands
“BVI Court”	the BVI High Court of Justice of the Eastern Caribbean Supreme Court
“Cayman Court”	the Grand Court of the Cayman Islands

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“China Aoyuan Cayman Scheme”	the scheme of arrangement to be effected between the Company and certain of its creditors pursuant to section 86 of the Cayman Islands Companies Act (2023 Revision) for the purposes of implementing the Restructuring, subject to, any modification, addition or condition which the Cayman Court may think fit to approve or impose, as appropriate
“China Aoyuan Group”	the Company and all of its Subsidiaries
“China Aoyuan HK Scheme”	the scheme of arrangement to be effected between the Company and certain of its creditors pursuant to Sections 670, 673 and 674 of the Companies Ordinance (Cap. 622) of Hong Kong for the purposes of implementing the Restructuring, subject to, any modification, addition or condition which the Hong Kong Court may think fit to approve or impose, as appropriate
“China Aoyuan Offshore Group”	the Company and its Subsidiaries (including Add Hero) incorporated outside of the PRC
“China Aoyuan Scheme Consideration”	collectively, the US\$400,000,000 in principal amount of Aoyuan New Notes, Aoyuan MCB, Aoyuan Perpetuals, Transfer Shares and New Shares
“China Aoyuan Schemes”	collectively, the China Aoyuan Cayman Scheme and the China Aoyuan HK Scheme
“Clearing Systems”	either or both of Euroclear Bank SA/NV and Clearstream Banking S.A. and each of their respective nominees and successors, and any other system designed for similar or analogous purposes, as appropriate
“CoCom”	a steering committee of lenders holding the Existing Syndicated Facilities that are advised by Allen & Overy LLP and PricewaterhouseCoopers Limited, as constituted from time to time and notified to the Company
“Company”	China Aoyuan Group Limited (中國奧園集團股份有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3883)
“Consenting Creditor”	a creditor in relation to the Existing Debt who has entered into or acceded to the Restructuring Support Agreement

DEFINITIONS

“Designated Accounts”	certain bank accounts in the name of Aoyuan Property Holdings (Canada) Ltd., Aoyuan Property Group (International) Limited, Grand First Holdings Limited, Fine Wisdom Global Limited, Main Trend Limited and Maingain Investment Limited which are subject to a monitoring accountant regime
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 24th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong on Wednesday, 10 January 2024 at 11:00 a.m., or any adjournment thereof, for the Shareholders to consider and, if thought fit, to approve by way of poll, the issue of the Aoyuan MCB and the New Shares (including the grant of the Specific Mandate for the issue of the Aoyuan MCB Conversion Shares and the New Shares respectively)
“Existing Debt”	collectively, the ICA Debt and Non-ICA Debt
“Existing Public Notes”	the debt listed in Part A of “11. Existing Debt under the China Aoyuan Schemes and Add Hero Schemes” to this circular
“Existing Syndicated Facilities”	the debt listed in Part B of “11. Existing Debt under the China Aoyuan Schemes and Add Hero Schemes” to this circular
“Final Scheme Effective Date”	the date of the scheme effective date under the Add Hero Schemes and China Aoyuan Schemes
“Healthy Life”	Aoyuan Healthy Life Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 3662)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Court”	the High Court of Hong Kong and any court capable of hearing appeals therefrom

DEFINITIONS

“ICA Debt”	collectively, the Existing Public Notes and Existing Syndicated Facilities
“Initial Consenting Creditors”	the creditors in relation to the Existing Debt who entered into the Restructuring Support Agreement on the date of the Restructuring Support Agreement
“Latest Practicable Date”	8 December 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	(a) the date falling on the earlier of: (i) 60 calendar days after the Final Scheme Effective Date; and (ii) 31 March 2024; or (b) such later date as may be extended pursuant to the terms of the China Aoyuan Schemes and Add Hero Schemes
“Majority Scheme Creditors”	the Scheme Creditors holding in aggregate more than 50% in value of the aggregate principal amount of the Existing Debt
“New Shares”	the new 1,000,000,000 Aoyuan Shares to be issued by the Company on the Restructuring Effective Date
“Non-ICA Debt”	the debt listed in Part C of “11. Existing Debt under the China Aoyuan Schemes and Add Hero Schemes” to this circular
“Person”	any natural person, corporation, limited or unlimited liability company, trust, joint venture, association, corporation, partnership, governmental entity or other entity whatsoever
“PRC”	the People’s Republic of China, and for the purposes of this circular only, does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China, or Taiwan
“Record Date”	following the close of business and cessation of trading of the Clearing Systems on 20 November 2023

DEFINITIONS

“Reference Date”	30 September 2023
“Restructuring”	the financial restructuring of the indebtedness of the China Aoyuan Offshore Group in accordance with and as intended to be implemented through the China Aoyuan Schemes and Add Hero Schemes
“Restructuring Documents”	means the documents to be entered into in respect of Restructuring, the China Aoyuan Schemes and Add Hero Schemes
“Restructuring Effective Date”	the effective date of the Restructuring
“Restructuring Support Agreement”	the restructuring support agreement dated 10 July 2023 entered into by the Company and the Initial Consenting Creditors (as defined therein) as amended, supplemented and/or restated from time to time, including by the accession or cessation of parties thereto
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme Creditors”	any Person who has a beneficial interest as principal under any of the Existing Debt, as at the Record Date, without double counting
“SGX-ST”	the Singapore Exchange Securities Trading Limited
“Shareholder(s)”	holder(s) of Aoyuan Share(s)
“Specific Mandate”	the specific mandate to be granted by the Shareholders at the EGM to issue the Aoyuan MCB Conversion Shares and the New Shares
“Sponsor”	Mr. Guo Zi Wen, the chairman of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subsidiary”	<p>in relation to any company, corporation, association or other legal entity (a “holding company”), a company, corporation or other legal entity:</p> <ul style="list-style-type: none">(a) which is controlled, directly or indirectly, by the holding company;(b) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the holding company; or(c) which is a subsidiary of another Subsidiary of the holding company, <p>and, for this purpose, a company, corporation, association or other legal entity shall be treated as being controlled by another if that other company, corporation, association or other legal entity is able to determine the composition of the majority of its board of directors or equivalent body</p>
“Transfer Shares”	the 400,000,000 Aoyuan Shares, which are beneficially owned by the Sponsor
“United States”	the United States of America
“US\$”	United States dollar, the lawful currency of the United States of America
“US\$100m Noble Prestige Facility”	the US\$100,000,000 term loan facilities agreement dated 31 December 2020, entered into between, among others, the Company as borrower, Aoyuan Group Company Limited as PRC guarantor and Noble Prestige (Cayman) Limited as lender, as amended or supplemented from time to time

LETTER FROM THE BOARD



中國奧園集團股份有限公司
China Aoyuan Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3883)

Executive Directors:

Mr. Guo Zi Wen (*Chairman*)
Mr. Chen Zhi Bin
Mr. Tan Yi

Non-executive Director:

Mr. Ma Jun

Independent non-executive Directors:

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

Registered Office:

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

Principal Place of Business in Hong Kong:

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

Principal Place of Business in the PRC:

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

15 December 2023

To the Shareholders

Dear Sir or Madam,

- (1) POSSIBLE TRANSACTIONS IN CONNECTION WITH THE
RESTRUCTURING INVOLVING, AMONG OTHERS:
(a) ISSUE OF MANDATORY CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE; AND
(b) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(2) NOTICE OF EGM**

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among others, (a) details of the issuance of the Aoyuan MCB (including the issuance of the Aoyuan MCB Conversion Shares) and the issuance of the New Shares under the Specific Mandate; and (b) details of the transfer of the Transfer Shares under the Restructuring and the transactions contemplated thereunder, and to give the Shareholders notice of the EGM.

2. BACKGROUND

References are made to the announcements of the Company dated 28 February 2023, 24 March 2023, 27 March 2023, 31 March 2023, 6 April 2023, 12 June 2023, 2 July 2023, 3 July 2023, 11 July 2023, 31 July 2023, 10 August 2023, 22 September 2023, 10 October 2023, 7 November 2023, 27 November 2023, 29 November 2023 and 4 December 2023 in relation to the Restructuring.

The Company is a company incorporated in the Cayman Islands with limited liability, and is listed on the Main Board of the Stock Exchange. It is the ultimate holding company of the China Aoyuan Group and its direct subsidiary, Add Hero, directly and indirectly owns substantially all of the assets of the China Aoyuan Group.

As the pioneer of composite real estate in China, the China Aoyuan Group integrates related themes into real estate development, with an aim to create harmonious and excellent living experience and cultural values for customers with the concept of “building a healthy lifestyle”. China Aoyuan Group focuses on Guangdong – Hong Kong – Macao Greater Bay Area, and covers four major regions including Southern China, core region of Central and Western China, Eastern China, and Bohai Rim.

In order to finance its day-to-day operations and investments, the China Aoyuan Group entered into various financing agreements and incurred a certain amount of financial indebtedness including but not limited to the Existing Debt, which comprises of the ICA Debt and the Non-ICA Debt, as set out in the below paragraph headed “11. Existing Debt Under the China Aoyuan Schemes and Add Hero Schemes”.

However, the China Aoyuan Group, like many companies in the PRC real estate sector, has been negatively affected by the recent events affecting the PRC real estate sector in various respects. Since the second half of 2021, the PRC real estate sector and the capital markets that have funded growth and development of the sector have experienced an inflection point. Tightening of financing policies and reduced bank lending for real estate development has resulted in reduced access by PRC property developers to capital in the PRC.

LETTER FROM THE BOARD

In light of these market conditions, and following a comprehensive consideration of the strategic options available to the Company, the Company is of the view that formulating a comprehensive restructuring with the holders of the Existing Debt is a top priority and will be the best option for all stakeholders of the China Aoyuan Group.

As noted in the Announcement, the Company and its advisors have engaged in active discussions with certain significant beneficial holders of the Existing Debt in relation to the implementation of a consensual arrangement to address indebtedness under the Existing Debt in a holistic manner and, on 30 June 2023, the Company agreed the key commercial terms of the proposed Restructuring with certain holders of the Existing Public Notes, representing approximately 33.10 per cent. of the aggregate outstanding principal amount of the Existing Public Notes at the material time (“**Ad Hoc Group**”).

As disclosed in the announcement made by the Company on 29 November 2023, the Company is pleased to announce that (i) the Company has obtained sufficient support from the requisite statutory majorities of the creditors to approve the China Aoyuan Schemes at the scheme meetings convened and held at 8 p.m. Hong Kong time on 28 November 2023 and (ii) Add Hero has obtained sufficient support from the requisite statutory majorities of the creditors to approve the Add Hero Schemes at the scheme meetings convened and held at 9:30 p.m. Hong Kong time on 28 November 2023.

By an order made by the Cayman Court on 7 December 2023, the China Aoyuan Cayman Scheme was sanctioned by the Cayman Court and by an order made by the BVI Court on 8 December 2023, the Add Hero BVI Scheme was sanctioned by the BVI Court.

The China Aoyuan HK Scheme and the Add Hero HK Scheme will be subject to subsequent approval and sanction of the Hong Kong Court at a hearing listed to take place at 10 a.m. Hong Kong time on 8 January 2024, the equivalent being 9 p.m. Cayman Islands time on 7 January 2024 and 10 p.m. BVI time on 7 January 2024.

The Restructuring seeks to fully compromise and discharge the obligations of the China Aoyuan Offshore Group, arising, directly or indirectly, in relation to, or arising out of or in connection with, the Existing Debt. Specifically, the Existing Debt will be compromised on the following terms:

- (a) pursuant to the Add Hero Schemes, the obligations of Add Hero and its subsidiaries incorporated outside the PRC in respect of the ICA Debt and the US\$100m Noble Prestige Facility (one of the financing arrangements under the Non-ICA Debt) will be compromised, in exchange for the issuance of the Add Hero Notes and cash compensation by Add Hero; and

LETTER FROM THE BOARD

- (b) pursuant to the China Aoyuan Schemes, the obligations of the Company and members of the China Aoyuan Offshore Group in respect of the ICA Debt and Non-ICA Debt will be compromised pursuant to the China Aoyuan Schemes, to the extent their obligations were not compromised pursuant to the Add Hero Schemes, in exchange for the (i) issuance of the Aoyuan MCB, the New Shares, US\$400,000,000 in principal amount of the Aoyuan New Notes¹ and the Aoyuan Perpetuals by the Company and (ii) the transfer of the Transfer Shares by the Sponsor.

This circular sets out further details on the key terms of the issuance of the Aoyuan MCB, the issuance of the New Shares and the transfer of the Transfer Shares.

The Restructuring is conditional upon the following conditions, among others, being satisfied or otherwise waived (with the consent of the Majority Scheme Creditors):

- (a) the Company having obtained the requisite shareholder approval for the issuance of the New Shares and the Aoyuan MCB;
- (b) the occurrence of the scheme effective dates in respect of the China Aoyuan Schemes and Add Hero Schemes;
- (c) Add Hero having obtained an approval in-principle for the listing of and quotation of the Add Hero Notes on the SGX-ST;
- (d) the Company having obtained an approval in-principle for the listing of and quotation of the Aoyuan New Notes, Aoyuan MCB and Aoyuan Perpetuals on the SGX-ST;
- (e) all necessary consents, approvals or authorisations for the effectuation of the China Aoyuan Schemes and Add Hero Schemes having been obtained; and
- (f) the satisfaction of each of the specific conditions precedent contained in each of the Restructuring Documents (as and to the extent applicable) unless otherwise waived by the relevant parties thereunder.

The Restructuring Effective Date shall occur on or before the Longstop Date (as may be extended pursuant to and subject to the terms of the China Aoyuan Schemes and Add Hero Schemes).

As at the Latest Practicable Date, none of the above conditions has been satisfied or, if applicable, waived.

¹ The remaining US\$100,000,000 in principal amount of Aoyuan New Notes will be paid as consent fees pursuant to the Restructuring Support Agreement.

LETTER FROM THE BOARD

3. ISSUE OF AOYUAN MCB UNDER SPECIFIC MANDATE

The principal terms of the Aoyuan MCB are set out below:

Issuer:	The Company.
Principal amount:	US\$143,000,000.
Status:	The Aoyuan MCB will constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.
Currency:	US\$.
Form:	Registered only.
Denomination:	US\$1,000 per Aoyuan MCB and integral multiples thereof.
Issue price:	100.0 per cent. (consideration in the form of a debt for Aoyuan MCB swap).
Issue date:	Deemed as being issued on the Restructuring Effective Date for the purposes of term and interest.
Maturity:	5 years from the Reference Date, with the outstanding principal amount of the Aoyuan MCB mandatorily and automatically converted into the Aoyuan Shares at maturity at the then prevailing Aoyuan MCB Conversion Price, subject to the terms and conditions of the Aoyuan MCB.
Interest:	The Aoyuan MCB are not interest bearing.
Conversion right:	Convertible at any time after 12 months from the Restructuring Effective Date up to and including 10 Business Days prior to the maturity date or any redemption date (except where such conversion is by the Strategic Investor).

LETTER FROM THE BOARD

“**Strategic Investor**” means the person(s) identified by the Company, in respect of whom the Board (at a meeting that all the Board members have the opportunity to attend) has made a determination in good faith that such person is likely to develop a material strategic relationship with the Company, including without limitation an acquisition of another entity or assets, in connection with and related to the Company’s present or future business, and its affiliates, and notified to the Trustee and the Bondholders at any time on or prior to the date falling 14 days after the date on which such person(s) have been so identified. As at the Latest Practicable Date, no Strategic Investor has been identified. When the Strategic Investor is identified, the Company will comply with the relevant Listing Rules (including obtaining Shareholders’ approval) as and when applicable.

Conversion price:

The initial Aoyuan MCB Conversion Price shall be such price per Aoyuan Share (determined on the Restructuring Effective Date) in HK\$ as would result in the Aoyuan MCB, upon full conversion (assuming full conversion immediately upon issuance), converting into 29.9 per cent. of the total issued share capital of the Company immediately following conversion. Such initial Aoyuan MCB Conversion Price shall be subject to the adjustment as set out below in the section headed “*Adjustment Events*”.

The Company is not required under the terms and conditions of the Aoyuan MCB to consult an independent financial advisor in respect of the adjustments to the Aoyuan MCB Conversion Price, unless as otherwise specified therein. As the adjustments to the Aoyuan MCB Conversion Price would be determined through objective formula which are in line with formula widely accepted in the market for convertible instruments, the Board considers the adjustments to the Aoyuan MCB Conversion Price would be fair and reasonable.

LETTER FROM THE BOARD

Assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of the full conversion of the Aoyuan MCB (other than the issue of the New Shares), the initial Aoyuan MCB Conversion Price would be HK\$0.66.

The initial Aoyuan MCB Conversion Price of HK\$0.66 represents:

- (a) a discount of approximately 44.07 per cent. to the last traded price of HK\$1.18 per Aoyuan Share as quoted on the Stock Exchange on 1 April 2022, being the last trading date before the signing of the Restructuring Supporting Agreement;
- (b) a discount of approximately 42.61 per cent. to the average closing price of HK\$1.15 per Aoyuan Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares up to and including 1 April 2022, being the last trading date before the signing of the Restructuring Supporting Agreement;
- (c) a premium of approximately 169.39 per cent. to the closing price of HK\$0.245 per Aoyuan Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 162.95 per cent. to the average closing price of HK\$0.251 per Aoyuan Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares up to and including on the Latest Practicable Date.

Based on the latest published unaudited accounts, China Aoyuan Group recorded a net liability of RMB20,532,374,000 (approximately HK\$22,984,859,000) as at 30 June 2023 and 2,965,571,354 Aoyuan Shares were in issue as at 30 June 2023.

LETTER FROM THE BOARD

Under no circumstances shall the Company be required to issue Aoyuan Shares in excess of the Maximum Number of Shares.

The principal amount of the Aoyuan MCB of US\$143,000,000 (in turn, the initial Aoyuan MCB Conversion Price²) were determined and negotiated on an arm's length basis between the Company and the Ad Hoc Group having considered and with reference to (i) the Existing Debt, (ii) the unsatisfactory financial position of China Aoyuan Group with consecutive losses in the previous two financial years ended 31 December 2021 and 2022, (iii) the long suspension of the Aoyuan Shares resulting in an expectation that there will be a significant drop in the share price of the Aoyuan Shares upon its resumption and (iv) the balance between the manageable theoretical dilution effect and significant debt reduction of the China Aoyuan Schemes and Add Hero Schemes as a whole as the Aoyuan MCB forms part of the China Aoyuan Scheme Consideration with Aoyuan New Notes, Aoyuan Perpetuals, Aoyuan MCB and/or the Add Hero Notes in achieving the objective of implementing a holistic financial restructuring. Please also refer to paragraph headed "*8. Reasons for and benefits of the possible transactions in connection with the restructuring and use of proceeds – (E) Considerations when determining the Aoyuan MCB Conversion Price and exchange price of the New Shares*" for further details on the determination of the Aoyuan MCB Conversion Price. The Board considers that the initial Aoyuan MCB Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

² Assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of the conversion of the Aoyuan MCB (other than the issue of the New Shares), the total number of Aoyuan Shares in issue as at the Restructuring Effective Date would be approximately 3,966 million. The Company agreed that the Aoyuan MCB shall represent 29.9% of the total issued share capital of the Company immediately after the conversion, and that is equivalent to approximately 1,691 million Aoyuan Shares. The Company is intended to identify a Strategic Investor who will potentially invest approximately RMB1,000,000,000 (equivalent to approximately US\$143,000,000) and redeem the Aoyuan MCB. Based on this assumption and such potential investment amount, the Aoyuan MCB Conversion Price would be US\$0.08457 per Aoyuan Share, i.e., HK\$0.66 per Aoyuan Share.

LETTER FROM THE BOARD

“Maximum Number of Shares” means, in respect of any conversion of an Aoyuan MCB, the maximum number of Aoyuan Shares issuable by the Company to the holder of such Aoyuan MCB as would not, unless a “whitewash waiver” or similar waiver or dispensation has been granted to such Bondholder by the Hong Kong Securities and Futures Commission, trigger a mandatory offer obligation by that Bondholder or any person(s) acting in concert with it under rule 26 of the Hong Kong Code on Takeovers and Mergers. For illustrative purpose, assuming issuance to one holder of the Aoyuan MCB on the issue date, the Maximum Number of Shares under the current applicable rules under the Hong Kong Code on Takeovers and Mergers is 1,691,449,122 Aoyuan Shares.

Adjustment Events:

The Aoyuan MCB Conversion Price shall from time to time be subject to adjustment upon occurrence of the following events:

- (i) *Consolidation, Subdivision, Redesignation or Reclassification*

If and whenever there shall be any consolidation, subdivision, redesignation or reclassification affecting the number of Aoyuan Shares in issue, the Aoyuan MCB Conversion Price shall be adjusted by multiplying the Aoyuan MCB Conversion Price in force immediately before the date such consolidation, subdivision, redesignation or reclassification takes effect, or if a record date is fixed therefor, the business day falling immediately after such record date by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate number of Aoyuan Shares in issue immediately before such consolidation, subdivision redesignation or reclassification; and

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B is the aggregate number of Aoyuan Shares in issue immediately after such consolidation, subdivision redesignation or reclassification.

Such adjustment shall become effective on the date such consolidation, subdivision, redesignation or reclassification takes effect, or if a record date is fixed therefor, the business day falling immediately after such record date.

(ii) *Capitalisation of Profits or Reserves*

(a) If and whenever the Company shall issue any Aoyuan Shares credited as fully-paid to the Shareholders as a class by way of capitalisation of profits or reserves (including any share premium account) including Aoyuan Shares paid up out of distributable profits or reserves and/or share premium account (except for any scrip dividend), the Aoyuan MCB Conversion Price shall be adjusted by multiplying the Aoyuan MCB Conversion Price in force immediately before the date of issue of such Aoyuan Shares or if a record date is fixed therefor, the business day falling immediately after such record date by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate number of Aoyuan Shares in issue immediately before such issue; and

B is the aggregate number of Aoyuan Shares in issue immediately after such issue.

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Such adjustment shall become effective on the date of issue of such Aoyuan Shares or if a record date is fixed therefor, the business day falling immediately after such record date.

- (b) In the case of a scrip dividend where the aggregate value of the Aoyuan Shares comprising such scrip dividend as determined by reference to the Current Market Price per Aoyuan Share on the date of announcement of the terms of such scrip dividend exceeds the fair market value of the relevant cash dividend, the Aoyuan MCB Conversion Price shall be adjusted by multiplying the Aoyuan MCB Conversion Price in force immediately before the date of issue of such Aoyuan Shares issued by way of scrip dividend (or, if none, the date of payment of the relevant cash dividend) or if a record date is fixed therefor, the business day falling immediately after such record date by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

- A is the aggregate number of Aoyuan Shares in issue immediately before the date of announcement of the terms of such scrip dividend;
- B is the aggregate number of Aoyuan Shares that such fair market value would purchase at such Current Market Price; and
- C is the aggregate number of Aoyuan Shares comprising such scrip dividend.

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or (at the Company's sole discretion, following consultation with the calculation agent) by making such other adjustment to the Aoyuan MCB Conversion Price to give effect to the foregoing as an independent financial advisor shall consider appropriate to give the intended result.

Such adjustment shall become effective on the date of issue of such Aoyuan Shares issued by way of scrip dividend (or, if none, the date of payment of the relevant cash dividend) or if a record date is fixed therefor, the business day falling immediately after such record date.

(iii) *Capital Distributions*

If and whenever the Company shall pay or make any capital distribution to Shareholders as a class (except to the extent that the Aoyuan MCB Conversion Price falls to be adjusted under paragraph (ii) above), the Aoyuan MCB Conversion Price shall be adjusted by multiplying the Aoyuan MCB Conversion Price in force immediately before the date that such capital distribution is actually made or paid or if a record date is fixed therefor, the business day falling immediately after such record date by the following fraction:

$$\frac{A-B}{A}$$

Where:

- A is the Current Market Price per Aoyuan Share on the date on which the capital distribution is first publicly announced; and
- B is the fair market value per Aoyuan Share of the capital distribution.

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Such adjustment shall become effective on the date that such capital distribution is actually made or paid or if a record date is fixed therefor, the business day falling immediately after such record date.

(iv) *Rights Issues of Shares or Options over Shares*

If and whenever the Company shall issue Aoyuan Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Aoyuan Shares, in each case at a consideration receivable per Aoyuan Share which is less than 95 per cent. of the Current Market Price per Aoyuan Share on the date of the first public announcement of the terms of the issue or grant, the Aoyuan MCB Conversion Price shall be adjusted by multiplying the Aoyuan MCB Conversion Price in force immediately before the date of issue of such Aoyuan Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the business day falling immediately after such record date by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate number of Aoyuan Shares in issue immediately before the date of the first public announcement of the terms of the issue or grant;

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- B is the number of Aoyuan Shares which the aggregate consideration receivable for the Aoyuan Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Aoyuan Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Aoyuan Share; and
- C is the aggregate number of Aoyuan Shares to be issued or, as the case may be, the maximum number of Aoyuan Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights at the initial purchase, subscription or acquisition price or rate.

Such adjustment shall become effective on the date of issue of such Aoyuan Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the business day falling immediately after such record date.

(v) *Rights Issues of Other Securities*

If and whenever the Company shall issue any securities (other than Aoyuan Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Aoyuan Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Aoyuan Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Aoyuan Shares), the Aoyuan MCB Conversion Price shall be adjusted by multiplying the Aoyuan MCB Conversion Price in force immediately before

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the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the business day falling immediately after such record date by the following fraction:

$$\frac{A-B}{A}$$

Where:

- A is the Current Market Price per Aoyuan Share on the date on which such issue or grant is publicly announced; and
- B is the fair market value per Aoyuan Share of the portion of the rights attributable to one Aoyuan Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the business day falling immediately after such record date.

(vi) *Issues at less than Current Market Price*

If and whenever the Company shall issue (otherwise than as mentioned in paragraph (iv) above) wholly for cash or for no consideration any Aoyuan Shares (other than Aoyuan Shares issued pursuant to a voluntary conversion or a mandatory conversion or on the exercise of any other rights of conversion into, or exchange or subscription for, Aoyuan Shares) or shall issue or grant (otherwise than as mentioned in paragraph (iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for, purchase or otherwise acquire Aoyuan Shares, in each case at a consideration receivable per Aoyuan Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue, the

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Aoyuan MCB Conversion Price shall be adjusted by multiplying the Aoyuan MCB Conversion Price in force immediately before the date of issue of such additional Aoyuan Shares or, as the case may be, the issue of such options, warrants or other rights by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

- A is the aggregate number of Aoyuan Shares in issue immediately before the date of the first public announcement of the terms of such issue;
- B is the number of Aoyuan Shares which the aggregate consideration receivable for the issue of the maximum number of Aoyuan Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Aoyuan Share; and
- C is the aggregate number of Aoyuan Shares to be issued or, as the case may be, the maximum number of Aoyuan Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights at the initial purchase, subscription or acquisition price or rate.

Such adjustment shall become effective on the date of issue of such additional Aoyuan Shares or, as the case may be, the issue of such options, warrants or other rights.

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(vii) *Other Issues at less than Current Market Price*

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph (vii), if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in paragraph (iv), paragraph (v) or paragraph (vi)) or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity, shall issue wholly for cash or for no consideration any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Aoyuan Shares to be issued by the Company upon conversion, exchange or subscription at a consideration receivable per Aoyuan Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of issue of such securities, the Aoyuan MCB Conversion Price shall be adjusted by multiplying the Aoyuan MCB Conversion Price in force immediately before the date of issue of such securities by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate number of Aoyuan Shares in issue immediately before the date of the first public announcement of the terms of issue of such securities;

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B is the number of Aoyuan Shares which the aggregate consideration receivable by the Company for the Aoyuan Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Aoyuan Share; and

C is the maximum number of Aoyuan Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities.

(viii) *Modification of Rights of Conversion etc.*

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (vii) above (other than in accordance with the terms of such securities) so that the consideration receivable per Aoyuan Share (for the number of Aoyuan Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Current Market Price on the date of first public announcement of the proposals for such modification, the Aoyuan MCB Conversion Price shall be adjusted by multiplying the Aoyuan MCB Conversion Price in force immediately before the date of modification of the rights of conversion, exchange or

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subscription attaching to such securities by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

- A is the aggregate number of Aoyuan Shares in issue immediately before the date of first public announcement of the proposals for such modification;
- B is the maximum number of Aoyuan Shares which the aggregate consideration receivable by the Company for the Aoyuan Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Aoyuan Share on the date of such first public announcement or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Aoyuan Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as (if the calculation agent determines in its sole discretion it is capable of making such determination in its capacity as calculation agent) the calculation agent or (in any other case) an independent financial advisor considers appropriate (if at all) for any previous adjustment under this paragraph (viii) or paragraph (vii) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

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(ix) *Other Offers to Shareholders*

If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Aoyuan MCB Conversion Price falls to be adjusted (or, where applicable, would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Aoyuan Share on the relevant day) under paragraph (iv), paragraph (v), paragraph (vi) or paragraph (vii)), the Aoyuan MCB Conversion Price shall be adjusted by multiplying the Aoyuan MCB Conversion Price in force immediately before the date of issue, sale or distribution of the securities by the following fraction:

$$\frac{A-B}{A}$$

Where:

A is the Current Market Price per Aoyuan Share on the date on which such issue, sale or distribution is publicly announced; and

B is the fair market value of the portion of the rights attributable to one Aoyuan Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities.

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“**Current Market Price**” means in respect of an Aoyuan Share on a particular date, the arithmetic average of the volume weighted average prices for one Aoyuan Share for the 10 consecutive trading days ending on the trading day immediately preceding such date; provided that:

- (a) for the purposes of determining the Current Market Price pursuant to paragraph (iv) (*Rights Issues of Shares or Options over Shares*) or paragraph (vi) (*Issues at less than Current Market Price*) in circumstances where the relevant event relates to an issue of Aoyuan Shares, if at any time during the said 10 trading day-period (which may be on each of such 10 trading days) the Aoyuan Shares shall have been quoted ex-dividend (or ex- any other entitlement) and/or during some other part of that period (which may be on each of such 10 trading days) the Aoyuan Shares shall have been quoted cum-dividend (or cum- any other entitlement) then:
 - (i) if the Aoyuan Shares to be issued in such circumstances do not rank for the dividend (or entitlement) in question, the volume weighted average prices on the dates on which the Aoyuan Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the fair market value of that dividend (or other entitlement) per Aoyuan Share as at the date of first public announcement of the terms of such dividend (or other entitlement); or

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- (ii) if the Aoyuan Shares to be issued in such circumstances rank for the dividend (or other entitlement) in question, the volume weighted average price on the dates on which the Aoyuan Shares shall have been quoted ex-dividend (or other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the fair market value of that dividend (or other entitlement) per Aoyuan Share as at the date of first public announcement of the terms of such dividend (or other entitlement);

- (b) for the purpose of determining the Current Market Price of any Aoyuan Shares which are to be issued or may be issued pursuant to a scrip dividend pursuant to paragraph (ii)(b), if on any day during the said 10 trading day-period the volume weighted average prices of the Aoyuan Shares shall have been based (A) on a price cum the relevant cash dividend (and/or any other dividend or other entitlement which the Aoyuan Shares that may be issued pursuant to terms of such scrip dividend do not rank for), the volume weighted average price of an Aoyuan Share on any such day shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the fair market value of the relevant cash dividend (and/or such other dividend or other entitlement) (as at the date of first public announcement of the terms of such relevant cash dividend) per Aoyuan Share entitled to the relevant cash dividend (and/or such other dividend or other entitlement) or (B) on a price ex- the relevant cash dividend, the volume

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weighted average price of an Aoyuan Share on any such day shall for the purposes of this definition be deemed to be the amount thereof (x) multiplied by the sum of one and the number of Shares which are to be issued or may be issued pursuant to such scrip dividend per Aoyuan Share entitled to the relevant cash dividend and (y) reduced by the fair market value of the relevant cash dividend (as at the date of first public announcement of the terms of such relevant cash dividend) per Aoyuan Share entitled to the relevant cash dividend; and

- (c) for any other purpose, if any day during the said 10 trading day-period was the ex-date in relation to any dividend (or any other entitlement) the volume weighted average prices that shall have been based on a price cum- such dividend (or cum-such entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the fair market value of any such dividend (or other entitlement) per Aoyuan Share as at the date of first public announcement of the terms of such dividend (or other entitlement).

Conversion Shares:

The Aoyuan MCBs in principal amount of US\$143,000,000, if converting at the initial Aoyuan MCB Conversion Price of HK\$0.66, are convertible into 1,691,449,122 Aoyuan Shares. For the avoidance of doubt, the Aoyuan MCB Conversion Price is subject to adjustments as described above.

Fixed exchange rate:

On any conversion into the Aoyuan Shares, each US\$1 in principal amount of the Aoyuan MCB shall be translated into Hong Kong dollars at the fixed rate of US\$1 = HK\$7.7778.

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For the Company's internal audit purposes, the following fixed conversion rates shall be used in respect of the Aoyuan MCB (as applicable):

(a) US\$1 = RMB7.0; and

(b) HK\$1 = RMB0.9.

Put option granted to holders of the Aoyuan MCB:

The holder of each Aoyuan MCB will have the right to require the Company to redeem all of that holder's Aoyuan MCBs at a redemption price equal to 100 per cent. of their principal amount following the occurrence of a Relevant Event.

"Relevant Event" occurs when:

- (i) the Company issues Aoyuan Shares (other than pursuant to the Aoyuan MCB) representing an aggregate amount of 10% or more of the share capital of the Company as at the Restructuring Effective Date to the Strategic Investor from and including the Restructuring Effective Date to but excluding the date falling 12 months from the Restructuring Effective Date; and
- (ii) the Company does not exercise its call option (below) to redeem all, but not some only, of the Aoyuan MCB.

Call option:

The Company may redeem all or any part of the Aoyuan MCB at 100 per cent. of the principal amount of the Aoyuan MCB to be so redeemed subject to and in accordance with the terms and conditions of the Aoyuan MCB.

Strategic Investor purchase option:

From and including the Restructuring Effective Date to but excluding the date falling 12 months from the Restructuring Effective Date, the Strategic Investor shall have the right to require the Bondholders to transfer all, but not some only of, the Aoyuan MCB to the Strategic Investor.

Security and guarantee:

Not applicable.

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- Covenants: None, save for customary undertakings given in respect of convertible bonds (see below).
- Events of default: None, except to prove and/or claim in the winding-up or administration of the Company in respect of the Aoyuan MCB (through the Trustee if so requested in writing by the holders of at least one-quarter in principal amount of the Aoyuan MCB then outstanding).
- Undertakings: The covenants and other conditions which are customary, including but not limited to:
- (a) availability of sufficient authorised but unissued share capital, free of pre-emption rights, to satisfy the conversion rights;
 - (b) no change to ranking of the Aoyuan Shares, modification of rights attaching to the Aoyuan Shares, or the creation or issue of more senior or favourable share capital;
 - (c) maintenance of listing of the Aoyuan Shares; and
 - (d) customary notification obligations.
- Optional repurchase: Other than as provided in the terms and conditions of the Aoyuan MCB, after the full redemption or full principal repayment of the Add Hero Notes, the Aoyuan New Notes and the Aoyuan Perpetuals, China Aoyuan Group may, subject to applicable laws and regulations, at any time and from time to time purchase the Aoyuan MCB at par.
- Trustee: Madison Pacific Trust Limited, an independent third party, in its capacity as “Trustee” under the Aoyuan MCB Trust Deed, including any of its successors.

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Amendment threshold:	Amendments, modifications or waivers may be made with the consent of the holders of not less than a majority in aggregate principal amount of the then outstanding Aoyuan MCB; provided, however, that amendments, modifications or waivers that affect the economic terms of the Aoyuan MCB (e.g. principal amount) shall require the consent of the holders representing not less than 75% in aggregate principal amount of the then outstanding Aoyuan MCB.
Clearance:	The Aoyuan MCB will be cleared through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.
Governing law:	English law.

Specific Mandate

The Aoyuan MCB Conversion Shares will be issued under the Specific Mandate proposed to be sought from the Shareholders at the EGM.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Aoyuan MCB Conversion Shares.

An application will be made by the Company to the SGX-ST for listing of, and permission to deal in, the Aoyuan MCB.

4. ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

The issue of the New Shares

Pursuant to the Restructuring and upon the Restructuring becoming effective, the Company will issue the New Shares to certain eligible Scheme Creditors at an exchange price of HK\$1.06 per Aoyuan Share pro rata in accordance with their share of the Existing Debt, as part of the China Aoyuan Scheme Consideration. An aggregate of 1,000,000,000 Aoyuan Shares will be issued pursuant to the Restructuring (i.e., the New Shares).

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The New Shares represent (i) approximately 33.72 per cent. of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 25.22 per cent. of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares immediately after the Restructuring Effective Date, assuming there will be no Aoyuan MCB Conversion Shares and no change in the issued share capital of the Company from the Latest Practicable Date up to the Restructuring Effective Date.

The New Shares have an aggregate nominal value of HK\$10,000,000 (based on a par value of HK\$0.01 per Aoyuan Share).

Exchange Price

The exchange price of HK\$1.06 per Aoyuan Share represents:

- (a) a discount of approximately 10.17 per cent. to the last traded price of HK\$1.18 per Aoyuan Share as quoted on the Stock Exchange on 1 April 2022, being the last trading date before the signing of the Restructuring Supporting Agreement;
- (b) a discount of approximately 7.83 per cent. to the average closing price of HK\$1.15 per Aoyuan Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares up to and including 1 April 2022, being the last trading date before the signing of the Restructuring Supporting Agreement;
- (c) a premium of approximately 332.65 per cent. to the closing price of HK\$0.245 per Aoyuan Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 322.31 per cent. to the average closing price of HK\$0.251 per Aoyuan Share as quoted on the Stock Exchange for the five consecutive trading days of the Aoyuan Shares up to and including on the Latest Practicable Date.

Based on the latest published unaudited accounts, China Aoyuan Group recorded a net liability of RMB20,532,374,000 (approximately HK\$22,984,859,000) as at 30 June 2023 and 2,965,571,354 Aoyuan Shares were in issue as at 30 June 2023.

Based on the latest published audited accounts, China Aoyuan Group recorded a net liability of RMB17,636,896,000 (approximately HK\$19,743,531,000) as at 31 December 2022 and 2,965,571,354 Aoyuan Shares were in issue as at 31 December 2022.

The exchange price of the New Share was determined and negotiated on an arm's length basis between the Company and the Ad Hoc Group having considered and with reference to (i) the Existing Debt and the fact that the issue of the New Shares is one of the feasible ways of implementing the Restructuring; (ii) the unsatisfactory financial position

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of China Aoyuan Group with consecutive losses in the previous two financial years ended 31 December 2021 and 2022; and (iii) the fact that the relatively weak capital market condition made it more challenging for China Aoyuan Group to explore other feasible fund raising alternatives for the settlement of the Existing Debt. Please also refer to paragraph headed “8. *Reasons for and benefits of the possible transactions in connection with the restructuring and use of proceeds – (E) Considerations when determining the Aoyuan MCB Conversion Price and exchange price of the New Shares*” for further details. Having considered the above basis of determining the exchange price of the New Shares, the Directors consider that the exchange price of the New Shares is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

The net issue price per New Share will be HK\$1.06.

Specific Mandate

The New Shares will be issued under the Specific Mandate proposed to be sought from the Shareholders at the EGM.

Application for Listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the New Shares.

5. TRANSFER OF TRANSFER SHARES

Pursuant to the Restructuring and upon the Restructuring becoming effective, the Sponsor, being the chairman of the Company, will transfer the Transfer Shares currently beneficially held by him (and/or his family members) to certain eligible Scheme Creditors pro rata in accordance with their share of the Existing Debt, as part of the China Aoyuan Scheme Consideration.

The Transfer Shares represent (i) approximately 13.49 per cent. of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 10.09 per cent. of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares immediately after the Restructuring Effective Date, assuming there will be no Aoyuan MCB Conversion Shares and no change in the issued share capital of the Company from the Latest Practicable Date up to the Restructuring Effective Date.

The Transfer Shares to be transferred by the Sponsor (and/or his family members) have an aggregate nominal value of HK\$4,000,000 (based on a par value of HK\$0.01 per Aoyuan Share).

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6. AOYUAN NEW NOTES AND AOYUAN PERPETUALS

As disclosed in this circular, the obligations of the Company and members of the China Aoyuan Offshore Group in respect of the ICA Debt and Non-ICA Debt will be compromised pursuant to the China Aoyuan Schemes (to the extent their obligations were not compromised pursuant to the Add Hero Schemes) in exchange for the (i) issuance of the Aoyuan MCB, the New Shares, the Aoyuan New Notes and the Aoyuan Perpetuals by the Company and (ii) the transfer of the Transfer Shares by the Sponsor.

In order to provide the Shareholders with a holistic view of the Company's state of affairs as a result of the Restructuring, the principal terms of the Aoyuan New Notes and the Aoyuan Perpetuals to be issued by the Company are set out below.

Principal terms of the Aoyuan New Notes

Issuer: The Company.

Principal Amount: US\$500,000,000.

Maturity/Principal Repayment: Eight years from the Reference Date.

The outstanding principal amount shall be repaid on maturity, together with any accrued and unpaid interest.

Interest: The Aoyuan New Notes shall accrue on an interest accrual basis from the Reference Date, at the interest rate of 5.5% per annum payable semi-annually.

The Aoyuan New Notes shall be payable entirely in paid-in-kind interest such interest, "**PIK Interest**") by increasing the principal amount of the Aoyuan New Notes by the amount of such PIK Interest accrued for such interest period, unless the Company elects by giving notice in writing to pay all or a portion of such interest in cash (such interest, "**Cash Interest**") instead of PIK Interest.

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Security:	All of the ordinary shares of Healthy Life which are beneficially held by the China Aoyuan Group.
Covenants and other Conditions:	Customary covenants and other conditions, which, in certain circumstances, are reasonably tightened compared to the existing contractual protections under the existing indentures and finance documents in respect of the Existing Debt.
Trustee:	Madison Pacific Trust Limited.
Governing law:	New York law.
Denomination:	US\$1,000 per Aoyuan New Note and integral multiples of US\$1 thereof.

Principal terms of the Aoyuan Perpetuals

Issuer:	The Company.
Principal Amount:	US\$1,600,000,000.
Maturity:	Perpetual.
Interest:	<ol style="list-style-type: none">1. Year 1 to 8 after the Reference Date: no interest2. Year 9 to 10 after the Reference Date: 1.00% p.a. cash interest, payable semi-annually3. Year 11 to 12 after the Reference Date: 2.00% p.a. cash interest, payable semi-annually4. Year 13 to 14 after the Reference Date: 3.00% p.a. cash interest, payable semi-annually5. Year 15 to 16 after the Reference Date: 5.00% p.a. cash interest, payable semi-annually6. Year 17 to 18 after the Reference Date: 7.00% p.a. cash interest, payable semi-annually

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7. Year 19 to 21 after the Reference Date: 9.00% p.a. cash interest, payable semi-annually
8. Year 22 after the Reference Date and onwards: increase by 3.00% per year, payable semi annually

Noting that if the Company chooses to defer interest under the Aoyuan Perpetuals, the cash interest shall be automatically toggled to PIK and accrue at the same rate as above. For the avoidance of doubt, any PIK interest will accrue further interest.

Covenants and other Conditions: Customary covenants and other conditions as further set out in the Aoyuan New Notes, which, in certain circumstances, are reasonably tightened compared to the existing contractual protections under the existing indentures and finance documents in respect of the Existing Debt.

Step-up Interest: In the event that certain defaults (as set out in the Aoyuan New Notes) occurs and is continuing, a step-up interest margin of 15% per annum shall apply (“**Aoyuan Perpetuals Step-Up Interest**”), provided always that the Aoyuan Perpetuals Step-Up Interest may be deferred in perpetuity and any such deferred interest will not accrue further interest.

Fiscal Agent: Madison Pacific Trust Limited.

Governing law: English law.

Denomination: US\$1,000 per Aoyuan Perpetual and integral multiples of US\$1 thereof.

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7. THE ADD HERO SCHEMES

Pursuant to the Add Hero Schemes, the obligations of Add Hero and its subsidiaries incorporated outside the PRC in respect of the ICA Debt and the US\$100m Noble Prestige Facility will be compromised, in exchange for the issuance of the Add Hero Notes and cash compensation by Add Hero.

Although the issuance of the Add Hero Notes is not subject to Shareholders' approval at the EGM, in order to provide the Shareholders with a holistic view of the Company's state of affairs as a result of the Restructuring, the principal terms of the Add Hero Notes are set out below.

Issuer:	Add Hero.
Principal Amount:	Add Hero Notes (Tranche A): US\$650 million. Add Hero Notes (Tranche B): US\$500 million. Add Hero Notes (Tranche C): US\$650 million.
Denomination:	US\$1,000 per Add Hero Note and integral multiples of US\$1 thereof.
Maturity of the Add Hero Notes:	The maturity date of Add Hero Notes (Tranche B) falls on 30 September 2029. The maturity date of Add Hero Notes (Tranche B) falls on 30 September 2030. The maturity date of Add Hero Notes (Tranche C) falls on 30 September 2031.
Interest:	The Add Hero Notes shall accrue on the interest accrual basis from the Reference Date at the following interest rates, respectively: <ol style="list-style-type: none">1. Add Hero Notes (Tranche A): 7.5% <i>per annum</i> payable semi-annually;2. Add Hero Notes (Tranche B): 8.00% <i>per annum</i> payable semi-annually; and3. Add Hero Notes (Tranche C): 8.80% <i>per annum</i> payable semi-annually.

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Subject to the terms of the Add Hero Notes, Add Hero may elect to pay all or part of the interest payments in PIK Interest, with the remaining portion of accrued and unpaid interest (if any) paid in cash interest.

Guarantees:

The Add Hero Notes shall be guaranteed by all existing offshore subsidiaries controlled by the China Aoyuan Group. Subject to customary carve-outs, the Add Hero Notes shall be guaranteed by all new offshore subsidiaries controlled by the China Aoyuan Group after the date on which the Add Hero Notes are originally issued.

Security:

The Add Hero Notes shall have security interest over the capital stock of all existing offshore subsidiaries controlled by the China Aoyuan Group (excluding Capital Benefit Limited, Fine Wisdom Global Limited and Finest Gold Global Limited), the capital stock of other guarantors (as set forth in the Add Hero Notes), the assignment of receivables (as set forth in the Add Hero Notes), the security assets of certain designated account owners (as set forth in the Add Hero Notes) and shares held by the Sponsor standing to the credit of certain custodian accounts (as set forth in the Add Hero Notes).

Covenants and other Conditions:

Customary covenants and other conditions, which, in some circumstances, are reasonably tightened compared to the existing contractual protections under the existing indentures and finance documents in respect of the Existing Debt.

Trustee:

Madison Pacific Trust Limited.

Governing law:

New York law.

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8. REASONS FOR AND BENEFITS OF THE POSSIBLE TRANSACTIONS IN CONNECTION WITH THE RESTRUCTURING AND USE OF PROCEEDS

(A) Overview of the Restructuring

As mentioned above, the Restructuring seeks to address the Company's Existing Debt comprising – the ICA Debt in the principal amount of approximately US\$4,034,583,220 and Non-ICA Debt in the principal amount of approximately US\$2,215,336,282.

The Company has approximately US\$7,464,884,515 of indebtedness as at 30 June 2023, consisting of: the (i) ICA Debt and Non-ICA Debt (approximately US\$6,249,919,502 in principal amount) and (ii) other liabilities which are excluded from the China Aoyuan Schemes (approximately US\$1,214,965,013). Add Hero has approximately US\$6,236,074,924 of indebtedness as at 30 June 2023, consisting of: (i) ICA Debt and the USD100m Noble Prestige Facility (approximately in US\$4,134,583,220 principal amount) and (ii) other liabilities which are excluded from the Add Hero Schemes (approximately US\$2,101,491,704).

After the Restructuring is implemented through the China Aoyuan Schemes and the Add Hero Schemes, all the claims in respect of the Existing Debt (i.e. ICA Debt and Non-ICA Debt) against the China Aoyuan Offshore Group (including Add Hero) will be discharged and the holders of the Existing Debt will not be allowed to make any claim against the China Aoyuan Offshore Group.

In exchange, (A) the Company will issue (i) the Aoyuan New Notes (in the principal amount of US\$500,000,000)³; (ii) the Aoyuan MCB (in the principal amount of US\$143,000,000); (iii) the Aoyuan Perpetuals (in the principal amount of US\$1,600,000,000) and (iv) New Shares (in the amount of 1,000,000,000); (B) the Sponsor will transfer the Transfer Shares (in the amount of 400,000,000); and (C) Add Hero will (i) issue the Add Hero Notes (in the principal amount of US\$1,800,000,000) and (ii) certain cash consideration⁴. All proceeds from the issuance of the Aoyuan MCB, the issuance of the New Shares, the transfer of the Transfer Shares, the issuance of the Aoyuan New Notes, the issuance of the Aoyuan Perpetuals and the issuance of the Add Hero Notes will be applied towards the satisfaction of the Existing Debt in connection with the Restructuring, and there will be no net proceeds received by the China Aoyuan Group.

³ US\$400,000,000 in principal amount of Aoyuan New Notes will be paid as China Aoyuan Scheme Consideration and US\$100,000,000 in principal amount of Aoyuan New Notes will be paid as consent fees pursuant to the Restructuring Support Agreement.

⁴ The cash consideration will be the aggregate balance of moneys held in the Designated Accounts as at the Restructuring Effective Date after deducting all professional fees incurred in respect of the Restructuring. The amount of cash consideration is anticipated to be minimal.

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In the circumstances, the Company and other members of the China Aoyuan Group will achieve a significant deleveraging of their balance sheet as they would have compromised approximately US\$6,249,919,502 in exchange for issuing (i) US\$4,043,000,000 in face value of debt and quasi-debt instruments and (ii) the New Shares. The debt reduction will in turn significantly enhance the net asset value of the China Aoyuan Group and this will facilitate the Company's efforts in obtaining investments from strategic investor(s) to recapitalize the business and to protect the longer-term interests of shareholders.

The China Aoyuan Group's business operations are operating in the normal course of business and accordingly, the Company is expecting to settle its outstanding indebtedness under the Aoyuan New Notes, Aoyuan MCB, Aoyuan Perpetuals and Add Hero Notes primarily through the future net surplus generated from the urban renewal projects undergoing by the China Aoyuan Group in the PRC. In respect of the liabilities which are not part of the Restructuring, the Company is at various stages of engagement with the relevant creditors and is exploring various means to address them.

In particular, as disclosed in the announcement dated 30 August 2023, the China Aoyuan Group has entered into contractual arrangements with certain holders of onshore bonds to extend the China Aoyuan Group's payment obligations in respect of approximately RMB7,464 million under certain onshore bonds.

(B) Material Indebtedness of the China Aoyuan Group

As at 30 June 2023, the China Aoyuan Group's non-current liabilities on a consolidated basis amounted to approximately RMB8,882,914,000 (approximately US\$1,229,000,000) and the China Aoyuan Group's current liabilities on a consolidated basis amounted to RMB233,470,326,000 (approximately US\$32,311,000,000), resulting in the total liabilities of China Aoyuan Group of RMB242,353,240,000 (approximately US\$33,540,000,000).

Of the US\$6,249,919,502 in principal amount of liabilities subject to the China Aoyuan Schemes, US\$4,134,583,220 in principal amount of the Company's liabilities also constitute contingent liabilities of Add Hero (which has provided a guarantee in respect of certain of the Company's borrowings). These contingent liabilities of Add Hero are subject to the Add Hero Schemes. Immediately upon the occurrence of the Restructuring Effective Date, the China Aoyuan Schemes and Add Hero Schemes will result in an overall debt reduction of approximately US\$3,806,919,502 in principal amount of the China Aoyuan Group on a consolidated basis.

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(C) Material Indebtedness of the Company

Of the US\$4,043,000,000 (in face value) of debt and quasi-debt instruments to be issued, US\$643,000,000 in principal amount of new debt instruments will be issued as part of the China Aoyuan Schemes. This represents a reduction of approximately US\$5,606,919,502 in principal amount of the Company as at 30 June 2023 which are subject to the China Aoyuan Schemes. The material liabilities of the Company before and immediately after the Restructuring Effective Date are set out in the below table.

Indebtedness subject to the China Aoyuan Schemes

Before the Restructuring Effective Date		Immediately upon occurrence of the Restructuring Effective Date	
	<i>Principal amount as at 30 June 2023 (US\$)</i>	<i>Description of Liabilities</i>	<i>Principal amount as at Restructuring Effective Date (US\$)</i>
Existing Public Notes	3,438,000,000	Aoyuan New Notes	500,000,000
Existing Syndicated Facilities	596,583,220	Aoyuan MCB	143,000,000
Non-ICA Debt (including USD100m Noble Prestige Facility)	2,215,336,282		
Total amount of liabilities subject to the China Aoyuan Schemes	6,249,919,502	Total amount of liabilities subject to the China Aoyuan Schemes	643,000,000

Note: The following scheme consideration, which is issued as part of the China Aoyuan Schemes, will not constitute liabilities of the Company:

- (i) US\$1,600,000,000 in principal amount of Aoyuan Perpetual (quasi-debt instrument, which will be treated as equity of the Company);
- (ii) New Shares comprising 1,000,000,000 Aoyuan Shares (equity of the Company); and
- (iii) Transfer Shares comprising 400,000,000 Aoyuan Shares (equity of the Company).

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Indebtedness not subject to the China Aoyuan Schemes

<i>Description of Liabilities</i>	<i>Outstanding amount as at 30 June 2023 (US\$)</i>
Offshore project financing	270,835,684
Onshore Bank and Other Borrowings	266,354,383
Trade and other payables	627,543,565
Intercompany payables	50,231,381
Total indebtedness not subject to the China Aoyuan Schemes	1,214,965,013

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(D) Material Indebtedness of Add Hero

US\$1,800,000,000 in principal amount of new debt instruments will be issued as part of the Add Hero Schemes. This represents a reduction of US\$2,334,583,220 in principal amount of Add Hero as at 30 June 2023 which are subject to the Add Hero Schemes. The material liabilities of Add Hero before and immediately after the Restructuring Effective Date are set out in the below table.

Indebtedness subject to the Add Hero Schemes

Before the Restructuring Effective Date		Immediately upon occurrence of the Restructuring Effective Date	<i>(Note)</i>
<i>Description of Liabilities</i>	<i>Principal amount as at 30 June 2023 (US\$)</i>	<i>Description of Liabilities</i>	<i>Principal amount as at Restructuring Effective Date (US\$)</i>
Existing Public Notes	3,438,000,000	Add Hero New Notes	1,800,000,000
Existing Syndicated Facilities	596,583,220		
USD100m Noble Prestige Facility (one of the financing arrangements under the Non-ICA Debt)	100,000,000		
Total amount of liabilities	4,134,583,220	Total amount of liabilities	1,800,000,000

Note: The cash consideration, which is paid pursuant to the Add Hero Schemes, will be paid on the Restructuring Effective Date and therefore will not appear as liabilities on the balance sheet of the Company.

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Indebtedness not subject to the Add Hero Schemes

<i>Description of Liabilities</i>	<i>Outstanding amount as at 30 June 2023 (US\$)</i>
Trade and other payables	273,157
Intercompany payables	2,101,218,547
Total indebtedness not subject to the Add Hero Schemes	2,101,491,704

(E) Considerations when determining the Aoyuan MCB Conversion Price and exchange price of the New Shares

As stated in the fulfilment of resumption guidance and resumption of trading announcement of the Company dated 22 September 2023, the Company has applied to the Stock Exchange for the resumption of trading (the “**Resumption**”) in the Aoyuan Shares on the Stock Exchange with effect from 9:00 a.m. on 25 September 2023. The closing price of the Aoyuan Shares was HK\$0.325 on 25 September 2023, representing a decline of 72.46 per cent. from the last traded price of HK\$1.18 per Aoyuan Share as quoted on the Stock Exchange on 1 April 2022, being the last trading date before the Resumption. The closing price of the Aoyuan Shares continued to decline to HK\$0.245 on the Latest Practicable Date. During the period between 25 September 2023, being the first trading day following the Resumption, and the Latest Practical Date (the “**Post-Resumption Period**”), the closing prices of the Aoyuan Shares recorded a declining trend, traded with a maximum price of HK\$0.325 per Aoyuan Share as recorded on 25 September 2023 and minimum price of HK\$0.158 per Aoyuan Share as recorded on 19 October 2023. The average closing price during the Post-Resumption Period was approximately HK\$0.208 per Aoyuan Share (the “**Post-Resumption Average Closing Price**”). Both the initial Aoyuan MCB Conversion Price and the exchange price of the New Share are higher than the range of the closing prices of the Aoyuan Shares during the Post-Resumption Period. In particular, the initial Aoyuan MCB Conversion Price represents a premium of approximately 217 per cent. over the Post-Resumption Average Closing Price and the exercise price of the New Share represents a premium of approximately 410 per cent. over the Post-Resumption Average Closing Price.

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The initial Aoyuan MCB Conversion Price and the exchange price of the New Share were determined and negotiated on an arm's length basis between the Company and the Ad Hoc Group prior to the Resumption having considered and with reference to, among other things, the total amount of the Existing Debt, the unsatisfactory financial position of China Aoyuan Group with consecutive losses in the previous two financial years ended 31 December 2021 and 2022 and the long suspension of the Aoyuan Shares resulting in an expectation that there will be a significant drop in the share price of the Aoyuan Shares upon its Resumption. In particular, the Group recorded a loss of approximately RMB36,237 million (before tax) for the year ended 31 December 2021 and a loss of approximately RMB8,072 million (before tax) for the year ended 31 December 2022.

While the initial Aoyuan MCB Conversion Price and the exchange price of the New Share represent a discount to the last traded price of the Aoyuan Shares prior to its suspension, the Company and the Ad Hoc Group considered the unsatisfactory financial position of China Aoyuan Group (including the recorded losses and the net liabilities of the Group). Due to the long suspension of the trading of the Aoyuan Shares, the Board is of the view that the price comparisons with the last traded price prior to the Resumption are not representative and should not be referenced to when determining the initial Aoyuan MCB Conversion Price and the exchange price of the New Share. In particular, when determining the respective prices, the Company and the Ad Hoc Group had expected a significant drop in the share price of the Aoyuan Shares upon its Resumption such that at the time at which the New Shares are issued and the Aoyuan MCB are converted, the relevant conversion price and the exchange price would be at a premium to the then prevailing trading price. The sharp decline of the share price of the Aoyuan Share during the Post-Resumption Period demonstrated the fairness and reasonableness in the Company's assessment. In particular, as disclosed in the above paragraphs, the Post-Resumption Average Closing Price is approximately HK\$0.208 per Aoyuan Share, representing a decrease of 82.4% from the last traded price of HK\$1.18 per Aoyuan Share before the Resumption. Given both the initial Aoyuan MCB Conversion Price and the exercise price of the New Share represent a significant premium over the Post-Resumption Average Closing Price, the Board considers that they are favourable to the Company and the Shareholders as a whole.

For illustrative purpose, based on the "benchmarked price" of HK\$1.18 per Aoyuan Share (being the last trading price before the signing of the Restructuring Supporting Agreement), (i) assuming there is no other change in the issued share capital of the Company from the date of this submission up to the date of the issue of the New Shares and the full conversion of the Aoyuan MCB and (ii) based on the initial Aoyuan MCB Conversion Price of HK\$0.66, the allotment and issue of the New Shares will result in a theoretical dilution effect of approximately 2.56% and the allotment and issue of the Aoyuan MCB Conversion Shares will result in a theoretical dilution effect of approximately 13.16%. Assuming the issuances of the New Shares and the Aoyuan MCB Conversion Shares will occur within a 12-month period, it will result in a cumulative theoretical

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dilution effect of approximately 14.95%. As HK\$1.18 is already the highest trading price for the Aoyuan Share since 1 April 2022, and closing prices of the Aoyuan Shares since its Resumption have been significantly lower than each of the Aoyuan MCB Conversion Price and the exercise price of the New Shares, the Board is of the view that the specific mandates seeking by the Company would not likely result in a theoretical dilution effect of 25% or more.

Together with its financial adviser and legal adviser, the Company has been involved in extensive negotiations and discussions with its major creditors. These discussions were guided by the China Aoyuan Group's ongoing objective of implementing a holistic financial restructuring that would provide the China Aoyuan Group with a sustainable capital structure to deliver long term value for all of its stakeholders.

(F) Benefits of the Restructuring to the Shareholders

As the tenor of each of the Aoyuan MCB, the Aoyuan New Notes, the Aoyuan Perpetuals and the Add Hero Notes will be longer than one year, upon completion of the Restructuring, none of these instruments will be classified as current liabilities of the Company or Add Hero. As a result, the liquidity pressures of the China Aoyuan Group would be significantly reduced, and the debt servicing requirements of the China Aoyuan Group would be more aligned with the cash flow projections of the China Aoyuan Group's business operations in the near and medium term.

Significantly, the Board has sought to protect the position of public shareholders from being unduly diluted through the issuance of New Shares (comprising 1,000,000,000 Aoyuan Shares) alone. Under the terms of the Restructuring, the Board has negotiated for the Sponsor to transfer the Transfer Shares to the holders of the Existing Debt as part of the China Aoyuan Scheme Consideration. As a result, the Sponsor would not only face a pro rata dilution of his beneficial holdings in Aoyuan Shares (at the same rate of dilution as other public shareholders) through the issuance of the New Shares to the holders of the Existing Debt, the Sponsor is also facing a further dilution of his beneficial holdings by agreeing to the Transfer Shares (comprising 400,000,000 Aoyuan Shares) forming part of the China Aoyuan Scheme Consideration. Public shareholders are being diluted to a lesser extent as compared to the Sponsor.

Apart from the Restructuring, the Board considered other alternative fundraising methods including equity financing (e.g. investments from strategic investor(s)), but the relatively weak capital market conditions and the ongoing negotiations on the terms of the Restructuring at the material time made it more challenging for China Aoyuan Group to explore other feasible fundraising alternatives for the settlement of the Existing Debt. While the Board did consider alternative restructuring options such as increasing the principal amount of the Aoyuan New Notes, Aoyuan Perpetuals, Aoyuan MCB and/or the

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Add Hero Notes to reduce the amount of New Shares to be issued as China Aoyuan Scheme Consideration, the Board formed the view that a significant deleveraging of the China Aoyuan Group's balance sheet was required in light of the operating environment of its business in the near to medium term. Compromising the Existing Debt in exchange for the issuance of new debt instruments for the same (or slightly reduced) principal amounts would not comprehensively address the liquidity concerns faced by the China Aoyuan Group. In the circumstances, the Board considered that it would be more appropriate to issue the New Shares as part of the China Aoyuan Scheme Consideration as it would not increase the debt-servicing obligations of the China Aoyuan Group and would allow holders of the New Shares to participate in the future returns of the China Aoyuan Group when its business operations improve.

In addition, given that the holders of the Existing Debt would be receiving a significant debt reduction as part of the China Aoyuan Schemes and the Add Hero Schemes, the Board is of the view that it is fair and reasonable that Company's shareholders (which rank behind such creditors in liquidation scenario) should be diluted to a certain degree in order to compensate creditors for compromising on their rights under the Existing Debt pursuant to the China Aoyuan Schemes and Add Hero Schemes.

Furthermore, as detailed in the below paragraph headed "10. Effects on the Shareholding Structure of the Company", as at the Latest Practicable Date, public shareholders together hold 1,299,898,729 Aoyuan Shares, representing 43.83% of the total issued capital of the Company. Assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of the issue of the New Shares, the transfer of the Transfer Shares by the Sponsor and the full conversion of the Aoyuan MCB, based on the initial Aoyuan MCB Conversion Price of HK\$0.66 (and assuming the Maximum Number of Shares is not exceeded), the shareholding in the Company held by the public shareholders would represent 22.98% of the enlarged issued share capital of the Company, representing a dilution effect of 20.85% as a result of the Restructuring. In this regard, taking into account the reasons for the issuance of the New Share disclosed in this circular and its role in assisting the Group to significantly deleverage the China Aoyuan Group's balance sheet, the Board is of the view that such level of dilution to the shareholding interests of the other Shareholders is acceptable.

In summary, the Restructuring will seek to (i) provide the Company with a long-term, sustainable capital structure and a strengthened balance sheet that will allow the China Aoyuan Group to comply with their debt obligations and liabilities and to trade on a going-concern basis; (ii) alleviate the liquidity pressures faced by the Company and to align the debt servicing demands with the prevailing financial condition of the China Aoyuan Group and the PRC property industry; and (iii) maximise value for all stakeholders while ensuring their rights are adequately protected and treated fairly.

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Hence, the Directors consider that the terms and conditions of the issue of the Aoyuan MCB, the issue of the New Shares, the transfer of the Transfer Shares, the issue of the Aoyuan New Notes and the issue of the Aoyuan Perpetuals are fair and reasonable based on the current market conditions and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

9. EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

Save as the Restructuring and the transactions contemplated thereunder, the Company has no plans to carry out any other equity fund raising activities in the next 12 months from the Latest Practicable Date.

10. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company

- (a) as at the Latest Practicable Date;
- (b) immediately upon issue of the New Shares by the Company but before transfer of the Transfer Shares by the Sponsor and full conversion of the Aoyuan MCB;
- (c) immediately upon issue of the New Shares by the Company and transfer of the Transfer Shares by the Sponsor but before full conversion of the Aoyuan MCB;
- (d) immediately upon issue of the New Shares by the Company, transfer of the Transfer Shares by the Sponsor and full conversion of the Aoyuan MCB, and

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further assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of the issue of the New Shares, the transfer of the Transfer Shares by the Sponsor and the full conversion of the Aoyuan MCB, based on the initial Aoyuan MCB Conversion Price of HK\$0.66 (and assuming the Maximum Number of Shares is not exceeded) and agreed exchange rate of US\$1 = HK\$7.7778:

	(a) As at the Latest Practicable Date		(b) Immediately upon issue of the New Shares but before the transfer of the Transfer Shares and full conversion of the Aoyuan MCB based on the assumptions stated above		(c) Immediately upon issue of the New Shares and the transfer of the Transfer Shares but before full conversion of the Aoyuan MCB based on the assumptions stated above		(d) Immediately upon issue of the New Shares, the transfer of the Transfer Shares and full conversion of the Aoyuan MCB based on the assumptions stated above ^(Note 3)	
	Number of Aoyuan Shares	Approx. %	Number of Aoyuan Shares	Approx. %	Number of Aoyuan Shares	Approx. %	Number of Aoyuan Shares	Approx. %
	The Sponsor	1,660,925,625	56.01	1,660,925,625	41.88	1,260,925,625	31.80	1,260,925,625
Mr. Ma Jun	3,500,000	0.12	3,500,000	0.09	3,500,000	0.09	3,500,000	0.06
Mr. Chen Zhi Bin	1,250,000	0.04	1,250,000	0.03	1,250,000	0.03	1,250,000	0.02
Eligible Scheme Creditors ^(Note 2)	-	-	1,000,000,000	25.22	1,400,000,000	35.30	3,091,449,122	54.65
Public Shareholders ^(Note 1)	1,299,895,729	43.83	1,299,895,729	32.78	1,299,895,729	32.78	1,299,895,729	22.98
Total:	2,965,571,354	100.00	3,965,571,354	100.00	3,965,571,354	100.00	5,657,020,476	100.00

Notes:

- All of these Shareholders are members of the public as defined in Rule 8.24 of the Listing Rules as at the Latest Practicable Date.
- To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, each of these Eligible Scheme Creditors is not a core connected person of the Company and will be considered as a member of the public as defined in Rule 8.24 of the Listing Rules immediately after the Restructuring.
- The conversion of the Aoyuan MCB will be subject to the minimum public float percentage as prescribed under the Listing Rules.

All issued Aoyuan Shares rank *pari passu* in all respects with each other, including in particular, as to dividends, voting rights and return of capital.

Each of the Aoyuan MCB Conversion Shares to be issued upon conversion, the New Shares to be issued and the Transfer Shares to be transferred by the Sponsor will rank *pari passu* in all respects among themselves respectively and with all the Aoyuan Shares in issue as at the date of allotment and issue of the Aoyuan MCB Conversion Shares, the issue of the New Shares and the transfer of the Transfer Shares by the Sponsor (as the case may be), including in particular, as to voting rights, return on capital and the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Aoyuan MCB Conversion Shares, the issue of

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the New Shares and the transfer of the Transfer Shares by the Sponsor (as the case may be), subject to the terms of the Aoyuan MCB, the New Shares and the transfer of the Transfer Shares (as the case may be). Each of the Aoyuan MCB Conversion Shares, the New Shares and the Transfer Shares transferred by the Sponsor is or will be listed and traded on the Stock Exchange.

11. EXISTING DEBT UNDER THE CHINA AOYUAN SCHEMES AND ADD HERO SCHEMES

Part A Existing Public Notes

S/n	Description of Existing Public Notes	ISIN	Existing Public Notes Indenture
1.	US\$250,000,000 5.375% Senior Notes Due 2022	XS1611005957	As constituted by the indenture dated 13 September 2017, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB Trustees (Hong Kong) Limited (“DB”) as trustee.
2.	US\$188,000,000 4.2% Senior Notes Due 2022	XS2282587505	As constituted by the indenture dated 21 January 2021, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.
3.	US\$500,000,000 8.5% Senior Notes Due 2022	XS1937690128	As constituted by the indenture dated 23 January 2019, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.
4.	US\$200,000,000 8.0% Senior Notes Due 2022	XS2264537684	As constituted by the indenture dated 22 January 2021, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.
5.	US\$50,000,000 8.5% Senior Notes Due 2022	XS2378476951	As constituted by the indenture dated 31 August 2021, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.

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S/n	Description of Existing Public Notes	ISIN	Existing Public Notes Indenture
6.	US\$225,000,000 7.95% Senior Notes Due 2023 and US\$250,000,000 7.95% Senior Notes Due 2023, consolidated and forming a single series	XS1952585112	As constituted by the indenture dated 19 February 2019, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.
7.	US\$200,000,000 7.35% Senior Notes Due 2023	XS2014471432	As constituted by the indenture dated 21 June 2019, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.
8.	US\$460,000,000 6.35% Senior Notes Due 2024	XS2196807833	As constituted by the indenture dated 2 July 2020, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.
9.	US\$200,000,000 7.95% Senior Notes Due 2024	XS2351242461	As constituted by the indenture dated 21 June 2021, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.
10.	US\$230,000,000 5.98% Senior Notes Due 2025	XS2258822233	As constituted by the indenture dated 18 November 2020, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.
11.	US\$350,000,000 6.2% Senior Notes Due 2026	XS2233109409	As constituted by the indenture dated 24 September 2020, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.
12.	US\$350,000,000 5.88% Senior Notes Due 2027	XS2307633565	As constituted by the indenture dated 1 March 2021, as amended, supplemented, or otherwise modified from time to time, between the Company, the subsidiary guarantors therein and DB as trustee.

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Part B Existing Syndicated Facilities

S/n Description of Existing Syndicated Facilities

1. The HK\$1,131,000,000 and US\$20,000,000 dual currency term loan facilities (which may be subsequently increased) dated 9 April 2019, entered into between, among others, the Company as borrower and Nanyang Commercial Bank, Limited as facility agent, as amended or supplemented from time to time
2. The HK\$1,055,000,000 and US\$95,000,000 dual currency term loan facilities (which may be subsequently increased) dated 21 January 2020, entered into between, among others, the Company as borrower and Hang Seng Bank Limited as facility agent, as amended or supplemented from time to time
3. The HK\$1,598,000,000 and US\$20,000,000 dual currency term loan facilities (which may be subsequently increased) dated 8 March 2021, entered into between, among others, the Company as borrower and Hang Seng Bank Limited as facility agent, as amended or supplemented from time to time

Part C Non-ICA Debt

S/n Description of Non-ICA Debt

1. US\$100,000,000 6.00% guaranteed Bonds Due 2022 as constituted by the deed of covenant dated 19 June 2020 and fiscal agency agreement dated 19 June 2020, each as amended, supplemented, or otherwise modified from time to time, entered into by Power Linkage Limited (ISIN: XS2190931365)
2. US\$250,000,000 10.75% guaranteed Bonds Due 2022 as constituted by the deed of covenant dated 18 August 2021 and fiscal agency agreement dated 18 August 2021, each as amended, supplemented, or otherwise modified from time to time, entered into by Power Linkage Limited (ISIN: XS2372877469)
3. US\$200,000,000 7.38% guaranteed Bonds Due 2021 as constituted by the deed of covenant dated 10 December 2020 and fiscal agency agreement dated 10 December 2020, each as amended, supplemented, or otherwise modified from time to time, entered into by Luck Gain Limited (ISIN: XS2265803283)
4. US\$100,000,000 6.05% guaranteed Bonds Due 2022 as constituted by the deed of covenant dated 21 January 2021 and fiscal agency agreement dated 21 January 2021, each as amended, supplemented, or otherwise modified from time to time, entered into by Multi-Prospect Limited (ISIN: XS2282540025)

LETTER FROM THE BOARD

S/n Description of Non-ICA Debt

5. Loan between Aoyuan Group Co., Ltd.* (奧園集團有限公司) (Borrower) and Guangzhou Nanya Co., Ltd* (廣州南雅集團有限公司) (Lender) amounting to RMB2 billion
6. Fixed assets loan between Chengdu Aoyu Properties Co., Ltd.* (成都市奧譽置業有限公司) (Borrower) and Bohai Bank Holdings Co., Ltd. Chengdu Branch* (渤海銀行股份有限公司成都分行) (Lender) amounting to RMB800 million
7. Enterprise loan between Aoyuan Group Co., Ltd.* (奧園集團有限公司) (Borrower) and Guangzhou Rural Commercial Bank Huaxia Branch* (廣州農村商業銀行股份有限公司華夏支行) (Lender) amounting to RMB80 million
8. Enterprise loan between Aoyuan Group Co., Ltd.* (奧園集團有限公司) (Borrower) and Guangzhou Rural Commercial Bank Huaxia Branch* (廣州農村商業銀行股份有限公司華夏支行) (Lender) amounting to RMB240 million
9. Enterprise loan between Aoyuan Group Co., Ltd.* (奧園集團有限公司) (Borrower) and Guangzhou Rural Commercial Bank Huaxia Branch* (廣州農村商業銀行股份有限公司華夏支行) (Lender) amounting to RMB80 million
10. M&A loan between Aoyuan Group (Guangdong) Co., Ltd.* (奧園集團(廣東)有限公司) (Borrower) and Industrial and Commercial Bank of China Limited Guangzhou Liwan Branch* (中國工商銀行股份有限公司廣州荔灣支行) (Lender) amounting to RMB600 million
11. Loan between Baoding Jinghan Junting Hotel Co., Ltd.* (保定京漢君庭酒店有限公司) (Borrower) and Langfang Bank Co., Ltd. Shun'an Road Branch* (廊坊銀行股份有限公司順安道支行) (Lender) (now transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司))
12. Loan between Jinhan (Tianjin) Real Estate Development Co., Ltd.* (金漢(天津)房地產開發有限公司) (Borrower) and Langfang Bank Co., Ltd. Shun'an Road Branch* (廊坊銀行股份有限公司順安道支行) (Lender) (now transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司))
13. Loan between Jinhan (Tianjin) Real Estate Development Co., Ltd.* (金漢(天津)房地產開發有限公司) (Borrower) and Jinghan Real Estate Group Co., Ltd.* (京漢置業集團有限責任公司) (Lender) (transferred to China Huarong Asset Management Co., Ltd. Tianjin Branch* (中國華融資產管理股份有限公司天津市分公司) and subsequently transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司))

LETTER FROM THE BOARD

- | S/n | Description of Non-ICA Debt |
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| 14. | Loan between Jinghan (Langfang) Real Estate Development Co., Ltd.* (京漢(廊坊)房地產開發有限公司) (Borrower) and Bohai International Trust Co., Ltd.* (渤海國際信託股份有限公司) (Lender) (now transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司)) |
| 15. | Loan between Jinghan Real Estate Group Co., Ltd.* (京漢置業集團有限責任公司) (Borrower) and Baoding Bank Co., Ltd. Anxin Branch* (保定銀行股份有限公司安新支行) (Lender) (now transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司)) |
| 16. | Loan between Jinghan Real Estate Group Co., Ltd.* (京漢置業集團有限責任公司) (Borrower) and National Trust Ltd.* (國民信託有限公司) (Lender) (now transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司)) |
| 17. | Debt assignment and repurchase agreement between Jinghan Real Estate Group Co., Ltd.* (京漢置業集團有限責任公司), Chongqing Hanjiida Real Estate Co., Ltd.* (重慶市漢基伊達置業有限公司) and China Railway Trust Co., Ltd.* (中鐵信託有限責任公司) (now transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司)) |
| 18. | Loan between Jinghan Real Estate Group Co., Ltd.* (京漢置業集團有限責任公司) (Borrower) and Daye Trust Co., Ltd.* (大業信託有限責任公司) (Lender) (now transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司)) |
| 19. | Loan between Jinghan Real Estate Group Co., Ltd.* (京漢置業集團有限責任公司) (Borrower) and Beijing Jinhua Real Estate Development Co., Ltd.* (北京金漢房地產開發有限公司) (Lender) (transferred to China Huarong Asset Management Co., Ltd. Tianjin Branch* (中國華融資產管理股份有限公司大連市分公司) and subsequently transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司)) |
| 20. | Loan between Nantong East China Construction Co., Ltd.* (南通華東建設有限公司) (Borrower) and Langfang Bank Co., Ltd. Shun'an Road Branch* (廊坊銀行股份有限公司順安道支行) (Lender) (now transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司)) |

LETTER FROM THE BOARD

S/n Description of Non-ICA Debt

21. Loan between Tianjin Kaihua Quinn Real Estate Development Co., Ltd.* (天津凱華奎恩房地產開發有限公司) (Borrower) and Jinghan Real Estate Group Co., Ltd.* (京漢置業集團有限責任公司) (Lender) (transferred to China Huarong Asset Management Co., Ltd. Tianjin Branch* (中國華融資產管理股份有限公司大連市分公司) and now transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch)* (中國信達資產管理股份有限公司廣東省分公司))
22. Loan between Chongqing Zhongfeidao Real Estate Co., Ltd.* (重慶中翡島置業有限公司) (Borrower) and Jinghan Real Estate Group Co., Ltd.* (京漢置業集團有限責任公司) (Lender) (transferred to China Huarong Asset Management Co., Ltd. Tianjin Branch* (中國華融資產管理股份有限公司天津市分公司) and subsequently transferred to China Cinda Asset Management Co., Ltd. Guangdong Branch* (中國信達資產管理股份有限公司廣東省分公司))
23. Facility Letter in respect of term loan facility of HK\$329,000,000 dated 10 December 2020, entered into between the Company as borrower and Hang Seng Bank Limited as lender
24. Facility Letter in respect of the HK\$740,000,000 term loan facility, originally dated 10 June 2021, entered into between the Company as borrower and The Bank of East Asia, Limited as lender
25. Facility Letter in respect of term loan facility of US\$70,000,000 dated 16 June 2021, entered into between the Company as borrower and CMB Wing Lung Bank Limited as lender
26. Facility Letter in respect of revolving loan facility of HK\$367,000,000 dated 16 July 2018, 23 July 2019, 23 June 2020 and 8 June 2021, entered into between the Company as borrower and Hang Seng Bank Limited as lender
27. HK\$676,000,000 term loan facilities agreement dated 3 December 2020, entered into between Flair Honour Limited as borrower, the Company as offshore guarantor and Lofty Time Opportunity X Limited as lender, as amended or supplemented from time to time
28. HK\$780,000,000 term loan facilities agreement dated 24 May 2021, entered into between, among others, Luck Gain Limited as borrower and Tai Fung Bank Limited as facility agent, as amended or supplemented from time to time (“**HK\$780m Tai Fung Bank Facility**”)

LETTER FROM THE BOARD

S/n	Description of Non-ICA Debt
29.	HK\$ equivalent of US\$100,000,000 term loan facilities agreement dated 9 December 2022, entered into between, among others, Speedy Capital Limited as borrower, the Company as guarantor and Tai Fung Bank Limited as lender, as amended or supplemented from time to time, the purpose of which was to refinance the HK\$780m Tai Fung Bank Facility
30.	US\$120,000,000 term loan facilities agreement dated 18 December 2020, entered into between, among others, King World Holdings Limited as borrower, the Company as guarantor and China Construction Bank (Asia) Corporation Limited as facility agent, as amended or supplemented from time to time
31.	US\$150,000,000 term loan facilities agreement dated 17 March 2021, entered into between, among others, King World Holdings Limited as borrower, the Company as guarantor and China Construction Bank (Asia) Corporation Limited as facility agent, as amended or supplemented from time to time
32.	Facility Letter in respect of the HK\$117,000,000 revolving loan facility dated 13 July 2021, entered into between the Company as borrower and China CITIC Bank International Limited as lender
33.	Facility Letter in respect of the up to HK\$300,000,000 term loan facility dated 13 July 2021, entered into between the Company as borrower and Nanyang Commercial Bank, Limited as lender
34.	Facility Letter in respect of the up to HK\$500,000,000 term loan facility dated 21 June 2021, entered into between the Company as borrower and Chiyu Banking Corporation Limited as lender
35.	US\$200,000,000 term loan facilities agreement dated 16 August 2021, entered into between, among others, the Company as borrower and China Construction Bank (Asia) Corporation Limited as facility agent, as amended or supplemented from time to time
36.	US\$100,000,000 6.00% Guaranteed Notes Due 2021 issued by Asia Dynasty Enterprises Limited as issuer to Global Castle Investments Limited as original noteholder
37.	US\$200,000,000 term loan facilities agreement dated 14 December 2020, entered into between, among others, Happy Team Investments Limited as borrower, the Company as guarantor and China Construction Bank (Asia) Corporation Limited as facility agent, as amended or supplemented from time to time

LETTER FROM THE BOARD

S/n	Description of Non-ICA Debt
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| 38. | US\$100,000,000 term loan facilities agreement dated 31 December 2020, entered into between, among others, the Company as borrower, Aoyuan Group Company Limited as PRC guarantor and Noble Prestige (Cayman) Limited as lender, as amended or supplemented from time to time |
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12. LISTING RULES IMPLICATIONS

On or before the Restructuring Effective Date, the Sponsor shall forever release, discharge and waive any entitlement to, under or in respect of:

- (a) any and all outstanding shareholder loans to the Company; and
- (b) all the Existing Public Notes beneficially held by him (in an estimated principal amount of US\$5,000,000).

After such release, the Sponsor will no longer be considered a Scheme Creditor for the purposes of the China Aoyuan Schemes and/or Add Hero Schemes. Accordingly, the Restructuring and the transactions contemplated thereunder do not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, each of the Scheme Creditors (excluding the Sponsor) and its ultimate beneficial owner (as applicable) are third parties independent of (i) the Company and (ii) connected persons of the Company.

The issue of the Aoyuan MCB and the New Shares

The Aoyuan MCB Conversion Shares and the New Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM. The issue of the Aoyuan MCB and the New Shares and the transactions contemplated thereunder are subject to the passing of necessary resolution by the Shareholders at the EGM. The issue of the Aoyuan MCB Conversion Shares and the New Shares is conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Aoyuan MCB Conversion Shares and the New Shares.

The Company does not have any outstanding options, warrants or other convertible securities that are convertible into the Aoyuan Shares.

LETTER FROM THE BOARD

The issue of the Aoyuan Notes and the Aoyuan Perpetuals

The issue of the Aoyuan Notes and the Aoyuan Perpetuals are not subject to Shareholders' approval. However, the issuances are part of the Restructuring conditional upon, among others, the passing of the necessary resolution by the Shareholders at the EGM in relation to the issue of the Aoyuan MCB and the New Shares at the EGM.

13. PUBLIC FLOAT

The Company will monitor closely and will ensure that it maintains the minimum public float percentage as prescribed under the Listing Rules from time to time. The Company's public float will not fall below the minimum prescribed percentage under the Listing Rules upon the issue of the New Shares and the conversion of the Aoyuan MCB.

14. EGM

Set out on pages 62 to 64 of this circular is the notice of the EGM at which, inter alia, ordinary resolutions will be proposed to the Shareholders to consider and approve the issue of the Aoyuan MCB and the New Shares and the transactions contemplated thereunder.

For the purpose of determining the Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 3 January 2024 to Wednesday, 10 January 2024, both dates inclusive, during which period no transfer of Aoyuan Shares will be registered. In order to qualify for attending and voting at the EGM, all transfer of the Aoyuan Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, not later than 4:30 p.m. on Tuesday, 2 January 2024.

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.aoyuan.com.cn>). Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the EGM (i.e. not later than 11:00 a.m. on Monday, 8 January 2024) or any adjournment thereof (as the case may be). Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof if they so wish, and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries as at the Latest Practicable Date, no Shareholder has a material interest in the Restructuring Support Agreement and the transactions contemplated thereunder, which was materially different from other Shareholders, therefore no Shareholder is required to abstain from voting for the resolutions to approve the issue of the Aoyuan MCB and the New Shares and the transactions contemplated thereunder at the EGM.

None of the Directors has any material interest in the transactions contemplated under the Restructuring Support Agreement who is required to abstain from voting in the board resolutions in respect of the issue of the Aoyuan MCB and the New Shares and the transactions contemplated thereunder.

15. RECOMMENDATIONS

The Board is of the view that the terms of the issue of the Aoyuan MCB and the New Shares and the transactions contemplated thereunder, which have been agreed after arm's length negotiations, are on normal commercial terms and such terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolutions for approving the issue of the Aoyuan MCB and the New Shares and the transactions contemplated thereunder to be proposed at the EGM.

16. RESPONSIBILITY STATEMENT

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

Completion of the transactions set out in this circular is subject to the fulfilment or waiver of the conditions precedent as set out in this circular. The transactions set out in this circular may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

Yours faithfully,
By order of the Board
China Aoyuan Group Limited
Guo Zi Wen
Chairman

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



中國奧園集團股份有限公司 China Aoyuan Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3883)

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 15 December 2023 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the issue of the Aoyuan MCB and the transactions contemplated thereunder including but not limited to the issue of zero-coupon convertible bonds of the Company for a term of 5 years from the Reference Date which are convertible into ordinary shares of the Company pursuant to the terms of the Aoyuan MCB, details of which are set out in the Circular, be and are hereby generally and unconditionally approved, confirmed and ratified;
- (b) any one director of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the issue of the Aoyuan MCB and any of the transactions contemplated thereunder including but not limited to the issue of the Aoyuan MCB; and
- (c) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the Aoyuan MCB Conversion Shares.”

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

2. “**THAT**

- (a) the issue of the New Shares and the transactions contemplated thereunder including but not limited to the issue of 1,000,000,000 Aoyuan Shares of the Company at the price of HK\$1.06 per Aoyuan Share, details of which are set out in the Circular, be and are hereby generally and unconditionally approved, confirmed and ratified;
- (b) any one director of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the issue of the New Shares and any of the transactions contemplated thereunder including but not limited to the issue of the New Shares; and
- (c) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the New Shares.”

By order of the Board
China Aoyuan Group Limited
Guo Zi Wen
Chairman

Hong Kong, 15 December 2023

Registered Office:

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

Principal Places of Business in the PRC:

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

Principal Place of Business in Hong Kong:

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

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

- (i) All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (ii) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/its. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
- (iii) In order to be valid, a form of proxy must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. not later than 11:00 a.m. on Monday, 8 January 2024) or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish and, in such event, the form of proxy shall be deemed to be revoked.
- (iv) The transfer books and register of shareholders will be closed from Wednesday, 3 January 2024 to Wednesday, 10 January 2024, both dates inclusive, in order to determine the entitlement of shareholders to attend and vote at the above meeting, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 2 January 2024, in order to qualify for attending and voting at the EGM.
- (v) References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Chen Zhi Bin and Mr. Tan Yi; the non-executive director is Mr. Ma Jun, and the independent non-executive directors of the Company are Mr. Cheung Kwok Keung, Mr. Lee Thomas Kang Bor and Mr. Wong Wai Keung Frederick.