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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 your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Overseas Property Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) 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(s) or transferee(s).

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中海物業

CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2669)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROVISION OF CERTAIN SERVICES WITH COLI, COGO, CSC AND CSCEC AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the Board is set out on pages 7 to 36 of this circular and a letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Services Agreements, the Services Transactions and the Services Caps is set out on pages IFA-1 to IFA-56 of this circular.

A notice convening the EGM to be held at 28/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong on Friday, 19 June 2020 at 2:45 p.m. or immediately after conclusion of the Company's annual general meeting to be held on the same day, whichever is later, is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjourned meeting (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In light of the continuing risks posed by the COVID-19 pandemic, for the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the EGM, the following precautionary measures will be implemented at the EGM which include without limitation:

- (1) mandatory use of face masks
- (2) compulsory body temperature screening
- (3) mandatory health declaration
- (4) no serving of refreshment and distribution of souvenirs

Any person who does not comply with the precautionary measures may be denied entry to the EGM venue. The Company also strongly encourages Shareholders **NOT to attend the EGM in person**, and advises Shareholders to appoint the Chairman of the EGM or any Director or Company Secretary of the Company as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person.

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DEFINITIONS

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

“Acquired Projects”	certain property development projects in several emerging third tier cities in the PRC which COGO Group acquired from COLI Group in December 2016 and which were not managed by any member of the Group at the time of entering into the Previous COGO Target Services Agreement
“associates”, “connected person(s)”, “controlling shareholder”, “holding company”, “percentage ratios” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CITIC Real Estate Group”	中信物業服務有限公司 (CITIC Property Service Company Limited*) (being a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company) and its subsidiaries from time to time
“COGO”	China Overseas Grand Oceans Group Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 81)
“COGO Group”	COGO and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“COGO Services Agreement”	the framework agreement dated 28 April 2020 entered into between COGO and the Company in respect of the provision of the Services by the Group to COGO Group in respect of the Properties owned by COGO Group
“COGO Services Cap(s)”	the maximum total amount(s) payable for the Services by COGO Group to the Group for the relevant year(s)/period(s) under the COGO Services Agreement
“COGO Services Transactions”	the transactions contemplated under the COGO Services Agreement
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, and a controlling shareholder of the Company

DEFINITIONS

“COHL Group”	COHL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“COLI”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688)
“COLI Group”	COLI and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“COLI Services Agreement”	the framework agreement dated 28 April 2020 entered into between COLI and the Company in respect of the provision of the Services by the Group to COLI Group in respect of the Properties owned by COLI Group
“COLI Services Cap(s)”	the maximum total amount(s) payable for the Services by COLI Group to the Group for the relevant year(s)/period(s) under the COLI Services Agreement
“COLI Services Transactions”	the transactions contemplated under the COLI Services Agreement
“Company”	China Overseas Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669)
“CSC”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
“CSC Group”	CSC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“CSC Services Agreement”	the framework agreement dated 28 April 2020 entered into between CSC and the Company in respect of the provision of the Services by the Group to CSC Group’s residential communities, commercial properties and other properties in the PRC, Hong Kong, Macau and other locations and CSC Group’s work sites in the PRC, Hong Kong and Macau
“CSC Services Cap(s)”	the maximum total amount(s) payable for the Services by CSC Group to the Group for the relevant year(s)/period(s) under the CSC Services Agreement

DEFINITIONS

“CSC Services Transactions”	the transactions contemplated under the CSC Services Agreement
“CSCEC”	中國建築集團有限公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of the PRC, and the ultimate holding company of the Company
“CSCEC Group”	CSCEC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including CSCECL Group and COHL Group) from time to time
“CSCEC Services Agreement”	the framework agreement dated 28 April 2020 entered into between CSCEC and the Company in respect of the provision of the Services by the Group to CSCEC Group’s residential communities, commercial properties and other projects in the PRC, Hong Kong, Macau and other locations
“CSCEC Services Cap(s)”	the maximum total amount(s) payable for the Services by CSCEC Group to the Group for the relevant year(s)/period(s) under the CSCEC Services Agreement
“CSCEC Services Transactions”	the transactions contemplated under the CSCEC Services Agreement
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), a controlling shareholder of the Company and a non-wholly owned subsidiary of CSCEC
“CSCECL Group”	CSCECL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including COHL Group) from time to time
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of the Independent Shareholders to consider and approve, among other things, the New Services Agreements, the Services Transactions and the Services Caps
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the Independent Non-executive Directors, which has been established to make recommendations to the Independent Shareholders in respect of the New Services Agreements, the Services Transactions and the Services Caps
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Services Agreement, the Services Transactions and the Services Caps
“Independent Shareholders”	the Shareholders other than CSCEC and its associates
“Latest Practicable Date”	27 May 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mainland China” or “PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“MOP”	Macau Pataca, the lawful currency of Macau
“New Services Agreements”	the COLI Services Agreement, the COGO Services Agreement, the CSC Services Agreement and the CSCEC Services Agreement
“Previous COGO Services Agreement”	the framework agreement dated 20 October 2017 entered into between COGO and the Company in respect of the provision of the Services (excluding those in relation to gardening, interior fine finishing and vetting of building plans) by the Group to COGO Group in respect of property development projects in the PRC, Hong Kong, Macau and other locations (excluding the Acquired Projects)
“Previous COGO Target Services Agreement”	the framework agreement dated 20 October 2017 entered into between COGO and the Company in respect of the provision of the Services (excluding those in relation to gardening, interior fine finishing and vetting of building plans) by the Group to COGO Group in respect of the Acquired Projects

DEFINITIONS

“Previous COLI Services Agreement”	the framework agreement dated 20 October 2017 entered into between COLI and the Company in respect of the provision of the Services (excluding those in relation to gardening, interior fine finishing and vetting of building plans) by the Group (except the CITIC Real Estate Group) to COLI Group in respect of residential communities, commercial properties and other properties owned by COLI Group in the PRC, Hong Kong, Macau and other locations
“Previous COLI Target Services Agreement”	the framework agreement dated 20 October 2017 entered into between COLI and the Company in respect of the provision of the Services (excluding those in relation to gardening, interior fine finishing and vetting of building plans) by the CITIC Real Estate Group to COLI Group in respect of residential communities, commercial properties and other properties owned by COLI Group in the PRC
“Previous CSC Services Agreement”	the framework agreement dated 7 August 2017 entered into between CSC and the Company in respect of the provision of the Services (excluding those in relation to gardening, interior fine finishing and vetting of building plans) by the Group to CSC Group’s residential communities, commercial properties and other properties in the PRC, Hong Kong, Macau and other locations and CSC Group’s work sites in the PRC, Hong Kong and Macau
“Previous CSCEC Services Agreement”	the framework agreement dated 7 August 2017 entered into between CSCEC and the Company in respect of the provision of the Services (excluding those in relation to gardening, interior fine finishing and vetting of building plans) by the Group to CSCEC Group’s residential communities, commercial properties and other projects in the PRC, Hong Kong, Macau and other locations
“Properties”	the property development projects or properties (including residential communities, commercial properties and other properties) in the PRC, Hong Kong, Macau and other locations
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	the property management services and value-added services (including engineering, pre-delivery, move-in assistance, delivery inspection, engineering services quality monitoring and consulting services, as well as gardening, interior fine finishing and vetting of building plans etc.)
“Services Caps”	the COLI Services Caps, the COGO Services Caps, the CSC Services Caps and the CSCEC Services Caps

DEFINITIONS

“Services Transactions”	the COLI Services Transactions, the COGO Services Transactions, the CSC Services Transactions and the CSCEC Services Transactions
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* *For identification purpose only*

LETTER FROM THE BOARD



中海物業

CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2669)

Executive Directors:

Mr. Zhang Guiqing (*Chairman*)
Dr. Yang Ou (*Chief Executive Officer*)
Mr. Pang Jinying (*Vice President*)
Mr. Kam Yuk Fai (*Chief Financial Officer*)

Independent Non-executive Directors:

Mr. Yung, Wing Ki Samuel
Mr. So, Gregory Kam Leung
Mr. Lim, Wan Fung Bernard Vincent

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

Suite 703, 7/F,
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1 Queen's Road East
Hong Kong

2 June 2020

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE PROVISION OF CERTAIN SERVICES
WITH COLI, COGO, CSC AND CSCEC
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcement issued by the Company dated 28 April 2020 in respect of the COLI Services Agreement, the COGO Services Agreement, the CSC Services Agreement and the CSCEC Agreement entered into between the Company and each of COLI, COGO, CSC and CSCEC respectively on 28 April 2020.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) the particulars of the New Services Agreements (together with the Services Caps) and the Services Transactions; (ii) the letter from the Independent Board Committee with its views on the New Services Agreements (together with the Services Caps) and the Services Transactions; and (iii) the letter from Opus Capital, the Independent Financial Adviser, with its advice on the New Services Agreements (together with the Services Caps) and the Services Transactions, as well as to seek the approval of the Independent Shareholders in respect of the New Services Agreements (together with the Services Caps) and the Services Transactions.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

1. COLI Services Transactions

Reference is made to the announcement issued by the Company on 20 October 2017 relating to, among other things, the Previous COLI Target Services Agreement and the Previous COLI Services Agreement, each of which was entered into between the Company and COLI and will expire on 30 June 2020.

The Directors expect that the Group will continue to participate from time to time in competitive tender to provide the Services (which will be expanded to include gardening, interior fine finishing and vetting of building plans etc.) to COLI Group in respect of the Properties owned by COLI Group (which will be expanded to include property development projects owned by COLI Group in the PRC, Hong Kong, Macau and other locations). In this connection, on 28 April 2020, the Company and COLI entered into the COLI Services Agreement for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 (both dates inclusive), subject to the COLI Services Caps.

COLI Services Agreement

The principal terms of the COLI Services Agreement are summarised as follows:

Date

28 April 2020

Parties

1. COLI; and
2. the Company.

Duration

Subject to the fulfillment of the conditions precedent to the COLI Services Agreement, the COLI Services Agreement will commence from 1 July 2020 and end on 30 June 2023 (both dates inclusive).

LETTER FROM THE BOARD

Terms

Pursuant to the COLI Services Agreement, any member of the Group may provide the Services to COLI Group in respect of the Properties owned by COLI Group, subject to the COLI Services Caps.

The Group will go through a tender process before being selected and appointed as service provider for provision of the Services to COLI Group. The price and terms (including the pricing basis) of the Group's tenders submitted to COLI Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to COLI Group are no more favourable than those submitted to independent third parties.

Further details of the standard and systematic tender submission procedure of the Group are set out in the paragraph headed "Pricing Basis for the Services Transactions" below.

Conditions Precedent

The COLI Services Transactions (together with the COLI Services Caps) are conditional upon (i) the passing of the resolution by the Independent Shareholders at the EGM approving the COLI Services Agreement (together with the COLI Services Caps) and the COLI Services Transactions, and (ii) the Company and COLI having complied with all requirements under the Listing Rules with respect to the COLI Services Transactions.

Previous Caps

The previous caps under the Previous COLI Target Services Agreement and Previous COLI Services Agreement as disclosed in the announcement of the Company dated 20 October 2017 were as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the half year ending 30 June 2020
Previous COLI Target Services Caps	HK\$48,000,000	HK\$51,100,000	HK\$19,800,000
Previous COLI Services Caps	<u>HK\$634,300,000</u>	<u>HK\$725,200,000</u>	<u>HK\$420,700,000</u>
Total	<u><u>HK\$682,300,000</u></u>	<u><u>HK\$776,300,000</u></u>	<u><u>HK\$440,500,000</u></u>

LETTER FROM THE BOARD

Historical/Estimated Transaction Amounts

The historical transaction amounts paid to the Group by COLI Group for each of the two years ended 31 December 2018 and 31 December 2019 and the estimated transaction amount paid to the Group by COLI Group for the half year ending 30 June 2020 (“**2020 1H**”) were/is as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the half year ending 30 June 2020
Historical/Estimated Transaction Amount	HK\$443,036,000	HK\$724,947,000	HK\$314,038,000*

* The estimated transaction amount for the half year ending 30 June 2020 is derived from the actual transaction amount for the first quarter ended 31 March 2020 of HK\$93,788,000 plus the remaining cap (i.e. 50%) of HK\$220,250,000 for the half year ending 30 June 2020.

COLI Services Caps

The COLI Services Caps for the half year ending 31 December 2020 (“**2020 2H**”), each of the two years ending 31 December 2021 and 31 December 2022 and the half year ending 30 June 2023 (“**2023 1H**”) are as follows:

	For the half year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	For the half year ending 30 June 2023
COLI Services Caps	HK\$1,076,000,000	HK\$2,093,000,000	HK\$2,616,000,000	HK\$1,633,000,000

Note: For avoidance of doubt, the COLI Services Caps include transactions entered into between the Group and COLI Group, the associates of COLI and their respective subsidiaries.

Basis of determination of the COLI Services Caps

The COLI Services Cap of HK\$1,076.0 million for 2020 2H (the “**COLI 2020 2H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous COLI Target Services Agreement and the Previous COLI Services Agreement for HK\$664.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$412.0 million.

LETTER FROM THE BOARD

The former amount of HK\$664.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in 2020 2H, based on the existing projects of COLI Group for which the Group provides property management services, the estimated vacancy rates for potential new projects to be developed by COLI Group in the PRC, Hong Kong and Macau, and the estimated GFA of new property projects (including an increasing proportion of commercial buildings, for which property management fees are more expensive compared to that for residential buildings) expected to be developed by COLI Group, with an estimated general inflation up to 9%, mainly attributable to the expected increase in labour cost in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. based on the delivery schedule and pre-sale schedule of projects, the anticipated period of obtaining the occupation permit and the expected increase in labour cost, (iii) expected increase in demand for engineering service with a heavy emphasis on Internet of Things (“**IoT**”) applications based on the existing contracts which the Group has been providing engineering service to COLI Group, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. Together with the estimated transaction amount for 2020 1H of HK\$314.0 million, then the total transaction amount for 2020 in respect of the existing scope of Services would be approximately HK\$978.0 million, representing an increase of approximately 34.9% against that of 2019. The GFA to be under the management of the Group in 2020 is expected to be approximately 10,154,000 sq.m., (being 3,138,000 sq.m. for 2020 1H and 7,016,000 sq.m. for 2020 2H) (including an increasing proportion of commercial buildings) representing an increase by 35.1% in 2020 as compared with 7,516,000 sq.m in 2019.

The latter amount of HK\$412.0 million is determined by the agreeable expanded scope of the Services in the Mainland China in relation to gardening, interior fine finishing and vetting of building plans out of the development budget plans of COLI Group, which accounts for approximately 38.3% of the total COLI 2020 2H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of 18 projects to be developed by COLI Group, the portion of the minimum gardening area out of the estimated GFA of projects (the “**Minimum Gardening Area**”) to be developed by COLI Group as required by COLI Group’s relevant requirements and the service fees for the Group to provide gardening services according to the complexity of the projects. The estimated transaction amount for the provision of interior fine finishing services was based on the estimated number of roughcast housing units (housing units without any interior finishing) for which the Group will be allowed to provide interior fine finishing services to COLI Group and the service fees for the Group to provide interior fine finishing services. The estimated transaction amount for providing vetting of building plan was based on the estimated technical man-hours required for the estimate portion out of the total estimated GFA to be developed by COLI Group and the service fees for the Group to provide vetting of building plans.

Together with the estimated COLI Services Cap for 2020 1H, the total transaction amount for 2020 (i.e. 2020 1H + 2020 2H) would be approximately HK\$1,390.0 million, representing an increase of 91.7% against that of 2019.

LETTER FROM THE BOARD

The COLI Services Cap of 2021 (the “**COLI 2021 Services Cap**”) is HK\$2,093.0 million which is expected to increase by 50.6% against the total transaction amount of 2020 (2020 1H + 2020 2H), based on the existing scope of Services similar to the Previous COLI Target Services Agreement and the Previous COLI Services Agreement for HK\$1,531.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$562.0 million.

The former amount of HK\$1,531.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in 2021 based on the existing projects of COLI Group for which the Group provides property management services, the estimated vacancy rates for potential new projects to be developed by COLI Group in the PRC, Hong Kong and Macau, and the estimated GFA of new property projects (including an increasing proportion of commercial buildings, for which property management fees are more expensive compared to that for residential buildings) expected to be developed by COLI Group, with an estimated general inflation up to 9%, mainly attributable to the expected increase in labour cost in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. based on the delivery schedule and pre-sale schedule of projects, the anticipated period of obtaining the occupation permit and the expected increase in labour cost, (iii) expected increase in demand for engineering service with a heavy emphasis on IoT applications based on the existing contracts which the Group has been providing engineering service to COLI Group, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. The transaction amount for 2021 in respect of the existing scope of Services would represent an increase of approximately 56.5% against that of 2020. The GFA to be under the management of the Group in 2021 is expected to be approximately 14,459,000 sq.m., representing an increase of 42.4% in 2021 as compared with 2020’s estimate.

The latter amount of HK\$562.0 million, with an increment of 36.4% against 2020, is determined by the agreeable expanded scope of the Services in the Mainland China in relation to gardening, interior fine finishing and vetting of building plans out of the development budget plans of COLI Group, which accounts for approximately 26.9% of the total COLI 2021 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of 20 projects to be developed by COLI Group, the portion of the Minimum Gardening Area and the service fees for the Group to provide gardening services according to the complexity of the projects. The estimated transaction amount for the provision of interior fine finishing services was based on the estimated number of roughcast housing units (housing units without any interior finishing) for which the Group will be allowed to provide interior fine finishing services to COLI Group and the service fees for the Group to provide interior fine finishing services. The estimated transaction amount for providing vetting of building plan was based on the estimated technical man-hours required for the estimate portion out of the total estimated GFA to be developed by COLI Group, and the service fees for the Group to provide vetting of building plans.

The COLI Services Cap of 2022 (the “**COLI 2022 Services Cap**”) is HK\$2,616.0 million which is expected to increase by 25.0% against the COLI 2021 Services Cap, based on the existing scope of Services similar to the Previous COLI Target Services Agreement and the Previous COLI Services Agreement for HK\$1,775.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$841.0 million.

LETTER FROM THE BOARD

The former amount of HK\$1,775.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in 2022 based on the existing projects of COLI Group for which the Group provides property management services, the estimated vacancy rates for potential new projects to be developed by COLI Group in the PRC, Hong Kong and Macau, and the estimated GFA of new property projects (including an increasing proportion of commercial buildings, for which property management fees are more expensive compared to that for residential buildings) expected to be developed by COLI Group, with an estimated general inflation up to 9%, mainly attributable to the expected increase in labour cost in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. based on the delivery schedule and pre-sale schedule of projects, the anticipated period of obtaining the occupation permit and the expected increase in labour cost, (iii) expected increase in demand for engineering service with a heavy emphasis on IoT applications based on the existing contracts which the Group has been providing engineering service to COLI Group, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. The transaction amount for 2022 in respect of the existing scope of Services would represent an increase of approximately 15.9% against that of 2021. The GFA to be under the management of the Group in 2022 is expected to be approximately 16,743,000 sq.m., representing an increase of 15.8% in 2022 as compared with 2021's estimate.

The latter amount of HK\$841.0 million, with an increment of 49.6% against 2021, is determined by the agreeable expanded scope of the Services in the Mainland China in relation to gardening, interior fine finishing and vetting of building plans out of the development budget plans of COLI Group, which accounts for approximately 32.1% of the total COLI 2022 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of 24 projects to be developed by COLI Group, the portion of the Minimum Gardening Area and the service fees for the Group to provide gardening services according to the complexity of the projects. The estimated transaction amount for the provision of interior fine finishing services was based on the estimated number of roughcast housing units (housing units without any interior finishing) for which the Group will be allowed to provide interior fine finishing services to COLI Group and the service fees for the Group to provide interior fine finishing services. The estimated transaction amount for providing vetting of building plan was based on the estimated technical man-hours required for the estimate portion out of the total estimated GFA to be developed by COLI Group, and the service fees for the Group to provide vetting of building plans.

The COLI Services Cap of HK\$1,633.0 million for 2023 1H (the “**COLI 2023 1H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous COLI Target Services Agreement and the Previous COLI Services Agreement for HK\$1,070.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$563.0 million.

LETTER FROM THE BOARD

The former amount of HK\$1,070.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in 2023 1H based on the existing projects of COLI Group for which the Group provides property management services, the estimated vacancy rates for potential new projects to be developed by COLI Group in the PRC, Hong Kong and Macau, and the estimated GFA of new property projects (including an increasing proportion of commercial buildings, for which property management fees are more expensive compared to that for residential buildings) expected to be developed by COLI Group, with an estimated general inflation up to 9%, mainly attributable to the expected increase in labour cost in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. based on the delivery schedule and pre-sale schedule of projects, the anticipated period of obtaining the occupation permit and the expected increase in labour cost, (iii) expected increase in demand for engineering service with a heavy emphasis on IoT applications based on the existing contracts which the Group has been providing engineering service to COLI Group, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. The GFA to be under the management of the Group in 2023 1H is expected to be approximately 14,064,000 sq.m..

The latter amount of HK\$563.0 million is determined by the agreeable expanded scope of the Services in the Mainland China in relation to gardening, interior fine finishing and vetting of building plans out of the development budget plans of COLI Group, which accounts for approximately 34.5% of the total COLI 2023 1H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of 17 projects to be developed by COLI Group, the portion of the Minimum Gardening Area and the service fees for the Group to provide gardening services according to the complexity of the projects. The estimated transaction amount for the provision of interior fine finishing services was based on the estimated number of roughcast housing units (housing units without any interior finishing) for which the Group will be allowed to provide interior fine finishing services to COLI Group and the service fees for the Group to provide interior fine finishing services. The estimated transaction amount for providing vetting of building plan was based on the estimated technical man-hours required for the estimate portion out of the total estimated GFA to be developed by COLI Group, and the service fees for the Group to provide vetting of building plans.

2. COGO Services Transactions

Reference is made to the announcement issued by the Company on 20 October 2017 relating to, among other things, the Previous COGO Target Services Agreement and the Previous COGO Services Agreement, each of which was entered into between the Company and COGO and will expire on 30 June 2020.

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The Directors expect that the Group will continue to participate from time to time in competitive tender to provide the Services (which will be expanded to include gardening, interior fine finishing and vetting of building plans etc.) to COGO Group in respect of the Properties owned by COGO Group (which will be expanded to include properties (including residential communities, commercial properties and other properties) owned by COGO Group in the PRC, Hong Kong, Macau and other locations). In this connection, on 28 April 2020, the Company and COGO entered into the COGO Services Agreement for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 (both dates inclusive), subject to the COGO Services Caps.

COGO Services Agreement

The principal terms of the COGO Services Agreement are summarised as follows:

Date

28 April 2020

Parties

1. COGO; and
2. the Company.

Duration

Subject to the fulfillment of the conditions precedent to the COGO Services Agreement, the COGO Services Agreement will commence from 1 July 2020 and end on 30 June 2023 (both dates inclusive).

Terms

Pursuant to the COGO Services Agreement, any member of the Group may provide the Services to COGO Group in respect of the Properties owned by COGO Group, subject to the COGO Services Caps.

The Group will go through a tender process before being selected and appointed as service provider for provision of the Services to COGO Group. The price and terms (including the pricing basis) of the Group's tenders submitted to COGO Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to COGO Group are no more favourable than those submitted to independent third parties.

Further details of the standard and systematic tender submission procedure of the Group is set out in the paragraph headed "Pricing Basis for the Services Transactions" below.

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Conditions Precedent

The COGO Services Transactions (together with the COGO Services Caps) are conditional upon (i) the passing of the resolution by the Independent Shareholders at the EGM approving the COGO Services Agreement (together with the COGO Services Caps) and the COGO Services Transactions, and (ii) the Company and COGO having complied with all requirements under the Listing Rules with respect to the COGO Services Transactions.

Previous Caps

The previous caps under the Previous COGO Target Services Agreement and Previous COGO Services Agreement as disclosed in the announcement of the Company dated 20 October 2017 were as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the half year ending 30 June 2020
Previous COGO Target Services Caps	HK\$47,800,000	HK\$45,900,000	HK\$25,800,000
Previous COGO Services Caps	<u>HK\$115,600,000</u>	<u>HK\$96,500,000</u>	<u>HK\$57,900,000</u>
Total	<u><u>HK\$163,400,000</u></u>	<u><u>HK\$142,400,000</u></u>	<u><u>HK\$83,700,000</u></u>

Historical/Estimated Transaction Amounts

The historical transaction amounts paid to the Group by COGO Group for each of the two years ended 31 December 2018 and 31 December 2019 and the estimated transaction amount paid to the Group by COGO Group for 2020 1H were/is as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the half year ending 30 June 2020
Historical/Estimated Transaction Amount	HK\$59,300,000	HK\$116,017,000	HK\$54,925,000*

* The estimated transaction amount for the half year ending 30 June 2020 is derived from the actual transaction amount for the first quarter ended 31 March 2020 of HK\$13,075,000 plus the remaining cap (i.e. 50%) of HK\$41,850,000 for the half year ending 30 June 2020.

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COGO Services Caps

The COGO Services Caps for 2020 2H, each of the two years ending 31 December 2021 and 31 December 2022 and 2023 1H are as follows:

	For the half year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	For the half year ending 30 June 2023
COGO Services Caps	HK\$166,000,000	HK\$321,000,000	HK\$386,000,000	HK\$224,000,000

Basis of determination of the COGO Services Caps

The COGO Services Cap of HK\$166.0 million for 2020 2H (the “**COGO 2020 2H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous COGO Target Services Agreement and the Previous COGO Services Agreement for HK\$108.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$58.0 million.

The former amount of HK\$108.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in 2020 2H, based on the existing projects of COGO Group for which the Group provides property management services, the estimated vacancy rates for potential new projects to be developed by COGO Group in the PRC and the estimated GFA of new property projects expected to be developed by COGO Group, with an estimated general inflation around 3% to 5%, mainly attributable to the expected increase in labour cost in third tier cities in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. based on the delivery schedule and pre-sale schedule of projects, the anticipated period of obtaining the occupation permit and the expected increase in labour cost, (iii) expected demand for engineering service based on the existing contracts which the Group has been providing engineering service to COGO Group, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. Together with the estimated transaction amount for 2020 1H of HK\$54.9 million, then the total transaction amount for 2020 in respect of the existing scope of Services would be approximately HK\$162.9 million, representing an increase of approximately 40.4% against that of 2019. The GFA to be under the management of the Group in 2020 is expected to be approximately 1,971,000 sq.m., (being 718,000 sq.m. for 2020 1H and 1,253,000 sq.m. for 2020 2H) (including commercial buildings) representing an increase by 72.0% in 2020 as compared with 1,146,000 sq.m in 2019.

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The latter amount of HK\$58.0 million is determined by the agreeable expanded scope of the Services in the Mainland China in relation to gardening, interior fine finishing and vetting of building plans out of the development budget plans of COGO Group, which accounts for approximately 34.9% of the total COGO 2020 2H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of three projects to be developed by COGO Group, the portion of the Minimum Gardening Area to be developed by COGO Group as required by COGO Group's relevant requirements and the service fees for the Group to provide gardening services according to the complexity of the projects. The estimated transaction amount for the provision of interior fine finishing services was based on the estimated number of roughcast housing units (housing units without any interior finishing) for which the Group will be allowed to provide interior fine finishing services to COGO Group and the service fees for the Group to provide interior fine finishing services. The estimated transaction amount for providing vetting of building plan was based on the estimated technical man-hours required for the estimate portion out of the total estimated GFA to be developed by COGO Group and the service fees for the Group to provide vetting of building plans.

Together with the estimated COGO Services Cap for 2020 1H, the total transaction amount for 2020 (i.e. 2020 1H + 2020 2H) would be approximately HK\$220.9 million, representing an increase of 90.4% against that of 2019.

The COGO Services Cap of 2021 (the “**COGO 2021 Services Cap**”) is HK\$321.0 million which is expected to increase by 45.3% against the total transaction amount of 2020 (2020 1H + 2020 2H), based on the existing scope of Services similar to the Previous COGO Target Services Agreement and the Previous COGO Services Agreement for HK\$213.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$108.0 million.

The former amount of HK\$213.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in 2021 based on the existing projects of COGO Group for which the Group provides property management services, the estimated vacancy rates for potential new projects to be developed by COGO Group in the PRC and the estimated GFA of new property projects expected to be developed by COGO Group, with an estimated general inflation around 3% to 5%, mainly attributable to the expected increase in labour cost in third tier cities in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. based on the delivery schedule and pre-sale schedule of projects, the anticipated period of obtaining the occupation permit and the expected increase in labour cost, (iii) expected demand for engineering service based on the existing contracts which the Group has been providing engineering service to COGO Group, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. The transaction amount for 2021 in respect of the existing scope of Services would represent an increase of approximately 30.8% against that of 2020. The GFA to be under the management of the Group in 2021 is expected to be approximately 2,454,000 sq.m., representing an increase of 24.5% in 2021 as compared with 2020's estimate.

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The latter amount of HK\$108.0 million, with an increment of 86.2% against 2020, is determined by the agreeable expanded scope of the Services in the Mainland China in relation to gardening, interior fine finishing and vetting of building plans out of the development budget plans of COGO Group, which accounts for approximately 33.6% of the total COGO 2021 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of four projects to be developed by COGO Group, the portion of the Minimum Gardening Area and the service fees for the Group to provide gardening services according to the complexity of the projects. The estimated transaction amount for the provision of interior fine finishing services was based on the estimated number of roughcast housing units (housing units without any interior finishing) for which the Group will be allowed to provide interior fine finishing services to COGO Group and the service fees for the Group to provide interior fine finishing services. The estimated transaction amount for providing vetting of building plan was based on the estimated technical man-hours required for the estimate portion out of the total estimated GFA to be developed by COGO Group, and the service fees for the Group to provide vetting of building plans.

The COGO Services Cap of 2022 (the “**COGO 2022 Services Cap**”) is HK\$386.0 million which is expected to increase by 20.2% against the COGO 2021 Services Cap, based on the existing scope of Services similar to the Previous COGO Target Services Agreement and the Previous COGO Services Agreement for HK\$252.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$134.0 million.

The former amount of HK\$252.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in 2022 based on the existing projects of COGO Group for which the Group provides property management services, the estimated vacancy rates for potential new projects to be developed by COGO Group in the PRC and the estimated GFA of new property projects expected to be developed by COGO Group, with an estimated general inflation around 3% to 5%, mainly attributable to the expected increase in labour cost in third tier cities in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. based on the delivery schedule and pre-sale schedule of projects, the anticipated period of obtaining the occupation permit and the expected increase in labour cost, (iii) expected demand for engineering service based on the existing contracts which the Group has been providing engineering service to COGO Group, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. The transaction amount for 2022 in respect of the existing scope of Services would represent an increase of approximately 18.3% against that of 2021. The GFA to be under the management of the Group in 2022 is expected to be approximately 2,990,000 sq.m., representing an increase of 21.8% in 2022 as compared with 2021’s estimate.

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The latter amount of HK\$134.0 million, with an increment of 24.1% against 2021, is determined by the agreeable expanded scope of the Services in the Mainland China in relation to gardening, interior fine finishing and vetting of building plans out of the development budget plans of COGO Group, which accounts for approximately 34.7% of the total COGO 2022 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of four projects to be developed by COGO Group, the portion of the Minimum Gardening Area and the service fees for the Group to provide gardening services according to the complexity of the projects. The estimated transaction amount for the provision of interior fine finishing services was based on the estimated number of roughcast housing units (housing units without any interior finishing) for which the Group will be allowed to provide interior fine finishing services to COGO Group and the service fees for the Group to provide interior fine finishing services. The estimated transaction amount for providing vetting of building plan was based on the estimated technical man-hours required for the estimate portion out of the total estimated GFA to be developed by COGO Group, and the service fees for the Group to provide vetting of building plans.

The COGO Services Cap of HK\$224.0 million for 2023 1H (the “**COGO 2023 1H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous COGO Target Services Agreement and the Previous COGO Services Agreement for HK\$155.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$69.0 million.

The former amount of HK\$155.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in the 2023 1H based on the existing projects of COGO Group for which the Group provides property management services, the estimated vacancy rates for potential new projects to be developed by COGO Group in the PRC and the estimated GFA of new property projects expected to be developed by COGO Group, with an estimated general inflation around 3% to 5%, mainly attributable to the expected increase in labour cost in third tier cities in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. based on the delivery schedule and pre-sale schedule of projects, the anticipated period of obtaining the occupation permit and the expected increase in labour cost, (iii) expected demand for engineering service based on the existing contracts which the Group has been providing engineering service to COGO Group, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. The GFA to be under the management of the Group in 2023 1H is expected to be approximately 1,820,000 sq.m..

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The latter amount of HK\$69.0 million is determined by the agreeable expanded scope of the Services in the Mainland China in relation to gardening, interior fine finishing and vetting of building plans out of the development budget plans of COGO Group, which accounts for approximately 30.8% of the total COGO 2023 1H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of two projects to be developed by COGO Group, the portion of the Minimum Gardening Area and the service fees for the Group to provide gardening services according to the complexity of the projects. The estimated transaction amount for the provision of interior fine finishing services was based on the estimated number of roughcast housing units (housing units without any interior finishing) for which the Group will be allowed to provide interior fine finishing services to COGO Group and the service fees for the Group to provide interior fine finishing services. The estimated transaction amount for providing vetting of building plan was based on the estimated technical man-hours required for the estimate portion out of the total estimated GFA to be developed by COGO Group, and the service fees for the Group to provide vetting of building plans.

3. CSC Services Transactions

Reference is made to the announcement issued by the Company on 7 August 2017 relating to, among other things, the Previous CSC Services Agreement, which was entered into between the Company and CSC and will expire on 30 June 2020.

The Directors expect that the Group will continue to participate from time to time in competitive tender to provide CSC Group with the Services (which will be expanded to include gardening, interior fine finishing and vetting of building plans) in respect of residential communities, commercial properties and other properties owned by CSC Group in the PRC, Hong Kong, Macau and other locations and CSC Group's work sites in the PRC, Hong Kong and Macau. In this connection, on 28 April 2020, the Company and CSC entered into the CSC Services Agreement for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 (both dates inclusive), subject to the CSC Services Caps.

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CSC Services Agreement

The principal terms of the CSC Services Agreement are summarised as follows:

Date

28 April 2020

Parties

1. CSC; and
2. the Company.

Duration

Subject to the fulfillment of the conditions precedent to the CSC Services Agreement, the CSC Services Agreement will commence from 1 July 2020 and end on 30 June 2023 (both dates inclusive).

Terms

Pursuant to the CSC Services Agreement, any member of the Group may provide the Services to CSC Group in respect of residential communities, commercial properties and other properties owned by CSC Group in the PRC, Hong Kong, Macau and other locations and CSC Group's work sites in the PRC, Hong Kong and Macau, subject to the CSC Services Caps.

The Group will go through a tender process before being selected and appointed as service provider for provision of the Services to CSC Group. The price and terms (including the pricing basis) of the Group's tenders submitted to CSC Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to CSC Group are no more favourable than those submitted to independent third parties.

Further details of the standard and systematic tender submission procedure of the Group are set out in the paragraph headed "Pricing Basis for the Services Transactions" below.

Conditions Precedent

The CSC Services Transaction (together with the CSC Services Caps) are conditional upon (i) the passing of the resolution by the Independent Shareholders at the EGM approving CSC Services Agreement (together with the CSC Services Caps) and the CSC Services Transactions, and (ii) the Company and CSC having complied with all requirements under the Listing Rules with respect to the CSC Services Transactions.

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Previous Caps

The previous caps under the Previous CSC Services Agreement as disclosed in the announcement of the Company dated 7 August 2017 were as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the half year ending 30 June 2020
Previous CSC Services Caps	HK\$42,000,000	HK\$42,000,000	HK\$21,000,000

Historical/Estimated Transaction Amounts

The historical transaction amounts paid to the Group by CSC Group for each of the two years ended 31 December 2018 and 31 December 2019 and the estimated transaction amount paid to the Group by CSC Group for 2020 1H were/is as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the half year ending 30 June 2020
Historical/Estimated Transaction Amount	HK\$23,440,000	HK\$31,393,000	HK\$12,493,000*

* The estimated transaction amount for the half year ending 30 June 2020 is derived from the actual transaction amount for the first quarter ended 31 March 2020 of HK\$1,993,000 plus the remaining cap (i.e. 50%) of HK\$10,500,000 for the half year ending 30 June 2020.

CSC Services Caps

The CSC Services Caps for 2020 2H, each of the two years ending 31 December 2021 and 31 December 2022 and 2023 1H are as follows:

	For the half year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	For the half year ending 30 June 2023
CSC Services Caps	HK\$118,000,000	HK\$255,000,000	HK\$356,000,000	HK\$224,000,000

Note: For avoidance of doubt, the CSC Services Caps include transactions entered into between the Group and CSC Group, the associates of CSC and their respective subsidiaries.

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Basis of determination of the CSC Services Caps

The CSC Services Cap of HK\$118.0 million for 2020 2H (the “**CSC 2020 2H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous CSC Services Agreement for HK\$65.0 million, as well as the expanded scope of Services for Public-private partnership (“**PPP**”) projects in the PRC for HK\$53.0 million.

The former amount of HK\$65.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and expected increase in demand for property management services based on the existing projects of CSC Group for which the Group provides property management services for public facility work sites of CSC Group which were mainly in Hong Kong and Macau and potential new projects for public facility work sites of CSC Group (including Tseung Kwan O Desalination Plant and Organic Waste Treatment Facilities) in Hong Kong and Macau to be rendered in the 2020 2H, (ii) expected increase in demand for engineering service in Hong Kong and Macau to be rendered based on the existing contracts which the Group has been providing engineering service to CSC Group in Hong Kong and Macau, the existing operating scale of providing engineering service and the estimated number of contracts to be obtained from CSC Group for providing engineering service. Together with the estimated transaction amount for 2020 1H of HK\$12.5 million, then the total transaction amount for 2020 in respect of the existing scope of Services would be approximately HK\$77.5 million, representing an increase of approximately 146.8% against that of 2019. The latter amount of HK\$53.0 million is determined in accordance with the expected increase in demand for property management services and gardening for nine PPP projects expected to be undertaken by CSC Group in the Mainland China located in Handan, Jiangxi, Zhejiang, Anhui and Shaanxi to be rendered starting from 2020 2H. Together with the estimated CSC Services Cap for 2020 1H, the total transaction amount for 2020 (i.e. 2020 1H + 2020 2H) would be approximately HK\$130.5 million, representing an increase of 3.2 times against that of 2019.

The CSC Services Cap of 2021 (the “**CSC 2021 Services Cap**”) is HK\$255.0 million which is expected to increase by 95.4% against the total transaction amount of 2020 (2020 1H + 2020 2H), based on the existing scope of Services similar to the Previous CSC Services Agreement for HK\$150.0 million, as well as the expanded scope of Services for PPP projects in the PRC for HK\$105.0 million.

The former amount of HK\$150.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and expected increase in demand for property management services based on the existing projects of CSC Group for which the Group provides property management services for public facility work sites of CSC Group which were mainly in Hong Kong and Macau and potential new projects for public facility work sites of CSC Group (including Tseung Kwan O Desalination Plant and Organic Waste Treatment Facilities) in Hong Kong and Macau to be rendered in 2021, (ii) expected increase in demand for engineering service in Hong Kong and Macau to be rendered in 2021 based on the existing contracts which the Group has been providing engineering service to CSC Group in Hong Kong and Macau, the existing operating scale of providing engineering service and the estimated number of contracts to be obtained from CSC Group for providing engineering service. The transaction amount for 2021 in respect of the existing scope of Services would represent an increase of approximately 93.5% against that of 2020. The latter amount of HK\$105.0 million is determined in accordance with the expected increase in demand for property management services and gardening for nine PPP

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projects expected to be undertaken by CSC Group in the Mainland China located in Handan, Jiangxi, Zhejiang, Anhui and Shaanxi to be rendered in 2021.

The CSC Services Cap of 2022 (the “**CSC 2022 Services Cap**”) is HK\$356.0 million which is expected to increase by 39.6% against the CSC 2021 Services Cap, based on the existing scope of Services similar to the Previous CSC Services Agreement for HK\$189.0 million, as well as the expanded scope of Services for PPP projects in the PRC for HK\$167.0 million.

The former amount of HK\$189.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and expected increase in demand for property management services based on the existing projects of CSC Group for which the Group provides property management services for public facility work sites of CSC Group which were mainly in Hong Kong and Macau and potential new projects for public facility work sites of CSC Group (including Tseung Kwan O Desalination Plant and Organic Waste Treatment Facilities) in Hong Kong and Macau to be rendered in 2022, (ii) expected increase in demand for engineering service in Hong Kong and Macau to be rendered in 2022 based on the existing contracts which the Group has been providing engineering service to CSC Group in Hong Kong and Macau, the existing operating scale of providing engineering service and the estimated number of contracts to be obtained from CSC Group for providing engineering service. The transaction amount for 2022 in respect of the existing scope of Services would represent an increase of approximately 26.0% against that of 2021. The latter amount of HK\$167.0 million is determined in accordance with the expected increase in demand for property management services and gardening for nine PPP projects expected to be undertaken by CSC Group in the Mainland China located in Handan, Jiangxi, Zhejiang, Anhui and Shaanxi to be rendered in 2022.

The CSC Services Cap of HK\$224.0 million for 2023 1H (the “**CSC 2023 1H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous CSC Services Agreement for HK\$97.0 million, as well as the expanded scope of Services for PPP projects in the PRC for HK\$127.0 million.

The former amount of HK\$97.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and expected increase in demand for property management services based on the existing projects of CSC Group for which the Group provides property management services for public facility work sites of CSC Group which were mainly in Hong Kong and Macau and potential new projects for public facility work sites of CSC Group (including Tseung Kwan O Desalination Plant and Organic Waste Treatment Facilities) in Hong Kong and Macau to be rendered in 2023 1H, (ii) expected increase in demand for engineering service in Hong Kong and Macau to be rendered in 2023 1H based on the existing contracts which the Group has been providing engineering service to CSC Group in Hong Kong and Macau, the existing operating scale of providing engineering service and the estimated number of contracts to be obtained from CSC Group for providing engineering service. The latter amount of HK\$127.0 million is determined in accordance with the expected increase in demand for property management services and gardening for nine PPP projects expected to be undertaken by CSC Group in the Mainland China located in Handan, Jiangxi, Zhejiang, Anhui and Shaanxi to be rendered in the 2023 1H.

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4. CSCEC Services Transactions

Reference is made to the announcement issued by the Company on 7 August 2017 relating to, among other things, the Previous CSCEC Services Agreement, which was entered into between the Company and CSCEC and will expire on 30 June 2020.

The Directors expect that the Group will continue to participate from time to time in competitive tender to provide the Services (which will be expanded to include gardening, interior fine finishing and vetting of building plans) to CSCEC Group's commercial properties, residential communities and other projects in the PRC, Hong Kong, Macau and other locations. In this connection, on 28 April 2020, the Company and CSCEC entered into the CSCEC Services Agreement for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 (both dates inclusive), subject to the CSCEC Services Caps.

CSCEC Services Agreement

The principal terms of the CSCEC Services Agreement are summarised as follows:

Date

28 April 2020

Parties

1. CSCEC; and
2. the Company.

Duration

Subject to the fulfillment of the condition precedent to the CSCEC Services Agreement, the CSCEC Services Agreement will commence from 1 July 2020 and end on 30 June 2023 (both dates inclusive).

Terms

Pursuant to the CSCEC Services Agreement, any member of the Group may provide the Services to CSCEC Group's residential communities, commercial properties and other projects in the PRC, Hong Kong, Macau and other locations, subject to CSCEC Services Caps.

The Group will go through a tender process before being selected and appointed as service provider for provision of the Services to CSCEC Group. The price and terms (including the pricing basis) of the Group's tenders submitted to CSCEC Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to CSCEC Group are no more favourable than those submitted to independent third parties.

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Further details of the standard and systematic tender submission procedure of the Group are set out in the paragraph headed “Pricing Basis for the Services Transactions” below.

Condition Precedent

The CSCEC Services Transactions (together with the CSCEC Services Caps) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the CSCEC Services Agreement (together with the CSCEC Services Caps) and the CSCEC Services Transactions.

Previous Caps

The previous caps under the Previous CSCEC Services Agreement as disclosed in the announcement of the Company dated 7 August 2017 were as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the half year ending 30 June 2020
Previous CSCEC Services Caps	HK\$182,600,000	HK\$312,500,000	HK\$278,800,000

Historical/Estimated Transaction Amounts

The historical transaction amounts paid to the Group by CSCEC Group for each of the two years ended 31 December 2018 and 31 December 2019, and the estimated transaction amount paid to the Group by CSCEC Group for 2020 1H were/is as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the half year ending 30 June 2020
Historical/Estimated Transaction Amount	HK\$78,314,000	HK\$67,114,000	HK\$32,837,000*

* The estimated transaction amount for the half year ending 30 June 2020 is derived from the actual transaction amount for the first quarter ended 31 March 2020 of HK\$16,418,000 plus revised estimates of HK\$16,419,000 for second quarter ending 30 June 2020.

CSCEC Services Caps

The CSCEC Services Caps for 2020 2H, each of the two years ending 31 December 2021 and 31 December 2022 and 2023 1H are as follows:

	For the half year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	For the half year ending 30 June 2023
CSCEC Services Caps	HK\$82,000,000	HK\$221,400,000	HK\$308,400,000	HK\$168,200,000

LETTER FROM THE BOARD

Basis of determination of the CSCEC Services Caps

The CSCEC Services Cap of HK\$82.0 million for 2020 2H (the “**CSCEC 2020 2H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous CSCEC Services Agreement for HK\$43.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans for HK\$39.0 million.

The former amount of HK\$43.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in 2020 2H, based on the existing projects of CSCEC Group for which the Group provides property management services, the estimated vacancy rates for potential new projects to be developed by CSCEC Group in the PRC and the estimated GFA of new property projects expected to be developed by CSCEC Group, with an estimated general inflation up to 5%, mainly attributable to the expected increase in labour cost in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. based on the delivery schedule and pre-sale schedule of projects and the expected increase in labour cost, (iii) expected demand for engineering service based on the existing contracts which the Group has been providing engineering service to CSCEC Group in the PRC and Hong Kong, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. Together with the estimated transaction amount for 2020 1H of HK\$32.8 million, then the total transaction amount for 2020 in respect of the existing scope of Services would be approximately HK\$75.8 million, representing an increase of approximately 12.9% against that of 2019. The GFA to be under the management of the Group in 2020 is expected to be approximately 839,000 sq.m., (being 261,000 sq.m. for 2020 1H and 578,000 sq.m. for 2020 2H) (including commercial buildings) representing an increase by 12.3% in 2020 as compared with 747,000 sq.m. in 2019.

The latter amount of HK\$39.0 million is determined by the agreeable expanded scope of the value-added services in the Mainland China in relation to mainly gardening out of the development budget plans of CSCEC Group, which accounts for approximate 47.6% of the total CSCEC 2020 2H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of two projects to be developed by CSCEC Group, the portion of the Minimum Gardening Area to be developed by CSCEC Group as required by CSCEC Group’s relevant requirements and the service fees for the Group to provide gardening services according to the complexity of the projects.

Together with the estimated CSCEC Services Cap for 2020 1H, the total transaction amount for 2020 (i.e. 2020 1H + 2020 2H) would be approximately HK\$114.8 million, representing an increase of 71.1% against that of 2019.

The CSCEC Services Cap of 2021 (the “**CSCEC 2021 Services Cap**”) is HK\$221.4 million which is expected to increase by 92.9% against the total transaction amount of 2020 (2020 1H + 2020 2H), based on the existing scope of Services similar to the Previous CSCEC Services Agreement for HK\$91.4 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans for HK\$130.0 million.

LETTER FROM THE BOARD

The former amount of HK\$91.4 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in 2021 based on the existing projects of CSCEC Group for which the Group provides property management services, the estimated vacancy rates for potential new projects to be developed by CSCEC Group in the PRC and the estimated GFA of new property projects expected to be developed by CSCEC Group, with an estimated general inflation up to 5%, mainly attributable to the expected increase in labour cost in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. based on the delivery schedule and pre-sale schedule of projects and the expected increase in labour cost, (iii) expected demand for engineering service based on the existing contracts which the Group has been providing engineering service to CSCEC Group in the PRC and Hong Kong, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. The transaction amount for 2021 in respect of the existing scope of Services would represent an increase of approximately 20.6% against that of 2020. The GFA to be under the management of Group in 2021 is expected to be approximately 980,000 sq.m., representing an increase of 16.8% in 2021 as compared with 2020's estimate.

The latter amount of HK\$130.0 million, with an increment of 233.3% against 2020, is determined by the agreeable expanded scope of the Services in the Mainland China in relation to mainly gardening out of the development budget plans of CSCEC Group, which accounts for approximately 58.7% of the total CSCEC 2021 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of seven projects to be developed by CSCEC Group, the portion of the Minimum Gardening Area and the service fees for the Group to provide gardening services according to the complexity of the projects.

The CSCEC Services Cap of 2022 (the “**CSCEC 2022 Services Cap**”) is HK\$308.4 million which is expected to increase by 39.3% against the CSCEC 2021 Services Cap, based on the existing scope of Services similar to the Previous CSCEC Services Agreement for HK\$113.4 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans for HK\$195.0 million.

The former amount of HK\$113.4 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in 2022 based on the estimated GFA of new property projects expected to be developed by CSCEC Group, with an estimated general inflation up to 5%, mainly attributable to the expected increase in labour cost in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. (iii) expected demand for engineering service. The transaction amount for 2022 in respect of the existing scope of Services would represent an increase of approximately 24.1% against that of 2021. The GFA to be under the management of the Group in 2022 is expected to be approximately 1,216,000 sq.m., representing an increase of 24.1% in 2022 as compared with 2021's estimate.

LETTER FROM THE BOARD

The latter amount of HK\$195.0 million, with an increment of 50.0% against 2021, is determined by the agreeable expanded scope of the Services in the Mainland China in relation to mainly gardening out of the development budget plans of CSCEC Group, which accounts for approximately 63.2% of the total CSCEC 2022 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of ten projects to be developed by CSCEC Group, the portion of the Minimum Gardening Area and the service fees for the Group to provide gardening services according to the complexity of the projects.

The CSCEC Services Cap of HK\$168.2 million for 2023 1H (the “**CSCEC 2023 1H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous CSCEC Services Agreement for HK\$64.2 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans for HK\$104.0 million.

The former amount of HK\$64.2 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered in the 2023 1H based on the estimated GFA of new property projects expected to be developed by CSCEC Group, with an estimated general inflation up to 5%, mainly attributable to the expected increase in labour cost in the Mainland China, (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. (iii) expected demand for engineering service. The GFA to be under the management of the Group in 2023 1H is expected to be approximately 790,000 sq.m..

The latter amount of HK\$104.0 million is determined by the agreeable expanded scope of the Services in the Mainland China in relation to mainly gardening out of the development budget plans of CSCEC Group, which accounts for approximately 61.8% of the total CSCEC 2023 1H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of five projects to be developed by CSCEC Group, the portion of the Minimum Gardening Area and the service fees for the Group to provide gardening services according to the complexity of the projects.

LETTER FROM THE BOARD

PAYMENT TERMS FOR THE SERVICES TRANSACTIONS

In respect of the Services Transactions, the Group charges property management fees on a monthly basis for property management services and on a per-transaction basis for valued-added services and on such payment terms prescribed under the terms of the specific tender or contract.

PRICING BASIS FOR THE SERVICES TRANSACTIONS

In respect of the Services Transactions, the price and terms (including the pricing basis) of the Group's tenders submitted to COLI Group, COGO Group, CSC Group and CSCEC Group are subject to the standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties.

The procedure involves (i) receiving invitation to tender; (ii) initial assessment of tender documents; (iii) preparation of property management proposal, cost estimation and pricing; (iv) preparation for tender report, internal evaluation and approval of the tender report; and (v) tender submission.

The internal evaluation and approval of tender will be conducted by the head of the relevant business unit or subsidiary of the Group. All personnel of the Group involved in the evaluation and tender procedure are independent of COLI Group, COGO Group, CSC Group and CSCEC Group for property management services and valued-added services. In particular:

- (a) for property management services, as part of the project evaluation and tender procedure, where relevant, (i) personnel from various departments are involved at different stages of the procedures, including the business operation, quality management and market development departments; (ii) in evaluating projects before the submission of tenders, the Company would assess, among other things, the tender invitation document, the relevant market information, the property management project implementation plan, the associated costs and labour to be employed and the expected profitability; (iii) the pricing guidelines set by the Group involve (a) costs assessment, which makes references to factors including, among others, the costs of premises and facilities cleaning and maintenance, energy consumption, security management, labour requirement and salaries and tax obligations, etc.; and (b) market comparison with similar properties (e.g. with respect to location and nature of use of the property) in nearby areas that are within reasonable walking distance of the subject property; and (iv) there is a minimum profitability requirement for engaging in property management projects (i.e. the estimated revenue must exceed the estimated direct cost); and

LETTER FROM THE BOARD

- (b) for valued-added services, as part of the project evaluation and tender procedures, where relevant, (i) personnel from various departments are involved at different stages of the procedures, including the business operation (such as the intelligence and research department, repair and maintenance department and the elevator department), cost management department, market departments and the relevant general manager; (ii) in evaluating projects before the submission of tenders, the Company would assess, among other things, the project particulars, implementation strategy, cost estimation, and the reasonability and feasibility of the proposed quotation; and (iii) there is a minimum profitability requirement for the provision of services (i.e. the estimated revenue must exceed the estimated direct cost).

The pricing of the Services is based on a number of factors, including (i) estimated expenses, based on factors including the scope and quality of the services required; (ii) the classifications, types and locations of the properties, projects or work sites; (iii) the pricing for comparable properties, projects or work sites (e.g. with respect to location and nature of use of the property, project or work site (as applicable) that are within reasonable walking distance of the subject property, project or work site); (iv) the guidance price on fees as formulated or implemented in accordance with the Notice of the National Development and Reform Commission (“**NDRC**”) on the Proposals of Lifting the Control of Some Service Prices (《國家發展改革委關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (the “**NDRC Notice**”) by local competent pricing authorities of each province, autonomous region and municipality directly under the central government, if any; and (v) the prevailing market rate, which is determined with reference to the Group’s market intelligence obtained through market research and interactions with other market participants and industry peers and through the Group’s business network and the pricing of the Group’s provision of services to independent third parties.

According to the NDRC Notice, which was promulgated by the NDRC and came into effect on 17 December 2014, as for relevant service prices which meet competitive conditions, the competent pricing authorities of each province, autonomous region and municipality directly under the central government shall carry out relevant procedures, and lift price control, including the property service prices of non-public housing. As at the Latest Practicable Date, there was no further update of notice in its website.

Annual review of the aforesaid internal procedures and pricing policies (including the pricing guidelines) will be conducted internally and by the Independent Non-executive Directors and the Company’s auditors to ensure that the above procedures have been complied with.

In view of the above pricing basis and policy, the Directors (including the Independent Non-executive Directors) consider that the pricing in respect of the Services Transactions are on normal commercial terms, fair and reasonable and not more favourable than the terms offered by the Group to independent third parties.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is one of the leading property management companies in the PRC with operations also covering Hong Kong and Macau and is principally engaged in the provision of property management services, value-added services and car parking spaces trading business.

Each of COLI Group, COGO Group, CSC Group and CSCEC Group owned or held property development projects, properties (including residential communities, commercial properties and other properties) and/or work sites in the PRC, Hong Kong, Macau and/or other locations that may require property management services and valued-added services provided by the Group from time to time. By entering into each of the New Services Agreements, the Group will be able to continue to maintain and expand its revenue generating sources and thereby generate stable income and maximise its profit.

INFORMATION OF THE PARTIES

The Group is principally engaged in property management services, value-added services and car parking spaces trading business.

COLI Group is principally engaged in the business of property development and investment, and other operations.

COGO Group is principally engaged in property investment and development, property leasing and investment holding.

CSC Group is principally engaged in building construction, civil engineering works, electrical and mechanical works, infrastructure investment and project consultancy business.

CSCEC Group is a conglomerate principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

LISTING RULES IMPLICATIONS

CSCEC is the ultimate holding company of COHL, which is the controlling shareholder of each of the Company, COLI, COGO and CSC by virtue of it being interested in approximately 61.18%, 55.99%, 38.32% and 64.66% of their respective issued share capital, respectively. Therefore, members of each of COLI Group, COGO Group, CSC Group and CSCEC Group are connected persons of the Company, and the entering into of the New Services Agreement and the Services Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the New Services Agreements were all entered into within a 12-month period, the New Services Agreements being in respect of similar transactions and having been entered into between the Company and a connected person, all of the Services Transactions are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratios in respect of the Services Caps in aggregate exceed 5%, the Services Transactions are subject to annual review, reporting, announcement, circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent, all being Independent Non-executive Directors, has been established to advise the Independent Shareholders in respect of the New Services Agreements, the Services Transactions and the Services Caps. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Services Agreements, the Services Transactions and the Services Caps.

As none of the Directors had any material interest in the Services Transactions, none of them abstained from voting on the resolutions passed by the Board approving the New Services Agreements and the Services Transactions (together with the Services Caps).

Shareholders should note that the Services Caps represent the best estimates by the Directors of the amounts of the relevant transactions based on the information currently available. The Services Caps bear no direct relationship to, nor should be taken to have any direct bearing to the Group's financial or potential financial performance.

EXTRAORDINARY GENERAL MEETING

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among others, the New Services Agreements (together with the Services Caps) and the Services Transactions.

A notice convening the EGM to be held at 28/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong on Friday, 19 June 2020 at 2:45 p.m. or immediately after conclusion of the Company's annual general meeting to be held on the same day, whichever is later, is set out on pages EGM-1 to EGM-4 of this circular. The ordinary resolutions will be proposed at the EGM for the Independent Shareholders to consider and, if thought fit, to approve the New Services Agreements (together with the Services Caps) and the Services Transactions.

LETTER FROM THE BOARD

A form of proxy for the EGM is enclosed with this circular. Whether or not you will be able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjourned meeting (as the case may be) should you so wish.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. As at the Latest Practicable Date, CSCEC and its associates together held 2,011,041,060 Shares, representing approximately 61.18% of the issued share capital of the Company, of which 169,712,309 Shares are held by Silver Lot Development Limited, a direct wholly-owned subsidiary of COHL, and 1,841,328,751 Shares are held by COHL. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC. CSCEC and its associates will abstain from voting at the EGM on the resolutions in respect of the New Services Agreements (together with the Services Caps) and the Services Transactions.

The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the EGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 to 19 June 2020 both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM.

In order to qualify for attending and voting at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 15 June 2020.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 in this circular which contains its recommendation to the Independent Shareholders in relation to the New Services Agreements (together with the Services Caps) and the Services Transactions.

Your attention is also drawn to the letter from Opus Capital set out on pages IFA-1 to IFA-56 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Services Agreements (together with the Services Caps) and the Services Transactions.

LETTER FROM THE BOARD

The Directors (including the Independent Non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the terms of the New Services Agreements (together with the Services Caps) and the Services Transactions are on normal commercial terms and fair and reasonable, and the entering into of the New Services Agreements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the New Services Agreements (together with the Services Caps) and the Services Transactions.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

Yours faithfully,
By Order of the Board
China Overseas Property Holdings Limited
Zhang Guiqing
Chairman and Executive Director



中海物業

CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2669)

2 June 2020

To the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE PROVISION OF CERTAIN SERVICES WITH
COLI, COGO, CSC AND CSCEC**

We refer to the circular dated 2 June 2020 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the New Services Agreements (together with the Services Caps) and the Services Transactions are fair and reasonable and on normal commercial terms, and the entering into of the New Services Agreements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Opus Capital, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Services Agreements (together with the Services Caps) and the Services Transactions.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 36 of the Circular and the text of a letter of advice from Opus Capital, as set out on IFA-1 to IFA-56 of the Circular, both of which provide details of the New Services Agreements (together with the Services Caps) and the Services Transactions.

Having considered the New Services Agreements (together with the Services Caps) and the Services Transactions, the advice of Opus Capital, and the relevant information contained in the letter from the Board as set out in the Circular, we are of the opinion that the terms of the New Services Agreements (together with the Services Caps) and the Services Transactions are fair and reasonable and on normal commercial terms, and the entering into of the New Services Agreements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the New Services Agreements (together with the Services Caps) and the Services Transactions.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of
China Overseas Property Holdings Limited**

Yung, Wing Ki Samuel

Independent

Non-executive Director

So, Gregory Kam Leung

Independent

Non-executive Director

Lim, Wan Fung Bernard Vincent

Independent

Non-executive Director

LETTER FROM OPUS CAPITAL

The following is the full text of the letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders in relation to the New Services Agreements, the Services Transactions and the Services Caps, which has been prepared for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

2 June 2020

*To: the Independent Board Committee and the Independent Shareholders of
China Overseas Property Holdings Limited*

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROVISION OF CERTAIN SERVICES WITH COLI, COGO, CSC AND CSCEC

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the New Services Agreements, the Services Transactions and the Service Caps. Details of the New Services Agreements, the Services Transactions and the Service Caps are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 2 June 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

THE NEW SERVICES AGREEMENTS

COLI Services Agreement and the COLI Services Transactions

Reference is made to the Previous COLI Target Services Agreement and the Previous COLI Services Agreement, each of which was entered into between the Company and COLI on 20 October 2017 and will expire on 30 June 2020. As stated in the Letter from the Board, the Directors expect that the Group will continue to participate from time to time in competitive tender to provide the Services (which will be expanded to include gardening, interior fine finishing and vetting of building plans etc.) to COLI Group in respect of the Properties owned by COLI Group (which will be expanded to include property development projects owned by COLI Group in the PRC, Hong Kong, Macau and other locations). In this connection, on 28 April 2020, the Company and COLI entered into the COLI Services Agreement.

LETTER FROM OPUS CAPITAL

COGO Services Agreement and the COGO Services Transactions

Reference is made to the Previous COGO Target Services Agreement and the Previous COGO Services Agreement, each of which was entered into between the Company and COGO on 20 October 2017 and will expire on 30 June 2020. As stated in the Letter from the Board, the Directors expect that the Group will continue to participate from time to time in competitive tender to provide the Services (which will be expanded to include gardening, interior fine finishing and vetting of building plans etc.) to COGO Group in respect of the Properties owned by COGO Group (which will be expanded to include properties (including residential communities, commercial properties and other properties) owned by COGO Group in the PRC, Hong Kong, Macau and other locations). In this connection, on 28 April 2020, the Company and COGO entered into the COGO Services Agreement.

CSC Services Agreement and the CSC Services Transactions

Reference is made to the Previous CSC Services Agreement which was entered into between the Company and CSC on 7 August 2017 and will expire on 30 June 2020. As stated in the Letter from the Board, the Directors expect that the Group will continue to participate from time to time in competitive tender to provide CSC Group with the Services (which will be expanded to include gardening, interior fine finishing and vetting of building plans) in respect of residential communities, commercial properties and other properties owned by CSC Group in the PRC, Hong Kong, Macau and other locations and CSC Group's work sites in the PRC, Hong Kong and Macau. In this connection, on 28 April 2020, the Company and CSC entered into the CSC Services Agreement.

CSCEC Services Agreement and the CSCEC Services Transactions

Reference is made to the Previous CSCEC Services Agreement entered into between the Company and CSCEC on 7 August 2017 which will expire on 30 June 2020. As stated in the Letter from the Board, the Directors expect that the Group will continue to participate from time to time in competitive tender to provide the Services (which will be expanded to include gardening, interior fine finishing and vetting of building plans) to CSCEC Group's commercial properties, residential communities and other projects in the PRC, Hong Kong, Macau and other locations. In this connection, on 28 April 2020, the Company and CSCEC entered into the CSCEC Services Agreement.

As at the Latest Practicable Date, CSCEC, being the ultimate holding company of COHL, is the controlling shareholder of each of the Company, COLI, COGO and CSC by virtue of it being interested in approximately 61.18%, 55.99%, 38.32% and 64.66% of their respective issued share capital, respectively. Therefore, members of each of COLI Group, COGO Group, CSC Group and CSCEC Group are connected persons of the Company, and the entering into of the New Services Agreements and the Services Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM OPUS CAPITAL

As the New Services Agreements were all entered into within a 12-month period, the New Services Agreements being in respect of similar transactions and having been entered into between the Company and a connected person, all of the Services Transactions are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratios in respect of the Services Caps in aggregate exceed 5%, the Services Transactions are subject to annual review, reporting, announcement, circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As none of the Directors had any material interest in the Services Transactions, none of them abstained from voting on the resolutions passed by the Board approving the New Services Agreements and the Services Transactions (together with Services Caps).

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among others, the New Services Agreements (together with the Services Caps) and the Services Transactions. Voting at the EGM will be conducted by poll and CSCEC and its associates, together holding 2,011,041,060 Shares, representing approximately 61.18% of the issued share capital of the Company, will abstain from voting at the EGM on the resolutions in respect of the New Services Agreements, the Services Transactions and the Services Caps.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent, has been established by the Company for the purpose of advising the Independent Shareholders on: (i) whether the entering into of the New Services Agreements and the Services Transactions are on normal commercial terms, in the interests of the Company and the Shareholders as a whole and were entered into in the ordinary and usual course of business of the Group; (ii) whether the terms of which are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how they should vote on the relevant resolutions at the EGM. Based on the approval of the Independent Board Committee, we have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and independent shareholders of the Company on two framework agreements entered into by the Company with each of COLI and COGO dated 23 October 2019 with respect to the acquisition of rights-of-use of car parking spaces (the "**Past Appointment**"), the details of the relevant transactions are set out in the circular of the Company dated 14 November 2019. The transactions under the Past Appointment are independent of the New Services Agreements and the Services Transactions.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group, COLI Group, COGO Group, CSC Group, CSCEC Group or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fees paid or payable to us in connection with the Past Appointment and this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, COLI Group, COGO Group, CSC Group, CSCEC Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM OPUS CAPITAL

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

1. the New Services Agreements;
2. the Company's annual report for the year ended 31 December ("FY") 2019 (the "**2019 Annual Report**");
3. the Company's annual report for FY2018 (the "**2018 Annual Report**"); and
4. other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects. We also have not considered the taxation implications on the Group as a result of the New Services Agreements and the Services Transactions.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

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This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the New Services Agreements, the Services Transactions and the Services Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the New Services Agreements, the Services Transactions and the Services Caps, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in provision of property management services, value-added services and car parking spaces trading business. The Group is one of the leading property management companies in the PRC, with operations covering Hong Kong and Macau, which strives to preserve and add value to the properties under its management by providing high-quality and sophisticated services to the customers and maximising customer satisfaction. Since its spin-off from COLI and listed by way of introduction on the Main Board of the Stock Exchange on 23 October 2015, the operating scale of the Group has been growing steadily with the aggregate GFA under its management almost doubled from approximately 82.6 million sq.m. as at 31 December 2015 to approximately 151.4 million sq.m. as at 31 December 2019.

Set out below is the summary of the Group's audited consolidated income statement and consolidated statement of financial position for FY2018 and FY2019 extracted from the 2019 Annual Report.

Table 1: Summary of consolidated income statement of the Company

	FY2018 (Restated) <i>HK\$ million</i> (audited)	FY2019 <i>HK\$ million</i> (audited)
Revenue	4,177.5	5,465.5
Property management services	3,283.0	4,107.7
Value-added services	894.5	1,348.2
Car parking spaces trading business	–	9.6
Gross profit	850.3	1,090.4
Profit before tax	556.4	760.5
Profit for the year attributable to the Shareholders	403.2	537.8

Source: the 2019 Annual Report

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As discussed in the 2019 Annual Report, revenue of the Group increased by approximately HK\$1,288.0 million or approximately 30.8%, from approximately HK\$4,177.5 million in FY2018 to approximately HK\$5,465.5 million in FY2019 which was mainly attributable to: (i) the increase in both the total GFA under the management of the Group and the property management fee; and (ii) the continuing business growth mainly from value-added services to both non-residents and residents.

Property management services is the Group's core business segment and contributed to most of the Group's revenue for FY2019. Revenue from property management services constituted approximately 75.2% of the Group's total revenue (FY2018: 78.6% (restated)), and increased by approximately 25.1% to approximately HK\$4,107.7 million (FY2018: HK\$3,283.0 million (restated)). The increase in revenue from property management services was mainly attributable to the increasing GFA under its management, and included factors such as increase in property management fee, which was partly offset by the effect of average depreciation of RMB against HK\$ during FY2019. The property management services segment recorded a stable segment gross profit margin of approximately 16.5% and 16.2% for FY2018 and FY2019 respectively. When the administrative expenses were deducted and other income was taken into consideration, the segment profit of the property management services increased by approximately 31.2% from approximately HK\$327.4 million for FY2018 to approximately HK\$429.5 million for FY2019.

The Group's second largest segment in terms of revenue is value-added services. For FY2019, the proportion of revenue from value-added services segment out of the Group's total revenue increased to approximately 24.6% (FY2018: 21.4% (restated)), and increased significantly by approximately 50.7% to approximately HK\$1,348.2 million (2018: HK\$894.5 million (restated)), of which, sub-segment revenue from value-added services to non-residents and value-added services to residents increased substantially by approximately 57.4% and 38.2% to approximately HK\$917.1 million and HK\$431.1 million respectively (FY2018: non-residents – HK\$582.6 million (restated) and residents – HK\$311.9 million (restated) respectively). The value-added services segment of the Group is also a very profitable segment with segment gross profit margin of approximately 34.5% and 31.3% for FY2018 and FY2019 respectively. The segment profit from value-added services for FY2019, having allowed for segment overheads, increased from approximately HK\$281.0 million (restated) for FY2018 to approximately HK\$390.1 million, representing a year-on-year growth of approximately 38.8%.

The profit attributable to the Shareholders increased by approximately HK\$134.6 million or approximately 33.4%, from approximately HK\$403.2 million in FY2018 to approximately HK\$537.8 million in FY2019 which was mainly the combination effect of: (i) the increase in revenue of the Group during the year as discussed above; (ii) the increase in unconditional government grants mainly attributable to additional income from value-added and other taxes beneficial policies for the year; and (iii) the decrease in net impairment of trade receivables and payments on behalf of property owners for properties mainly due to the continuously strengthening of the controls and recovery of receivables and advances of the Group.

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Table 2: Summary of consolidated statement of financial position of the Company

	As at 31 December	
	2018	2019
	(Restated)	
	HK\$ million	HK\$ million
	(audited)	(audited)
Non-current assets	294.0	319.5
Current assets	3,273.3	3,975.8
Non-current liabilities	22.2	64.3
Current liabilities	2,410.7	2,696.4
Equity attributable to Shareholders	1,125.2	1,513.9

Source: the 2019 Annual Report

As disclosed in the 2019 Annual Report, the Group's non-current assets as at 31 December 2019 mainly consisted of investment properties, property, plant and equipment and right-of-use assets. The Group's current assets as at 31 December 2019 mainly consisted of bank balances and cash, inventories and trade and other receivables. As at 31 December 2019, the Group recorded a significant increase in inventories from approximately HK\$37.1 million as at 31 December 2018 to approximately HK\$418.4 million as at 31 December 2019, representing an over ten-fold increase which was due to the purchase of right-of-use on car parking spaces amounted to approximately HK\$381.3 million for the expansion of the car parking spaces trading business.

The Group recorded relatively small non-current liabilities as at 31 December 2019 which comprised of deferred tax liabilities and lease liabilities. The significant increase of non-current liabilities as at 31 December 2019 compared to that of 31 December 2018 was due to the recognition of lease liabilities as required under the Hong Kong Financial Reporting Standard 16. The Group's current liabilities as at 31 December 2019 mainly consisted of trade and other payables and receipts in advance and other deposits.

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2. Background information of the counterparties

COLI Group

COLI Group is principally engaged in the business of property development and investment and other operations. In FY2019, COLI Group recorded contracted property sales of more than HK\$370 billion with the corresponding sales area of approximately 17.94 million sq.m. and completed 95 property development projects with a total area of approximately 16.34 million sq.m. in 30 cities in the PRC and Hong Kong.

COGO Group

COGO Group is principally engaged in property investment and development, property leasing and investment holding. In FY2019, COGO Group recorded contracted property sales of more than HK\$50 billion with the corresponding contracted area of approximately 5.0 million sq.m. and recorded a GFA of approximately 3.3 million sq.m. construction sites completed for occupation and of which, approximately 97% were sold by 31 December 2019.

CSC Group

CSC Group is principally engaged in the construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and façade contracting business. In FY2019, CSC Group recorded new contract value of approximately HK\$110.62 billion. As at 31 December 2019, CSC Group had on-hand contract value amounted to approximately HK\$396.57 billion, among which the backlog was approximately HK\$227.07 billion.

CSCEC Group

CSCEC Group is a conglomerate principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

3. Outlook of the property management industry

Outlook of the property management industry in the PRC

The property management industry in the PRC has been growing in the past years evidenced by the increase in the GFA under management and number of properties managed by property management companies as a result of nationwide urbanisation and continual growth in per capita disposable income in the PRC. Set out below are: (i) the summary of the urbanisation levels in the PRC from 2014 to 2019; and (ii) the annual per capita disposable income of urban households in the PRC from 2014 to 2019 published by 國家統計局 (The National Bureau of Statistics of China) (the “NBS”):

Table 3: Summary of the urbanisation levels in the PRC from 2014 to 2019

	2014	2015	2016	2017	2018	2019
Total population (in millions)	1,367.8	1,374.6	1,382.7	1,390.1	1,395.4	1,400.1
Urban population (in millions)	749.2	771.2	793.0	813.5	831.4	848.4
Urbanisation rate (%)	54.8%	56.1%	57.4%	58.5%	59.6%	60.6%

Source: the NBS

Table 4: Summary of the annual per capita disposable income of urban households in the PRC from 2014 to 2019

	2014	2015	2016	2017	2018	2019
Annual per capita disposable income of urban households (RMB)	28,844	31,195	33,616	36,396	39,251	42,359

Source: the NBS

As extracted from the NBS, the urbanisation rate of the PRC increased steadily from approximately 54.8% in 2014 to approximately 60.6% in 2019. The per capita disposable income of urban households in the PRC increased from approximately RMB28,844 in 2014 to approximately RMB42,359 in 2019, representing a compound annual growth rate (the “CAGR”) of approximately 8.0%.

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In addition, according to 中國社會科學院財經戰略研究院 (The National Academy of Economic Strategy of the Chinese Academy of Social Sciences*), a research and publishing institute for economic policies in the PRC, the proportion of permanent urban residents of Mainland China's total population is expected to reach 70% by 2035. As the progress of urbanisation and the continuous growth in per capita disposable income of urban households carry on, the supply of commodity residential properties (being residential properties developed for sale) in the PRC has followed the same growing trend.

As emphasised at 中國共產黨第十九次全國代表大會 (The 19th National Congress of the Communist Party of China*) in 2017, the aspirations of the Chinese people to live a better life must always be the focus of the PRC Government's effort. The increasing trend of urbanisation rate, per capita disposable income of urban households and GFA under construction, coupled with the supportive policy environment in the PRC have increased the demand for better living conditions and high-quality property management services which serve as the underlying drivers for the growth of the property management industry in the PRC.

Outlook of the property management industry in Hong Kong

As set out in the 2020-21 Budget (the “**HK Budget**”) published by the Hong Kong Government in February 2020, housing remains the most important livelihood issue which the Hong Kong Government has to address. According to the latest forecast set out in the HK Budget, the housing supply in Hong Kong is expected to increase and it is estimated that the private sector will, on average, complete approximately 19,600 private residential units annually from 2020 to 2024, representing an increase of approximately 25% over the annual average of the previous five years.

Land supply is also expected to increase as the Hong Kong Government has been increasing land supply through a multi-pronged approach and addressing the supply-demand imbalance by formulating short, medium and long-term measures. In the short and medium term, the Hong Kong Government will commence technical studies and examination on rezoning of various locations. In the medium to long term, there will be various new development area projects expected to provide more than 210,000 housing units.

In addition, according to information published by the Census and Statistics Department of Hong Kong, the median monthly income of economically active households in Hong Kong increased from approximately HK\$28,800 in 2014 to approximately HK\$35,500 in 2019, representing a CAGR of approximately 4.3%.

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In view of the above, the property management sector in Hong Kong is expected to continue to grow at a steady rate as the Hong Kong Government continues to increase land supply in which completion of residential and commercial properties are expected to remain at a stable level and the steady increase in monthly household income of the Hong Kong residents will drive the demand for better living standards which would call for high-quality property management services. The future prospects of the property management industry in Hong Kong is generally considered to be positive.

Outlook of the property management industry in Macau

As provided from the Statistics and Census Bureau of Macau (the “SCBM”), the revenue generated by the property management industry reached approximately MOP2.0 billion in 2018, represented a year-on-year increase of approximately 13.2%. In 2018, the property management industry recorded a contribution to Macau economy which amounted to approximately MOP1.14 billion, representing a year-on-year increase of approximately 12.7%. Set out below is a summary of housing units and average transacted amount per sq.m. of residential units in Macau from 2014 to 2019:

Table 5: Summary of the housing units and average transacted amount per sq.m. of residential units in Macau from 2014 to 2019

	2014	2015	2016	2017	2018	2019
Housing units	254,635	258,408	261,199	266,631	273,897	276,800
– Residential	212,694	216,387	219,010	224,227	231,333	234,059
– Commercial	41,941	42,021	42,189	42,404	42,564	42,741
Average transacted amount per sq.m. of residential units (MOP)	99,795	86,826	86,342	100,822	108,427	107,522

Source: the SCBM

According to the SCBM, the median monthly household income increased from approximately MOP53,000 in 2014 to approximately MOP67,300 in 2019, representing a CAGR of approximately 4.9%.

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As stated in the 2019 Year Book published by the Chartered Institute of Housing Asian Pacific Branch, the overseas representative office of the Chartered Institute of Housing which is a professional organisation headquartered in the United Kingdom that is involved in setting standards in policy formulation, training, education and professional development in housing management, the quality of the residential properties in Macau has been improving and property developers are eyeing to provide more residential properties with premium quality as evidenced by the increasing trend of the average transacted amount per sq.m. of residential units. According to the SCBM, there has been a stable yet overall increasing trend in the average transacted amount per sq.m. of residential units in Macau which increased from MOP99,795 in 2014 to MOP107,522 in 2019.

In light of the above, the future prospects of the property management industry in Macau is generally considered to be positive when more housing units with premium quality are being developed which matches well with the rising income level of the Macau residents who demand for high-quality property management services.

4. Reasons for and benefits of renewal of the continuing connected transactions

The Group is one of the leading property management companies in the PRC with operations also covering Hong Kong and Macau and is principally engaged in the provision of property management services, value-added services and car parking spaces trading business.

Each of COLI Group, COGO Group, CSC Group and CSCEC Group owned or held property development projects, properties (including residential communities, commercial properties and other properties) and/or work sites in the PRC, Hong Kong, Macau and/or other locations that may require property management services and valued-added services provided by the Group from time to time. By entering into each of the New Services Agreements, the Group will be able to continue to maintain and expand its revenue generating sources and thereby generate stable income and maximise its profit.

As set out in the Letter from the Board, the Directors (including the independent non-executive Directors after having considered our advice) consider that the terms of the New Services Agreements (together with the Services Caps) and the Services Transactions are on normal commercial terms and fair and reasonable, and, the entering into of the New Services Agreements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

As stated in the 2019 Annual Report, the Group's brand image and industry status continued to enhance as it: (i) became the vice president unit of the China Property Management Institute; (ii) obtained multiple certifications from the Building Owners and Managers Association; and (iii) joined the Golden Key International Alliance. For future development, as stated in the 2019 Annual Report, the Group will actively commence market expansion and enlarge operating scale by way of securing external and joint venture projects as well as through mergers and acquisitions, with a view in maintaining the Group's size advantage. Furthermore, the Group will continue to expand its property management size and base whilst increase investment in the value-added business and steadily advance the development of the value-added business. As such, the entering into of the New Services Agreements, which involve the continual provision of and the enlargement of size and scope of property management services and value-added services of existing customers, generally aligns with the future development plan of the Group.

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In view of: (i) the positive outlook of the property management industry in the PRC, Hong Kong and Macau as discussed in the section headed “3. Outlook of the property management industry” above; (ii) the growing profitability of the Group’s property management services segment and the value-added services segment as discussed in the section headed “1. Background information of the Group” above; and (iii) the future development plan of the Group as discussed in the paragraph above, we concur with the Directors that the entering into of the New Services Agreements is in the ordinary and usual course of business of the Group which will enable the Group to continue to maintain and expand its revenue generating sources and thereby generate stable income and maximise its profit.

5. Principal terms of the New Services Agreements

COLI Services Agreement

The principal terms of the COLI Services Agreement are as below.

Date	:	28 April 2020
Parties	:	(a) COLI; and (b) the Company.
Duration	:	From 1 July 2020 to 30 June 2023 (both dates inclusive).
Terms	:	Pursuant to the COLI Services Agreement, any member of the Group may provide the Services to COLI Group in respect of the Properties owned by COLI Group, subject to the COLI Services Caps.

The Group will go through a tender process before being selected and appointed as service provider for provision of the Services to COLI Group. The price and terms (including the pricing basis) of the Group’s tenders submitted to COLI Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to COLI Group are no more favourable than those submitted to independent third parties.

Conditions precedent	:	The COLI Services Transactions (together with the COLI Services Caps) are conditional upon (i) the passing of the resolution by the Independent Shareholders at the EGM approving the COLI Services Agreement (together with the COLI Services Caps) and the COLI Services Transactions, and (ii) the Company and COLI having complied with all requirements under the Listing Rules with respect to the COLI Services Transactions.
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COGO Services Agreement

The principal terms of the COGO Services Agreement are as below.

- Date** : 28 April 2020
- Parties** : (a) COGO; and
(b) the Company.
- Duration** : From 1 July 2020 to 30 June 2023 (both dates inclusive).
- Terms** : Pursuant to the COGO Services Agreement, any member of the Group may provide the Services to COGO Group in respect of the Properties owned by COGO Group, subject to the COGO Services Caps.

The Group will go through a tender process before being selected and appointed as service provider for provision of the Services to COGO Group. The price and terms (including the pricing basis) of the Group's tenders submitted to COGO Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to COGO Group are no more favourable than those submitted to independent third parties.

- Conditions Precedent** : The COGO Services Transactions (together with the COGO Services Caps) are conditional upon (i) the passing of the resolution by the Independent Shareholders at the EGM approving the COGO Services Agreement (together with the COGO Services Caps) and the COGO Services Transactions, and (ii) the Company and COGO having complied with all requirements under the Listing Rules with respect to the COGO Services Transactions.

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CSC Services Agreement

The principal terms of the CSC Services Agreement are as below.

- Date** : 28 April 2020
- Parties** : (a) CSC; and
(b) the Company.
- Duration** : From 1 July 2020 to 30 June 2023 (both dates inclusive).
- Terms** : Pursuant to the CSC Services Agreement, any member of the Group may provide the Services to CSC Group in respect of residential communities, commercial properties and other properties owned by CSC Group in the PRC, Hong Kong, Macau and other locations and CSC Group's work sites in the PRC, Hong Kong and Macau, subject to the CSC Services Caps.

The Group will go through a tender process before being selected and appointed as service provider for provision of the Services to CSC Group. The price and terms (including the pricing basis) of the Group's tenders submitted to CSC Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to CSC Group are no more favourable than those submitted to independent third parties.

- Condition Precedent** : The CSC Services Transaction (together with the CSC Services Caps) are conditional upon (i) the passing of the resolution by the Independent Shareholders at the EGM approving CSC Services Agreement (together with the CSC Services Caps) and the CSC Services Transactions, and (ii) the Company and CSC having complied with all requirements under the Listing Rules with respect to the CSC Services Transactions.

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CSCEC Services Agreement

The principal terms of the CSCEC Services Agreement are as below.

- Date** : 28 April 2020
- Parties** : (a) CSCEC; and
(b) the Company.
- Duration** : From 1 July 2020 to 30 June 2023 (both dates inclusive).
- Terms** : Pursuant to the CSCEC Services Agreement, any member of the Group may provide the Services to CSCEC Group's residential communities, commercial properties and other projects in the PRC, Hong Kong, Macau and other locations, subject to CSCEC Services Caps.

The Group will go through a tender process before being selected and appointed as service provider for provision of the Services to CSCEC Group. The price and terms (including the pricing basis) of the Group's tenders submitted to CSCEC Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to CSCEC Group are no more favourable than those submitted to independent third parties.

- Conditions Precedent** : The CSCEC Services Transactions (together with the CSCEC Services Caps) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the CSCEC Services Agreement (together with the CSCEC Services Caps) and the CSCEC Services Transactions.

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6. Our analysis on the principal terms of the New Services Agreements

6.1 *Internal control procedures*

As stated in the Letter from the Board, the price and terms (including the pricing basis) of the Group's tenders submitted to COLI Group, COGO Group, CSC Group and CSCEC Group are subject to the standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons of the Group and independent third parties.

The relevant procedures involve: (i) receiving invitation to tender; (ii) initial assessment of tender documents; (iii) preparation of property management proposal, cost estimation and pricing; (iv) preparation for tender report, internal evaluation and approval of the tender report; and (v) tender submission.

The internal evaluation and approval of tender (the "**Internal Control Procedures**") will be conducted by the head of the relevant business unit or subsidiary of the Group. All personnel of the Group involved in the evaluation and tender procedure are independent of COLI Group, COGO Group, CSC Group and CSCEC Group for property management services and valued-added services. In particular:

(a) *Property management services*

As part of the project evaluation and tender procedure, where relevant, (i) personnel from various departments are involved at different stages of the procedures, including the business operation, quality management and market development departments; (ii) in evaluating projects before the submission of tenders, the Company would assess, among other things, the tender invitation document, the relevant market information, the property management project implementation plan, the associated costs and labour to be employed and the expected profitability; (iii) the pricing guidelines set by the Group involve: (a) costs assessment, which makes references to factors including, among others, the costs of premises and facilities cleaning and maintenance, energy consumption, security management, labour requirement and salaries and tax obligations, etc.; and (b) market comparison with similar properties (e.g. with respect to location and nature of use of the property) in nearby areas that are within reasonable walking distance of the subject property; and (iv) there is a minimum profitability requirement for engaging in property management projects (i.e. the estimated revenue must exceed the estimated direct cost); and

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(b) *Valued-added services*

As part of the project evaluation and tender procedures, where relevant, (i) personnel from various departments are involved at different stages of the procedures, including the business operation (such as the intelligence and research department, repair and maintenance department and the elevator department), cost management department, market department and the relevant general manager; (ii) in evaluating projects before the submission of tenders, the Company would assess, among other things, the project particulars, implementation strategy, cost estimation, and the reasonability and feasibility of the proposed quotation; and (iii) there is a minimum profitability requirement for the provision of services (i.e. the estimated revenue must exceed the estimated direct cost).

Annual review of the aforesaid Internal Control Procedures and pricing policies (including the pricing guidelines) to be discussed in the following sub-section, will be conducted internally and by the independent non-executive Directors and the Company's auditors to ensure that the above procedures have been complied with.

As part of our due diligence, we have:

- (i) obtained a full contract list for all the new contracts entered into between the Group and COLI Group, COGO Group, CSC Group and CSCEC Group (the "**CCT Contract List**") for the provision of the property management services and value-added services by the Group for FY2018 and FY2019 (the "**Review Period**");
- (ii) selected from the CCT Contract List, obtained and reviewed 4 sample records, on a random basis, of the provision of property management services by the Group during the Review Period for the new contracts entered into between each of: (i) the Group and COLI Group (the "**COLI PM Samples**"); (ii) the Group and COGO Group (the "**COGO PM Samples**"); (iii) the Group and CSC Group (the "**CSC PM Samples**"); and (iv) the Group and CSCEC Group (the "**CSCEC PM Samples**") (the COLI PM Samples, the COGO PM Samples, the CSC PM Samples and the CSCEC PM Samples are collectively referred to the "**PM CCT Samples**") for a total of 16 PM CCT Samples;
- (iii) selected from the CCT Contract List, obtained and reviewed 8 sample records (in the case of CSC Group, 4 sample records as no pre-delivery value-added services were provided to it by the Group), on a random basis, of the provision of value-added services by the Group during the Review Period for the new contracts entered into between each of: (i) the Group and COLI Group (the "**COLI VA Samples**"); (ii) the Group and COGO Group (the "**COGO VA Samples**"); (iii) the Group and CSC Group (the "**CSC VA Samples**"); and (iv) the Group and CSCEC Group (the "**CSCEC VA Samples**") (the COLI VA Samples, the COGO VA Samples, the CSC VA Samples and the CSCEC VA Samples are collectively referred to the "**VA CCT Samples**") for a total of 28 VA CCT Samples;

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- (iv) obtained and reviewed a total of 10 sample records, on a random basis, for contracts of providing property management services (the “**PM Independent Samples**”); and value-added services (the “**VA Independent Samples**”) by the Group to independent third parties during the Review Period;
- (v) obtained and reviewed the pricing guidelines set by the Group for each of the above samples which include both contracts entered into with the relevant connected persons and those entered into with independent third parties;
- (vi) obtained and reviewed the minimum profitability requirements of each of the above samples which include both contracts entered into with the relevant connected persons and those entered into with independent third parties; and
- (vii) obtained and reviewed the meeting minutes regarding the results of annual review conducted by the independent auditors of the Company on the Internal Control Procedures and sample checks of historical continuing connected transactions conducted by the independent non-executive Directors, for the Review Period (the “**Annual Review Records**”).

For property management services, we noted from the COLI PM Samples, COGO PM Samples, CSC PM Samples and CSCEC PM Samples as well as the PM Independent Samples that: (i) personnel from various departments of the corresponding companies were involved at various stages of procedures; (ii) the Company evaluated the relevant projects before the submission of tenders; (iii) the relevant pricing guidelines had been taken into account; and (iv) the relevant minimum profitability requirements had been taken into account. As such, the internal evaluation and approval procedures adopted for the PM CCT Samples were in line with the Internal Control Procedures and in a manner no different from those adopted in the PM Independent Samples.

For value-added services, we noted from the COLI VA Samples, COGO VA Samples, CSC VA Samples and CSCEC VA Samples as well as the VA Independent Samples that: (i) personnel from different departments of the corresponding companies were involved at various stages of procedures; (ii) the Company evaluated the relevant projects before the submission of tenders; and (iii) the relevant minimum profitability requirement had been taken into account. As such, the internal evaluation and approval procedures adopted for the VA CCT Samples were in line with the Internal Control Procedures and in a manner no different from those adopted in the VA Independent Samples.

Further, we noted from the Annual Review Records that: (i) the independent auditor of the Company did not note any material non-compliance to the Internal Control Procedures; and (ii) no non-compliance was noted from the sample checks conducted by the independent non-executive Directors, for the Review Period.

Based on the above, we are of the view that the Internal Control Procedures have been complied with.

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6.2 *Pricing Basis and Payment Terms*

As stated in the Letter from the Board, the pricing of the Group's Services is based on a number of factors, including: (i) estimated expenses, based on factors including the scope and quality of the services required; (ii) the classifications, types and locations of the properties, projects or work sites; (iii) the pricing for comparable properties, projects or work sites (e.g. with respect to location and nature of use of the property, project or work sites (as applicable) that are within reasonable walking distance of the subject property, project or work site); (iv) the guidance price on fees as formulated or implemented in accordance with the Notice of the National Development and Reform Commission ("NDRC") on the Proposals of Lifting the Control of Some Service Prices (《國家發展改革委關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (the "NDRC Notice") by local competent pricing authorities of each province, autonomous region and municipality directly under the central government, if any; and (v) the prevailing market rate, which is determined with reference to the Group's market intelligence obtained through market research and interactions with other market participants and industry peers and through the Group's business network and the pricing of the Group's provision of services to independent third parties.

For property management services, we noted from the COLI PM Samples, COGO PM Samples, CSC PM Samples and CSCEC PM Samples that the projects were evaluated under the same procedures as those projects in the PM Independent Samples, such as personnel from various departments were involved at different stages and the relevant pricing guidelines and the minimum profitability requirements had been taken into account. For value-added services, we noted from the COLI VA Samples, COGO VA Samples, CSC VA Samples and CSCEC VA Samples that the projects were evaluated under the same procedures as those projects in the VA Independent Samples, such as personnel from various departments were involved at different stages and the relevant minimum profitability requirements had been taken into account. As such, the Group applied the same pricing basis to contracts entered into with connected persons and with independent third parties.

As further stated in the Letter from the Board, the Group charges property management fees on a monthly basis for property management services and on a per-transaction basis for valued-added services and on such payment terms prescribed under the terms of the specific tender or contract. We noted that there is no difference in the payment terms between: (i) the PM CCT Samples and the PM Independent Samples; and (ii) the VA CCT Samples and the VA Independent Samples.

In view of the above, we concur with the Management's view that the pricing and payment terms in respect of the Services Transactions are on normal commercial terms, fair and reasonable and not more favourable than the terms offered by the Group to independent third parties.

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6.3 Basis for determining and our assessment of each of the Services Caps

(I) COLI Group

Previous Caps

The previous caps under the Previous COLI Target Services Agreement and Previous COLI Services Agreement as disclosed in the announcement of the Company dated 20 October 2017 were as follows:

	FY2018	FY2019	2020 1H
Previous COLI Target Services Caps	HK\$48,000,000	HK\$51,100,000	HK\$19,800,000
Previous COLI Services Caps	<u>HK\$634,300,000</u>	<u>HK\$725,200,000</u>	<u>HK\$420,700,000</u>
Total	<u>HK\$682,300,000</u>	<u>HK\$776,300,000</u>	<u>HK\$440,500,000</u>

Historical/Estimated Transaction Amounts with COLI Group

The historical transaction amounts paid to the Group by COLI Group for FY2018, FY2019 and the estimated transaction amount paid and to be paid to the Group by COLI Group for the half year ending 30 June 2020 (“**2020 1H**”, together with FY2018 and FY2019 are referred as the “**Historical Period**”) were/is as follows:

	FY2018	FY2019	2020 1H
Historical/Estimated Transaction Amount	HK\$443,036,000	HK\$724,947,000	HK\$314,038,000 ^{Note}

Note: The estimated transaction amount for 2020 1H is derived from the actual transaction amount for the first quarter ended 31 March 2020 of HK\$93,788,000 plus the remaining cap (i.e. 50%) of HK\$220,250,000 for 2020 1H.

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COLI Services Caps

The COLI Services Caps for the half year ending 31 December 2020 (“**2020 2H**”), FY2021 and FY2022 and the half year ending 30 June 2023 (“**2023 1H**”, together with 2020 2H, FY2021 and FY2022 are referred as the “**Relevant Period**”) are as follows:

	2020 2H	FY2021	FY2022	2023 1H
COLI Services Caps	HK\$1,076,000,000	HK\$2,093,000,000	HK\$2,616,000,000	HK\$1,633,000,000

Note: For avoidance of doubt, the COLI Services Caps include transactions entered into between the Group and COLI Group, the associates of COLI and their respective subsidiaries.

Basis of determination of COLI Services Caps

The COLI Services Cap of HK\$1,076.0 million for 2020 2H (the “**COLI 2020 2H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous COLI Target Services Agreement and the Previous COLI Services Agreement for HK\$664.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$412.0 million.

The former amount of HK\$664.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the expected demand for property management services to be rendered (the “**Expected PM Demand**”) in 2020 2H, based on the existing projects of COLI Group for which the Group provides property management services (the “**Existing COLI Projects**”), the estimated vacancy rates for potential new projects to be developed by COLI Group in the PRC, Hong Kong and Macau (the “**Estimated COLI Vacancy Rates**”), and the estimated GFA of new property projects (including an increasing proportion of commercial buildings, for which property management fees are more expensive compared to that for residential buildings) expected to be developed by COLI Group (the “**Estimated COLI GFA**”), with an estimated general inflation up to 9%, mainly attributable to the expected increase in labour cost in the Mainland China (the “**Expected COLI Labour Cost**”, together with the Existing COLI Projects, the Estimated COLI Vacancy Rates and the Estimated COLI GFA, the “**COLI PM Factors**”), (ii) expected increase in demand for pre-delivery, move-in assistance and delivery inspection, etc. (the “**Expected PMD Demand**”) based on the delivery schedule and pre-sale schedule of projects, the anticipated period of obtaining the occupation permit and the expected increase in labour cost (the “**PMD Factors**”), and (iii) expected increase in demand for engineering service (the “**Expected Engineering Demand**”) with a heavy emphasis on Internet of Things (“**IoT**”) applications based on the existing contracts which the Group has been providing engineering service to COLI Group, the existing operating scale of providing engineering service and the

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estimated growth of the business of providing engineering service (the “**COLI Engineering Factors**”). Together with the estimated transaction amount for 2020 1H of HK\$314.0 million, then the total transaction amount for 2020 in respect of the existing scope of Services would be approximately HK\$978.0 million, representing an increase of approximately 34.9% against that of 2019. The GFA to be under the management of the Group in 2020 is expected to be approximately 10,154,000 sq.m., (being 3,138,000 sq.m. for 2020 1H and 7,016,000 sq.m. for 2020 2H) (including an increasing proportion of commercial buildings) representing an increase by 35.1% in 2020 as compared with 7,516,000 sq.m in 2019. We have cross-checked and noted that the CAGR of the GFA under management by the Group between 2014 and 2019 is approximately 21.8%. with certain years’ annual growth rate could reach up to approximately 46.5% hence the estimated GFA to be under the management of the Group in 2020 2H appears to be acceptable.

The latter amount of HK\$412.0 million is determined by the agreeable expanded scope of the Services in the Mainland China in relation to gardening, interior fine finishing and vetting of building plans out of the development budget plans (the “**Expanded Scope**”) of COLI Group, which accounts for approximately 38.3% of the total COLI 2020 2H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of 18 projects to be developed by COLI Group, the portion of the minimum gardening area out of the estimated GFA of projects (the “**Minimum Gardening Area**”) to be developed by COLI Group as required by COLI’s Groups relevant requirements and the service fees for the Group to provide gardening services according to the complexity of the projects (the “**COLI Gardening Factors**”). The estimated transaction amount for the provision of interior fine finishing services was based on the estimated number of roughcast housing units (housing units without any interior finishing) for which the Group will be allowed to provide interior fine finishing services to COLI Group and the service fees for the Group to provide interior fine finishing services (the “**COLI Fine Finishing Factors**”). The estimated transaction amount for the provision of providing vetting of building plan was based on the estimated technical man-hours required for the estimate portion out of the total estimated GFA to be developed by COLI Group and the service fees for the Group to provide vetting of building plans (the “**COLI Vetting Factors**”).

Together with the estimated COLI Services Cap for 2020 1H, the total transaction amount for 2020 (i.e. 2020 1H + 2020 2H) would be approximately HK\$1,390.0 million, representing an increase of 91.7% against that of 2019.

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The COLI Services Cap of 2021 (the “**COLI 2021 Services Cap**”) is HK\$2,093.0 million which is expected to increase by 50.6% against the total transaction amount of 2020 (2020 1H + 2020 2H), based on the existing scope of Services similar to the Previous COLI Target Services Agreement and the Previous COLI Services Agreement for HK\$1,531.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$562.0 million.

The former amount of HK\$1,531.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2021 based on the COLI PM Factors, (ii) the Expected PMD Demand based on the PMD Factors and (iii) the Expected Engineering Demand based on the COLI Engineering Factors. The transaction amount for 2021 in respect of the existing scope of Services would represent an increase of approximately 56.5% against that of 2020. The GFA to be under the management of the Group in 2021 is expected to be approximately 14,459,000 sq.m., representing an increase of 42.4% in 2021 as compared with 2020’s estimate.

The latter amount of HK\$562.0 million, with an increment of 36.4% against 2020, is determined by the agreeable Expanded Scope of COLI Group, which accounts for approximately 26.9% of the total COLI 2021 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of 20 projects to be developed by COLI Group and the other COLI Gardening Factors. The estimated transaction amount for the provision of interior fine finishing services was based on the COLI Fine Finishing Factors. The estimated transaction amount for the provision of providing vetting of building plan was based on the COLI Vetting Factors.

The COLI Services Cap of 2022 (the “**COLI 2022 Services Cap**”) is HK\$2,616.0 million which is expected to increase by 25.0% against the COLI 2021 Services Cap, based on the existing scope of Services similar to the Previous COLI Target Services Agreement and the Previous COLI Services Agreement for HK\$1,775.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$841.0 million.

The former amount of HK\$1,775.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2022 based on the COLI PM Factors, (ii) the Expected PMD Demand based on the PMD Factors, (iii) the Expected Engineering Demand based on the COLI Engineering Factors. The transaction amount for 2022 in respect of the existing scope of Services would represent an increase of approximately 15.9% against that of 2021. The GFA to be under the management of the Group in 2022 is expected to be approximately 16,743,000 sq.m., representing an increase of 15.8% in 2022 as compared with 2021’s estimate.

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The latter amount of HK\$841.0 million, with an increment of 49.6% against 2021, is determined by the agreeable Expanded Scope of COLI Group, which accounts for approximately 32.1% of the total COLI 2022 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of 24 projects to be developed by COLI Group and the other COLI Gardening Factors. The estimated transaction amount for the provision of interior fine finishing services was based on the COLI Fine Finishing Factors. The estimated transaction amount for the provision of providing vetting of building plan was based on the COLI Vetting Factors.

The COLI Services Cap of HK\$1,633.0 million for 2023 1H (the “**COLI 2023 1H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous COLI Target Services Agreement and the Previous COLI Services Agreement for HK\$1,070.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$563.0 million.

The former amount of HK\$1,070.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2023 1H based on the COLI PM Factors, (ii) the Expected PMD Demand based on PMD Factors and (iii) the Expected Engineering Demand based on the COLI Engineering Factors. The GFA to be under the management of the Group in the half year ended 2023 is expected to be approximately 14,064,000 sq.m..

The latter amount of HK\$563.0 million is determined by the agreeable Expanded Scope of COLI Group which accounts for approximately 34.5% of the total COLI 2023 1H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of 17 projects to be developed by COLI Group and the other COLI Gardening Factors. The estimated transaction amount for the provision of interior fine finishing services was based on the COLI Fine Finishing Factors. The estimated transaction amount for the provision of providing vetting of building plan was based on the COLI Vetting Factors.

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ASSESSMENT

In assessing the fairness and reasonableness of the COLI Services Caps, we have obtained, reviewed and discussed with the Management with respect to the information provided by the Group in respect of the basis of determining the COLI Services Caps.

1. Outline of the COLI Services Caps

It is noted that there is a relatively significant increase in the COLI Services Caps for each year during the Relevant Period when compared with the historical transaction amount of each year during the Historical Period. The historical transaction amount of FY2019 was less than HK\$800 million and the transaction amount of FY2020 is estimated to increase to more than HK\$1,000 million and estimated to further increase to more than HK\$2,000 million for FY2021 and FY2022. It is also noted that the significant increase in the COLI Services Caps are mainly attributable to: (i) the Expected PM Demand to be rendered by the Group to COLI Group during the Relevant Period; and (ii) the expected demand for the Expanded Scope.

As the Group has been providing property management services, engineering services and pre-delivery, move-in assistance and delivery inspection to COLI Group (the “**COLI Comparable Services**”) during the Historical Period but not the Expanded Scope (the “**COLI Expanded Services**”), the COLI Services Caps could be broken down into: (i) the portion for providing the COLI Comparable Services (the “**COLI Comparable Services Caps**”); and (ii) the portion for providing the COLI Expanded Services (the “**COLI Expanded Services Caps**”) as below:

	2020 2H	FY2021	FY2022	2023 1H
COLI Comparable				
Services Caps	HK\$664,000,000	HK\$1,531,000,000	HK\$1,775,000,000	HK\$1,070,000,000
COLI Expanded				
Services Caps	<u>HK\$412,000,000</u>	<u>HK\$562,000,000</u>	<u>HK\$841,000,000</u>	<u>HK\$563,000,000</u>
Total:	<u>HK\$1,076,000,000</u>	<u>HK\$2,093,000,000</u>	<u>HK\$2,616,000,000</u>	<u>HK\$1,633,000,000</u>

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2. *COLI Comparable Services*

Property management services

Based on the internal calculations and estimations of the Services Caps (the “**Services Caps Calculation Worksheets**”), it is noted that the estimated transaction amount for the provision of property management services would account for a large portion of the COLI Services Caps during the Relevant Period. As noted in the 2019 Annual Report and the 2018 Annual Report, the amount paid by COLI Group to the Group for the provision of property management services and engineering services amounted to approximately HK\$724.9 million and HK\$443.0 million respectively, representing an utilisation rate of approximately 93.4% and 64.9% of the respective total amount of Previous COLI Target Services Caps and Previous COLI Services Caps of HK\$776.3 million and HK\$682.3 million. As stated in the 2019 Annual Report, the Group will continue to expand its property management size and base. The overall segment gross profit margin of the Group’s property management services remained relatively stable at approximately 16.2% for FY2019 compared with approximately 16.5% for FY2018. After deducting the administrative expenses and taking into account the other income, the segment profit of the Group’s property management services still increased from approximately HK\$327.4 million for FY2018 to approximately HK\$429.5 million for FY2019, representing an increase of approximately 31.2%. As the Group almost fully utilised the total amount of Previous COLI Target Services Caps and Previous COLI Services Caps for FY2019, an increase in the COLI Services Caps will further facilitate the growth of the profitable property management services segment of the Group. Further, the estimated transaction amount of Group’s property management services is expected to increase as a result of the continuing satisfactory business relationship development between the Group and COLI Group.

We have obtained and reviewed: (i) an internal GFA analysis conducted by the Group in respect of the estimation of GFA to be under the management of the Group from COLI Group, COGO Group and CSCEC Group during the Relevant Period (the “**GFA Analysis**”); and (ii) the Services Caps Calculation Worksheets.

We noted that the estimated transaction amount of the Group’s property management services during the Relevant Period were derived from: (i) the Existing COLI Projects; (ii) the Estimated COLI Vacancy Rates; (iii) the estimated GFA to be under the management of the Group from COLI Group of 10,154,000 sq.m., 14,459,000 sq.m., 16,743,000 sq.m. and 14,064,000 sq.m. for FY2020, FY2021, FY2022 and 2023 1H respectively; (iv) the estimated property management fees for the relevant residential projects or commercial projects; and (v) the Expected COLI Labour Cost.

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As the aggregate estimated transaction amounts of the Group's property management services during the Relevant Period are basically the sum of all individual property management projects' estimated transaction amounts during the Relevant Period. And the relevant individual property management projects' estimated transaction amounts during the Relevant Period were calculated based on, among others, the Estimated COLI GFA, the estimated property management fees of relevant type of the Existing COLI Projects and the Estimated COLI Vacancy Rates. We have therefore conducted the following work procedures to assess the accuracy, completeness and reasonableness of the individual property management projects' estimated transaction amounts during the Relevant Period:

- (i) we have selected, on a random basis, 5 sample individual property management projects' estimated transaction amounts as set out in the Services Caps Calculation Worksheets that have entered into individual property management contracts (the "**Existing COLI PM Samples**");
- (ii) we have obtained from the Company the relevant individual property management contracts and noted that the estimated GFA applied in the Services Caps Calculation Worksheets are in line with the GFA as shown in the relevant individual property management contracts;
- (iii) we have compared the amounts of estimated property management fees of the Existing COLI PM Samples with the at least two market rates we obtained through market research of comparable properties located in the same Chinese cities as the Existing COLI PM Samples and we noted that the amounts of estimated property management fees of the Existing COLI PM Samples are in line with the market rates;
- (iv) we have discussed with the Management the reasonableness of the Estimated COLI Vacancy Rates based on the nature and type of property involved of the Existing COLI Projects and noted no abnormality; and
- (v) we have reviewed the arithmetic accuracy of the formulae of the Existing COLI PM Samples from the Services Caps Calculation Worksheets and noted no exceptions.

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Pre-delivery, move-in assistance and delivery inspection

As noted in the Services Caps Calculation Worksheets, the estimated transaction amount for the provision of the Group's pre-delivery, move-in assistance and delivery inspection would also account for a relatively significant portion of the COLI Services Caps according to the Services Caps Calculation Worksheets. From the review of the Services Caps Calculation Worksheets, we noted that the estimated transaction amount for the provision of pre-delivery, move-in assistance and delivery inspection made references to the PMD Factors.

Engineering service

As noted in the Services Caps Calculation Worksheets, the estimated transaction amount for the provision of engineering service would account for the smallest portion of the COLI Services Caps. From the review of the Services Caps Calculation Worksheets, we noted that the estimated transaction amount for the provision of engineering service made references to the COLI Engineering Factors.

COLI Comparable Services Caps

The COLI Comparable Services Caps for 2020 2H together with the estimated transaction amount for providing COLI Comparable Services for 2020 1H amounted to approximately HK\$978 million, representing an increase of approximately 34.9% against the historical transaction amount for FY2019 which is in line with the increase in the GFA expected to be under the management of the Group from COLI Group of approximately 35.1% in 2020 as compared with that in 2019. The COLI Comparable Services Caps for FY2021 amounted to approximately HK\$1,531 million, representing an increase of approximately 56.5% against the total amount of the COLI Comparable Services Caps for 2020 2H and the estimated transaction amount for providing COLI Comparable Services for 2020 1H which is in line with the increase in the GFA expected to be under the management of the Group from COLI Group of approximately 42.4% in 2021 as compared with that in 2020. The COLI Comparable Services Caps for FY2022 amounted to approximately HK\$1,775 million, representing a mild increase of approximately 15.9% against the COLI Comparable Services Caps for FY2021 which is in line with the increase in the GFA expected to be under the management of the Group from COLI Group of approximately 15.8% in 2022 as compared with that in 2021. The COLI Comparable Services Caps for 2023 1H amounted to approximately HK\$1,070 million, representing approximately 60.3% of the COLI Comparable Services Caps for FY2022.

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Further, the increase in the COLI Comparable Services Caps during the Relevant Period is also attributable to the increasing proportion of providing property management services to commercial buildings for which the property management fees are more expensive compared to that for residential buildings which altogether increased the estimated transaction amount of property management services. After considering: (i) the aforementioned high utilisation of total amount of Previous COLI Target Services Caps and Previous COLI Services Caps in FY2019; (ii) the increase in the COLI Comparable Services Caps aligns with the expected increase in the GFA to be under the management of the Group from COLI Group; (iii) the increase in providing property management services to commercial buildings; and (iv) the higher level of property management fees for commercial buildings, the estimated transaction amounts of COLI Comparable Services Caps are considered to be fair and reasonable.

3. *COLI Expanded Services*

Expanded Scope

According to the Services Caps Calculation Worksheets, the estimated transaction amount for the provision of the Expanded Scope accounted for a large portion of the COLI Services Caps in estimating the COLI Services Caps. From the review of the Services Caps Calculation Worksheets, we noted that:

- (i) the estimation of the transaction amount of the provision of gardening services for the expanded scope of the Services made reference to the COLI Gardening Factors;
- (ii) the estimation of the transaction amount of the provision of interior fine finishing services made references to the COLI Fine Finishing Factors; and
- (iii) the estimation of the transaction amount of providing vetting of building plans made references to the COLI Vetting Factors.

Gardening services

We further noted that the estimated transaction amount of the provision of gardening services formed the majority of the entire estimated transaction amount for the provision of the expanded scope of the Services. After our discussion with the Management and review of the relevant information provided, we understand that: (i) the going trend of customer preference for a greener and healthier living as stated in the annual report of COLI Group for FY2019; (ii) the Group has been proactively exploring with COLI Group with respect to the opportunity to provide gardening services to property projects to be developed by COLI Group; (iii) the Group is well-equipped with staff and

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systems since FY2019 to provide gardening services; and (iv) the increasing pre-sales proceeds from property projects of COLI Group as stated in the annual reports of COLI Group for FY2018 and FY2019 suggested that the demand for gardening services will increase as more property projects are delivered.

COLI Expanded Services Caps

For the COLI Expanded Services Caps, the respective estimated transaction amounts for 2020 2H, FY2021, FY2022 and 2023 1H are approximately HK\$412 million, HK\$562 million, HK\$841 million and HK\$563 million. As noted from the Services Caps Calculation Worksheets, the estimated transaction amounts of providing gardening services to COLI Group accounts for the majority of the COLI Expanded Services Caps throughout the Relevant Period. As advised by the Management, the Group is well-equipped with staff and systems since FY2019 to develop sufficient capacity to provide gardening services and the estimated portion out to total demand of COLI Group for which the Group will be allowed to provide gardening services to COLI Group was based on a conservative estimation and the COLI Expanded Services Caps would only account for a small fraction of the broader demand of COLI Group for gardening services.

The estimated transaction amounts of the Group's gardening services during the Relevant Period were calculated based on, among others, the COLI Gardening Factors. We have therefore conducted the following work procedures to assess the accuracy, completeness and reasonableness of the estimated transaction amounts of the Group's gardening services during the Relevant Period:

- (i) we have obtained and reviewed a project list which sets out the estimated GFA of projects to be developed by COLI Group;
- (ii) we have obtained and reviewed the relevant requirement in relation to the Minimum Gardening Area;
- (iii) we have obtained a business plan and noted that an estimated portion of less than half of the Minimum Gardening Area for which the Group will be allowed to provide gardening services to COLI Group accounted for a relatively small fraction of the broader demand of COLI Group for gardening services;
- (iv) we have obtained the relevant information and noted that a profit margin has been included in calculating the different service fees for the Group to provide gardening services according to the complexity of the projects; and

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- (v) we have reviewed the arithmetic accuracy of the formulae of the estimated transaction amounts of the Group's gardening services from the Services Caps Calculation Worksheets and noted no exceptions.

As such, the estimated transaction amounts of the COLI Expanded Services Caps are considered to be fair and reasonable.

4. *Conclusion*

After considering the positive outlook of the property management industry in the PRC, Hong Kong and Macau and the demand for high-quality of property management services as a result of the increase in the household disposable income, it is reasonable to expect an increase in the demand for both the property management services and the Expanded Scope.

Based on the above assessment, we consider that the basis and the estimated transaction amounts of the COLI Services Caps to be fair and reasonable.

(II) *COGO Group*

Previous Caps

The previous caps under the Previous COGO Target Services Agreement and Previous COGO Services Agreement as disclosed in the announcement of the Company dated 20 October 2017 were as follows:

	FY2018	FY2019	2020 1H
Previous COGO Target			
Services Caps	HK\$47,800,000	HK\$45,900,000	HK\$25,800,000
Previous COGO			
Services Caps	<u>HK\$115,600,000</u>	<u>HK\$96,500,000</u>	<u>HK\$57,900,000</u>
Total	<u>HK\$163,400,000</u>	<u>HK\$142,400,000</u>	<u>HK\$83,700,000</u>

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Historical/Estimated Transaction Amounts with COGO Group

The historical transaction amounts paid to the Group by COGO Group for each of FY2018 and FY2019 and the estimated transaction amount paid and to be paid to the Group by COGO Group for 2020 1H were/is as follows:

	FY2018	FY2019	2020 1H
Historical/Estimated			
Transaction Amount	HK\$59,300,000	HK\$116,017,000	HK\$54,925,000 ^{Note}

Note: The estimated transaction amount for 2020 1H is derived from the actual transaction amount for the first quarter ended 31 March 2020 of HK\$13,075,000 plus the remaining cap (i.e. 50%) of HK\$41,850,000 for 2020 1H.

COGO Services Caps

The COGO Services Caps for the 2020 2H, FY2021, FY2022 and 2023 1H are as follows:

	2020 2H	FY2021	FY2022	2023 1H
COGO Services Caps	HK\$166,000,000	HK\$321,000,000	HK\$386,000,000	HK\$224,000,000

Basis of determination of COGO Services Caps

The COGO Services Cap of HK\$166.0 million for 2020 2H (the “**COGO 2020 2H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous COGO Target Services Agreement and the Previous COGO Services Agreement for HK\$108.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$58.0 million.

The former amount of HK\$108.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2020 2H, based on the existing projects of COGO Group for which the Group provides property management services (the “**Existing COGO Projects**”), the estimated vacancy rates for potential new projects to be developed by COGO Group in the PRC (the “**Estimated COGO Vacancy Rates**”) and the estimated GFA of new property projects expected to be developed by COGO Group (the “**Estimated COGO GFA**”), with an estimated general inflation around 3% to 5%, mainly attributable to the expected increase in labour cost in third tier cities in the Mainland China (the “**Expected COGO Labour Cost**”, together with the Existing COGO Projects, the Estimated COGO Vacancy Rates and the Estimated COGO GFA, the “**COGO PM Factors**”), (ii) the Expected PMD Demand based on the PMD Factors, (iii) the Expected Engineering Demand based on the existing contracts which

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the Group has been providing engineering service to COGO Group, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service (the “**COGO Engineering Factors**”). Together with the estimated transaction amount for 2020 1H of HK\$54.9 million, then the total transaction amount for 2020 in respect of the existing scope of Services would be approximately HK\$162.9 million, representing an increase of approximately 40.4% against that of 2019. The GFA to be under the management of the Group in 2020 is expected to be approximately 1,971,000 sq.m., (being 718,000 sq.m. for 2020 1H and 1,253,000 sq.m. for 2020 2H) (including commercial buildings) representing an increase by 72.0% in 2020 as compared with 1,146,000 sq.m in 2019.

The latter amount of HK\$58.0 million is determined by the agreeable Expanded Scope of COGO Group which accounts for approximately 34.9% of the total COGO 2020 2H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of three projects to be developed by COGO Group, the portion of the Minimum Gardening Area to be developed by COGO Group as required by COGO Group’s relevant requirements and the service fees for the Group to provide gardening services according to the complexity of the projects (the “**COGO Gardening Factors**”). The estimated transaction amount for the provision of interior fine finishing services was based on the estimated number of roughcast housing units (housing units without any interior finishing) for which the Group will be allowed to provide interior fine finishing services to COGO Group and the service fees for the Group to provide interior fine finishing services (the “**COGO Fine Finishing Factors**”). The estimated transaction amount for the provision of providing vetting of building plan was based on the estimated technical man-hours required for the estimate portion out of the total estimated GFA to be developed by COGO Group and the service fees for the Group to provide vetting of building plans (the “**COGO Vetting Factors**”).

Together with the estimated COGO Services Cap for 2020 1H, the total transaction amount for 2020 (i.e. 2020 1H + 2020 2H) would be approximately HK\$220.9 million, representing an increase of 90.4% against that of 2019.

The COGO Services Cap of 2021 (the “**COGO 2021 Services Cap**”) is HK\$321.0 million which is expected to increase by 45.3% against the total transaction amount of 2020 (2020 1H + 2020 2H), based on the existing scope of Services similar to the Previous COGO Target Services Agreement and the Previous COGO Services Agreement for HK\$213.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$108.0 million.

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The former amount of HK\$213.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2021 based on the COGO PM Factors, (ii) the Expected PMD Demand based on the PMD Factors and (iii) the Expected Engineering Demand based on the COGO Engineering Factors. The transaction amount for 2021 in respect of the existing scope of Services would represent an increase of approximately 30.8% against that of 2020. The GFA to be under the management of the Group in 2021 is expected to be approximately 2,454,000 sq.m., representing an increase of 24.5% in 2021 as compared with 2020's estimate.

The latter amount of HK\$108.0 million, with an increment of 86.2% against 2020, is determined by the agreeable Expanded Scope of COGO Group, which accounts for approximately 33.6% of the total COGO 2021 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of four projects to be developed by COGO Group and the other COGO Gardening Factors. The estimated transaction amount for the provision of interior fine finishing services was based on the COGO Fine Finishing Factors. The estimated transaction amount for the provision of providing vetting of building plan was based on the COGO Vetting Factors.

The COGO Services Cap of 2022 (the “**COGO 2022 Services Cap**”) is HK\$386.0 million which is expected to increase by 20.2% against the COGO 2021 Services Cap, based on the existing scope of Services similar to the Previous COGO Target Services Agreement and the Previous COGO Services Agreement for HK\$252.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$134.0 million.

The former amount of HK\$252.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2022 based on the COGO PM Factors, (ii) the Expected PMD Demand based on the PMD Factors and (iii) the Expected Engineering Demand based on the COGO Engineering Factors. The transaction amount for 2022 in respect of the existing scope of Services would represent an increase of approximately 18.3% against that of 2021. The GFA to be under the management of the Group in 2022 is expected to be approximately 2,990,000 sq.m., representing an increase of 21.8% in 2022 as compared with 2021's estimate.

The latter amount of HK\$134.0 million, with an increment of 24.1% against 2021, is determined by the agreeable Expanded Scope of COGO Group, which accounts for the remaining approximate 34.7% of the total COGO 2022 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of four projects to be developed by COGO Group and the other COGO Gardening Factors. The estimated transaction amount for the provision of interior fine finishing services was based on the COGO Fine Finishing Factors. The estimated transaction amount for the provision of providing vetting of building plan was based on the COGO Vetting Factors.

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The COGO Services Cap of HK\$224.0 million for 2023 1H (the “**COGO 2023 1H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous COGO Target Services Agreement and the Previous COGO Services Agreement for HK\$155.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans etc. for HK\$69.0 million.

The former amount of HK\$155.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2023 1H based on the COGO PM Factors, (ii) the Expected PMD Demand based on the PMD Factors and (iii) the Expected Engineering Demand based on the COGO Engineering Factors. The GFA to be under the management of the Group in 2023 1H is expected to be approximately 1,820,000 sq.m.

The latter amount of HK\$69.0 million is determined by the agreeable Expanded Scope of COGO Group, which accounts for approximately 30.8% of the total COGO 2023 1H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of two projects to be developed by COGO Group and the other COGO Gardening Factors. The estimated transaction amount for the provision of interior fine finishing services was based on the COGO Fine Finishing Factors. The estimated transaction amount for the provision of providing vetting of building plan was based on the COGO Vetting Factors.

ASSESSMENT

In assessing the fairness and reasonableness of the COGO Services Caps, we have obtained, reviewed and discussed with the Management with respect to the information provided by the Group in respect of the basis of determining the COGO Services Caps.

1. Outline of the COGO Services Caps

It is noted that there is a relatively significant increase in the COGO Services Caps for each year during the Relevant Period when compared with the historical transaction amount of each year during the historical period. The historical transaction amount of FY2019 was less than HK\$120 million and the transaction amount of FY2020 is estimated to increase to more than HK\$220 million and estimated to further increase to more than HK\$320 million and HK\$380 million for FY2021 and FY2022 respectively. It is also noted that the significant increase in the COGO Services Caps is mainly attributable to: (i) the expected demand for the Expanded Scope; and (ii) the Expected PMD Demand. After considering the positive outlook of the property management industry in the PRC, Hong Kong and Macau and the demand for high-quality of property management services as a result of the increase in the household disposable income and the active discussions between the Group and COGO Group to increase the potential to secure new projects which

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require pre-delivery, move-in assistance and delivery inspection services, it is reasonable to expect a rise in the demand for both the Expanded Scope and pre-delivery, move-in assistance and delivery inspection.

As the Group has been providing property management services, engineering services and pre-delivery, move-in assistance and delivery inspection to COGO Group (the “**COGO Comparable Services**”) during the Historical Period but not the Expanded Scope (the “**COGO Expanded Services**”), the COGO Services Caps could be broken down into: (i) the portion for providing the COGO Comparable Services (the “**COGO Comparable Services Caps**”); and (ii) the portion for providing the COGO Expanded Services (the “**COGO Expanded Services Caps**”) as below:

	2020 2H	FY2021	FY2022	2023 1H
COGO Comparable				
Services Caps	HK\$108,000,000	HK\$213,000,000	HK\$252,000,000	HK\$155,000,000
COGO Expanded				
Services Caps	HK\$58,000,000	HK\$108,000,000	HK\$134,000,000	HK\$69,000,000
Total	HK\$166,000,000	HK\$321,000,000	HK\$386,000,000	HK\$224,000,000

2. *COGO Comparable Services*

Property management services

As shown in the Services Caps Calculation Worksheets, the estimated transaction amount for the provision of the Group’s property management services would account for a significant portion of the COGO Services Caps. As noted in the 2019 Annual Report and the 2018 Annual Report, the amount paid by COGO Group to the Group for the provision of property management services and engineering services amounted to approximately HK\$116.0 million and HK\$59.3 million for FY2019 and FY2018 respectively, representing an utilisation rate of approximately 81.5% and 36.3% of the respective total amount of Previous COGO Target Services Caps and Previous COGO Services Caps of HK\$142.4 million and HK\$163.4 million. As mentioned in the previous section, the Group will continue to expand its property management size and base in view of the relatively stable segment gross profit margin of the property management services and the significant segment profit of the property management services. It is noted that the utilisation of the annual cap increased from less than 40% for FY2018 to over 80% for FY2019. As a satisfactory business relationship has been developed between the Group and COGO Group, the estimated transaction amount of the Group’s property management services is expected to increase.

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After reviewing the GFA Analysis and the Services Caps Calculation Worksheets for the estimated transaction amount of property management services, we noted that references were made to: (i) the Existing COGO Projects; (ii) the Estimated COGO Vacancy Rates; (iii) the estimated GFA to be under the management of the Group from COGO Group of 1,971,000 sq.m., 2,454,000 sq.m., 2,990,000 sq.m. and 1,820,000 sq.m. for FY2020, FY2021, FY2022 and 2023 1H; (iv) the estimated property management fees for residential projects and commercial projects; and (v) the Expected COGO Labour Cost.

As the aggregate estimated transaction amounts of the Group's property management services during the Relevant Period are basically the sum of all individual property management projects' estimated transaction amounts during the Relevant Period. And the relevant individual property management projects' estimated transaction amounts during the Relevant Period were calculated based on, among others, the Estimated COGO GFA, the estimated property management fees of relevant type of the Existing COGO Projects and the Estimated COGO Vacancy Rates. We have therefore conducted the following work procedures to assess the accuracy, completeness and reasonableness of the individual property management projects' estimated transaction amounts during the Relevant Period:

- (i) we have selected, on a random basis, 5 sample individual property management projects' estimated transaction amounts as set out in the Services Caps Calculation Worksheets that have entered into individual property management contracts (the “**Existing COGO PM Samples**”);
- (ii) we have obtained from the Company the relevant individual property management contracts and noted that the estimated GFA applied in the Services Caps Calculation Worksheets are in line with the GFA as shown in the relevant individual property management contracts;
- (iii) we have compared the amounts of estimated property management fees of the Existing COGO PM Samples with the at least two market rates we obtained through market research of comparable properties located in the same Chinese cities as the Existing COGO PM Samples and we noted that the amounts of estimated property management fees of the Existing COGO PM Samples are in line with the market rates;
- (iv) we have discussed with the Management the reasonableness of the Estimated COGO Vacancy Rates based on the nature and type of property involved of the Existing COGO Projects and noted no abnormality; and

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- (v) we have reviewed the arithmetic accuracy of the formulae of the Existing COGO PM Samples from the Services Caps Calculation Worksheets and noted no exceptions.

Pre-delivery, move-in assistance and delivery inspection

In addition to the property management services and the Expanded Scope, the estimated transaction amount for the provision of the Group's pre-delivery, move-in assistance and delivery inspection would also account for a significant portion of the COGO Services Caps as noted in the Services Caps Calculation Worksheets. From the review of the Services Caps Calculation Worksheets, we noted that the estimated transaction amount for the provision of the Group's pre-delivery, move-in assistance and delivery inspection made references to the PMD Factors. We understand that the increase in the estimated transaction amount for the provision of the Group's pre-delivery, move-in assistance and delivery inspection is relatively higher than other services. As such, we have made further enquiry with the Management and we understand that active discussions regarding a number of new projects which require pre-delivery, move-in assistance and delivery inspection services have been initiated between the Group and COGO Group which is also evidenced by the information contained in the Services Caps Calculation Worksheets.

Engineering service

It is further noted from the Services Caps Calculation Worksheets that the estimated transaction amount for the provision of the Group's engineering service would account for the smallest portion of the COGO Services. From the review of the Services Caps Calculation Worksheets, we noted that the estimated transaction amount for the provision of the Group's engineering service made references to the COGO Engineering Factors.

COGO Comparable Services Caps

The COGO Comparable Services Caps for 2020 2H together with the estimated transaction amount of providing COGO Comparable Services for 2020 1H amounted to approximately HK\$162.9 million, representing an increase of approximately 40.4% against the historical transaction amount for FY2019 which is in line with the increase in the GFA expected to be under the management of the Group from COGO Group of approximately 72.0% in 2020 as compared with that in 2019. The COGO Comparable Services Caps for FY2021 amounted to approximately HK\$213 million, representing an increase of approximately 30.8% against the total amount of the COGO Comparable

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Services Caps for 2020 2H and the estimated transaction amount of providing COGO Comparable Services for 2020 1H which is in line with the increase in the GFA expected to be under the management of the Group from COGO Group of approximately 24.5% in FY2021 as compared with that in FY2020. The COGO Comparable Services Caps for FY2022 amounted to approximately HK\$252 million, representing a mild increase of approximately 18.3% against the COGO Comparable Services Caps for FY2021 which is in line with the increase in the GFA expected to be under the management of the Group from COGO Group of approximately 21.8% in FY2022 as compared with that in FY2021. The COGO Comparable Services Caps for 2023 1H amounted to approximately HK\$155 million, representing approximately 61.5% of the COGO Comparable Services Caps for FY2022. As the increase in the COGO Comparable Services Caps aligns with the expected increase in the GFA to be under the management of the Group from COGO Group, the significant increase in the estimated transaction amounts of COGO Comparable Services Caps are considered to be fair and reasonable.

3. *COGO Expanded Services*

Expanded Scope

In estimating the COGO Services Caps, the estimated transaction amount for the provision of the Expanded Scope would also account for a significant portion of the COGO Services Caps according to the Services Caps Calculation Worksheets. From the review of the Services Caps Calculation Worksheets, we noted that:

- (i) the estimation of the transaction amount of the provision of gardening services made references to the COGO Gardening Factors;
- (ii) the estimation of the transaction amount of the provision of interior fine finishing services made references to the COGO Fine Finishing Factors;
and
- (iii) the estimation of the transaction amount of providing vetting of building plans made references to the COGO Vetting Factors.

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Gardening services

We further noted that the estimation of the transaction amount of the provision of gardening services accounts for the majority of the entire estimated transaction amount for the provision of the expanded scope of the Services. It is noted from the annual reports of COGO Group for FY2018 and FY2019 that COGO Group has been increasing its land bank for development at an annual rate of over 12% for FY2018 and FY2019. In view of the relatively significant increasing trend of land bank for future development of COGO Group and the well-established business relationship between the Group and COGO Group, it is reasonable to expect an increase in the Minimum Gardening Area which may require the gardening services to be provided by the Group to COGO Group.

COGO Expanded Services Caps

For the COGO Expanded Services Caps, the respective estimated transaction amounts for 2020 2H, FY2021, FY2022 and 2023 1H are approximately HK\$58 million, HK\$108 million, HK\$134 million and HK\$69 million. As noted from the Services Caps Calculation Worksheets, the estimated transaction amounts of providing gardening services to COGO Group accounts for the majority of the COGO Expanded Services Caps throughout the Relevant Period. As advised by the Management, the Group is well-equipped with staff and systems since FY2019 to develop sufficient capacity to provide gardening services and the estimated portion of the Minimum Gardening Area for which the Group will be allowed to provide gardening services to COGO Group was based on a conservative estimation. As such, the estimated transaction amounts of COGO Expanded Services Caps are considered to be fair and reasonable.

The estimated transaction amounts of the Group's gardening services during the Relevant Period were calculated based on, among others, the COGO Gardening Factors. We have therefore conducted the following work procedures to assess the accuracy, completeness and reasonableness of the estimated transaction amounts of the Group's gardening services during the Relevant Period:

- (i) we have obtained and reviewed a project list which sets out the estimated GFA of projects to be developed by COGO Group;
- (ii) we have obtained and reviewed the relevant requirement in relation to the Minimum Gardening Area;

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- (iii) we have obtained a business plan and noted that an estimated portion of less than one-fifth of the Minimum Gardening Area for which the Group will be allowed to provide gardening services to COGO Group accounted for a relatively small fraction of the broader demand of COGO Group for gardening services;
- (iv) we have obtained the relevant information and noted that a profit margin has been included in calculating the different service fees for the Group to provide gardening services according to the complexity of the projects; and
- (v) we have reviewed the arithmetic accuracy of the formulae of the estimated transaction amounts of the Group's gardening services from the Services Caps Calculation Worksheets and noted no exceptions.

4. Conclusion

Based on the above assessment, we consider that the basis and estimated transaction amount of the COGO Services Caps to be fair and reasonable.

(III) CSC Group

Previous Caps

The previous caps under the Previous CSC Services Agreement as disclosed in the announcement of the Company dated 7 August 2017 were as follows:

	FY2018	FY2019	2020 1H
Previous CSC			
Services Caps	HK\$42,000,000	HK\$42,000,000	HK\$21,000,000

Historical/Estimated Transaction Amounts with CSC Group

The historical transaction amounts paid to the Group by CSC Group for each of FY2018 and FY2019 and the estimated transaction amount paid and to be paid to the Group by CSC Group for 2020 1H were/is as follows:

	FY2018	FY2019	2020 1H
Historical/Estimated			
Transaction Amount	HK\$23,440,000	HK\$31,393,000	HK\$12,493,000 ^{Note}

Note: The estimated transaction amount for 2020 1H is derived from the actual transaction amount for the first quarter ended 31 March 2020 of HK\$1,993,000 plus the remaining cap (i.e. 50%) of HK\$10,500,000 for 2020 1H.

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CSC Services Caps

The CSC Services Caps for 2020 2H, FY2021, FY2022 and 2023 1H are as follows:

	2020 2H	FY2021	FY2022	2023 1H
CSC Services Caps	HK\$118,000,000	HK\$255,000,000	HK\$356,000,000	HK\$224,000,000

Note: For avoidance of doubt, the CSC Services Caps include transactions entered into between the Group and CSC Group, the associates of CSC and their respective subsidiaries.

Basis of determination of CSC Services Caps

The CSC Services Cap of HK\$118.0 million for 2020 2H (the “**CSC 2020 2H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous CSC Services Agreement for HK\$65.0 million, as well as the expanded scope of Services for Public-private-partnership (“**PPP**”) projects in the PRC for HK\$53.0 million.

The former amount of HK\$65.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand based on the existing projects of CSC Group for which the Group provides property management services for public facility work sites of CSC Group which were mainly in Hong Kong and Macau and potential new projects for public facility work sites of CSC Group (including Tseung Kwan O Desalination Plant and Organic Waste Treatment Facilities) in Hong Kong and Macau to be rendered (the “**CSC PM Factors**”) in 2020 2H and (ii) expected increase in demand for engineering service in Hong Kong and Macau to be rendered (the “**Expected CSC Engineering Demand**”) based on the existing contracts which the Group has been providing engineering service to CSC Group in Hong Kong and Macau, the existing operating scale of providing engineering service and the estimated number of contracts to be obtained from CSC Group for providing engineering service (the “**CSC Engineering Factors**”). Together with the estimated transaction amount for 2020 1H of HK\$12.5 million, then the total transaction amount for 2020 in respect of the existing scope of Services would be approximately HK\$77.5 million, representing an increase of approximately 146.8% against that of 2019. The latter amount of HK\$53.0 million is determined in accordance with the expected increase in demand for property management services and gardening for nine PPP projects expected to be undertaken by CSC Group in the Mainland China located in Handan, Jiangxi, Zhejiang, Anhui and Shaanxi to be rendered (the “**Expected PM PPP Demand**”) starting from 2020 2H. Together with the estimated CSC Services Cap for 2020 1H, the total transaction amount for 2020 (i.e. 2020 1H + 2020 2H) would be approximately HK\$130.5 million, representing an increase of 3.2 times against that of 2019.

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The CSC Services Cap of 2021 (the “**CSC 2021 Services Cap**”) is HK\$255.0 million which is expected to increase by 95.4% against the total transaction amount of 2020 (2020 1H + 2020 2H), based on the existing scope of Services similar to the Previous CSC Services Agreement for HK\$150.0 million, as well as the expanded scope of Services for PPP projects in the PRC for HK\$105.0 million.

The former amount of HK\$150.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand based on the CSC PM Factors in 2021, (ii) the Expected CSC Engineering Demand in 2021 based on the CSC Engineering Factors. The transaction amount for 2021 in respect of the existing scope of Services would represent an increase of approximately 93.5% against that of 2020. The latter amount of HK\$105.0 million is determined in accordance with the Expected PM PPP Demand in 2021.

The CSC Services Cap of 2022 (the “**CSC 2022 Services Cap**”) is HK\$356.0 million which is expected to increase by 39.6% against the CSC 2021 Services Cap based on the existing scope of Services similar to the Previous CSC Services Agreement for HK\$189.0 million, as well as the expanded scope of Services for PPP projects in the PRC for HK\$167.0 million.

The former amount of HK\$189.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand based on the CSC PM Factors in 2022 and (ii) the Expected CSC Engineering Demand in 2022 based on CSC Engineering Factors. The transaction amount for 2022 in respect of the existing scope of Services would represent an increase of approximately 26.0% against that of 2021. The latter amount of HK\$167.0 million is determined in accordance with the Expected PM PPP Demand in 2022.

The CSC Services Cap of HK\$224.0 million for 2023 1H (the “**CSC 2023 1H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous CSC Services Agreement for HK\$97.0 million, as well as the expanded scope of Services for PPP projects in the PRC for HK\$127.0 million.

The former amount of HK\$97.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand based on the CSC PM Factors in 2023 1H and (ii) the Expected CSC Engineering Demand in 2023 1H based on the CSC Engineering Factors. The latter amount of HK\$127.0 million is determined in accordance with the Expected PM PPP Demand in 2023 1H.

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ASSESSMENT

In assessing the fairness and reasonableness of the CSC Services Caps, we have obtained, reviewed and discussed with the Management with respect to the information provided by the Group in respect of the basis of determining the CSC Services Caps.

1. Outline of the CSC Services Caps

It is noted that there is a relatively significant increase in the CSC Services Caps for each year during the Relevant Period when compared with the historical transaction amount of each year during the Historical Period. The historical transaction amount of FY2019 was less than HK\$40 million and the transaction amount of FY2020 is estimated to increase to more than HK\$130 million and estimated to further increase to more than HK\$250 million and HK\$350 million for FY2021 and FY2022 respectively. It is also noted that the significant increase in the CSC Services Caps is mainly attributable to the Expected PM Demand and gardening for PPP projects.

As shown in the Services Caps Calculation Worksheets, the estimated transaction amount for the provision of the Group's property management services and gardening for PPP projects for CSC Group would account for the most significant portion of the CSC Services Caps. As noted in the 2019 Annual Report and the 2018 Annual Report, the amount paid by CSC Group to the Group for the provision of property management services and engineering services amounted to approximately HK\$31.4 million and HK\$23.4 million for FY2019 and FY2018 respectively, representing an utilisation rate of approximately 74.8% and 55.7% of the Previous CSC Services Caps of HK\$42.0 million for FY2019 and FY2018 respectively.

Property management services and gardening for PPP projects

As mentioned in the previous section, the Group will continue to expand its property management size and base in view of the relatively stable segment gross profit margin of the property management services and the significant segment profit of the property management services. It is noted that the utilisation of the annual cap increased from more than 50% for FY2018 to approximately 75% for FY2019. As a satisfactory business relationship has been developed between the Group and CSC Group, the estimated transaction amount of the Group's property management services is expected to increase.

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After reviewing the Services Caps Calculation Worksheets, for the estimated transaction amount of the Group's property management services and gardening for PPP projects of CSC Group, we noted that references were made to: (i) the active discussions with CSC Group for various potential new projects of providing property management services for PPP projects of CSC Group which were mainly in the PRC; (ii) the total estimated number of new PPP projects of CSC Group in the PRC which may require property management services and gardening to be provided by the Group; and (iii) the estimated property management fees for the aforementioned new PPP projects.

As the estimated transaction amount of the Group's property management services and gardening for PPP projects of CSC Group accounts for the majority of the CSC Services Caps, we have obtained further understanding when reviewing the Services Caps Calculation Worksheets that the estimated transaction amount of the Group's property management services and gardening for several new PPP projects in Handan, Jiangxi and Zhejiang accounts for a significant portion of the entire estimated transaction amount of the Group's property management services and gardening for PPP projects of CSC Group.

As stated in the Letter from the Board, the expected increase in demand for property management services and gardening for PPP projects is based on the PPP projects expected to be undertaken by CSC Group in the Mainland China located in Handan, Jiangxi, Zhejiang, Anhui and Shaanxi which align with our understanding as supported by information provided by the Management.

Property management services for public facility work sites of CSC Group

In estimating the CSC Services Caps, it is noted from the Services Caps Calculation Worksheets that the estimated transaction amount of the provision of the Group's property management services for public facility work sites of CSC Group would also account for a major portion of the CSC Services Caps. From the review of the Services Caps Calculation Worksheets, we noted that references were made to: (i) the existing projects of CSC Group for which the Group provides property management services for public facility work sites of CSC Group which were mainly in Hong Kong and Macau; (ii) the estimated number of new projects of CSC Group in Hong Kong and Macau which may require property management services to be provided by the Group; and (iii) the estimated property management fees for the aforementioned new projects.

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Engineering service

In addition to the property management services and gardening for PPP projects and property management services for public facility work sites of CSC Group, the estimated transaction amount for the provision of the Group's engineering service would account for a relatively small portion of the CSC Services Caps according to the Services Caps Calculation Worksheets. From the review of the Services Caps Calculation Worksheets, we noted that the estimated transaction amount for the provision of the Group's engineering service made references to the CSC Engineering Factors.

CSC Services Caps

Considering the historical transaction amount between the Group and CSC Group increased from approximately HK\$23.4 million for FY2018 to approximately HK\$31.4 million for FY2019, representing a significant increase of approximately 34.2%, we understand from our discussion with the Management that the increasing trend is expected to continue during the Relevant Period as the Group is exploring the business opportunities with CSC Group for 9 potential projects which the Group may provide property management services and gardening services for CSC Group's PPP projects with an aggregate revenue expected to be generated during the Relevant Period of more than HK\$235 million, among which, the Group is having active discussions with CSC Group for four potential projects which the Group may provide property management services and gardening services for CSC Group's PPP projects with an aggregate revenue expected to be generated during the Relevant Period of more than HK\$100 million.

We traced such understanding to the Services Caps Calculation Worksheets and noted that the estimations shown in the Services Caps Calculation Worksheets align with the aforesaid understanding. Given these PPP projects have been clearly named and identified by both the Group and CSC Group, we have no reason to doubt their existence and their ability to generate property management service and gardening service fees for the Group. Furthermore, we have reviewed the calculation in the Services Caps Calculation Worksheets to ensure the arithmetic accuracy of the relevant estimations. As such, the estimated transaction amounts of CSC Services Caps are considered to be fair and reasonable.

Conclusion

Based on the above assessment, we consider that the basis and estimated transaction amount of CSC Services Caps to be fair and reasonable.

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(IV) CSCEC Group

Previous Caps

The previous caps under the Previous CSCEC Services Agreement as disclosed in the announcement of the Company dated 7 August 2017 were as follows:

	FY2018	FY2019	2020 1H
Previous CSCEC Services Caps	HK\$182,600,000	HK\$312,500,000	HK\$278,800,000

Historical/Estimated Transaction Amounts with CSCEC Group

The historical transaction amounts paid to the Group by CSCEC Group for each of FY2018 and FY2019, and the estimated transaction amount paid and to be paid to the Group by CSCEC Group for 2020 1H were/is as follows:

	FY2018	FY2019	2020 1H
Historical/Estimated Transaction Amount	HK\$78,314,000	HK\$67,114,000	HK\$32,837,000 <i>Note</i>

Note: The estimated transaction amount for 2020 1H is derived from the actual transaction amount for the first quarter ended 31 March 2020 of HK\$16,418,000 plus revised estimates of HK\$16,419,000 for second quarter ending 30 June 2020.

CSCEC Services Caps

The CSCEC Services Caps for 2020 2H, FY2021, FY2022 and 2023 1H are as follows:

	2020 2H	FY2021	FY2022	2023 1H
CSCEC Services Caps	HK\$82,000,000	HK\$221,400,000	HK\$308,400,000	HK\$168,200,000

Basis of determination of CSCEC Services Caps

The CSCEC Services Cap of HK\$82.0 million for 2020 2H (the “**CSCEC 2020 2H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous CSCEC Services Agreement for HK\$43.0 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans for HK\$39.0 million.

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The former amount of HK\$43.0 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2020 2H, based on the existing projects of CSCEC Group for which the Group provides property management services (the “**Existing CSCEC Projects**”), the estimated vacancy rates for potential new projects to be developed by CSCEC Group in the PRC (the “**Estimated CSCEC Vacancy Rates**”) and the estimated GFA of new property projects expected to be developed by CSCEC Group (the “**Estimated CSCEC GFA**”), with an estimated general inflation up to 5%, mainly attributable to the expected increase in labour cost in the Mainland China (the “**Expected CSCEC Labour Cost**”, together with the Existing CSCEC Projects, the Estimated CSCEC Vacancy Rates and the Estimated CSCEC GFA, the “**CSCEC PM Factors**”), (ii) the Expected PMD Demand based on the PMD Factors and (iii) expected demand for engineering service based on the existing contracts which the Group has been providing engineering service to CSCEC Group in the PRC and Hong Kong, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service. Together with the estimated transaction amount for 2020 1H of HK\$32.8 million, then the total transaction amount for 2020 in respect of the existing scope of Services would be approximately HK\$75.8 million, representing an increase of approximately 12.9% against that of 2019. The GFA to be under the management of the Group in 2020 is expected to be approximately 839,000 sq.m., (being 261,000 sq.m. for 2020 1H and 578,000 sq.m. for 2020 2H) (including commercial buildings) representing an increase by 12.3% in 2020 as compared with 747,000 sq.m. in 2019.

The latter amount of HK\$39.0 million is determined by the agreeable the expanded scope of the value-added services in the Mainland China in relation to mainly gardening out of the development budget plans of CSCEC Group (the “**CSCEC Expanded Services**”), which accounts for approximate 47.6% of the total CSCEC 2020 2H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of two projects to be developed by CSCEC Group, the portion of the Minimum Gardening Area to be developed by CSCEC Group as required by CSCEC Group’s relevant requirements and the service fees for the Group to provide gardening services according to the complexity of the projects (the “**CSCEC Gardening Factors**”).

Together with the estimated CSCEC Services Cap for 2020 1H, the total transaction amount for 2020 (i.e. 2020 1H + 2020 2H) would be approximately HK\$114.8 million, representing an increase of 71.1% against that of 2019.

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The CSCEC Services Cap of 2021 (the “**CSCEC 2021 Services Cap**”) is HK\$221.4 million which is expected to increase by 92.8% against the total transaction amount of 2020 (2020 1H + 2020 2H), based on the existing scope of Services similar to the Previous CSCEC Services Agreement for HK\$91.4 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans for HK\$130.0 million.

The former amount of HK\$91.4 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2021 based on CSCEC PM Factors, (ii) the Expected PMD Demand based on the PMD Factors and (iii) the Expected Engineering Demand based on the existing contracts which the Group has been providing engineering service to CSCEC Group in the PRC and Hong Kong, the existing operating scale of providing engineering service and the estimated growth of the business of providing engineering service (the “**CSCEC Engineering Factors**”). The transaction amount for 2021 in respect of the existing scope of Services would represent an increase of approximately 20.6% against that of 2020. The GFA to be under the management of Group in 2021 is expected to be approximately 980,000 sq.m., representing an increase of 16.8% in 2021 as compared with 2020’s estimate.

The latter amount of HK\$130.0 million, with an increment of 233.3% against 2020, is determined by the agreeable CSCEC Expanded Services, which accounts for the remaining approximate 58.7% of the total CSCEC 2021 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of seven projects to be developed by CSCEC Group and the other CSCEC Gardening Factors.

The CSCEC Services Cap of 2022 (the “**CSCEC 2022 Services Cap**”) is HK\$308.4 million which is expected to increase by 39.3% against the CSCEC 2021 Services Cap based on the existing scope of Services similar to the Previous CSCEC Services Agreement for HK\$113.4 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans for HK\$195.0 million.

The former amount of HK\$113.4 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2022 based on the CSCEC PM Factors, (ii) the Expected PMD Demand and (iii) the Expected Engineering Demand. The transaction amount for 2022 in respect of the existing scope of Services would represent an increase of approximately 24.1% against that of 2021. The GFA to be under the management of the Group in 2022 is expected to be approximately 1,216,000 sq.m., representing an increase of 24.1% in 2022 as compared with 2021’s estimate.

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The latter amount of HK\$195.0 million, with an increment of 50.0% against 2021, is determined by the agreeable CSCEC Expanded Services which accounts for the remaining approximate 63.2% of the total CSCEC 2022 Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of ten projects to be developed by CSCEC Group and the other CSCEC Gardening Factors.

The CSCEC Services Cap of HK\$168.2 million for 2023 1H (the “**CSCEC 2023 1H Services Cap**”) is calculated with reference to the existing scope of Services similar to the Previous CSCEC Services Agreement for HK\$64.2 million, as well as the expanded scope of Services in gardening, interior fine finishing and vetting of building plans for HK\$104.0 million.

The former amount of HK\$64.2 million is determined by: (i) the servicing capabilities having regard to the historical/estimated transaction amounts and the Expected PM Demand in 2023 1H based on the CSCEC PM Factors, (ii) the Expected PMD Demand and (iii) the Expected Engineering Demand. The GFA to be under the management of the Group in 2023 1H is expected to be approximately 790,000 sq.m..

The latter amount of HK\$104.0 million is determined by the agreeable CSCEC Expanded Services, which accounts for the remaining approximate 61.8% of the total CSCEC 2023 1H Services Cap. The estimated transaction amount for the provision of gardening services was based on the estimated GFA of five projects to be developed by CSCEC Group and the other CSCEC Gardening Factors.

ASSESSMENT

In assessing the fairness and reasonableness of the CSCEC Services Caps, we have obtained, reviewed and discussed with the Management with respect to the information provided by the Group in respect of the basis of determining the CSCEC Services Caps.

1. Outline of the CSCEC Services Caps

It is noted that there is a relatively significant increase in the CSCEC Services Caps for each year during the Relevant Period when compared with the historical transaction amount of each year during the historical period. The historical transaction amount of FY2019 was less than HK\$70 million and the transaction amount of FY2020 is estimated to increase to more than HK\$110 million and estimated to further increase to more than HK\$220 million and HK\$300 million for FY2021 and FY2022 respectively. It is also noted that the significant increase in the CSCEC Services Caps is mainly attributable to: (i) the CSCEC Expanded Services; and (ii) the Expected PM Demand. After considering the positive outlook of the property management industry in the PRC, Hong Kong and Macau and the demand for high-quality property management services as a result of the increase in the household disposable income, it is reasonable to expect an increase in the demand for both the CSCEC Expanded Services and property management services.

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As the Group has been providing property management services, engineering services and pre-delivery, move-in assistance and delivery inspection to CSCEC Group (the “CSCEC Comparable Services”) during the Historical Period but not the CSCEC Expanded Services, the CSCEC Services Caps could be broken down into: (i) the portion for providing the CSCEC Comparable Services (the “CSCEC Comparable Services Caps”); and (ii) the portion for providing the CSCEC Expanded Services (the “CSCEC Expanded Services Caps”) as below:

	2020 2H	FY2021	FY2022	2023 1H
CSCEC Comparable Services Caps	HK\$43,000,000	HK\$91,400,000	HK\$113,400,000	HK\$64,200,000
CSCEC Expanded Services Caps	HK\$39,000,000	HK\$130,000,000	HK\$195,000,000	HK\$104,000,000
Total	HK\$82,000,000	HK\$221,400,000	HK\$308,400,000	HK\$168,200,000

2. CSCEC Comparable Services

Property management services

In estimating the CSCEC Services Caps, the estimated transaction amount for the provision of the Group’s property management services in the PRC and Hong Kong would also account for a significant portion of the CSCEC Services as noted from the Services Caps Calculation Worksheets. As mentioned in the previous section, the Group will continue to expand its property management size and base in view of the relatively stable segment gross profit margin of the property management services and the significant segment profit of the property management services. As a satisfactory business relationship has been developed between the Group and CSCEC Group, the estimated transaction amount of the Group’s property management services is expected to increase.

After reviewing the GFA Analysis and the Services Caps Calculation Worksheets, for the estimated transaction amount of the Group’s property management services, we noted that references were made to: (i) the Existing CSCEC Projects; (ii) the Estimated CSCEC Vacancy Rates; (iii) the estimated GFA to be under the management of the Group from CSCEC Group of 839,000 sq.m., 980,000 sq.m., 1,216,000 sq.m. and 790,000 sq.m. for FY2020, FY2021, FY2022 and 2023 1H; (iv) the estimated property management fees for residential projects and commercial projects; and (v) the Expected CSCEC Labour Cost.

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As the aggregate estimated transaction amounts of the Group's property management services during the Relevant Period are basically the sum of all individual property management projects' estimated transaction amounts during the Relevant Period. And the relevant individual property management projects' estimated transaction amounts during the Relevant Period were calculated based on, among others, the Estimated CSCEC GFA, the estimated property management fees of relevant type of the Existing CSCEC Projects and the Estimated CSCEC Vacancy Rates. We have therefore conducted the following work procedures to assess the accuracy, completeness and reasonableness of the individual property management projects' estimated transaction amounts during the Relevant Period:

- (i) we have selected, on a random basis, 5 sample individual property management projects' estimated transaction amounts as set out in the Services Caps Calculation Worksheets that have entered into individual property management contracts (the "**Existing CSCEC PM Samples**");
- (ii) we have obtained from the Company the relevant individual property management contracts and noted that the estimated GFA applied in the Services Caps Calculation Worksheets are in line with the GFA as shown in the relevant individual property management contracts;
- (iii) we have compared the amounts of estimated property management fees of the Existing CSCEC PM Samples with the at least two market rates we obtained through market research of comparable properties located in the same Chinese cities as the Existing CSCEC PM Samples and we noted that the amounts of estimated property management fees of the Existing CSCEC PM Samples are in line with the market rates;
- (iv) we have discussed with the Management the reasonableness of the Estimated CSCEC Vacancy Rates based on the nature and type of property involved of the Existing CSCEC Projects and noted no abnormality; and
- (v) we have reviewed the arithmetic accuracy of the formulae of the Existing CSCEC PM Samples from the Services Caps Calculation Worksheets and noted no exceptions.

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Pre-delivery, move-in assistance and delivery inspection

In addition to the CSCEC Expanded Services and property management services, it is further noted from the Services Caps Calculation Worksheets that the estimated transaction amount for the provision of the Group's pre-delivery, move-in assistance and delivery inspection would account for a relatively small portion of the CSCEC Services Caps. From the review of the Services Caps Calculation Worksheets, we noted that the estimated transaction amount for the provision of pre-delivery, move-in assistance and delivery inspection made references to the PMD Factors.

Engineering service

The estimated transaction amount for the provision of the Group's engineering service would account for the smallest portion of the CSCEC Services Caps according to the Services Caps Calculation Worksheets. From the review of the Services Caps Calculation Worksheets, we noted that the estimated transaction amount for the provision of the Group's engineering service made references to the CSCEC Engineering Factors.

CSCEC Comparable Services Caps

The CSCEC Comparable Services Caps for 2020 2H together with the estimated transaction amount of providing CSCEC Comparable Services for 2020 1H amounted to approximately HK\$75.8 million, representing a mild increase of approximately 12.9% against the historical transaction amount for FY2019 which is in line with the expected increase in GFA to be under the management of the Group from CSCEC Group of approximately 12.3% in 2020 as compared with that in 2019 as stated in the Letter from the Board. The CSCEC Comparable Services Caps for FY2021 amounted to approximately HK\$91.4 million, representing a mild increase of approximately 20.6% against the total amount of the CSCEC Comparable Services Caps for 2020 2H and the estimated transaction amount of providing CSCEC Comparable Services for 2020 1H which is in line with the expected increase in GFA to be under the management of the Group from CSCEC Group of approximately 16.8% in 2021 as compared with that in 2020 as stated in the Letter from the Board. The CSCEC Comparable Services Caps for FY2022 amounted to approximately HK\$113.4 million, representing a mild increase of approximately 24.1% against the CSCEC Comparable Services Caps for FY2021 which is equivalent to the expected increase in GFA to be under the management of the Group from CSCEC Group of approximately 24.1% in 2022 as compared with that in 2021 as stated in the Letter from the Board. The CSCEC Comparable Services Caps for 2023 1H amounted to approximately HK\$64.2 million, representing approximately 56.6% of the CSCEC Comparable Services Caps for FY2022. As the increase in the CSCEC Comparable Services Caps aligns with the

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expected increase in the GFA to be under the management of the Group from CSCEC Group, the estimated transaction amounts of CSCEC Comparable Services Caps are considered to be fair and reasonable.

3. *CSCEC Expanded Services*

As shown in the Services Caps Calculation Worksheets, the estimated transaction amount for the CSCEC Expanded Services would account for the most significant portion of the CSCEC Services Caps. From the review of the Services Caps Calculation Worksheets, we noted that the estimation of the transaction amount of the provision of the CSCEC Expanded Services made references to the CSCEC Gardening Factors.

CSCEC Expanded Services Caps

For the CSCEC Expanded Services Caps, the respective estimated transaction amounts for 2020 2H, FY2021, FY2022 and 2023 1H are approximately HK\$39.0 million, HK\$130.0 million, HK\$195.0 million and HK\$104.0 million. As noted from the Services Caps Calculation Worksheets, the estimated transaction amounts of providing gardening services to CSCEC Group accounts for the majority of the CSCEC Expanded Services Caps throughout the Relevant Period. As advised by the Management, the Group is well-equipped with staff and systems since FY2019 to develop sufficient capacity to provide gardening services and the estimated portion of the Minimum Gardening Area for which the Group will be allowed to provide gardening services to CSCEC Group was based on a conservative estimation.

The estimated transaction amounts of the Group's gardening services during the Relevant Period were calculated based on, among others, the CSCEC Gardening Factors. We have therefore conducted the following work procedures to assess the accuracy, completeness and reasonableness of the estimated transaction amounts of the Group's gardening services during the Relevant Period:

- (i) we have obtained and reviewed the relevant information in relation to the estimated portion out of total demand of CSCEC Group for which the Group will be allowed to provide gardening services to CSCEC Group and understand that the estimated portion only accounted for a minority of the total demand of CSCEC Group; and
- (ii) we have reviewed the arithmetic accuracy of the formulae of the estimated transaction amounts of the Group's gardening services from the Services Caps Calculation Worksheets and noted no exceptions.

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As such, the estimated transaction amounts of CSCEC Expanded Services Caps are considered to be fair and reasonable.

4. *Conclusion*

Based on the above assessment, we consider that the basis and the estimated transaction amount of CSCEC Services Caps to be fair and reasonable.

OPINION AND RECOMMENDATION

Having taken into account, among others: (i) the positive outlook and trends of the property management industry in the PRC, Hong Kong and Macau; (ii) the future development plan of the Group, in particular, the continued expansion of the property management services business and increase investment in value-added services business; (iii) the expected increase in the demand for high quality property management services as a result of the increase in the household disposable income; (iv) the historical utilisation rates of the relevant caps; (v) the fairness and reasonableness of the principal terms of the New Services Agreements, in particular the pricing policies and the Services Caps; (vi) the Internal Control Procedures adopted by the Group in relation to the New Services Agreements; and (vii) historically, the Group has been in compliance with the Internal Control Procedures, we are of the view that the entering into of the New Services Agreements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the terms of the New Services Agreements (including the Services Caps) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the New Services Agreements, the Services Transactions and the Services Caps.

* *For identification purpose only*

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Director

Mr. Cheung On Kit Andrew is a Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 12 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and Underlying Shares of the Company's Associated Corporations

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares/ underlying shares	Approximate percentage of issued share capital (%)
Zhang Guiqing (“Mr. Zhang”)	CSCECL	Beneficial owner	98,000 A shares	0.0002% (Note 1)
	COLI	Beneficial owner	620,000 shares (Note 2)	0.006% (Note 3)
Yang Ou	CSCECL	Beneficial owner	270,000 A shares	0.001% (Note 1)
	COLI	Beneficial owner	10,000 shares	0.0001% (Note 3)

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares/ underlying shares	Approximate percentage of issued share capital (%)
Pang Jinying	CSCECL	Beneficial owner	340,000 A shares	0.001% (Note 1)
	China State Construction Development Holdings Limited ("CSC Development")	Beneficial owner	300,000 shares	0.014% (Note 4)

Notes:

1. The percentage represents the number of shares interested divided by the number of issued shares of CSCECL as at the Latest Practicable Date (i.e. 41,965,071,511 shares).
2. Mr. Zhang has personal interests in (i) 20,000 shares in COLI; and (ii) 600,000 share options which entitled Mr. Zhang to acquire 600,000 COLI shares pursuant to the share option incentive scheme adopted by COLI on 11 June 2018.
3. The percentage represents the number of shares interested divided by the number of issued shares of COLI as at the Latest Practicable Date (i.e. 10,956,201,535 shares).
4. The percentage represents the number of shares interested divided by the number of issued shares of CSC Development as at the Latest Practicable Date (i.e. 2,155,545,000 shares).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

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

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Mr. Zhang	COHL	Director

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

7. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any competing interests in a business which competes or is likely to compete with the business of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited accounts of the Company were made up.

9. EXPERT'S CONSENT AND QUALIFICATIONS

- (a) The following are the qualifications of the expert who has given its opinions and advice which is contained or referred to in this circular:

Name	Qualifications
Opus Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser

- (b) As at the Latest Practicable Date, Opus Capital had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Opus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) As at the Latest Practicable Date, Opus Capital did not have any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company at Suite 703, 7/F, Three Pacific Place, 1 Queen's Road East, Hong Kong for a period of 14 days from the date of this circular:

- (a) the CSCEC Services Agreement;
- (b) the COLI Services Agreement;
- (c) the COGO Services Agreement;
- (d) the CSC Services Agreement;
- (e) the Previous CSCEC Services Agreement;
- (f) the Previous COLI Services Agreement;
- (g) the Previous COLI Target Services Agreement;
- (h) the Previous COGO Services Agreement;
- (i) the Previous COGO Target Services Agreement; and
- (j) the Previous CSC Services Agreement;
- (k) the letter from the Board, the text of which is set out on pages 7 to 36 of this circular;

- (l) the letter from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this circular;
- (m) the letter from Opus Capital, the text of which is set out on pages IFA-1 to IFA-56 of this circular;
- (n) the written consent as referred to in the paragraph headed “9. Expert’s Consent and Qualifications” in this appendix; and
- (o) this circular.

NOTICE OF EGM



中海物業

CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2669)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of China Overseas Property Holdings Limited (the “**Company**”) will be held at 28/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong on Friday, 19 June 2020 at 2:45 p.m. or immediately after conclusion of the Company’s annual general meeting to be held on the same day, whichever is later, for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (A) (i) the CSCEC Services Agreement (as defined in the circular of the Company dated 2 June 2020 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and is hereby approved, confirmed and ratified;
- (ii) the CSCEC Services Caps (as defined in the Circular) for the period from 1 July 2020 to 31 December 2020, each of the financial years ending 31 December 2021 and 31 December 2022 and the period from 1 January 2023 and 30 June 2023 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the CSCEC Services Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

NOTICE OF EGM

2. **“THAT:**

- (A) (i) the COLI Services Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and is hereby approved, confirmed and ratified;
 - (ii) the COLI Services Caps (as defined in the Circular) for the period from 1 July 2020 to 31 December 2020, each of the financial years ending 31 December 2021 and 31 December 2022 and the period from 1 January 2023 and 30 June 2023 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the COLI Services Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

3. **“THAT:**

- (A) (i) the COGO Services Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and is hereby approved, confirmed and ratified;
 - (ii) the COGO Services Caps (as defined in the Circular) for the period from 1 July 2020 to 31 December 2020, each of the financial years ending 31 December 2021 and 31 December 2022 and the period from 1 January 2023 and 30 June 2023 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the COGO Services Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

NOTICE OF EGM

4. “**THAT:**

- (A) (i) the CSC Services Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “D” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and is hereby approved, confirmed and ratified;
- (ii) the CSC Services Caps (as defined in the Circular) for the period from 1 July 2020 to 31 December 2020, each of the financial years ending 31 December 2021 and 31 December 2022 and the period from 1 January 2023 and 30 June 2023 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the CSC Services Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

By Order of the Board
China Overseas Property Holdings Limited
Zhang Guiqing
Chairman and Executive Director

Hong Kong, 2 June 2020

*Head Office and Principal Place of
Business in Hong Kong:*
Suite 703, 7/F,
Three Pacific Place
1 Queen’s Road East
Hong Kong

Registered Office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
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NOTICE OF EGM

Notes:

1. At the meeting, the Chairman of the meeting will put each of the above resolutions to be voted by way of a poll under article 66 of the Articles of Association of the Company.
2. A member entitled to attend and vote at the meeting (or at any adjournment thereof) is entitled to appoint one or more proxies (who must be an individual) to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
4. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should the member so wish, and in such event, the proxy form shall be deemed to be revoked.
5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. For the purpose of determining shareholders' right to attend and vote at the meeting, the registers of members of the Company will be closed from 16 June 2020 to 19 June 2020 (both days inclusive). In order to qualify for attending and voting at the meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4: 30 p.m. on 15 June 2020.
7. If a Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions after super typhoons" announced by the HKSAR Government is/are in force at or at any time between 9:00 a.m. and 12:00 noon on the date of the meeting, or in the event that the COVID-19 situation requires the date of the EGM to be changed, the meeting will be automatically postponed or adjourned. Shareholders should check the Company's website (www.copl.com.hk) for further announcements and updates on the EGM arrangements.

The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.

8. **In light of the continuing risks posed by the COVID-19 pandemic, the EGM will NOT serve refreshment or distribute souvenirs. The Company also strongly encourages Shareholders NOT to attend the EGM in person, and advises Shareholders to appoint the Chairman of the EGM or any Director or Company Secretary of the Company as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person.**



中海物業

CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2669)

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING (“EGM”)

In compliance with the HKSAR Government’s directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection (CHP) of the Department of Health on the prevention of coronavirus disease 2019 (COVID-19), China Overseas Property Holdings Limited (the “**Company**”) will implement additional precautionary measures at the EGM in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the EGM (the “**Stakeholders**”) which include without limitation:

- (1) All attendees will be required to **wear face masks** before they are permitted to attend, and during their attendance of, the EGM. **Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.**
- (2) There will be **compulsory body temperature screening** for all persons before entering the EGM venue. The venue supplier where the EGM will be held (“**Venue Supplier**”) will use forehead infrared thermometer to test the forehead of all attendees. Per guidelines issued by the Venue Supplier, any person with a body temperature of 37.5 degree Celsius or above will not be given access to the EGM venue. Denied entry to the EGM venue also means the person will not be allowed to attend the EGM.
- (3) All persons should **submit the Health Declaration Form** before entering the EGM venue declaring (i) he/she has not travelled outside of Hong Kong within 14 days immediately before the EGM (“**recent travel history**”); (ii) he/she is not subject to any HKSAR Government prescribed quarantine requirement; (iii) he/she has not had any flu-like symptoms; and (iv) he/she has not been in close contact with anyone who has been outside of Hong Kong or with a suspected, probable or confirmed case of COVID-19 within 14 days immediately before the EGM. Any person who denied to submit the Health Declaration Form will be denied entry into the EGM venue or be required to promptly leave the EGM venue.
- (4) Anyone who has recent travel history, is subject to quarantine, or has any flu-like symptoms or close contact with any person under quarantine or with recent travel history will not be permitted to attend the EGM.
- (5) Anyone attending the EGM is reminded to observe good personal hygiene and to maintain appropriate social distance with others at all times.
- (6) Appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained. To avoid over-crowding, the maximum number of shareholders permitted to attend the EGM Venue in person is 50. The Board reserves the right to change this maximum attendance number at any time depending on the public health situation at the time of the EGM and the guidance of the HKSAR Government.
- (7) In light of the continuing risks posed by the COVID-19 pandemic, and in the interests of protecting the Stakeholders, the Company is supportive of the precautionary measures being adopted. The EGM will **NOT distribute souvenirs and serve refreshment**. The Company also strongly encourages shareholders **NOT to attend the EGM in person** and advises shareholders to appoint the Chairman of the EGM or any Director or Company Secretary of the Company as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person.
- (8) **Shareholders are advised to read this leaflet carefully and monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures. Shareholders should check the Company’s website (www.copl.com.hk) for further announcements and updates on the EGM arrangements.**
- (9) Health education materials and up-to-date development on COVID-19 can be found on the CHP website (www.chp.gov.hk) and the website of the HKSAR Government on COVID-19 (www.coronavirus.gov.hk).