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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)**

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
MATERIAL PROCUREMENT AND SUPPLY CHAIN MANAGEMENT  
SERVICES AGREEMENT**

The Board wishes to announce that on 28 April 2021, COPML (a wholly-owned subsidiary of the Company) and Shenzhen Lingchao (a wholly-owned subsidiary of COLI) entered into the Material Procurement and Supply Chain Management Services Agreement, pursuant to which Shenzhen Lingchao agreed to provide the Material Procurement and Supply Chain Management Services to COPML Group from time to time for a term of 14 months, commencing on 1 May 2021 and ending on 30 June 2022 (both dates inclusive).

As at the date of this announcement, CSCEC is the ultimate holding company of the Company. COHL, a subsidiary of CSCEC, is the controlling shareholder of each of the Company and COLI by virtue of it being interested in approximately 61.18% and 56.05% of their respective issued share capital. Shenzhen Lingchao, being a wholly-owned subsidiary of COLI, is a connected person of the Company and the entering into of the Material Procurement and Supply Chain Management Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated based on the Caps exceeds 0.1% but is less than 5%, the entering into of the Material Procurement and Supply Chain Management Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## **THE MATERIAL PROCUREMENT AND SUPPLY CHAIN MANAGEMENT SERVICES AGREEMENT**

The principal terms of the Material Procurement and Supply Chain Management Services Agreement are summarised as follows:

### **Date**

28 April 2021

### **Parties**

- (1) COPML (a wholly-owned subsidiary of the Company), as the customer; and
- (2) Shenzhen Lingchao, as the services provider.

### **Nature of the transactions**

Pursuant to the terms of the Material Procurement and Supply Chain Management Services Agreement, Shenzhen Lingchao will provide the Material Procurement and Supply Chain Management Services to COPML Group as follows:

- (1) Shenzhen Lingchao will establish and operate the E-commerce System by coordinating with and lining up suppliers of goods and materials which may be required to satisfy the procurement needs of COPML Group, and make available the E-commerce System (showing information including the supplier and unit price of the various goods and materials) to COPML Group for it to source and purchase such goods and materials necessary for the property projects it is currently servicing within the PRC;
- (2) based on its future procurement needs predicted by aggregating the individual procurement needs of the relevant projects, COPML Group will from time to time submit Demand Lists to Shenzhen Lingchao indicating the total volume of certain goods and materials to be purchased from the specific supplier(s) and for the unit prices shown on the E-commerce System, and allowing Shenzhen Lingchao to organise its supply chain resources in advance in preparation for the purchases;

- (3) when actual procurement needs arise for each property project as it progresses, COPML Group will place Purchase Orders with Shenzhen Lingchao (which must be within the scope of the Demand Lists), which will then liaise and coordinate with the relevant suppliers and procure that the goods and materials as required under the Purchase Orders be produced, delivered to COPML Group, maintained and repaired if damaged; and
- (4) relevant training and technical support as to the use of the E-commerce System will be provided by Shenzhen Lingchao to the staff of COPML Group.

### **Term**

14 months commencing on 1 May 2021 and ending on 30 June 2022 (both dates inclusive).

### **Price**

#### ***Price and pricing basis***

The unit price for each good and material purchased through the E-commerce System will be the price as confirmed and shown on the relevant Demand List (value-added tax included, the amount of which may be adjusted according to the prevailing taxation policy of the PRC). The unit price for the goods and materials will be determined in accordance with the following principles:

- (1) the unit price will be determined on arm's length basis based on normal commercial terms and with reference to market conditions and prices offered by independent third parties for similar goods and materials, and no less favourable to COPML Group than to the independent third party customers of Shenzhen Lingchao;
- (2) for goods and materials which do not require installation, the unit price will be determined with reference to the costs of producing, processing and transporting the goods and materials and service fees for quality assurance and after-sales maintenance; and
- (3) for goods and materials which require installation, the unit price will be determined with reference to the costs of producing, processing and transporting the goods and materials, unloading, rehandling, storing and installing and service fees for quality assurance and after-sales maintenance.

#### ***Pricing policy***

Pursuant to the terms of the Material Procurement and Supply Chain Management Services Agreement, COPML Group is not obliged to purchase any goods and materials through Shenzhen Lingchao through the E-commerce System and is free to purchase goods and materials from other procurement platforms or suppliers.

Before submitting any Demand List for goods and materials, COPML Group will first compare the price and quality of the goods and materials offered by different suppliers on the E-commerce System with similar goods and materials offered by independent third party suppliers, by, as far as possible, obtaining the price of each good or material charged by independent third party suppliers and/or other procurement platforms in the open market, and with similar goods and materials of comparable quantity purchased from independent third party suppliers in the past. Only the goods and materials offered with the best available terms will be purchased.

***Payment terms***

The price for the goods and materials purchased by COPML Group through Shenzhen Lingchao will be payable according to the following terms:

- (1) Except for the following goods and materials for which deposit will be required to be paid, no deposits will be required for goods and materials ordered by COPML Group through the E-commerce System:

<b>Type of goods and materials</b>	<b>Deposit (% of aggregate price to be paid for all such goods and materials)</b>	<b>Payment date</b>
Escalator/elevator	50%	Date of submission of the Purchase Order
Chiller unit and terminal controller of air-conditioning system	20%	Date of submission of the Purchase Order
Aluminum entrance door	40%	Date of submission of the Demand List
Imported kitchen appliance (Gaggenau)	40%	Date of submission of the ready-to-deliver notice
Imported kitchen appliance (Smeg)	30%	Date of submission of the Demand List
Imported kitchen appliance (Bosch/Siemens)	40%	Date of submission of the Demand List

- (2) Subject to COPML Group having inspected and accepted the goods and materials, before the 10th day of each month, Shenzhen Lingchao will provide COPML Group with information on the price payable for its purchases in the previous month (together with supporting documents) and COPML Group shall pay the said price (after deducting any deposits paid) to Shenzhen Lingchao before the 25th day of each month. Failure to pay in time will result in a late payment fee of 0.03% of the outstanding amount for each day of default.

The price for the goods and materials will be funded by internal resources of the Group.

### **Caps**

It is expected that the aggregate price for goods and materials payable by COPML Group to Shenzhen Lingchao during the term of the Material Procurement and Supply Chain Management Services Agreement will not exceed HK\$200 million. The Caps for the relevant periods are set out as follows:

**For the period  
from 1 May 2021 to 31 December 2021**  
HK\$133 million

**For the period  
from 1 January 2022 to 30 June 2022**  
HK\$67 million

### ***Basis of determining the Caps***

The Caps were determined with reference to factors including:

- (1) the estimated types and volumes of goods and materials which may be procured by COPML Group through Shenzhen Lingchao, based on the historical types and volumes of goods and materials purchased by COPML Group from independent third party suppliers for previous projects of similar nature;
- (2) the prevailing market price of those goods and materials; and
- (3) the contemplated increase of new occupation area of property projects COPML Group is or will be servicing and the consequential increase in demand for goods and materials.

### **INTERNAL CONTROL**

In order to ensure COPML Group's conformity with the terms of the Material Procurement and Supply Chain Management Services Agreement in conducting the transactions contemplated thereunder, the Group has adopted the following internal control procedures:

1. the business operations division of the Company will be responsible for ensuring that the transactions contemplated under the Material Procurement and Supply Chain Management Services Agreement will be conducted in accordance with its terms, and monitoring the accumulated price paid for the goods and materials by COPML Group to Shenzhen Lingchao on a regular basis to ensure that the relevant Caps will not be exceeded; and

2. the finance and treasury department of the Company will regularly assess whether the relevant Caps might be exceeded based on the actual transaction amount recorded for the previous months and the transaction amount assumed for the remaining months in the relevant periods.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MATERIAL PROCUREMENT AND SUPPLY CHAIN MANAGEMENT SERVICES AGREEMENT**

The Directors are of the view that COPML Group's efficiency in procuring goods and materials for the property projects it is servicing will be improved by utilising the E-commerce System provided by Shenzhen Lingchao. The transactions contemplated under the Material Procurement and Supply Chain Management Services Agreement presents a tailor-made supply chain solution for COPML Group, which is efficient and cost-effective, and covers aspects such as logistic management, demand and supply planning and capital management. COPML Group can also enjoy the greater volume discount offered by suppliers to Shenzhen Lingchao for its bulk purchase.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Material Procurement and Supply Chain Management Services Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, the terms of the Material Procurement and Supply Chain Management Services Agreement (including the Caps) are on normal commercial terms after arm's length negotiations between the parties thereunder, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors has any material interest in the Material Procurement and Supply Chain Management Services Agreement and the transactions contemplated thereunder. Save for Mr. Zhang Guiqing, being the chairman and executive Director of the Company and a director of COHL, has voluntarily abstained from voting on the board resolutions of the Company approving the entering into of the Material Procurement and Supply Chain Management Services Agreement and the transactions contemplated thereunder, none of the Director has abstained from voting on such board resolutions.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CSCEC is the ultimate holding company of the Company. COHL, a subsidiary of CSCEC, is the controlling shareholder of each of the Company and COLI by virtue of it being interested in approximately 61.18% and 56.05% of their respective issued share capital. Shenzhen Lingchao, being a wholly-owned subsidiary of COLI, is a connected person of the Company and the entering into of the Material Procurement and Supply Chain Management Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated based on the Caps exceeds 0.1% but is less than 5%, the entering into of the Material Procurement and Supply Chain Management Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INFORMATION ON THE PARTIES**

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.

COPML is a wholly-owned subsidiary of the Company and is principally engaged in real estate management and investment holding.

COLI and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) is principally engaged in property development and investment, and other operations.

Shenzhen Lingchao is a wholly-owned subsidiary of COLI and is principally engaged in supply chain management services, sale of machineries, equipment, construction materials and building decoration materials, etc.

CSCEC (a state-owned corporation in the PRC) is the ultimate controlling shareholder of the Company and COLI respectively. CSCEC, together with its subsidiaries (excluding those listed on any stock exchange), is a conglomerate principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Caps”	the maximum price to be paid for the goods and materials purchased by COPML Group through Shenzhen Lingchao through the E-commerce System for the relevant periods under the Material Procurement and Supply Chain Management Services Agreement
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, the controlling shareholder of each of the Company and COLI
“COLI”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 688)
“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)



“connected person(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“COPML”	中海物業管理有限公司 (China Overseas Property Management Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“COPML Group”	COPML and its subsidiaries from time to time
“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 each of the Company and COLI
“Demand List(s)”	the demand list(s) to be submitted by COPML Group to Shenzhen Lingchao from time to time indicating the total volume of certain goods and materials to be purchased from the specific supplier(s) and for the unit prices shown on the E-commerce System, which will be prepared based on the future procurement needs predicted by aggregating the individual procurement needs of the relevant projects of COPML Group
“Director(s)”	the director(s) of the Company
“E-commerce System”	an e-commerce system to be established and operated by Shenzhen Lingchao and to be made available to COPML Group for it to source and purchase goods and materials necessary for the property projects it is currently servicing within the PRC, where information including the supplier and the unit price of the various goods and materials will be shown on the platform
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC



“Material Procurement and Supply Chain Management Services Agreement”	the material procurement and supply chain management services agreement dated 28 April 2021 entered into between COPML and Shenzhen Lingchao in relation to the provision of the Material Procurement and Supply Chain Management Services by Shenzhen Lingchao to COPML Group for the period of 14 months commencing on 1 May 2021 and ending on 30 June 2022 (both dates inclusive)
“Material Procurement and Supply Chain Management Services”	services including making available the E-commerce System for COPML Group to source and purchase goods and materials necessary for the property projects it is currently servicing, liaising and coordinating with the relevant suppliers and procuring that necessary goods and materials be produced, delivered to COPML Group, maintained and repaired if damaged
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“Purchase Order(s)”	the purchase order(s) to be placed by COPML Group with Shenzhen Lingchao for the purchase of goods and materials when actual procurement needs arise for each property project as it progresses
“Shenzhen Lingchao”	深圳領潮供應鏈管理有限公司 (Shenzhen Lingchao Supply Chain Management Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of COLI
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

\* For identification purpose only.

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

Hong Kong, 28 April 2021

*As at the date of this announcement, the Board comprises seven Directors, of which four are Executive Directors, namely Mr. Zhang Guiqing (Chairman), Dr. Yang Ou (Chief Executive Officer), Mr. Pang Jinying (Vice President) and Mr. Kam Yuk Fai (Chief Financial Officer); and three are Independent Non-executive Directors, namely, Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent.*