

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



CONTINUING CONNECTED TRANSACTIONS
(1) RENEWAL OF AGREEMENTS FOR THE THREE YEARS
ENDING 31 DECEMBER 2025
AND
(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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



Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A notice convening the EGM to be held at Meeting Room, 2nd Floor, Tower A, No. A518 East Road of Chaoyang Sports Center, Chaoyang District, Beijing, PRC on Tuesday, 31 January 2023 at 10:00 a.m. is set out on pages 58 to 59 of this circular.

A letter from the Board is set out on pages 6 to 23 of this circular. A letter from the Independent Board Committee is set out on pages 24 to 25 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 52 of this circular.

A form of proxy for use at the EGM is enclosed to this circular and is also published on the websites of the Company (www.sinooceanservice.com) and the Stock Exchange (www.hkexnews.hk). If you intend to appoint a proxy to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e., not later than 10:00 a.m. on Sunday, 29 January 2023 (Hong Kong Time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) Compulsory temperature screening/checks
- (2) Wearing of surgical face mask

Attendees who do not comply with the precautionary measures above may be denied entry to the EGM venue.

For the health and safety of the Shareholders, the Company would like to encourage the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) Compulsory temperature screening/checks will be carried out on every attendee at the entrance of the EGM venue.
- (2) Every attendee will be required to wear a surgical face mask throughout the EGM and sit at a distance from other attendees.

Attendees are requested to observe and practise good personal hygiene at all times at the EGM venue.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the attendees at the EGM.

For the health and safety of the Shareholders, the Company would like to encourage the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements when appropriate. Shareholders should check the respective website of the Company (www.sinooceanservice.com) and the Stock Exchange (www.hkexnews.hk) for future announcements and updates on the EGM arrangements.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	24
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	26
APPENDIX — GENERAL INFORMATION	53
NOTICE OF EGM	58

DEFINITIONS

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

“2020–2022 Master Consultancy and Other Value-added Services Agreement”	an agreement dated 27 November 2020 entered into between the Company and Sino-Ocean Group in relation to the provision of consultancy and other value-added services by the Group to the Sino-Ocean Connected Persons for a term from the Listing Date to 31 December 2022
“2020–2022 Master Non-exempt CCT Agreements”	collectively, the 2020–2022 Master Property Management Services Agreement, the 2020–2022 Master Pre-delivery Services Agreement and the 2020–2022 Master Consultancy and Other Value-added Services Agreement
“2020–2022 Master Pre-delivery Services Agreement”	an agreement dated 27 November 2020 entered into between the Company and Sino-Ocean Group in relation to the provision of pre-delivery services by the Group to the Sino-Ocean Connected Persons for a term from the Listing Date to 31 December 2022
“2020–2022 Master Property Management Services Agreement”	an agreement dated 27 November 2020 entered into between the Company and Sino-Ocean Group in relation to the provision of property management services by the Group to the Sino-Ocean Connected Persons for a term from the Listing Date to 31 December 2022
“2020–2022 Supplemental Master Consultancy and Other Value-added Services Agreement”	the agreement dated 11 November 2022 entered into between the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) to amend and supplement the 2020–2022 Master Consultancy and Other Value-added Services Agreement
“2020–2022 Supplemental Master Non-exempt CCT Agreements”	collectively, the 2020–2022 Supplemental Master Property Management Services Agreement, the 2020–2022 Supplemental Master Pre-delivery Services Agreement and the 2020–2022 Supplemental Master Consultancy and Other Value-added Services Agreement
“2020–2022 Supplemental Master Pre-delivery Services Agreement”	the agreement dated 11 November 2022 entered into between the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) to amend and supplement the 2020–2022 Master Pre-delivery Services Agreement
“2020–2022 Supplemental Master Property Management Services Agreement”	the agreement dated 11 November 2022 entered into between the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) to amend and supplement the 2020–2022 Master Property Management Services Agreement

DEFINITIONS

“2023–2025 Master Consultancy and Other Value-added Services Agreement”	an agreement dated 11 November 2022 entered into between the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) in relation to the provision of consultancy and other value-added services by the Group to the Sino-Ocean Connected Persons (as amended and supplemented from time to time)
“2023–2025 Master Non-exempt CCT Agreements”	collectively, the 2023–2025 Master Property Management Services Agreement, the 2023–2025 Master Pre-delivery Services Agreement and the 2023–2025 Master Consultancy and Other Value-added Services Agreement
“2023–2025 Master Pre-delivery Services Agreement”	an agreement dated 11 November 2022 entered into between the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) in relation to the provision of pre-delivery services by the Group to the Sino-Ocean Connected Persons (as amended and supplemented from time to time)
“2023–2025 Master Property Management Services Agreement”	an agreement dated 11 November 2022 entered into between the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) in relation to the provision of property management services by the Group to the Sino-Ocean Connected Persons (as amended and supplemented from time to time)
“Abstained Directors”	Mr. Cui Hongjie and Mr. Zhu Xiaoxing, each being a non-executive Director
“Acquisition”	the acquisition of the entire equity interests in the Target Company by a wholly-owned subsidiary of the Company pursuant to the equity transfer agreement dated 12 August 2022, details of which are set out in the announcement and the circular of the Company dated 12 August 2022 and 5 October 2022, respectively
“Board”	the board of Directors
“CAGR”	compound annual growth rate
“Company”	Sino-Ocean Service Holding Limited (遠洋服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 06677)
“Continuing Connected Transactions”	the transactions under the 2020–2022 Master Non-exempt CCT Agreements

DEFINITIONS

“CSHED”	Chongqing Sino-Ocean Hongxing Enterprise Development Co., Ltd.* (重慶遠洋紅星企業發展有限公司) (formerly known as Chongqing Hongxing Macalline Enterprise Development Co., Ltd.* (重慶紅星美凱龍企業發展有限公司)), a company established in the PRC with limited liability which is indirectly owned as to 70% by an associate of Sino-Ocean Group as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Meeting Room, 2nd Floor, Tower A, No. A518 East Road of Chaoyang Sports Center, Chaoyang District, Beijing, PRC on Tuesday, 31 January 2023 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps)
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board, comprising all the independent non-executive Directors, namely Dr. Guo Jie, Mr. Ho Chi Kin Sammy and Mr. Leung Wai Hung, established for the purpose of advising the Independent Shareholders in respect of the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps)
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps)
“Independent Shareholders”	the Shareholders other than Shine Wind and its associates

DEFINITIONS

“Latest Practicable Date”	11 January 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Date”	17 December 2020, the first date on which the Shares were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 7 December 2020
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company with a par value of HKD0.10 each
“Shareholder(s)”	holder(s) of the Shares
“Shine Wind”	Shine Wind Development Limited (耀勝發展有限公司), a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Sino-Ocean Group and a controlling Shareholder
“Sino-Ocean Connected Persons”	Sino-Ocean Group and its associates, excluding, for the avoidance of doubt, the Group
“Sino-Ocean Group”	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03377) and a controlling Shareholder
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Target Company”	Tianjin Xihe Supply Chain Services Co., Ltd.* (天津熙合供應鏈服務有限公司), a company established in the PRC with limited liability, which became a wholly-owned subsidiary of the Company upon completion of the Acquisition
“Target Group”	the Target Company and its subsidiaries
“%”	per cent

In this circular, unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “continuing connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

* For identification purposes only

LETTER FROM THE BOARD



Executive Directors:

Mr. Yang Deyong

Ms. Zhu Geying

Non-executive Directors:

Mr. Cui Hongjie

Mr. Zhu Xiaoxing

Independent non-executive Directors:

Dr. Guo Jie

Mr. Ho Chi Kin Sammy

Mr. Leung Wai Hung

Registered office:

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

Headquarters in the PRC:

2nd Floor, Tower A

No. A518 East Road of

Chaoyang Sports Center

Chaoyang District

Beijing, PRC

Principal place of business in Hong Kong:

Suite 601, One Pacific Place

88 Queensway

Hong Kong

13 January 2023

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
(1) RENEWAL OF AGREEMENTS FOR THE THREE YEARS
ENDING 31 DECEMBER 2025**

AND

(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 11 November 2022 in relation to continuing connected transactions. On 11 November 2022 (after trading hours of the Stock Exchange), the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) entered into, among others, (i) the 2020–2022 Supplemental Master Non-exempt CCT Agreements and (ii) the 2023–2025 Master Non-exempt CCT Agreements.

Sino-Ocean Service Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 06677

LETTER FROM THE BOARD

Taking into account (i) the additional time which was required to finalise this circular, (ii) the expected time for the EGM to take place and (iii) the actual transaction amounts pursuant to the 2020–2022 Master Non-exempt CCT Agreements for the year ended 31 December 2022 (which had not exceeded the respective annual cap for the year ended 31 December 2022), the Board (excluding the Abstained Directors) has decided that it was no longer necessary to revise the annual caps for the year ended 31 December 2022 under the 2020–2022 Master Non-exempt CCT Agreements, and accordingly, the 2020–2022 Supplemental Master Non-exempt CCT Agreements were terminated by the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) on 10 January 2023.

The purpose of this circular is to provide you with, among other things, (i) further details of the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules, together with a notice of the EGM and the form of proxy.

RENEWAL OF AGREEMENTS FOR THE THREE YEARS ENDING 31 DECEMBER 2025

Reference is made to the section headed “Connected Transactions” in the Prospectus in relation to, among other things, the Continuing Connected Transactions between the Group and the Sino-Ocean Connected Persons.

On 11 November 2022 (after trading hours of the Stock Exchange), the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) entered into the 2023–2025 Master Non-exempt CCT Agreements to renew the Continuing Connected Transactions. Principal terms of the 2023–2025 Master Non-exempt CCT Agreements are as follows.

(1) 2023–2025 Master Property Management Services Agreement

Date

11 November 2022

LETTER FROM THE BOARD

Parties

- (i) the Company (on behalf of each member of the Group), as service provider; and
- (ii) Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person), as service recipient.

Term

The 2023–2025 Master Property Management Services Agreement shall take effect on the date of approval by the Independent Shareholders at the EGM and end on 31 December 2025.

The 2023–2025 Master Property Management Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

Nature of the transactions

Pursuant to the 2023–2025 Master Property Management Services Agreement, the Group shall provide property management services, such as security, cleaning, greening, gardening and repair and maintenance services, to the Sino-Ocean Connected Persons in respect of (i) property units developed for sale by the Sino-Ocean Connected Persons which have been completed and are either unsold or sold but not yet delivered to the buyers of such property units; and (ii) commercial properties (including shopping malls, office buildings and carpark spaces) owned, used or operated by the Sino-Ocean Connected Persons.

Pricing and payment terms

The fees payable by the Sino-Ocean Connected Persons to the Group under the 2023–2025 Master Property Management Services Agreement will be determined on arm's length basis with reference to (i) the nature, size and location of the relevant properties; (ii) the scope of the property management services; (iii) the Group's expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the property management services; and (iv) the fees charged by other property management service providers for similar services in respect of similar types of properties in the market.

The fees charged by the Group to the Sino-Ocean Connected Persons shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable). These standard fees are government guidance prices (comprising benchmark prices and respective range of variations) which are determined from time to time by relevant authorities in the PRC with reference to (i) the specific property type (which may include higher-level apartment buildings with elevators and lower-level apartment buildings without elevators), (ii) service scope and (iii) the grading criteria of property service charges in accordance with the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) and relevant

LETTER FROM THE BOARD

local regulations in the PRC. In the event that the fees charged by the Group are higher than such government guidance prices, the Group may be subject to applicable administrative penalties, and fees charged by the Group in excess of the respective government guidance prices may be confiscated by the relevant regulatory authorities. Further, the terms offered by the Group to the Sino-Ocean Connected Persons shall not be less favourable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of property management services.

The Group usually issues a monthly, quarterly or annually payment notice to the Sino-Ocean Connected Persons, depending on the location of the properties, for the services rendered under the 2023–2025 Master Property Management Services Agreement, and the Sino-Ocean Connected Persons shall pay the Group upon the receipt of the payment notice.

Historical transaction amount and proposed annual caps

The historical transaction amount and the proposed annual caps for the provision of property management services by the Group to the Sino-Ocean Connected Persons are set out below:

	Historical transaction amount			Proposed annual caps		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the eleven months ended 30 November 2022	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
			<i>(RMB'000)</i>			
Sales amount	134,092	210,225	180,869	365,000	435,000	540,000

In determining the above annual caps, the Company has considered the following factors:

- (i) the historical transaction amount and the growth trend thereof during the two years ended 31 December 2020 and 31 December 2021 and the eleven months ended 30 November 2022;
- (ii) the expected increase in GFA of property units for sale and commercial properties (including shopping malls, office buildings and other investment properties) developed or owned by new customers (in particular CSBED) which are to be managed by the Group (in the case of property units for sale, before delivery to the buyers of such property units), with such new customers being Sino-Ocean Connected Persons upon completion of the Acquisition on 3 November 2022, and the business development and/or operation plans and estimated delivery schedules of such new customers;

LETTER FROM THE BOARD

- (iii) the expected increase in GFA of property units developed by the Sino-Ocean Connected Persons for sale and to be managed by the Group before delivery to the buyers of such property units, taking into account the following:
- (a) as of 31 December 2021, the land reserve of Sino-Ocean Group and its subsidiaries, joint ventures and associates increased by approximately 39.7% to approximately 53.1 million sq.m. as compared to 31 December 2020;
 - (b) as of 30 June 2022, the Group's contracted and undelivered GFA of residential properties developed or held by Sino-Ocean Group and its subsidiaries, joint ventures and associates amounted to approximately 7.5 million sq.m., which will be delivered for the Group's management successively based on the construction completion and delivery schedules of Sino-Ocean Group and its subsidiaries, joint ventures and associates. It will have a positive impact on the increase in the Group's contracted GFA and GFA under management of properties developed or held by Sino-Ocean Group and its subsidiaries, joint ventures and associates; and
 - (c) based on the business development plans and estimated delivery schedules of Sino-Ocean Group and its subsidiaries, joint ventures and associates and the Company's estimation on the services the Group may be engaged by Sino-Ocean Group and its subsidiaries, joint ventures and associates to provide, the Group expects that its GFA under management of residential properties developed or held by Sino-Ocean Group and its subsidiaries, joint ventures and associates will increase by approximately 2.6 million sq.m., 2.6 million sq.m. and 2.6 million sq.m. for the years ending 31 December 2023, 31 December 2024 and 31 December 2025, respectively; and
- (iv) the expected increase in GFA of commercial properties (including shopping malls, office buildings and other investment properties) of the Sino-Ocean Connected Persons to be managed by the Group, taking into account the following:
- (a) as of 30 June 2022, the Group's contracted and undelivered GFA of commercial properties developed or held by Sino-Ocean Group and its subsidiaries, joint ventures and associates amounted to approximately 0.3 million sq.m., which will be delivered for the Group's management successively based on the construction completion and delivery schedules of Sino-Ocean Group and its subsidiaries, joint ventures and associates; and
 - (b) based on the business development and operation plans and estimated delivery schedules of Sino-Ocean Group and its subsidiaries, joint ventures and associates and the Company's estimation on the services the Group may be engaged by Sino-Ocean Group and its subsidiaries,

LETTER FROM THE BOARD

joint ventures and associates to provide, the Group expects that its GFA under management of commercial properties developed or held by Sino-Ocean Group and its subsidiaries, joint ventures and associates will increase by approximately 0.6 million sq.m., 0.6 million sq.m. and 0.6 million sq.m. for the years ending 31 December 2023, 31 December 2024 and 31 December 2025, respectively.

(2) 2023–2025 Master Pre-delivery Services Agreement

Date

11 November 2022

Parties

- (i) the Company (on behalf of each member of the Group), as service provider; and
- (ii) Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person), as service recipient.

Term

The 2023–2025 Master Pre-delivery Services Agreement shall take effect on the date of approval by the Independent Shareholders at the EGM and end on 31 December 2025.

The 2023–2025 Master Pre-delivery Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

Nature of the transactions

Pursuant to the 2023–2025 Master Pre-delivery Services Agreement, the Group shall provide pre-delivery services, such as on-site cleaning, security inspection, repair and maintenance, parking management and other customer related services, to the Sino-Ocean Connected Persons at their property sales venues and display units.

Pricing and payment terms

The fees payable by the Sino-Ocean Connected Persons to the Group under the 2023–2025 Master Pre-delivery Services Agreement will be determined on arm's length basis with reference to (i) the scope of the pre-delivery services; (ii) the Group's expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the pre-delivery services; and (iii) the fees charged by other pre-delivery service providers for similar services in the market.

The terms offered by the Group to the Sino-Ocean Connected Persons shall not be less favourable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of pre-delivery services.

LETTER FROM THE BOARD

The Group typically issues a monthly payment notice to the Sino-Ocean Connected Persons for the services rendered under the 2023–2025 Master Pre-delivery Services Agreement, and the Sino-Ocean Connected Persons shall pay the Group within 60 days following the date of the payment notice.

Historical transaction amount and proposed annual caps

The historical transaction amount and the proposed annual caps for the provision of pre-delivery services by the Group to the Sino-Ocean Connected Persons are set out below:

	Historical transaction amount			Proposed annual caps		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the eleven months ended 30 November 2022 <i>(RMB'000)</i>	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
Sales amount	134,071	164,544	168,316	250,000	276,000	300,000

In determining the above annual caps, the Company has considered the following factors:

- (i) the historical transaction amount and the growth trend thereof during the two years ended 31 December 2020 and 31 December 2021 and the eleven months ended 30 November 2022;
- (ii) the expected increase in demand for pre-delivery services associated with operations of new customers (in particular CSHED) which are Sino-Ocean Connected Persons to be provided by the Group upon completion of the Acquisition on 3 November 2022, and the business development plans and estimated delivery schedules of such new customers; and
- (iii) the expected CAGR in the total fees payable by the Sino-Ocean Connected Persons for the Group's pre-delivery services for 2023–2025 of approximately 9.5%, with reference to the following:
 - (a) the annual fees paid by the Sino-Ocean Connected Persons for the Group's pre-delivery services increased by approximately 22.7% for the year ended 31 December 2021 as compared to the year ended 31 December 2020;
 - (b) as of 31 December 2021, the total GFA of properties under development and held for future development of Sino-Ocean Group and its subsidiaries, joint ventures and associates increased by approximately 40.1% as compared to 31 December 2020. As of 30 June 2022, the total GFA of properties under development and held for future development of Sino-Ocean Group and its subsidiaries, joint ventures and associates amounted to approximately 44.4 million sq.m.;

LETTER FROM THE BOARD

- (c) the contracted sales GFA sold by Sino-Ocean Group and its subsidiaries, joint ventures and associates increased by approximately 8.6% for the year ended 31 December 2021 as compared to the year ended 31 December 2020; and
- (d) based on the historical sale performance up to 30 June 2022 and business development plans and estimation of Sino-Ocean Group and its subsidiaries, joint ventures and associates, the Group expects that the number of projects for which it may be engaged by Sino-Ocean Group and its subsidiaries, joint ventures and associates to provide pre-delivery services will be 134, 141 and 150 for the years ending 31 December 2023, 31 December 2024 and 31 December 2025, respectively, representing a CAGR of approximately 5.8% from 2023 to 2025.

(3) 2023–2025 Master Consultancy and Other Value-added Services Agreement

Date

11 November 2022

Parties

- (i) the Company (on behalf of each member of the Group), as service provider; and
- (ii) Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person), as service recipient.

Term

The 2023–2025 Master Consultancy and Other Value-added Services Agreement shall take effect on the date of approval by the Independent Shareholders at the EGM and end on 31 December 2025.

The 2023–2025 Master Consultancy and Other Value-added Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

Nature of the transactions

Pursuant to the 2023–2025 Master Consultancy and Other Value-added Services Agreement, the Group shall provide the Sino-Ocean Connected Persons with consultancy and other value-added services, which mainly include (i) consultancy services, such as advisory services on overall project design, planning and coordination of pre-sale activities and other specific areas including project cleaning and security; (ii) property engineering and repair and maintenance services; and (iii) property sales agency services (including the exclusive parking space sales agency services).

LETTER FROM THE BOARD

In determining the above annual caps, the Company has considered the following factors:

- (i) the historical transaction amount and the growth trend thereof during the two years ended 31 December 2020 and 31 December 2021 and the eleven months ended 30 November 2022;
- (ii) the expected increase in demand for consultancy and other value-added services associated with operations of new customers (in particular CSHED) which are Sino-Ocean Connected Persons to be provided by the Group upon completion of the Acquisition on 3 November 2022, and the business development plans and estimated delivery schedules of such new customers;
- (iii) the expected increase in the amount of sales agency services fees to be received by the Group from the Sino-Ocean Connected Persons for the provision of exclusive sales agency services for parking spaces developed or held by the Sino-Ocean Connected Persons as mentioned in the announcement and circular of the Company in respect of discloseable and continuing connected transactions in relation to the provision of exclusive parking space sales agency services dated 14 October 2022 and 13 January 2023, respectively;
- (iv) the total fees payable by the Sino-Ocean Connected Persons for the Group's property engineering services (which mainly involve the provision of repair and maintenance services as well as smart management services such as the design, installation and maintenance of smart security and surveillance systems and control systems) increased by approximately 187.1% to approximately RMB124.0 million for the year ended 31 December 2021 as compared to the year ended 31 December 2020, and it is expected to reach approximately RMB177.4 million, RMB190.4 million and RMB203.3 million for the years ending 31 December 2023, 31 December 2024 and 31 December 2025, respectively, taking into account the following:
 - (a) the contracted sales GFA sold by Sino-Ocean Group and its subsidiaries, joint ventures and associates increased by approximately 8.6% for the year ended 31 December 2021 as compared to the year ended 31 December 2020, which the Group has participated in the tender and billing process for the provision of repair and maintenance services and smart management services for various property projects developed by the Sino-Ocean Connected Persons in the PRC, coupled with the business model of smart management. Based on the Group's communications with Sino-Ocean Group and its subsidiaries, joint ventures and associates, it is expected that the total annual contract value for repair and maintenance services and smart management services for the properties developed by Sino-Ocean Group and its

LETTER FROM THE BOARD

subsidiaries, joint ventures and associates will reach approximately RMB203.3 million for the year ending 31 December 2025, representing a CAGR of approximately 7.1% from 2023 to 2025; and

- (b) the expected increase in the volume of the Group's repair and maintenance services required for the properties developed by the Sino-Ocean Connected Persons at the post-delivery stage along with the aging of such properties; and
- (v) the total fees payable by the Sino-Ocean Connected Persons for the Group's consultancy services increased by approximately 124.0% for the year ended 31 December 2021 as compared to the year ended 31 December 2020. The total fees payable by the Sino-Ocean Connected Persons for the Group's consultancy services are expected to reach approximately RMB211.6 million, RMB295.3 million and RMB413.5 million for the years ending 31 December 2023, 31 December 2024 and 31 December 2025, respectively, representing a CAGR of approximately 39.8% from 2023 to 2025, with reference to the historical growth of and the business plan for additional land reserve of the Sino-Ocean Connected Persons and the expected increase in their demand for the Group's consultancy services.

REASONS FOR AND BENEFITS OF THE RENEWAL OF AGREEMENTS FOR THE THREE YEARS ENDING 31 DECEMBER 2025

The Group and the Sino-Ocean Connected Persons have maintained long-standing and stable cooperative relationships, with a well-established mutual understanding of the standards, requirements and specific needs of each other. The entering into of the 2023–2025 Master Non-exempt CCT Agreements will allow the Group to continue to provide property management services, pre-delivery services, consultancy and other value-added services to the Sino-Ocean Connected Persons, which brings a stable source of income to the Group. The transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements are therefore considered to be mutually beneficial to the Group and the Sino-Ocean Connected Persons based on their respective commercial needs.

The Directors (including all the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee but excluding the Abstained Directors) consider that the transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements are entered into in the ordinary and usual course of business of the Group, and the terms of such transactions and the respective annual caps, which were determined after arm's length negotiations between the parties thereto, are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors was in any way materially interested in the transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements. Nevertheless, the Abstained Directors (namely Mr. Cui Hongjie and Mr. Zhu Xiaoxing) have abstained from voting on the Board resolutions approving the 2023–2025 Master

LETTER FROM THE BOARD

Non-exempt CCT Agreements and the transactions as contemplated thereunder by virtue of their directorship and/or senior positions in Sino-Ocean Group and/or its associates (other than the Group).

RECEIPT OF FEES UNDER THE 2023–2025 MASTER NON-EXEMPT CCT AGREEMENTS

Reference is made to the announcement of the Company dated 2 December 2022 in relation to, among others, the change of its auditor and matters that the resigned auditor considered should be brought to the attention of the Shareholders and creditors of the Company, including certain non-contractual fund advances to an entity relating to its controlling shareholder, i.e. Sino-Ocean Group (the “Advances”). As disclosed in the aforementioned announcement, the Board is committed to follow up on matters raised by the resigned auditor with due care and will provide all necessary information to the incoming auditor for completing the audit work for the year ended 31 December 2022. As at the Latest Practicable Date, part of the Advances has been repaid and it is anticipated that there will be no expected credit loss in respect of the Advances. The Board considered that the payment of the Advances was a standalone incident, which shall not affect the Group’s business arrangements and dealings with the Sino-Ocean Connected Persons in the ordinary and usual course of business (including but not limited to the provision of services under the 2023–2025 Master Non-exempt CCT Agreements).

The Group has adopted more robust measures to ensure the receipt of fees under the 2023–2025 Master Non-exempt CCT Agreements as follows:

- (i) in the event that any Sino-Ocean Connected Persons fail to pay any fees under the 2023–2025 Master Non-exempt CCT Agreements in accordance with the respective payment terms, Sino-Ocean Group agrees that the Group shall have the discretion to offset any such overdue amount with (a) any dividend distributable in respect of the Shares indirectly held by Sino-Ocean Group; and (b) any fees or amount payable by the Group to any Sino-Ocean Connected Persons in the ordinary and usual course of business; and
- (ii) relevant personnel of the business department of the Group will monitor the latest financial position of Sino-Ocean Group, assess the ongoing risks by monitoring the announcements of Sino-Ocean Group as well as publicly available information in the market from time to time, and monitor the payment ability of the relevant Sino-Ocean Connected Persons. Should the aforesaid designated personnel become aware of any material adverse event with respect to the financial position of Sino-Ocean Group, he/she will report to the Board and the management of the Group in a timely manner. In turn, the management of the Group will assess the relevant information, and when considered necessary, the Group will cease or downsize the transactions under the 2023–2025 Master Non-exempt CCT Agreements subject to the terms of the respective specific agreements.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

In order to ensure that the terms (including the pricing principles and the annual caps) of the transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements are fair and reasonable and will be complied with, the Company has adopted the following internal control and corporate governance measures:

- (i) the Board (including the independent non-executive Directors) will be responsible for reviewing and evaluating the terms of the transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements, in particular the pricing principles and the annual caps, to ensure that such terms are fair and reasonable to the Group and compliant with relevant laws and regulations, internal policies of the Group and the Listing Rules;
- (ii) the terms offered by the Group to the Sino-Ocean Connected Persons under the specific agreements will not be less favourable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of services, where applicable;
- (iii) the specific agreements, together with relevant information, will be submitted to the business department, finance department, legal department and the management of the Group for approval before signing and execution;
- (iv) pursuant to the Corporate Governance Code in Appendix 14 to the Listing Rules, the Directors (including the independent non-executive Directors) will be able to seek independent professional advice in respect of the transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements from external parties in appropriate circumstances;
- (v) the actual transaction amounts for the transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements will be reported to appropriate management team regularly and the finance department of the Company will be responsible for reviewing and monitoring the actual transaction amounts to ensure that the annual caps will not be exceeded;
- (vi) various internal departments of the Company (including but not limited to the finance department, capital market department and company secretarial department) will regularly monitor the implementation of the transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements and keep track of the aggregate transaction amounts thereof to ensure that the pricing principles, payment terms and the annual caps contained in the 2023–2025 Master Non-exempt CCT Agreements are complied with;
- (vii) the Company has adopted relevant reporting and record-keeping procedures to allow the independent non-executive Directors and the auditors of the Company to perform annual review of the transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements and provide annual confirmations in accordance with the Listing Rules;

LETTER FROM THE BOARD

- (viii) the Company will duly disclose in its annual report the continuing connected transactions conducted during the relevant financial year, together with the conclusion drawn by the independent non-executive Directors on whether the transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and on terms that are fair and reasonable in accordance with the relevant framework agreements and in the interests of the Company and the Shareholders as a whole; and
- (ix) the internal control measures as set out in the section headed “RECEIPT OF FEES UNDER THE 2023–2025 MASTER NON-EXEMPT CCT AGREEMENTS” in this circular.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an investment holding company and the Group is a comprehensive property management service provider with extensive geographic coverage in the PRC. The Group’s property management services cover a wide range of property types, including residential communities, commercial properties (such as shopping malls and office buildings) and public and other properties (such as hospitals, schools, government buildings and public service facilities). The Group also provides commercial operational services to shopping malls and office buildings, including pre-opening management services and operation management services. In addition to property management services and commercial operational services, the Group provides a variety of community value-added services to property owners and residents of the properties under its management, including community asset value-added services, community living services and property brokerage services, and value-added services to non-property owners, including pre-delivery services, consultancy services and property engineering services to property developers and other property management companies.

INFORMATION ON SINO-OCEAN GROUP

Sino-Ocean Group is a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. It is an investment holding company and a leading large-scale property developer with developments in key economic regions in the PRC, including the Beijing Region, the Bohai Rim Region, the Eastern Region, the Southern Region, the Central Region and the Western Region. The core businesses of Sino-Ocean Group and its subsidiaries include development of residential property, investment property development and operation, property services and whole-industrial chain construction services, along with synergic businesses in real estate financing, senior living service, logistics real estate and internet data center, etc. Reference is made to Sino-Ocean Group’s announcement dated 11 November 2022 in relation to, among others, the change of its auditor and matters that the resigned auditor considered should be brought to the attention of the shareholders and creditors of Sino-Ocean Group for the year ended 31 December 2022, such as the possibility of potential defaults or cross-defaults of borrowings. As disclosed in such announcement, Sino-Ocean Group has obtained consents from majority of the lending banks regarding amendments of relevant financial covenants and terms of bank loan agreements and no defaults or

LETTER FROM THE BOARD

cross-defaults of borrowings of Sino-Ocean Group are expected. Further, Sino-Ocean Group did not announce any material adverse credit events and/or defaults in the past 24 months. In addition, except that the payment efficiency of the Sino-Ocean Connected Persons has been affected by the unfavourable conditions in the overall real estate market in the PRC in year 2022, the Sino-Ocean Connected Persons have generally been able to make respective payments under the 2020–2022 Master Non-exempt CCT Agreements. As at 30 September 2022, the account receivables owed by the Sino-Ocean Connected Persons under the 2020–2022 Master Non-exempt CCT Agreements was approximately RMB460.1 million. Set out below is the relevant aging breakdown of the trade and note receivables based on the invoice date of the Sino-Ocean Connected Persons in respect of the 2020–2022 Master Non-exempt CCT Agreements as at 30 September 2022, which is largely consistent with the aging pattern of comparable receivables of the independent third parties. The Group will continue to adopt the relevant internal control measures (details of which are set out in the sections headed “INTERNAL CONTROL MEASURES” and “RECEIPT OF FEES UNDER THE 2023–2025 MASTER NON-EXEMPT CCT AGREEMENTS” in this circular) and to ensure that the payment terms are complied with by the Sino-Ocean Connected Persons.

	As at 30 September 2022 <i>(RMB'000)</i> <i>(Unaudited)</i>
Within 1 year	413,352
1–2 years	43,448
2–3 years	2,027
Over 3 years	<u>1,240</u>
Total	<u><u>460,067</u></u>

Moreover, the People’s Bank of China and the China Banking and Insurance Regulatory Commission jointly issued Notice No. 254 in November 2022 containing a 16-point plan to support the property development sector through measures that range from addressing developers’ liquidity crisis to loosening down-payment requirements for homebuyers, which is expected to bring about positive impact to the overall real estate market in the PRC, which is in turn expected to ease any unfavourable conditions in the current overall real estate market in the PRC.

Considering the above factors and the relevant internal control measures of the Group (details of which are set out in the sections headed “INTERNAL CONTROL MEASURES” and “RECEIPT OF FEES UNDER THE 2023–2025 MASTER NON-EXEMPT CCT AGREEMENTS” in this circular), the Board considers that the risk of Sino-Ocean Group not being able to pay to the Group relevant fees under the 2023–2025 Master Non-exempt CCT Agreements is low.

LETTER FROM THE BOARD

The Board has also conducted additional due diligence work on Sino-Ocean Group in light of its latest development, including but not limited to (a) reviewing the announcements of Sino-Ocean Group as well as publicly available information in the market up to the Latest Practicable Date and noted that no material adverse credit event and/or default in the past 24 months was announced; (b) conducting winding-up searches against Sino-Ocean Group in Hong Kong based on publicly available information and noted that no winding-up proceedings were commenced against Sino-Ocean Group in Hong Kong as at the Latest Practicable Date; and (c) conducting searches against Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司), being the principal subsidiary of Sino-Ocean Group in the PRC, based on publicly available information and noted that no litigation or winding-up proceedings which might in turn have a material adverse effect on Sino-Ocean Group's financial position were commenced against such entity in the PRC as at the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

Sino-Ocean Group is a controlling Shareholder and thus a connected person of the Company. Accordingly, the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the renewal of the Continuing Connected Transactions for the three years ending 31 December 2025 as contemplated under the 2023–2025 Master Non-exempt CCT Agreements, as one or more of the applicable percentage ratios in respect of the largest annual cap under each of the 2023–2025 Master Non-exempt CCT Agreements exceed(s) 5%, each of the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps) are subject to the reporting, annual review, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders on the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps), and to advise the Independent Shareholders on how to vote. A letter from the Independent Board Committee is set out on pages 24 to 25 of this circular.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise and make recommendations to the Independent Board Committee and the Independent Shareholders on the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps), and as to voting at the EGM so far as the Independent Shareholders are concerned. A letter from the Independent Financial Adviser is set out on pages 26 to 52 of this circular.

LETTER FROM THE BOARD

BOOK CLOSURE FOR EGM ATTENDANCE

In order to ascertain the right to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 26 January 2023 to Tuesday, 31 January 2023 (both days inclusive) during which period no transfer of Shares will be registered.

Shareholders are reminded that in order to be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 20 January 2023.

EGM

A notice convening the EGM to be held at Meeting Room, 2nd Floor, Tower A, No. A518 East Road of Chaoyang Sports Center, Chaoyang District, Beijing, PRC on Tuesday, 31 January 2023 at 10:00 a.m. is set out on pages 58 to 59 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps) by way of poll.

A form of proxy for use at the EGM is enclosed to this circular and is also published on the websites of the Company (www.sinooceanservice.com) and the Stock Exchange (www.hkexnews.hk). If you intend to appoint a proxy to attend the EGM, you are requested to complete the 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e., not later than 10:00 a.m. on Sunday, 29 January 2023 (Hong Kong Time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

VOTING AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

In the case of an equality of votes on a poll, the chairman of the meeting shall, subject to the Company's articles of association, be entitled to casting vote in addition to any other vote he may have.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Shine Wind and its associates (which held 827,100,000 Shares in aggregate, representing approximately 69.86% of the total number of issued Shares, as at the Latest Practicable Date), none of the other Shareholders has a material interest in the transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements and is required to abstain from voting on the relevant resolutions at the EGM.

RECOMMENDATION

The Directors (including all the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee but excluding the Abstained Directors) consider that the 2023–2025 Master Non-exempt CCT Agreements were entered into in the ordinary and usual course of business of the Company, and the terms of the 2023–2025 Master Non-exempt CCT Agreements, which were determined after arm's length negotiations between the parties thereto, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including all the independent non-executive Directors but excluding the Abstained Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps).

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
Sino-Ocean Service Holding Limited
Yang Deyong
Joint Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular, setting out its recommendation to the Independent Shareholders in respect of the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps).



13 January 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF AGREEMENTS FOR THE THREE YEARS ENDING 31 DECEMBER 2025

We refer to the circular of the Company dated 13 January 2023 (the “**Circular**”) of which this letter forms a part. Terms defined in the Circular shall bear the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to advise you in respect of the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps). Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the advice of the Independent Financial Adviser, we are of the opinion that the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps) were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also draw the attention of the Independent Shareholders to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information set out in the appendix to the Circular.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Dr. Guo Jie
*Independent non-executive
Director*

Mr. Ho Chi Kin Sammy
*Independent non-executive
Director*

Mr. Leung Wai Hung
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective Proposed Annual Caps), which has been prepared for the purpose of inclusion in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 310, 3/F.,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

Tel: (852) 2857 9208
Fax: (852) 2857 9100

13 January 2023

*To: The Independent Board Committee and the Independent Shareholders of
Sino-Ocean Service Holding Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF AGREEMENTS FOR THE THREE YEARS ENDING 31 DECEMBER 2025

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the continuing connected transactions in connection with the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the respective annual caps) (the “**Proposed Annual Caps**”) (together the “**Renewed Continuing Connected Transactions**”). Details of the 2023–2025 Master Non-exempt CCT Agreements with Sino-Ocean Group are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 13 January 2023 (the “**Circular**”). Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

Reference is made to the section headed “Connected Transactions” in the Prospectus in relation to, among other things, the Continuing Connected Transactions between the Group and the Sino-Ocean Connected Persons.

On 11 November 2022 (after trading hours of the Stock Exchange), the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) entered into the 2023–2025 Master Non-exempt CCT Agreements to renew the Continuing Connected Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Sino-Ocean Group is a controlling shareholder and thus a connected person of the Company. Accordingly, the Renewed Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the renewal of the Continuing Connected Transactions for the three years ending 31 December 2025 as contemplated under the 2023–2025 Master Non-exempt CCT Agreements, as one or more of the applicable percentage ratios in respect of the largest annual cap under each of the 2023–2025 Master Non-exempt CCT Agreements exceed(s) 5%, each of the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the Proposed Annual Caps) are subject to the reporting, annual review, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Dr. Guo Jie, Mr. Ho Chi Kin Sammy and Mr. Leung Wai Hung, has been established to advise the Independent Shareholders as to whether the terms of the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable, whether the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and on how to vote.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Renewed Continuing Connected Transactions (including the Proposed Annual Caps) for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Sino-Ocean Group or any relevant parties in connection with the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the Proposed Annual Caps) and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the 2023–2025 Master Non-exempt CCT Agreements and the transactions as contemplated thereunder (including the Proposed Annual Caps).

In the last two years, save for our appointment as the Independent Financial Adviser and as the independent financial adviser in relation to the continuing connected transactions pursuant to the exclusive parking space sales agency services framework agreements entered into between the Group and Sino-Ocean Group, details of which are set out in the announcement of the Company dated 14 October 2022 (the “**Car Parking Space CCTs**”), we have not acted as independent financial adviser to the Independent Board Committee and/or the Independent Shareholders. Apart from normal professional fees paid

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

or payable to us in connection with our appointment as the independent financial adviser in relation to (i) the Car Parking Space CCTs; and (ii) the Renewed Continuing Connected Transactions, no arrangements exist whereby we have received or will receive any fees or benefits from the 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.

IV. BASIS OF OUR ADVICE

In formulating our advice to the Independent Board Committee and the Independent Shareholders, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and the Sino-Ocean Connected Persons (including Sino-Ocean Group) contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group and the Sino-Ocean Connected Persons (including Sino-Ocean Group) made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group, the Sino-Ocean Connected Persons (including Sino-Ocean Group) or their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the transactions contemplated under the 2023–2025 Master Non-exempt CCT Agreements (including the Proposed Annual Caps), and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

V. BACKGROUND INFORMATION OF THE RENEWED CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion on the Renewed Continuing Connected Transactions (together with the Proposed Annual Caps), we have taken into consideration the following factors and reasons:

1. Information of the Group

As set out in the Letter from the Board, the Group is a comprehensive property management service provider with extensive geographic coverage in the PRC. In addition to property management services and commercial operational services, the Group also provides a variety of value-added services to property owners and residents of the properties under its management as well as non-property owners.

Set out below is a summary of (i) the audited consolidated statements of comprehensive income for the years ended 31 December 2020 and 2021 as extracted from the Company's annual report for the year ended 31 December 2021 (the "**2021 Annual Report**"); and (ii) the unaudited consolidated financial results for the six months ended 30 June 2021 and 2022 as set out in the Company's interim report for the six months ended 30 June 2022 (the "**2022 Interim Report**"), respectively:

Summary of consolidated statements of comprehensive income

	For the year ended		For the six months ended	
	31 December		30 June	
<i>(RMB 'million)</i>	2020	2021	2021	2022
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue				
— Property management and commercial operational services	1,339.2	1,588.4	744.5	943.5
— Community value-added services	316.2	788.9	371.8	304.7
— Value-added services to non-property owners	<u>367.9</u>	<u>588.3</u>	<u>268.3</u>	<u>352.1</u>
Total revenue	<u><u>2,023.3</u></u>	<u><u>2,965.6</u></u>	<u><u>1,384.6</u></u>	<u><u>1,600.3</u></u>
Profit after tax	262.6	441.3	263.5	269.5
Profit attributable to owners of the Company	257.6	439.0	261.3	266.7

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2022 compared to the six months ended 30 June 2021

For the six months ended 30 June 2022, revenue increased by approximately RMB215.7 million or approximately 15.6%, from approximately RMB1,384.6 million for the six months ended 30 June 2021 to approximately RMB1,600.3 million for the six months ended 30 June 2022.

Revenue from the Group's property management and commercial operational services amounted to approximately RMB943.5 million, which accounted for approximately 59.0% of the Group's total revenue for the six months ended 30 June 2022. The period on period increase in revenue from the property management and commercial operational services was primarily attributable to the growth in the total GFA under management of the Group, which amounted to approximately 79.4 million sq.m. as at 30 June 2022, compared to approximately 57.8 million sq.m. as at 30 June 2021.

Revenue from community value-added services amounted to approximately RMB304.7 million, representing a decrease of approximately RMB67.1 million or approximately 18.0% compared to the six months ended 30 June 2021. Such decrease was mainly due to effects associated with the COVID-19 outbreak in the PRC at the relevant time.

On the other hand, revenue from value-added services to non-property owners amounted to approximately RMB352.1 million, representing an increase of approximately RMB83.8 million or approximately 31.2% compared to the six months ended 30 June 2021. The aforesaid increase was primarily attributable to the increase in revenue generated from pre-delivery services, consultancy services and property engineering services.

It is also noted that profit attributable to owners of the Company increased by approximately RMB5.4 million or approximately 2.1%, from approximately RMB261.3 million for the six months ended 30 June 2021 to approximately RMB266.7 million for the six months ended 30 June 2022. Such increase was mainly attributable to the net effect of the increase in revenue as analysed above and a lower gross profit margin of the Group as a result of (i) the decrease in revenue from community value-added services which commanded a higher gross profit margin as a result of the COVID-19 outbreak in the PRC; and (ii) the decrease in gross profit margin of property management and commercial operational services and community value-added services.

For the year ended 31 December 2021 compared to the year ended 31 December 2020

For the year ended 31 December 2021, revenue increased by approximately RMB942.3 million or approximately 46.6%, from approximately RMB2,023.3 million for the year ended 31 December 2020 to approximately RMB2,965.6 million for the year ended 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revenue from the Group's property management and commercial operational services amounted to approximately RMB1,588.4 million, which accounted for approximately 53.6% of the Group's total revenue for the year ended 31 December 2021. The year-to-year increase in revenue from the property management and commercial operational services was primarily attributable to the growth in GFA under management of the Group, which amounted to approximately 73.5 million sq.m. as at 31 December 2021, compared to approximately 45.5 million sq.m. as at 31 December 2020, as well as an increase in the number of properties under management from 238 as at 31 December 2020 to 360 as at 31 December 2021, due to business expansion of the Group.

As set out in the 2021 Annual Report, the revenue from community value-added services amounted to approximately RMB788.9 million, representing an increase of approximately RMB472.7 million or approximately 149.5% compared to the year ended 31 December 2020. Such increase was mainly due to the increase in revenue from community living services as a result of vigorous promotion during the year and increase in revenue from property brokerage services as a result of the successful expansion of the coverage of the Group's property brokerage services during the year.

On the other hand, revenue from value-added services to non-property owners amounted to approximately RMB588.3 million, representing an increase of approximately RMB220.4 million or approximately 59.9% compared to the year ended 31 December 2020. The aforesaid increase was primarily attributable to (i) the increase in revenue from consultancy services due to our vigorous promotion and the increase of bespoke consultancy services to property developers to assist with the overall planning and coordination of pre-sale activities; and (ii) the increase in revenue from property engineering services due to more repair and maintenance services and smart management services for property engineering projects undertaken during the year.

It is also noted that profit attributable to owners of the Company increased by approximately RMB181.4 million or approximately 70.4%, from approximately RMB257.6 million for the year ended 31 December 2020 to approximately RMB439.0 million for the year ended 31 December 2021. Such increase was mainly attributable to the increase in revenue as analysed above.

2. Information on Sino-Ocean Group

As set out in the Letter from the Board, Sino-Ocean Group is a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. It is an investment holding company and a leading large-scale property developer with developments in key economic regions in the PRC, including the Beijing region, the Bohai Rim region, the Eastern region, the Southern region, the Central region and the Western region. The core businesses of Sino-Ocean Group and its subsidiaries include development of residential property, investment property development and operation, property

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

services and whole-industrial chain construction services, along with synergic businesses in real estate financing, senior living service, logistics real estate and internet data center, etc.

As set out in the Letter from the Board, reference is made to Sino-Ocean Group's announcement dated 11 November 2022 in relation to, among others, the change of its auditor and matters that the resigned auditor considered should be brought to the attention of the shareholders and creditors of Sino-Ocean Group for the year ended 31 December 2022, such as the possibility of potential defaults or cross-defaults of borrowings. As disclosed in such announcement, Sino-Ocean Group has obtained consents from majority of the lending banks regarding amendments of relevant financial covenants and terms of bank loan agreements and no defaults or cross-defaults of borrowings of Sino-Ocean Group are expected. Further, Sino-Ocean Group did not announce any material adverse credit events and/or defaults in the past 24 months. In addition, except that the payment efficiency of the Sino-Ocean Connected Persons has been affected by the unfavourable conditions in the overall real estate market in the PRC in year 2022, the Sino-Ocean Connected Persons have generally been able to make respective payments under the 2020–2022 Master Non-exempt CCT Agreements.

As at 30 September 2022, the account receivables owed by the Sino-Ocean Connected Persons under the 2020–2022 Master Non-exempt CCT Agreements was approximately RMB460.1 million, the relevant aging breakdown of the trade and note receivables based on the invoice date of the Sino-Ocean Connected Persons in respect of the 2020–2022 Master Non-exempt CCT Agreements as at 30 September 2022 has been set out in the Letter from the Board, such is considered by the Management to be largely consistent with the aging pattern of comparable receivables of the independent third parties. The Group will continue to adopt the relevant internal control measures (details of which are set out under the sections headed “INTERNAL CONTROL MEASURES” and “RECEIPT OF FEES UNDER THE 2023–2025 MASTER NON-EXEMPT CCT AGREEMENTS” in the Letter from the Board) and to ensure that the payment terms are complied with by the Sino-Ocean Connected Persons.

Moreover, the People's Bank of China and the China Banking and Insurance Regulatory Commission jointly issued Notice No. 254 in November 2022 containing a 16-point plan to support the property development sector through measures that range from addressing developers' liquidity crisis to loosening down-payment requirements for homebuyers, which the Board expects to bring about positive impact to the overall real estate market in the PRC.

Considering the above factors and the relevant internal control measures of the Group (details of which are set out under the sections headed “INTERNAL CONTROL MEASURES” and “RECEIPT OF FEES UNDER THE 2023–2025 MASTER NON-EXEMPT CCT AGREEMENTS” in the Letter from the Board), the Board considers that the risk of Sino-Ocean Group not being able to pay to the Group relevant fees under the 2023–2025 Master Non-exempt CCT Agreements is low.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Board has also conducted additional due diligence work on Sino-Ocean Group in light of its latest development, including but not limited to (i) reviewing the announcements of Sino-Ocean Group as well as publicly available information in the market up to the Latest Practicable Date and noted that no material adverse credit event and/or default in the past 24 months was announced; (ii) conducting winding-up searches against Sino-Ocean Group in Hong Kong based on publicly available information and noted that no winding-up proceedings were commenced against Sino-Ocean Group in Hong Kong at the relevant time; and (iii) conducting searches against Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司), being the principal subsidiary of Sino-Ocean Group in the PRC, based on publicly available information and noted that no litigation or winding-up proceedings which might in turn have a material adverse effect on Sino-Ocean Group's financial position were commenced against such entity in the PRC at the relevant time.

3. Background information on the property management industry in the PRC

As set out on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>) and the PRC 2022 Third Quarter Gross Domestic Product Preliminary Results* (2022年三季度國內生產總值初步核算結果)¹, year-on-year growth in gross domestic product (“GDP”) for the PRC in 2021 was approximately 8.1% and based on preliminary published figures for the nine months ended 30 September 2022, the PRC recorded GDP period-on-period growth of approximately 3.0% compared to the nine months ended 30 September 2021. Such relatively moderate GDP growth for the nine months ended 30 September 2022 was partly attributable to the re-emergence of COVID-19 cases in various regions/cities of the PRC from time to time. In this connection, the PRC government has introduced various regulations and measures to manage and contain the re-emergence of these COVID-19 cases, some of which may have temporarily affected the level of business activities in the subject area.

The PRC government announced its future development directions in the 14th Five Year Plan (the “14th FYP”)* (十四五規劃) around March 2021. The 14th FYP sets out, among others, the target urbanisation rate of the resident population* (常住人口城鎮化率) to reach 65.0% by 2025. To this end, the PRC government had implemented policies to promote urbanisation in the PRC through to, among others, (i) accelerate the agricultural population urbanisation* (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system* (深化戶籍制度改革), implementation of the residence permit system* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) optimise urbanisation layout* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration* (加快城市群建設發展), enhance the drive of activities by central cities* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristic towns* (加快發展中小城市和特色鎮).

¹ PRC 2022 Third Quarter Gross Domestic Product Preliminary Results* (2022年三季度國內生產總值初步核算結果) (http://www.stats.gov.cn/tjsj/zxfb/202210/t20221024_1889502.html)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, based on publication by the PRC government in relation to the 14th FYP, the PRC government will focus on enhancing the quality and efficacy of the overall economy with a view to attain sustainable and healthy development through, among others, (i) the improvement of supply chain modernisation* (提升產業鏈供應鏈現代化水平); (ii) the development of strategic new industries* (發展戰略性新興產業); (iii) the acceleration of modern service industries development* (加快發展現代服務業); (iv) the coordination of infrastructure construction advancement* (統籌推進基礎設施建設); and (v) the acceleration of the development of digitalisation* (加快數位化發展)².

It is expected that the development of the PRC real estate market will continue to be influenced by changes in PRC government policies at a national and regional level which is intended to promote sustainable and healthy long-term development, the then prevailing market environment as well as the overall economic development of the PRC.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Reasons for and benefits of entering into the 2023–2025 Master Non-exempt CCT Agreements

The Group and the Sino-Ocean Connected Persons have maintained long-standing and stable cooperative relationships, with a well-established mutual understanding of the standards, requirements and specific needs of each other. The entering into of the 2023–2025 Master Non-exempt CCT Agreements will allow the Group to continue to provide property management services, pre-delivery services, consultancy and other value-added services to the Sino-Ocean Connected Persons, which brings a stable source of income to the Group. The transactions as contemplated under the 2023–2025 Master Non-exempt CCT Agreements are therefore considered to be mutually beneficial to the Group and the Sino-Ocean Connected Persons based on their respective commercial needs.

Having considered that, (i) the Group is a comprehensive property management service provider with extensive geographic coverage to its customers, including Sino-Ocean Group, in the PRC with over 20 years of experience and the Renewed Continuing Connected Transactions are a furtherance of the Group's principal businesses; (ii) the 2020–2022 Master Non-exempt CCT Agreements will be expiring on 31 December 2022 and that the Company has entered into the 2023–2025 Master Non-exempt CCT Agreements with a view to continue to provide property management services, pre-delivery services, consultancy and other value-added services to the Sino-Ocean Connected Persons and the Proposed Annual Caps, if approved, shall facilitate the Renewed Continuing Connected Transactions to be conducted in an effective and efficient manner without the need for the Company to seek Independent Shareholders' approval on a transaction-by-transaction basis; and (iii) the Group has the right but not the obligation to seek or provide the relevant

² *Publication of the State Council of the PRC titled “中共中央關於制定國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標的建議” (Source: www.gov.cn/zhengce/2020-11/03/content_5556991.htm)*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

services to the Sino-Ocean Connected Persons at terms determined in accordance with the respective pricing policies, we concur with the Directors' view that the Renewed Continuing Connected Transactions are in the interests of the Company and its Shareholders as a whole.

2. Principal terms of the 2023–2025 Master Non-exempt CCT Agreements

The following information has been extracted from the Letter from the Board:

Date: 11 November 2022 (after trading hours of the Stock Exchange)

Parties: (i) the Company (on behalf of each member of the Group), as service provider; and
(ii) Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person), as service recipient.

Term: The 2023–2025 Master Non-exempt CCT Agreements shall take effect on the date of approval by the Independent Shareholders at the EGM and end on 31 December 2025.

The 2023–2025 Master Non-exempt CCT Agreements may be terminated during its term by a party by giving the other party a 30-day prior written notice.

Nature of the transactions: *2023–2025 Master Property Management Services Agreement*

Pursuant to the 2023–2025 Master Property Management Services Agreement, the Group shall provide property management services, such as security, cleaning, greening, gardening and repair and maintenance services, to the Sino-Ocean Connected Persons in respect of (i) property units developed for sale by the Sino-Ocean Connected Persons which have been completed and are either unsold or sold but not yet delivered to the buyers of such property units; and (ii) commercial properties (including shopping malls, office buildings and carpark spaces) owned, used or operated by the Sino-Ocean Connected Persons.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2023–2025 Master Pre-delivery Services Agreement

Pursuant to the 2023–2025 Master Pre-delivery Services Agreement, the Group shall provide pre-delivery services, such as on-site cleaning, security inspection, repair and maintenance, parking management and other customer related services, to the Sino-Ocean Connected Persons at their property sales venues and display units.

2023–2025 Master Consultancy and Other Value-added Services Agreement

Pursuant to the 2023–2025 Master Consultancy and Other Value-added Services Agreement, the Group shall provide the Sino-Ocean Connected Persons with consultancy and other value-added services, which mainly include (i) consultancy services, such as advisory services on overall project design, planning and coordination of pre-sale activities and other specific areas including project cleaning and security; (ii) property engineering and repair and maintenance services; and (iii) property sales agency services (including the exclusive parking space sales agency services).

Pricing and payment terms:

2023–2025 Master Property Management Services Agreement

The fees payable by the Sino-Ocean Connected Persons to the Group will be determined on arm's length basis with reference to (i) the nature, size and location of the relevant properties; (ii) the scope of the property management services; (iii) the Group's expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the property management services; and (iv) the fees charged by other property management service providers for similar services in respect of similar types of properties in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The fees charged by the Group to the Sino-Ocean Connected Persons shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable). These standard fees are government guidance prices (comprising benchmark prices and respective range of variations) which are determined from time to time by relevant authorities in the PRC with reference to (i) the specific property type (which may include higher-level apartment buildings with elevators and lower-level apartment buildings without elevators); (ii) service scope; and (iii) the grading criteria of property service charges in accordance with the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) and relevant local regulations in the PRC. In the event that the fees charged by the Group are higher than such government guidance prices, the Group may be subject to applicable administrative penalties and fees charged by the Group in excess of the respective government guidance prices may be confiscated by the relevant regulatory authorities. Further, the terms offered by the Group to the Sino-Ocean Connected Persons shall not be less favourable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of property management services.

The Group usually issues a monthly, quarterly or annually payment notice to the Sino-Ocean Connected Persons, depending on the location of the properties, for the services rendered under the 2023–2025 Master Property Management Services Agreement, and the Sino-Ocean Connected Persons shall pay the Group upon the receipt of the payment notice.

2023–2025 Master Pre-delivery Services Agreement

The fees payable by the Sino-Ocean Connected Persons to the Group will be determined on arm's length basis with reference to (i) the scope of the pre-delivery services; (ii) the Group's expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the pre-delivery services; and (iii) the fees charged by other pre-delivery service providers for similar services in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group typically issues a monthly payment notice to the Sino-Ocean Connected Persons for the services rendered under the 2023–2025 Master Pre-delivery Services Agreement, and the Sino-Ocean Connected Persons shall pay the Group within 60 days following the date of the payment notice.

2023–2025 Master Consultancy and Other Value-added Services Agreement

The fees payable by the Sino-Ocean Connected Persons to the Group will be determined on arm's length basis with reference to (i) where applicable, the fees charged by the Group to its independent customers for the same or similar type and scope of value-added services; or (ii) where the Group has not provided the same or similar type and scope of value-added services to its independent customers, the Group's expected costs (including, among others, labor costs, material costs and administrative costs) of providing the relevant services plus a profit margin of not less than 10%.

The Group usually issues a monthly payment notice to the Sino-Ocean Connected Persons for the services rendered under the 2023–2025 Master Consultancy and Other Value-added Services Agreement, and the Sino-Ocean Connected Persons shall pay the Group within 60 days following the date of the payment notice.

For further details of the principal terms of the 2023–2025 Master Non-exempt CCT Agreements, please refer to the section headed “RENEWAL OF AGREEMENTS OF THE THREE YEARS ENDING 31 DECEMBER 2025” in the Letter from the Board.

3. Analysis on the principal terms of the 2023–2025 Master Non-exempt CCT Agreements and work performed on the internal control procedures

We have discussed with the Management and were advised the service fees under the 2023–2025 Master Non-exempt CCT Agreements are for the property management services to be provided by the Group to the Sino-Ocean Connected Persons, including, without limitation (i) property management services, such as security, cleaning, greening, gardening and repair and maintenance services, in respect of (a) property units developed for sale by the Sino-Ocean Connected Persons which have been completed and are either unsold or sold but not yet delivered to the buyers of such property units; and (b) commercial properties (including shopping malls, office buildings and carpark spaces) owned, used or operated by the Sino-Ocean Connected

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Persons (the “**Property Management Services**”); (ii) pre-delivery services, such as on-site cleaning, security inspection, repair and maintenance, parking management and other customer related services, to the Sino-Ocean Connected Persons at their property sales venues and display units (the “**Pre-delivery Services**”); and (iii) other value-added services, which mainly included (a) consultancy services, such as advisory services on overall project design, planning and coordination of pre-sale activities and other specific areas including project cleaning and security; (b) property engineering and repair and maintenance services; and (c) property sales agency services, including the exclusive parking space sales agency services (the “**Other Value-added Services**”).

Property Management Services

The Management advised that the Group typically compete for and, subject to acceptable terms, be engaged as a service provider to provide property management services under the agreed terms with the property developer prior to the property developer(s) enter into individual sales agreement(s) of individual property units and/or car parking lots in a new residential community or commercial building. If the individual property unit and/or car parking lot is subsequently sold and delivered to the buyer of such property unit and/or car parking lot, the relevant property management fee would be borne by the relevant property owner. For property units and/or car parking lots that remained unsold upon completion of such residential community or commercial building, the relevant property management service fees would be borne by the relevant property developer until the subject property units and/or car parking lots are sold.

In this connection, we have reviewed 10 sampled transactions, which included transactions between the Group with the independent third parties (the “**I3P Samples**”) and with the Sino-Ocean Connected Persons (the “**Connected Samples**”) on the Property Management Services. We noted that the service fees charged by the Group in connection with the Connected Samples were not less favourable to the Group than the service fees charged by the Group in connection with the I3P Samples for similar transactions. We understand from the Management that factors including, where applicable, (i) the nature, size and location of the relevant properties; (ii) the scope of the property management services; (iii) the Group’s expected operational costs in relation to the provision of the property management services; and (iv) the fees charged by other property management service providers for similar services in respect of similar types of properties in the market, have a bearing on the rate of the service fees charged to its customers. Hence, the rate of service fees charged may vary from property to property, and from car parking lot to car parking lot. Nonetheless, based on the samples reviewed, we noted that (i) no credit period is granted under the Connected Samples, such being that credit period granted by the Group in connection with the Connected Samples were not less favourable to the Group than the credit period granted by the Group under the I3P Samples for similar transactions; and (ii) the service fees charged by the Group in connection with the Property Management Services provided to the Sino-Ocean Connected Persons

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

were on a similar basis to that of the similar types of residential property or commercial property in the subject surrounding areas and on terms not less favourable to the Group than those charged by the Group to the independent third parties for similar transactions.

Pre-delivery Services

In connection with the Pre-delivery Services, we have obtained and reviewed six samples of historical transactions in aggregate, such included both transactions between the Group and (i) the independent third parties; and (ii) the Sino-Ocean Connected Persons. We noted that the range of fees charged under the Connected Samples for the Pre-delivery Services were with reference to the relevant costs to the Group, plus a margin in the region of 12% and 15%, in respect of which the margin charged by the Group in connection with the Connected Samples was no less favourable to the Group than the margin charged by the Group that under the I3P Samples for the Pre-delivery Services of a similar nature, which was noted to be in the region of 10% and 15%. We noted that the rates of service fee of the Pre-delivery Services were with reference to (i) the scope of the pre-delivery services; and (ii) the Group's expected operational costs (including, among others, labor costs, material costs and administrative costs) of providing the relevant services.

Based on our analysis on the sampled transactions, (i) the payment terms for the relevant services under the abovementioned sampled transactions with the Sino-Ocean Connected Persons and that under the sampled transactions with independent third parties were also within 60 days; and (ii) the service fees charged by the Group to the Sino-Ocean Connected Persons are no less favourable to the Group than those charged by the Group to the independent third parties for similar transactions. On this basis, we noted that the service fees charged in connection with the Pre-delivery Services to the independent third parties and to the Sino-Ocean Connected Persons were on normal commercial terms and considered to be fair and reasonable.

Other Value-added Services

In connection with the Other Value-added Services, we have obtained and reviewed 12 samples of historical transactions in aggregate, such included both transactions between the Group and (i) the independent third parties; and (ii) the Sino-Ocean Connected Persons.

We noted that the range of fees charged for (i) the consultancy services under the Connected Samples were with reference to the relevant costs to the Group plus a margin in the region of 10% and 15%, in respect of which the margin charged by the Group in connection with the Connected Samples is no less favourable to the Group than the margin charged by the Group under the I3P Samples for consultancy services of a similar nature, which was noted to be in the region of 10% and 15%; and (ii) the property engineering and repair and maintenance

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

services under the Connected Samples were based on the relevant costs plus a margin of 16% and 25.6%, being similar to that of the comparable I3P Samples, which was noted to be in the range of 10.3% and 22%.

We noted that the rates of service fee of the Other Value-added Services were determined with reference to (i) where applicable, the fees charged by the Group to its independent customers for the same or similar type and scope of value-added services; or (ii) where the Group has not provided the same or similar type and scope of value-added services to its independent customers, the Group's expected costs of providing the relevant services plus a profit margin of not less than 10%.

Based on our analysis on the sampled transactions, (i) it is noted that the payment terms for the relevant services under the abovementioned sampled transactions with the Sino-Ocean Connected Persons and that under the sampled transactions with independent third parties were also within 60 days; and (ii) the service fees charged by the Group to the Sino-Ocean Connected Persons are no less favourable to the Group than those charged by the Group to the independent third parties for similar transactions, and therefore fair and reasonable.

Internal procedures of the Group

We have also obtained and reviewed the internal procedures of the Group governing the transactions contemplated under the 2020–2022 Master Non-exempt CCT Agreements which involves, among others, the review of terms of relevant transactions by business department, finance department, legal department and the management of the Group for approval before signing and execution. With a view to ensure that the transactions pursuant to the 2020–2022 Master Non-exempt CCT Agreements are conducted on normal commercial terms, the relevant personnel and the management of the Group shall review and assess whether the transactions contemplated under the 2020–2022 Master Non-exempt CCT Agreements are conducted in accordance with the relevant terms. We have obtained and reviewed sample approval documents of the Group on the relevant transactions, which sets out particulars of the relevant transactions. As advised by the Management, similar internal procedures will continue to be applied to transactions contemplated under the 2023–2025 Master Non-exempt CCT Agreements.

Receipt of fees under the 2023–2025 Master Non-exempt CCT Agreements

The following has been extracted from the Letter from the Board and summarised below. Reference is made to the announcement of the Company dated 2 December 2022 in relation to, among others, the change of its auditor and matters that the resigned auditor considered should be brought to the attention of the Shareholders and creditors of the Company, including certain non-contractual fund advances to an entity relating to its controlling shareholder, i.e. Sino-Ocean Group (the “Advances”). As disclosed in the aforementioned announcement, the Board is committed to follow up on matters raised by the resigned auditor with

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

due care and will provide all necessary information to the incoming auditor for completing the audit work for the year ended 31 December 2022. As at the Latest Practicable Date, part of the Advances has been repaid and it is anticipated that there will be no expected credit loss in respect of the Advances. The Board considered that the payment of the Advances was a standalone incident, which shall not affect the Group's business arrangements and dealings with the Sino-Ocean Connected Persons in the ordinary and usual course of business (including but not limited to the provision of services under the 2023–2025 Master Non-exempt CCT Agreements).

Furthermore, we also noted that the Group has adopted more measures to ensure the receipt of fees under the 2023–2025 Master Non-exempt CCT Agreements:

- (i) in the event that any Sino-Ocean Connected Persons fail to pay any fees under the 2023–2025 Master Non-exempt CCT Agreements in accordance with the respective payment terms, Sino-Ocean Group agrees that the Group shall have the discretion to offset any such overdue amount with (a) any dividend distributable in respect of the Shares indirectly held by Sino-Ocean Group; and (b) any fees or amount payable by the Group to any Sino-Ocean Connected Persons in the ordinary and usual course of business; and
- (ii) relevant personnel of the business department of the Group will monitor the latest financial position of Sino-Ocean Group, assess the ongoing risks by monitoring the announcements of Sino-Ocean Group as well as publicly available information in the market from time to time, and monitor the payment ability of the relevant Sino-Ocean Connected Persons. Should the aforesaid designated personnel become aware of any material adverse event with respect to the financial position of Sino-Ocean Group, he/she will report to the Board and the management of the Group in a timely manner. In turn, the management of the Group will assess the relevant information, and when considered necessary, the Group will cease or downsize the transactions under the 2023–2025 Master Non-exempt CCT Agreements subject to the terms of the respective specific agreements.

Summary

Taking into account our work and analysis performed, in particular, our analysis and work performed on the pricing policies and internal control procedures implemented by the Group including (i) the basis of service fees charged to the Sino-Ocean Connected Persons for respective property management services were determined not be less favourable to the Group than terms offered by the Group to the independent third parties for the same or similar type and scope of services, or, where applicable, with a profit margin of not less than 10% if the same or similar type and scope of services were not

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
--

provided to the independent third parties; (ii) the sampled transactions obtained and reviewed were conducted in accordance with the applicable stated pricing policies of the Group; (iii) the Management has confirmed that the transactions between the Group and the Sino-Ocean Connected Persons under the 2020–2022 Master Non-exempt CCT Agreements have been in compliance with the relevant internal control procedures and pricing policies thereunder; and (iv) the Renewed Continuing Connected Transactions are subject to review by the independent non-executive Directors on an annual basis and that the auditors of the Company would also conduct an annual review on the pricing terms and the relevant annual caps under the 2023–2025 Master Non-exempt CCT Agreements, we are of the view that the effective implementation of the internal control procedures and pricing policies under the 2023–2025 Master Non-exempt CCT Agreements should ensure the transactions contemplated thereunder to be conducted on normal commercial terms that are fair and reasonable.

4. Rationale for determining the annual caps in connection with the 2023–2025 Master Non-exempt CCT Agreements

Historical annual caps under the 2020–2022 Master Property Management Services Agreement

The annual caps for the years ended 31 December 2020, 2021 and 2022 under the 2020–2022 Master Non-exempt CCT Agreements and their respective utilisation rates are as follows:

	For the year ended 31 December		
	2020	2021	2022
The 2020–2022 Master Property Management Services Agreement (<i>RMB'000</i>)	139,571	210,228	256,420
Utilisation (%)	96.1%	99.9%	70.5%
			(Note 1)
			(Utilisation based on annualised amount: 76.9%)
			(Note 2)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
--

	For the year ended 31 December		
	2020	2021	2022
The 2020–2022 Master Pre-delivery Services Agreement (<i>RMB'000</i>)	161,732	177,905	195,696
Utilisation (%)	82.9%	92.5%	86.0%
			<i>(Note 1)</i>
			<i>(Utilisation based on annualised amount: 93.8%)</i>
			<i>(Note 2)</i>
The 2020–2022 Master Consultancy and Other Value-added Services Agreement (<i>RMB'000</i>)	140,695	275,695	354,495
Utilisation (%)	65.9%	97.1%	78.5%
			<i>(Note 1)</i>
			<i>(Utilisation based on annualised amount: 85.7%)</i>
			<i>(Note 2)</i>

Notes:

1. Based on the historical amount for the eleven months ended 30 November 2022.
2. Utilisation based on the annualised amount calculated using the transaction amount for the eleven months ended 30 November 2022 is for illustration purposes only and does not represent the actual transaction amount for the year ended 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
--

Proposed Annual Caps for the years ending 31 December 2023, 2024 and 2025 under the 2023–2025 Master Non-exempt CCT Agreements

Pursuant to the 2023–2025 Master Non-exempt CCT Agreements, it is proposed that the annual caps for the transactions contemplated thereunder for each of the three financial years ending 31 December 2023, 2024 and 2025 are expected not to exceed the following:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The 2023–2025 Master Property Management Services Agreement	365,000	435,000	540,000
The 2023–2025 Master Pre-delivery Services Agreement	250,000	276,000	300,000
The 2023–2025 Master Consultancy and Other Value-added Services Agreement	592,000	682,000	813,000

For details of the basis of the Proposed Annual Caps, please refer to the respective sections headed “Historical transaction amount and proposed annual caps” in the Letter from the Board.

Our analysis on the Proposed Annual Caps

2023–2025 Master Property Management Services Agreement

We note that the Proposed Annual Cap under the 2023–2025 Master Property Management Services Agreement for each of the years ending 31 December 2023, 2024 and 2025 is RMB365.0 million, RMB435.0 million and RMB540.0 million respectively, representing an increase of approximately 42.3%, 19.2% and 24.1% compared to the corresponding proposed annual cap for the respective prior years.

In assessing the reasonableness of the Proposed Annual Caps under the 2023–2025 Master Property Management Services Agreement, we considered the following factors, including but not limited to,

- (i) the historical utilisation rate (including annualised utilisation rate for the year ended 31 December 2022) fluctuated between approximately 76.9% to 99.9% for the respective annual caps under the 2020–2022 Master Property Management Services Agreement;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the provision of new services by the Group for the respective services associated with operations of new customers upon completion of the Acquisition which took place on 3 November 2022, details of the Acquisition were set out in the circular of the Company dated 5 October 2022. It is noted from the aforesaid transaction circular that the contracted GFA of the Target Group is estimated to be approximately 26.0 million sq.m., covering 98 residential projects and 21 non-residential projects, the GFA under management of the Target Group is estimated to be approximately 13.9 million sq.m., covering 48 residential projects and 13 non-residential projects and the estimated reserved GFA is approximately 12.1 million sq.m., covering 50 residential projects and 8 non-residential projects;
- (iii) we reviewed the interim report of Sino-Ocean Group for the six months period ended 30 June 2022 and noted that Sino-Ocean Group (including its subsidiaries, joint ventures and associates) had a landbank of approximately 49.5 million sq.m. with a total saleable GFA of approximately 50.7 million sq.m. as at 30 June 2022. These property development projects had interest attributable to Sino-Ocean Group ranging from 10% to 100%, across over 60 cities in the PRC;
- (iv) we had obtained and reviewed a schedule prepared by the Management setting out the actual and estimated transaction amounts for the years ended 31 December 2021 and 2022, as well as information on the expected delivery of new property development projects by the Sino-Ocean Connected Persons in the PRC (including the provision of new services by the Group for the respective services associated with operations of new customers upon completion of the Acquisition) mainly in 2022 and 2023 which would require property management services (the “**Annual Caps Schedule**”). The Annual Caps Schedule sets out, among others, information on the expected delivery of new property development projects held by the Sino-Ocean Connected Persons in the PRC. Based on information available to the Management and barring unforeseen circumstances, it is estimated that the Group’s contracted GFA of properties developed or held by Sino-Ocean Group and its subsidiaries, joint ventures and associates will reach approximately 95.9 million sq.m. in 2023 across different regions of the PRC;
- (v) the Proposed Annual Caps under the 2023–2025 Master Property Management Services Agreement, represented an increase of approximately 42.3%, 19.2% and 24.1% compared to the corresponding proposed annual cap for the respective prior years, which is within the range of rate of increase of the historical transaction amount of the provision of property management services to the Sino-Ocean Connected Persons, which amounted to approximately RMB84.8 million, RMB102.2 million, RMB134.1 million and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RMB210.2 million for the years ended 31 December 2018, 2019, 2020 and 2021, represented rate of increase in the range of approximately 20.5% to 56.7% compared to the corresponding annual cap for the respective prior years;

- (vi) the PRC real estate development industry is going through a phase of structural reform guided by the implementation of various PRC government policies with a view to promote the long-term sustainability of the PRC real estate development industry, the Group has nonetheless continued to record increase in overall revenue as well as total transaction amount of continuing connected transactions arising from the provision of property management services to the Sino-Ocean Connected Persons. Against this backdrop, the Management has, to the extent possible, factored in the aforesaid historical and potential fluctuations in demand with a view to avoid a situation whereby the insufficient annual caps may lead to the possibility of a temporary cessation of all relevant property management services in a short period of time, which would cause undue disruption; and
- (vii) furthermore, we noted that the transactions contemplated under the 2023–2025 Master Property Management Services Agreement shall be conducted on terms in accordance with the Group’s relevant pricing policies, which will further broaden the revenue base of the Group.

Based on the above factors, we considered the basis for determining the Proposed Annual Caps under the 2023–2025 Master Property Management Services Agreement, to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

2023–2025 Master Pre-delivery Services Agreement

We note that the Proposed Annual Cap under the 2023–2025 Master Pre-delivery Services Agreement for each of the years ending 31 December 2023, 2024 and 2025 is RMB250.0 million, RMB276.0 million and RMB300.0 million respectively, representing an increase of approximately 27.7%, 10.4% and 8.7% compared to the corresponding proposed annual cap for the respective prior years.

In assessing the reasonableness of the Proposed Annual Caps under the 2023–2025 Master Pre-delivery Services Agreement, we considered the following factors, including but not limited to,

- (i) the historical utilisation rate (including annualised utilisation rate for the year ended 31 December 2022) fluctuated between approximately 82.9% to 93.8% for the respective annual caps under the 2020–2022 Master Pre-delivery Services Agreement;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) for the most recent financial year ended 31 December 2022, the historical transaction amount under the 2020–2022 Master Pre-delivery Services Agreement was approximately RMB168.3 million for the eleven months ended 30 November 2022, which represented approximately 86.0% of the annual cap for the year ended 31 December 2022. Based on the above and on an annualised basis, such would represent an utilisation rate of approximately 93.8% of the annual cap for year ended 31 December 2022;
- (iii) we reviewed the interim report of Sino-Ocean Group for the six months period ended 30 June 2022 and noted that Sino-Ocean Group (including its subsidiaries, joint ventures and associates) had landbank of approximately 49.5 million sq.m., with a total saleable GFA of approximately 50.7 million sq.m. as at 30 June 2022. Such comprised of a portfolio of over 250 property development projects across over 60 cities in the PRC;
- (iv) the Annual Caps Schedule, which sets out, among others, information on property development projects held by the Sino-Ocean Connected Persons in the PRC. Based on information available to the Management and barring unforeseen circumstances, it is estimated that there will be 130 of such property development projects in 2023 across different regions of the PRC to provide the relevant pre-delivery services to the Sino-Ocean Connected Persons, compared with 92 of such property development projects expected in 2022;
- (v) the Proposed Annual Caps under the 2023–2025 Master Pre-delivery Services Agreement, represented an increase of approximately 27.7%, 10.4% and 8.7% compared to the corresponding proposed annual cap for the respective prior years, which was determined with a view to cater for, among others, the potential fluctuations in market demand, as evidenced by the historical transaction amount of the provision of pre-delivery services to the Sino-Ocean Connected Persons, which amounted to approximately RMB118.7 million, RMB145.9 million, RMB134.1 million and RMB164.5 million for the years ended 31 December 2018, 2019, 2020 and 2021, represented a range of rate of fluctuation in absolute percentage terms from approximately 8.1% to 22.9% compared to the corresponding annual cap for the respective prior years;
- (vi) the PRC real estate development industry is going through a phase of structural reform guided by the implementation of various PRC government policies in the past with a view to promote the long-term sustainability of the PRC real estate development industry, the Group nonetheless has continued to record increase in overall revenue as well as total transaction amount of continuing connected transactions arising from the provision of property management services to the Sino-Ocean

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Connected Persons. Against this backdrop, the Management has, to the extent possible, factored in the aforesaid historical and potential fluctuations in demand with a view to avoid a situation whereby the insufficient annual caps may lead to the possibility of a temporary cessation of all relevant property management services in a short period of time, which would cause undue disruption; and

- (vii) furthermore, we noted that the transactions contemplated under the 2023–2025 Master Pre-delivery Services Agreement shall be conducted on terms in accordance with the Group’s relevant pricing policies, which will further broaden the revenue base of the Group.

Based on the above factors, we considered the basis for determining the Proposed Annual Caps under the 2023–2025 Master Pre-delivery Services Agreement, to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

2023–2025 Master Consultancy and Other Value-added Services Agreement

We note that the Proposed Annual Cap under the 2023–2025 Master Consultancy and Other Value-added Services Agreement for each of the years ending 31 December 2023, 2024 and 2025 is RMB592.0 million, RMB682.0 million and RMB813.0 million respectively, representing an increase of approximately 67.0%, 15.2% and 19.2% compared to the corresponding proposed annual cap for the respective prior years.

In assessing the reasonableness of the Proposed Annual Caps under the 2023–2025 Master Consultancy and Other Value-added Services Agreement, we considered the following factors, including but not limited to,

- (i) the historical utilisation rate (including annualised utilisation rate for the year ended 31 December 2022) fluctuated between approximately 65.9% to 97.1% for the respective annual caps under the 2020–2022 Master Consultancy and Other Value-added Services Agreement;
- (ii) for the most recent financial year ended 31 December 2022, the historical transaction amount under the 2020–2022 Master Consultancy and Other Value-added Services Agreement was approximately RMB278.4 million for the eleven months ended 30 November 2022, which represented approximately 78.5% of the annual cap for the year ended 31 December 2022. Based on the above and on an annualised basis, such would represent an utilisation rate of approximately 85.7% of the annual cap for year ended 31 December 2022;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) we reviewed the interim report of Sino-Ocean Group for the six months period ended 30 June 2022 and noted that Sino-Ocean Group (including its subsidiaries, joint ventures and associates) had landbank of approximately 49.5 million sq.m., with a total saleable GFA of approximately 50.7 million sq.m. as at 30 June 2022. Such comprised of a portfolio with over 250 property development projects across over 60 cities in the PRC;
- (iv) the Annual Caps Schedule, which sets out, among other information, the expected delivery of new property development projects by the Sino-Ocean Connected Persons in the PRC. It is estimated that the Group's contracted GFA of properties developed or held by Sino-Ocean Group and its subsidiaries, joint ventures and associates will reach approximately 95.9 million sq.m. in 2023 across different regions of the PRC available for the Group to provide a range of value-added services to the Sino-Ocean Connected Persons, including consultancy services, property engineering and repair and maintenance services;
- (v) the Company (on behalf of each member of the Group) entered into a new framework agreement with Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) in relation to the grant of the exclusive sales rights and the provision of exclusive sales agency services with respect to the target parking spaces dated 14 October 2022, the transaction amounts of property sales agency services (including the exclusive parking space sales agency services) are estimated to contribute in the region of 20% to 30% of the Proposed Annual Caps under the 2023–2025 Master Consultancy and Other Value-added Services Agreement for the years ending 31 December 2023, 2024 and 2025, further details of the new framework agreement are set out in the announcement and circular of the Company dated 14 October 2022 and 13 January 2023, respectively;
- (vi) the Proposed Annual Caps under the 2023–2025 Master Consultancy and Other Value-added Services Agreement, represented an increase of approximately 67.0%, 15.2% and 19.2% compared to the corresponding proposed annual cap for the respective prior years, which is within the range of rate of fluctuation of the historical transaction amount of the provision of consultancy and other value-added services to the Sino-Ocean Connected Persons, which amounted to approximately RMB73.0 million, RMB79.2 million, RMB92.7 million and RMB267.8 million for the years ended 31 December 2018, 2019, 2020 and 2021, represented a rate of increase in the range of approximately 8.5% to 188.9%, compared to the corresponding annual cap for the respective prior years. On this basis, the growth rate to the Proposed Annual Caps under the 2023–2025 Master Consultancy and Other Value-added

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Services Agreement which ranged from approximately 15.2% to 67.0% is within the aforesaid range of rate of increase from approximately 8.5% to 188.9%;

- (vii) it is noted from the 2022 Interim Report and the 2021 Annual Report that the Group's revenue from community value-added services and value-added services to non-property owners, (a) increased from approximately RMB640.1 million for the six months ended 30 June 2021 to approximately RMB656.8 million for the six months ended 30 June 2022, representing an increase of approximately 2.6%; and (b) increased from approximately RMB684.1 million for the year ended 31 December 2020 to approximately RMB1,377.1 million for the year ended 31 December 2021, representing an increase of approximately 101.3%. On this basis, it is considered that the community value-added services and value-added services to non-property owners were largely market driven and had fluctuated notably in the past. As such, the relevant annual caps need to have sufficient flexibilities to cater for the potential fluctuations;
- (viii) the PRC real estate development industry is going through a phase of structural reform guided by the implementation of various PRC government policies in the past with a view to promote the long-term sustainability of the PRC real estate development industry, the Group nonetheless has continued to record increase in overall revenue as well as total transaction amount of continuing connected transactions arising from the provision of property management services to the Sino-Ocean Connected Persons. Against this backdrop, the Management has, to the extent possible, factored in the aforesaid historical and potential fluctuations in demand with a view to avoid a situation whereby the insufficient annual caps may lead to the possibility of a temporary cessation of all relevant property management services in a short period of time, which would cause undue disruption; and
- (ix) furthermore, we noted that the transactions contemplated under the 2023–2025 Master Consultancy and Other Value-added Services Agreement shall be conducted on terms in accordance with the Group's relevant pricing policies, which will further broaden the revenue base of the Group.

Based on the above factors, we considered the basis for determining the Proposed Annual Caps under the 2023–2025 Master Consultancy and Other Value-added Services Agreement, to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary

Having considered the aforesaid factors and analysis, we considered the basis for determining the Proposed Annual Caps under each of the 2023–2025 Master Non-exempt CCT Agreements, to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

VII. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of the 2023–2025 Master Non-exempt CCT Agreements;
- (ii) the provision of services under the 2023–2025 Master Non-exempt CCT Agreements is a furtherance and continuance of the Group’s existing principal businesses;
- (iii) based on our work performed, the sampled transactions under the 2020–2022 Master Non-exempt CCT Agreements were conducted on terms not less favourable to the Group than those terms transacted with the independent third parties; and
- (iv) the value of, and the basis for determining, the Proposed Annual Caps are reasonable as discussed in this letter above,

we are of the view that the transactions contemplated under the 2023–2025 Master Non-exempt CCT Agreements with Sino-Ocean Group are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the Proposed Annual Caps of the 2023–2025 Master Non-exempt CCT Agreements, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to approve the 2023–2025 Master Non-exempt CCT Agreements (including the Proposed Annual Caps) at the EGM.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in the corporate finance industry.

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Company

Nil.

(ii) Interests in an associated corporation of the Company

Name of Directors	Name of associated corporation	Nature of interests	Number of shares held ⁽¹⁾	Approximate percentage of shareholding interest ⁽²⁾
Yang Deyong	Sino-Ocean Group	Beneficial owner	118,777	0.002%
Zhu Geying	Sino-Ocean Group	Beneficial owner	38,531	0.001%
Cui Hongjie	Sino-Ocean Group	Beneficial owner	369,571	0.005%
Zhu Xiaoxing	Sino-Ocean Group	Beneficial owner	249	0.000%

Notes:

(1) All interests stated are long positions.

(2) The shareholding percentage is calculated based on the total number of issued shares of Sino-Ocean Group of 7,616,095,657 as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the

Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of the substantial shareholders of the Company

As at the Latest Practicable Date, so far as the Directors were aware, the following persons (other than the Directors or chief executive of the Company) had an interest and/or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Capacity and nature of interests	Number of Shares held ⁽³⁾	Approximate percentage of shareholding in the Company ⁽⁴⁾
Sino-Ocean Group	Interest in controlled corporation ⁽¹⁾	827,100,000	69.86%
Shine Wind	Beneficial owner	800,000,000	67.57%
	Interest in controlled corporation ⁽²⁾	27,100,000	2.29%

Notes:

- (1) Shine Wind is a wholly-owned subsidiary of Sino-Ocean Group and therefore, Sino-Ocean Group is deemed to be interested in the Shares held by Shine Wind.
- (2) 27,100,000 Shares are held by a company in which Shine Wind is indirectly interested as to 49% and therefore, Shine Wind is deemed to be interested in these Shares by virtue of the SFO.
- (3) All interests stated are long positions.
- (4) The shareholding percentage is calculated based on the Company's total number of issued Shares of 1,184,000,000 as at the Latest Practicable Date.
- (5) As at the Latest Practicable Date, each of the following Directors was a director and/or an employee of Sino-Ocean Group:

Name of Directors	Position(s) held in Sino-Ocean Group
Mr. Cui Hongjie	Executive director and executive president of Sino-Ocean Group and general manager of the product construction centre of Sino-Ocean Group and its subsidiaries
Mr. Zhu Xiaoxing	A key management responsible for the investment and finance function of Sino-Ocean Group and its associates

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than a Director or chief executive of the Company) who had an interest and/or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

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 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his or her respective close associates was considered to have an interest in a business apart from the Group's business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

5. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given an opinion or advice on the information contained in this circular:

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

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its opinion, letter or advice (as the case may be) and references to its name in the form and context in which they respectively appear.

The Independent Financial Adviser confirmed that it did not have any shareholding interest 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 of any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, the Independent Financial Adviser was not interested, directly or indirectly, in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGE

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

7. SERVICE CONTRACTS

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

8. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Sum Pui Ying who is a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The headquarters of the Company in the PRC is at 2nd Floor, Tower A, No. A518 East Road of Chaoyang Sports Center, Chaoyang District, Beijing, PRC.
- (d) The principal place of business of the Company in Hong Kong is at Suite 601, One Pacific Place, 88 Queensway, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited.
- (f) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited.
- (g) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the 2023–2025 Master Non-exempt CCT Agreements will be published on the respective website of the Company (www.sinooceanservice.com) and the Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this circular.

NOTICE OF EGM



NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Sino-Ocean Service Holding Limited (the “**Company**”) will be held at Meeting Room, 2nd Floor, Tower A, No. A518 East Road of Chaoyang Sports Center, Chaoyang District, Beijing, PRC on Tuesday, 31 January 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolutions. Capitalised terms contained in the circular dated 13 January 2023 issued by the Company in relation to continuing connected transactions shall have the same meanings when used herein unless otherwise specified.

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the 2023–2025 Master Property Management Services Agreement, a copy of which has been produced to the EGM and marked “A” and initialed by the chairman of the EGM for identification purpose, and the transactions as contemplated thereunder (including the annual caps) be and are hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution.”

(2) “**THAT:**

- (a) the 2023–2025 Master Pre-delivery Services Agreement, a copy of which has been produced to the EGM and marked “B” and initialed by the chairman of the EGM for identification purpose, and the transactions as contemplated thereunder (including the annual caps) be and are hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution.”

NOTICE OF EGM

(3) “**THAT:**

- (a) the 2023–2025 Master Consultancy and Other Value-added Services Agreement, a copy of which has been produced to the EGM and marked “C” and initialed by the chairman of the EGM for identification purpose, and the transactions as contemplated thereunder (including the annual caps) be and are hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution.”

Yours faithfully,
By order of the Board
Sino-Ocean Service Holding Limited
Yang Deyong
Joint Chairman

Hong Kong, 13 January 2023

Notes:

- (a) The register of members of the Company will be closed from Thursday, 26 January 2023 to Tuesday, 31 January 2023 (both days inclusive), during which period no transfer of shares in the Company can be registered. In order to be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 20 January 2023.
- (b) Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 48 hours before the time fixed for holding the EGM (i.e., not later than 10:00 a.m. on Sunday, 29 January 2023 (Hong Kong Time)) or any adjourned meeting. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof should he/she so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked. **In light of the epidemic situation of COVID-19, Shareholders are encouraged to appoint the chairman of the EGM as their proxy to vote on the resolutions, instead of attending the EGM in person.**
- (c) The Chinese translation of this notice is for reference only, and in the event of any inconsistency between the English and Chinese versions, the English version shall prevail.
- (d) As at the date of this notice, the Board comprises two executive Directors, namely, Mr. Yang Deyong and Ms. Zhu Geying; two non-executive Directors, namely, Mr. Cui Hongjie and Mr. Zhu Xiaoxing; and three independent non-executive Directors, namely, Dr. Guo Jie, Mr. Ho Chi Kin Sammy and Mr. Leung Wai Hung.