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**中海物業**

CHINA OVERSEAS PROPERTY

**CHINA OVERSEAS PROPERTY HOLDINGS LIMITED**

**中海物業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2669)**

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS  
WITH CHINA OVERSEAS LAND & INVESTMENT LIMITED  
IN RELATION TO LEASING OF PREMISES**

**REVISION OF ORIGINAL ANNUAL CAPS**

Reference is made to the Previous Announcement of the Company dated 28 April 2023 in relation to, amongst other things, the entering into of the COLI Leasing Agreement by the Company and COLI, pursuant to which members of the Group may lease premises from members of COLI Group, the associates of COLI and their respective subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) from time to time for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), subject to the Original Caps. Details of the COLI Leasing Agreement are disclosed in the Previous Announcement.

The Company is recently negotiating with COLI for the leasing of certain office premises located in Shenzhen (i.e. the SZ Office Premises) for use as its new Shenzhen head office commencing from 2024. Due to continuing business expansions, the total rental area and thus the asking rent for the SZ Office Premises are higher than previous estimates. Accordingly, the capitalized value of the right-of-use assets (as defined under HKFRS 16 – Leases) in relation to the said lease is expected to exceed the original estimation, straining the limit of the Original Caps. In this connection, on 27 December 2023, the Company entered into the Supplemental Agreement with COLI to revise the Original Caps. Other than the revision of the Original Caps, all other terms of the COLI Leasing Agreement remain unchanged.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CSCEC is the ultimate holding company of COHL, which is the controlling shareholder of each of the Company and COLI by virtue of it being interested in approximately 61.18% and 56.10% of their respective issued share capital. Therefore, members of COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange)) are connected persons of the Company, and the entering into of the Revised COLI Leasing Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the applicable announcement requirements under Chapter 14A of the Listing Rules for the revision of the Original Caps.

As the highest applicable percentage ratio in respect of the Revised Caps (when aggregated with the CSC Leasing Caps under the CSC Leasing Agreement entered into by the Company with CSC, a connected person of the Company, pursuant to Rule 14A.81 of the Listing Rules) is more than 0.1% but less than 5%, the COLI Leasing Transactions are subject to annual review, reporting and announcement requirements but will be exempt from independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the Previous Announcement of the Company dated 28 April 2023 in relation to, amongst other things, the entering into of the COLI Leasing Agreement by the Company and COLI, pursuant to which members of the Group may lease premises from members of COLI Group, the associates of COLI and their respective subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) from time to time for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), subject to the Original Caps. Details of the COLI Leasing Agreement are disclosed in the Previous Announcement.

## **THE REVISED COLI LEASING AGREEMENT**

The principal terms of the Revised COLI Leasing Agreement (which are identical to the terms of the COLI Leasing Agreement other than the revision of the Original Caps) are summarised as follows:

### **Date**

28 April 2023 (amended and supplemented by the Supplemental Agreement on 27 December 2023)

### **Parties**

1. COLI; and
2. the Company.

### **Duration**

The Revised COLI Leasing Agreement commenced on 1 July 2023 and continues for the period ending on 30 June 2026 (both dates inclusive).

### **Terms**

Pursuant to the Revised COLI Leasing Agreement, any member of the Group and any member of COLI Group may enter into the COLI Leasing Transactions in accordance with the terms of the Revised COLI Leasing Agreement in the ordinary and usual course of their respective businesses, on a non-exclusive basis as and when reasonably required, subject to the Original Cap (for the six months from 1 July 2023 to 31 December 2023) and the Revised Caps (for the remainder of the term). The Group shall also ensure that all COLI Leasing Transactions will be entered into with the associates of COLI and their respective subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) on the same basis.

In respect of each particular COLI Leasing Transaction, individual written tenancy agreement may be entered into by the relevant parties, setting out other detailed terms and conditions (including but not limited to, where applicable, the term of the lease, the amounts, calculations and adjustments of rent, security deposits, air conditioning charges, management fees, promotion levies and other contributions, charges and fees, payment terms, any rent-free period, any option terms and provisions for early termination for cause or for convenience). The Revised COLI Leasing Agreement shall prevail to the extent of any inconsistency with any such individual agreement.

### **Pricing basis for the COLI Leasing Transactions**

The rent (exclusive of rates, government rent, water charges, cleaning charges and electricity charges) for the premises leased by the Group will be determined by the relevant parties to the individual agreements with reference to the prevailing market rent level of comparable properties with similar age, size, usage and nature in nearby district, and shall be on normal commercial terms and terms no more favourable than those offered to independent third parties. Reference will also be made to, where applicable, terms offered by COLI Group, the associates of COLI and their respective subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) to existing or potential tenants of similar premises in nearby district and market comparables as may be obtained from enquiries with valuers or property agencies.

The amount payable by the Group under the Revised COLI Leasing Agreements will be funded by internal resources of the Group.

### **Payment terms for the COLI Leasing Transactions**

Rents for the premises leased by the Group are payable on a monthly basis and in accordance with the terms of the specific individual agreements.

### **HISTORICAL/ESTIMATED TRANSACTION AMOUNTS**

The historical transaction amounts paid by the Group to COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) for the COLI Leasing Transactions for each of the two years ended 31 December 2021 and 31 December 2022 and the estimated transaction amount so paid by the Group for the year ending 31 December 2023 were/is as follows:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
Historical/estimated transaction amount	HK\$3.8 million	HK\$3.4 million	HK\$4.1 million*

\* The estimated transaction amount for 2023 is derived from the actual transaction amount for the nine months ended 30 September 2023 of HK\$2,800,000 plus the estimated transaction amount of the HK\$1,300,000 for the three months ending 31 December 2023.

## **ORIGINAL CAPS, REVISED CAPS AND REASON FOR THE REVISION OF ORIGINAL CAPS**

The Company is recently negotiating with COLI for the leasing of certain office premises located in Shenzhen (i.e. the SZ Office Premises) for use as its new Shenzhen head office commencing from 2024. Due to continuing business expansion, the total rental area and thus the asking rent of the SZ Office Premises are higher than previous estimates. Accordingly, the capitalized value of the right-of-use assets (as defined under HKFRS 16 – Leases) in relation to the said lease is expected to exceed the original estimation, straining the limit of the Original Caps. The Original Caps for the period from 1 January 2024 to 30 June 2026 are therefore required to be revised.

Details of the Original Caps and the Revised Caps are set out as follows:

	<b>For the half year ending 31 December 2023</b>	<b>For the year ending 31 December 2024</b>	<b>For the year ending 31 December 2025</b>	<b>For the half year ending 30 June 2026</b>
Original Caps	HK\$26 million	HK\$33 million	HK\$41 million	HK\$26 million
Revised Caps	–	HK\$65 million	HK\$45 million	HK\$30 million

### **Basis of determination of the Revised Caps**

The Original Caps were calculated with reference to the capitalized value of the right-of-use assets in respect of the leases expected to be entered into between COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) and the Group during the period from 1 July 2023 to 30 June 2026 under the COLI Leasing Agreement which were determined with reference to the historical transaction amounts; the number, size, nature and locations of the target premises for satisfaction of the Group's expected demand; and the expected increase in market rent level.

The Revised Caps are determined with reference to factors including: (1) the factors considered for determining the Original Caps; (2) the capitalized value of the right-of-use assets in respect of the proposed lease of the SZ Office Premises by the Company; (3) other leasing expenses (e.g. property management fee) in connection with the proposed lease; and (4) rounding up which serves as buffer for unexpected increase in transaction amount.

The Board confirms that as the date of this announcement, the transaction amounts under the COLI Leasing Agreement have not exceeded the Original Cap for the half year ending 31 December 2023.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Revised COLI Leasing Agreement and the COLI Leasing Transactions are conducted in the ordinary and usual course of business of the Group, the terms of the Revised COLI Leasing Agreement (including the Revised Caps) are on normal commercial terms after arm's length negotiations between the parties thereunder, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Zhang Guiqing, being the chairman of the Company and executive Director and a director of COHL, and Mr. Ma Fujun, being a non-executive Director and a director of COHL, although not considered having any material interest in the Revised COLI Leasing Agreement and the COLI Leasing Transactions, have voluntarily abstained from voting on such board resolutions. None of the other Directors has any material interest in the Revised COLI Leasing Agreement and the COLI Leasing Transactions and none of them has abstained from voting on such board resolutions.

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

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CSCEC is the ultimate holding company of COHL, which is the controlling shareholder of each of the Company and COLI by virtue of it being interested in approximately 61.18% and 56.10% of their respective issued share capital. Therefore, members of COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange)) are connected persons of the Company, and the entering into of the Revised COLI Leasing Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the applicable announcement requirements under Chapter 14A of the Listing Rules for the revision of the Original Caps.

As the highest applicable percentage ratio in respect of the Revised Caps (when aggregated with the CSC Leasing Caps under the CSC Leasing Agreement entered into by the Company with CSC, a connected person of the Company, pursuant to Rule 14A.81 of the Listing Rules) is more than 0.1% but less than 5%, the COLI Leasing Transactions are subject to annual review, reporting and announcement requirements but will be exempt from independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

## **INFORMATION ON THE PARTIES**

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

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

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

## **DEFINITIONS**

In this announcement, the following expressions shall have the meanings set out below unless the context otherwise requires:

“associate(s)”, “connected person(s)”, “continuing connected transaction(s)”, “controlling shareholder(s)”, “holding company”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, and a controlling shareholder of the Company, COLI and CSC
“COLI”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688)
“COLI Group”	COLI and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time

“COLI Leasing Agreement”	the framework agreement dated 28 April 2023 entered into between the Company and COLI in respect of the COLI Leasing Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive)
“COLI Leasing Transactions”	any member of COLI Group, the associates of COLI and their respective subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) leasing properties to any member of the Group
“Company”	China Overseas Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669)
“CSC”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
“CSC Group”	CSC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“CSC Leasing Agreement”	the framework agreement dated 28 April 2023 entered into between the Company and CSC in respect of the CSC Leasing Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), details of which are disclosed in the Previous Announcement
“CSC Leasing Caps”	the maximum aggregate right-of-use assets which may be recognised by the Group (as lessee) for the CSC Leasing Transactions with CSC Group, the associates of CSC and their respective subsidiaries (if any) (as lessor) for the relevant years/periods under the CSC Leasing Agreement
“CSC Leasing Transactions”	any member of CSC Group, the associates of CSC and their respective subsidiaries (if any) leasing properties to any member of the Group



“CSCEC”	中國建築集團有限公司(China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of the PRC, and the ultimate holding company of each of the Company, COLI and CSC
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HKFRS”	the Hong Kong Financial Reporting Standing
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Original Caps”	the original maximum aggregate right-of-use assets which may be recognised by the Group (as lessee) for the COLI Leasing Transactions with COLI Group, the associates of COLI and their respective subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) (as lessor) for the relevant years/periods under the COLI Leasing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“Previous Announcement”	the announcement of the Company dated 28 April 2023 in relation to, amongst other things, the entering into of the COLI Leasing Agreement by the Company and COLI and the CSC Leasing Agreement by the Company and CSC

“Revised Caps”	the revised maximum aggregate right-of-use assets which may be recognised by the Group (as lessee) for the COLI Leasing Transactions with COLI Group, the associates of COLI and their respective subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) (as lessor) for the period commencing from 1 January 2024 and ending on 30 June 2026 under the Revised COLI Leasing Agreement
“Revised COLI Leasing Agreement”	the COLI Leasing Agreement as amended and supplemented by the Supplemental Agreement
“Share(s)”	the ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 27 December 2023 to the COLI Leasing Agreement entered into between the Company and COLI, pursuant to which the Original Caps for the transactions contemplated under the COLI Leasing Agreement for the period from 1 January 2024 to 30 June 2026 have been revised
“SZ Office Premises”	the office premises located in Shenzhen to be leased by the Company from COLI for use as the new Shenzhen head office of the Company
“%”	per cent

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

Hong Kong, 27 December 2023

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