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 you should take, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

遠洋集團 SINO-OCEAN GROUP

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF EQUITY INTERESTS AND CREDITOR'S RIGHTS IN THE TARGET COMPANY AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

HALCYON 鎧盛

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 6 to 30 of this circular.

A notice convening the EGM of Sino-Ocean Group Holding Limited to be held at Meeting Room, 31st Floor, Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC, on Thursday, 11 July 2024 at 9:30 a.m. is set out on pages EGM-1 and EGM-2 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.sinooceangroup.com) and the Stock Exchange (www.hkexnews.hk). Whether or not you are able 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 share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM (i.e., not later than 9:30 a.m. on Tuesday, 9 July 2024 (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 event, the form of proxy previously submitted shall be deemed to be revoked.

25 June 2024

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In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below.

"2-Year Term Exercise Notice"	has the meaning ascribed to it under the section headed "THE SALE AND PURCHASE AGREEMENT — Right of first offer (優先報價權)" of the letter from the Board in this circular
"3-Year Term Exercise Notice"	has the meaning ascribed to it under the section headed "THE SALE AND PURCHASE AGREEMENT — Right of first offer (優先報價權)" of the letter from the Board in this circular
"5-Year Term Exercise Notice"	has the meaning ascribed to it under the section headed "THE SALE AND PURCHASE AGREEMENT — Right of first offer (優先報價權)" of the letter from the Board in this circular
"7-Year Term Exercise Notice"	has the meaning ascribed to it under the section headed "THE SALE AND PURCHASE AGREEMENT — Right of first offer (優先報價權)" of the letter from the Board in this circular
"Abstained Directors"	collectively, Ms. CHAI Juan, Mr. ZHANG Zhongdang and Mr. YU Zhiqiang, each being a Director nominated by China Life Insurance
"Announcement"	the announcement of the Company dated 7 June 2024 in relation to, among others, the Disposal
"Board"	the board of Directors
"China Life Insurance"	China Life Insurance Company Limited (中國人壽保險股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC which is listed on the Main Board of the Stock Exchange (Stock Code: 02628) and The Shanghai Stock Exchange (Stock Code: 601628), being a substantial Shareholder holding 2,253,459,151 Shares, representing approximately 29.59% of the total issued Shares as at the Latest Practicable Date
"Company"	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03377)
"Dajia Life Insurance"	Dajia Life Insurance Co., Ltd.* (大家人壽保險股份有限公司), a company established under the laws of the PRC, being a substantial Shareholder holding 2,252,646,115 Shares representing approximately 29.58% of the total issued Shares as at the Latest Practicable Date

"Director(s)"	director(s) of the Company
"Disposal"	the disposal by the Sellers of (i) an aggregate of 64.79% equity interests in the Target Company and (ii) creditor's rights held by Seller 1 in the Target Company in the aggregate amount of RMB124,828,088.64
"Disposal Agreements"	collectively, the Sale and Purchase Agreement and the Purchaser 2 Agreement
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held at Meeting Room, 31st Floor, Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC on Thursday, 11 July 2024 at 9:30 a.m. to, among other things, consider and if thought fit, approve the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal)
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company whose members comprise independent non-executive Directors, namely Mr. HAN Xiaojing, Mr. JIN Qingjun, Mr. LYU Hongbin, Mr. LIU Jingwei and Mr. JIANG Qi, to advise the Independent Shareholders on the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal)
"Independent Financial Adviser" or "Halcyon Capital"	Halcyon Capital Limited, a corporation licensed to carry out 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 Disposal Agreements and the transactions as contemplated thereunder (including the Disposal)
"Independent Shareholder(s)"	Shareholder(s) who are not required by the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal)

"IRR"	an annual compounded, cumulative internal rate of return that produces a net present value of all cash flows (positive and negative) from an investment equal to zero
"Jiangtai Authority Entity"	Beijing Xingtai Hongxin Asset Management Co., Ltd.* (北京星泰泓信資產管理有限公司), a collective enterprise established under the laws of the PRC with limited liability, indirectly and wholly owned by the Jiangtai Township Government (將台鄉政府), in the Chaoyang Prefecture (朝陽區) of Beijing, the PRC
"Land"	two parcels of land where the Property is situated
"Latest Practicable Date"	19 June 2024, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular
"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 C3 to the Listing Rules
"New Shareholders Agreement"	the new shareholders' agreement to be entered into among Purchaser 1, Purchaser 2 (Equity) and Jiangtai Authority Entity with respect to the new arrangements governing the Target Company upon completion of the Disposal
"Period"	has the meaning ascribed to it under the section headed "THE SALE AND PURCHASE AGREEMENT — Right of first offer (優先報價權)" of the letter from the Board in this circular
"PM Co"	Beijing INDIGO Property Services Company Limited* (北京頤堤港物業服務有限公司), a company established under the laws of the PRC with limited liability and a joint venture of Sino-Ocean Service, being the property management company for INDIGO II
"PRC"	the People's Republic of China, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this circular
"Property"	the development site for a proposed development to be known as INDIGO II located at Tuofangying Village, Jiangtai Town, Chaoyang District, Beijing, the PRC
"Purchaser 1"	China Life Qihang Phase I (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (國壽啟航壹期(天津)股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC

"Purchasers"	collectively, Purchaser 1 and Purchasers 2
"Purchasers 2"	collectively, Purchaser 2 (Equity) and Purchaser 2 (Debt)
"Purchaser 2 (Debt)"	Beijing Sanlitun South Property Management Company Limited* (北京三里屯南區物業管理有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Swire Properties
"Purchaser 2 (Equity)"	Shiny Harbour Limited (緻港有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Swire Properties
"Purchaser 2 Agreement"	the agreement dated 7 June 2024 entered into among the Company, Seller 1 and Purchasers 2 in relation to, among others, the waiver of the right of first refusal by Purchaser 2 (Equity), the adjustment of payment of consideration payable by Purchaser 2 (Equity) in relation to the Disposal and the exercise of the right of first offer by the Company and the payment of the relevant consideration
"Remaining Group"	the Group (excluding the Target Company) on the assumption that completion of the Disposal had taken place
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 7 June 2024 entered into among the Company, the Sellers, the Purchasers and the Target Company in relation to the Disposal
"Seller 1"	Beijing Yingyu Enterprise Management Consulting Co., Ltd.* (北京穎煜企業管理諮詢有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
"Seller 2"	Tianjin Yigangtong Enterprise Management Co., Ltd.* (天津頤港通企業管理有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
"Sellers"	collectively, Seller 1 and Seller 2
"Sellers Entities"	collectively, the Company and the Sellers
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company with no nominal value

"Shareholder(s)"	shareholder(s) of the Company
"Sino-Ocean Construction"	Sino-Ocean International Construction Co., Ltd.* (遠洋國際建設有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company, being the existing general contractor and the electrical and mechanical (E&M) engineering general contractor for a designated portion of the Land
"Sino-Ocean Service"	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), being a non-wholly owned subsidiary of the Company
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Swire Properties"	Swire Properties Limited (太古地產有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01972)
"Target Company"	Beijing Xingtaitonggang Properties Company Limited* (北京星泰通港置業有限公司), a company established under the laws of the PRC with limited liability
"Target Creditor's Rights"	all creditor's rights held by Seller 1 in the Target Company in relation to the loans lent by Seller 1 to the Target Company
"Target Equity Interests"	an aggregate of 64.79% equity interests in the Target Company
"USD"	United States dollars, the lawful currency of the United States
"%"	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)", "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*

Executive Directors:	*Registered office:*
Mr. LI Ming *(Chairman and Chief Executive Officer)*	Suite 601, One Pacific Place
Mr. WANG Honghui	88 Queensway
Mr. CUI Hongjie	Hong Kong
Ms. CHAI Juan	
	Principal place of business:
Non-executive Directors:	31–33 Floor, Tower A
Mr. ZHAO Peng	Ocean International Center
Mr. ZHANG Zhongdang	56 Dongsihuanzhonglu
Mr. YU Zhiqiang	Chaoyang District
Mr. SUN Jinfeng	Beijing
	PRC
Independent non-executive Directors:	
Mr. HAN Xiaojing	
Mr. JIN Qingjun	
Mr. LYU Hongbin	
Mr. LIU Jingwei	
Mr. JIANG Qi	

25 June 2024

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF EQUITY INTERESTS AND CREDITOR'S RIGHTS IN THE TARGET COMPANY

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with, among others, (i) further details on the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal); (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser with its recommendation to the Independent Board Committee and Independent Shareholders; (iv) the valuation report of the Property; and (v) other information as required under the Listing Rules together with the notice of the EGM.

THE DISPOSAL

On 7 June 2024, the Company, the Sellers (both being wholly-owned subsidiaries of the Company), the Purchasers and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Sellers conditionally agreed to dispose of, and the Purchasers conditionally agreed to acquire, the Target Equity Interests and the Target Creditor's Rights. In accordance with the terms of the Sale and Purchase Agreement, the Company, Seller 1, Purchaser 2 (Equity) and Purchaser 2 (Debt) also entered into the Purchaser 2 Agreement in relation to, among other things, the waiver of the right of first refusal by Purchaser 2 (Equity) (as an existing shareholder of the Target Company) and the adjustment and payment of the consideration payable by Purchaser 2 (Equity) for the Disposal.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below.

Date: 7 June 2024

Parties:

(i) the Company;

(ii) Seller 1, being a wholly-owned subsidiary of the Company;

(iii) Seller 2, being a wholly-owned subsidiary of the Company;

(iv) Purchaser 1;

(v) Purchaser 2 (Equity);

(vi) Purchaser 2 (Debt); and

(vii) the Target Company.

Subject matter

The Sellers conditionally agreed to sell and the Purchasers conditionally agreed to acquire the Target Equity Interests and the Target Creditor's Rights at the total consideration of RMB4 billion.

1. Transfer of Target Equity Interests

Purchaser 1 and Purchaser 2 (Equity) conditionally agreed to acquire and the Sellers conditionally agreed to sell an aggregate of 64.79% equity interests in the Target Company at the total consideration of RMB3,875,171,911.36, details of which are as follows:

(i) Purchaser 1 conditionally agreed to acquire an aggregate of 49.895% equity interests in the Target Company, which include:

(a) 20.105% equity interests in the Target Company to be disposed of by Seller 1 at the consideration of RMB1,202,505,498.96; and

(b) 29.79% equity interests in the Target Company to be disposed of by Seller 2 at the consideration of RMB1,781,777,608.26.

(ii) Purchaser 2 (Equity) conditionally agreed to acquire and Seller 1 conditionally agreed to sell 14.895% equity interests in the Target Company at the consideration of RMB890,888,804.14.

2. Transfer of Target Creditor's Rights

Purchaser 1 and Purchaser 2 (Debt) conditionally agreed to acquire the Target Creditor's Rights in the aggregate amount of RMB124,828,088.64 on a dollar-for-dollar basis, which is equivalent to the book value of the outstanding principal and interest of the Target Creditor's Rights in the Target Company as at 31 December 2023. Purchaser 1 and Purchaser 2 (Debt) conditionally agreed to acquire the Target Creditor's Rights in the amount of RMB96,130,536.85 and RMB28,697,551.79, respectively, which is the proportionate amount of the Target Creditor's Rights corresponding to the percentage of equity interests in the Target Company to be acquired by Purchaser 1 and Purchaser 2 (Equity) under the Sale and Purchase Agreement.

The transfer of an aggregate of 49.895% equity interests and corresponding creditor's rights in the Target Company to Purchaser 1 and the transfer of 14.895% equity interests and corresponding creditor's rights in the Target Company to Purchasers 2 are inter-conditional.

Payment terms

The consideration for the Disposal shall be payable in two instalments.

1. First instalment in the total amount of RMB3.8 billion

Upon satisfaction of the conditions precedent to the payment of the first instalment (as set out in the sub-section headed "*Conditions precedent to the payment of the first instalment*" herein below), Sellers Entities shall issue a confirmation letter to each of the Purchasers to confirm the satisfaction of the conditions precedent to the payment of the first instalment. Within 10 business days (subject to a grace period of 5 business days after expiry) after the Purchasers have received, reviewed and acknowledged the confirmation letters, the Purchasers shall pay the first instalment of the consideration for the Disposal in an aggregate amount of RMB3.8 billion to the Sellers in the following manners:

(i) Purchaser 1 shall pay the consideration in the total amount of RMB1,236,573,989.20 to Seller 1, of which RMB96,130,536.85 is the consideration payable by Purchaser 1 for the portion of the Target Creditor's Rights to be acquired by Purchaser 1, and RMB1,140,443,452.35 is the partial consideration payable by Purchaser 1 for the acquisition of the Target Equity Interests held by Seller 1;

(ii) Purchaser 1 shall pay the consideration in the amount of RMB1,689,818,972.67 to Seller 2, which is the partial consideration payable by Purchaser 1 for the acquisition of the Target Equity Interests held by Seller 2; and

(iii) Purchaser 2 (Debt) shall pay the consideration in the amount of RMB28,697,551.79 to Seller 1 for the portion of the Target Creditor's Rights to be acquired by Purchaser 2 (Debt), and Purchaser 2 (Equity) shall pay the partial consideration to Seller 1 for the acquisition of the Target Equity Interests held by Seller 1 in the amount of RMB844,909,486.34.

Conditions precedent to the payment of the first instalment

Payment of the first instalment of consideration shall be subject to the satisfaction (unless otherwise waived or altered by mutual consent of the Purchasers) of, among others, the following conditions:

(i) the transaction documents of the Disposal, including but not limited to the New Shareholders Agreement, having been lawfully signed and becoming effective;

(ii) the conditions precedent to the Disposal, the details of which are set out in the section headed "Conditions precedent to the Disposal" in this letter, having been fully satisfied;

(iii) the representation and warranties made by Sellers Entities to Purchaser 1 and Purchasers 2 respectively under the Sale and Purchase Agreement remaining true and valid;

(iv) if a declaration on concentration of business operators in relation to the Disposal is required pursuant to the applicable PRC laws or the requirements of the regulatory authorities, the obtaining of the required anti-trust approval documents;

(v) completion of arrangements in respect of the existing board representatives (four out of eight) and management appointed by the Sellers to the Target Company, such that the four board representatives currently appointed by the Sellers will be reappointed by Purchaser 1, one of which will be a director of the Company nominated by China Life Insurance, and the change or resignation of the designated management personnel appointed by the Sellers to the Target Company shall be completed in accordance with the Sale and Purchase Agreement;

(vi) the existing shareholders' agreement and its supplemental agreement(s) entered into among the Sellers, Purchaser 2 (Equity) and Jiangtai Authority Entity having been terminated, and the New Shareholders Agreement among Purchaser 1, Purchaser 2 (Equity) and Jiangtai Authority Entity having been entered into;

(vii) the registration of changes and filing in relation to the transfer of the Target Equity Interests having been completed, and the change of shareholders of the Target Company in its register of shareholders having been completed;

(viii) the transfer of certain items of the Target Company, including but not limited to business licences, stamps and financial data of the Target Company, from the Sellers Entities to the Purchasers no later than the date of completion of the Disposal;

(ix) save for the disclosed debts and external guarantees and the debts to be incurred by the Target Company due to daily operations after the date of the Sale and Purchase Agreement and with the prior consent of the Purchasers, the Target Company not having any other liabilities, contingent liabilities, or external guarantees;

(x) save for the disclosed contracts and the contracts to be signed by the Target Company as required for daily operations after the date of the Sale and Purchase Agreement and with the prior consent of the Purchasers, the Target Company not having any undisclosed contracts that are being performed;

(xi) the Target Company not having any undisclosed or pending lawsuits, arbitrations, seizures, enforcements, administrative penalties, etc., and it has no outstanding tax payable;

(xii) save for provision of security with the land use rights of the project plot and the buildings on the project plot for the existing syndicated project loan of the Target Company, there being no other encumbrances such as mortgage, seizure or pledge of accounts receivable in relation to INDIGO II. There being no encumbrances such as mortgage or seizure on assets of the Target Company other than INDIGO II;

(xiii) Sellers Entities having complied with the agreed covenants in relation to the transition period (i.e. the period between the date of signing of the Sale and Purchase Agreement and the date of completion of the Disposal). There being no breach of such covenants by Sellers Entities, or in the case of a breach (if any), it has been substantially corrected;

(xiv) all required internal and external approval, filing, registration and disclosure procedures for the Disposal having been completed by Sellers Entities and remaining valid;

(xv) relevant regulatory authorities not having taken any action to restrict, prevent or otherwise prohibit Purchaser 1 from the acquisition of Target Equity Interests and Target Creditor's Rights;

(xvi) Sellers having fulfilled all relevant obligations in reaching a written arrangement with Purchaser 2 (Equity) in relation to waiver of the right of first refusal by Purchaser 2 (Equity) (as an existing shareholder of the Target Company) in relation to the disposal of the portion of the Target Equity Interests to be acquired by Purchaser 1 under the Disposal (please refer to the section headed "PURCHASER 2 AGREEMENT" in this letter for details of such written arrangement); and

(xvii) in relation to the designated account for receiving the consideration, Seller 1 and Seller 2 having signed a bank account supervision agreement with relevant parties including the Purchasers. The funds in the designated account will be supervised by such relevant parties and shall be utilized for repayment of certain existing debts owed by the related parties of Seller Entities to the relevant creditors.

2. Second instalment in the total amount of RMB0.2 billion

Upon satisfaction of the conditions precedent to the payment of the second instalment (as set out in the sub-section headed "*Conditions precedent to the payment of the second instalment*" herein below), the remaining consideration for the Disposal in the amount of RMB0.2 billion shall be paid in the following manners:

(i) Purchaser 1 shall pay the consideration in the amount of RMB62,062,046.61 to Seller 1, and shall pay the consideration in the amount of RMB91,958,635.59 to Seller 2; and

(ii) Purchaser 2 (Equity) shall pay the consideration in the amount of RMB45,979,317.80 to Seller 1.

Conditions precedent to the payment of the second instalment

Payment of the second instalment of consideration shall be subject to the satisfaction of (unless otherwise waived or altered by mutual consent of the Purchasers), among others, the following conditions:

(i) the conditions precedent to the payment of the first instalment, the details of which are summarised in the section headed "*Conditions precedent to the payment of the first instalment*" in this letter, having been fully satisfied;

(ii) the relevant matters in relation to the settlement of certain construction fees for part of the Land between Sino-Ocean Construction and the Target Company and handover and exit works in relation to the replacement of its general contractor and the electrical and mechanical (E&M) engineering general contractor having been completed in accordance with the requirements of the Sale and Purchase Agreement;

(iii) creditor's rights and debts between Sino-Ocean Construction and the Target Company having been fully settled;

(iv) Sellers Entities shall cooperate with, and shall ensure Sino-Ocean Construction and other entities to cooperate with, the Target Company to complete the replacement of the general contractor and the electrical and mechanical (E&M) general contractor for part of the Land; and

(v) there being no breach by Sellers Entities of the Sale and Purchase Agreement, or in the case of a breach (if any), it has been substantially corrected.

Subject to the terms of the Sale and Purchase Agreement, if any of the conditions precedent to the payment of the second instalment cannot be satisfied within 1 year after the signing of the Sale and Purchase Agreement for reasons not due to the Purchasers, Purchaser 1 and Purchaser 2 (Equity) are no longer required to pay the aforementioned second instalment in the total amount of RMB0.2 billion.

Conditions precedent to the Disposal

Completion of the Disposal is conditional upon, among other things, the satisfaction of the following conditions precedent (unless otherwise waived or altered by mutual consent of the Purchasers) within 90 days after signing of the Sale and Purchase Agreement:

(1) Sellers Entities shall procure the Target Company and Beijing Municipal Commission of Planning and Natural Resources to sign written document(s) or Beijing Municipal Commission of Planning and Natural Resources to issue written document(s) approving the transfer of the Target Equity Interests by Beijing Municipal Commission of Planning and Natural Resources;

(2) Sellers Entities shall procure the Target Company and Beijing Municipal Commission of Planning and Natural Resources to sign a supplementary agreement or other written document(s), or other government agencies acceptable to the Purchasers to issue written document(s) on arrangements acceptable to the Purchasers on matters of subsequent transfer of the equity interests in the Target Company by its shareholders to other entities, the property rights registration for INDIGO II, and the extension of the completion date of construction of INDIGO II;

(3) Sellers Entities shall ensure that the equity pledge and equity freeze of the respective shareholders of the Sellers, and the pledge of revenue rights attached to the equity interests in the Target Company on the part of the Sellers, and all

matters in relation to such equity pledge, equity freeze, and pledge of revenue rights that may affect the Disposal are properly handled in accordance with the requirements of the Purchasers. Sellers Entities shall issue written confirmation document(s) and relevant supporting materials to the Purchasers in this regard;

(4) in respect of the existing syndicated project loan of the Target Company, the Target Company shall reach an arrangement acceptable to all parties in accordance with the requirements of the Purchasers, and the Target Company shall sign a valid agreement acceptable to the Purchasers with the relevant entities regarding the aforementioned matters. Sellers Entities shall ensure their full cooperation to complete such matters, and ensure that the Target Company notifies the lending banks of such project loan and/or obtain consent from the lending banks if such notification or consent is required in relation to the Disposal pursuant to the relevant syndicated project loan agreements;

(5) Sellers Entities shall be responsible for coordinating with Jiangtai Authority Entity to issue a written document on the consent to the transfer of the Target Equity Interests and the waiver of the right of first refusal;

(6) Sellers Entities shall ensure that the Target Company obtains the consents and approvals required in each agreement signed by the Target Company, and issues a confirmation letter to the Purchasers confirming the completion of the aforementioned matters;

(7) the arrangements in relation to the PM Co and relevant service agreement(s) between the PM Co and the Target Company which are acceptable to Purchaser 1 and Purchaser 2 (Equity) have been reached and corresponding written agreements which are acceptable to Purchaser 1 and Purchaser 2 (Equity) have been signed, and Sellers Entities shall cooperate in this regard;

(8) except for agreements in relation to the general contracting of construction of part of the Land for INDIGO II between Sino-Ocean Construction and the Target Company and the relevant service agreements between the PM Co and the Target Company, all agreements, contracts or collaboration arrangements between the Target Company and Sellers Entities and their related parties have been terminated in accordance with the requirements of the Purchasers, and the termination agreements shall be acceptable to the Purchasers and shall specify fee settlement and payment matters under the respective agreements;

(9) Sellers Entities shall ensure that the use of all information systems and approval platforms that belong to Sellers Entities and their related parties by the Target Company has been terminated in accordance with the Purchasers' requirements. Sellers Entities shall hand over all data, information and materials to the Target Company in accordance with the Purchasers' requirements, and cooperate with the Target Company to launch new systems and new platforms;

(10) the relevant construction blueprints of INDIGO II have passed the review, and the Target Company has obtained a new construction permit for designated part of the Land and all drainage permits required for INDIGO II project;

(11) in respect of the demolition, vacancy, and resettlement agreements signed by the Target Company, Sellers Entities, after the signing of the Sale and Purchase Agreement, shall coordinate as soon as possible with the Target Company, the Jiangtai Township Government or its subsidiaries to sign relevant written documents as acceptable to the Purchasers;

(12) all parties have reached an agreement on the transaction documents in relation to the Disposal, and the Company shall be responsible for coordinating with Jiangtai Authority Entity to sign the relevant transaction documents to complete all transactional arrangements under the Sale and Purchase Agreement;

(13) Sellers Entities shall ensure that Sino-Ocean Construction issues a letter of undertaking to the Purchasers on the date of signing of the Sale and Purchase Agreement in relation to the matters mentioned under paragraphs (ii) and (iv) under the section headed "*Conditions precedent to the payment of the second instalment*" in this letter;

(14) Sellers Entities shall perform necessary internal decision-making procedures for the signing and performance of the relevant transaction documents in relation to the Disposal, and make necessary disclosures and obtain necessary approvals in accordance with applicable laws and regulations, including approval from the Shareholders on the Disposal; and

(15) Purchasers (including the limited partner(s) and executive partner(s) of Purchaser 1) shall (i) perform the necessary internal decision-making procedures and external publicity procedures for signing the relevant transaction documents in relation to the Disposal; and (ii) obtain any consent, approval, order or authorization from any applicable government agency; or make any applicable registration, qualification review, designation, declaration or filing with any government agency (including but not limited to, obtaining written or electronic approval documents of the antitrust review on concentration of business operators in relation to the Disposal), except for reporting to the National Financial Regulatory Administration and filing with the Asset Management Association of China.

If the aforementioned conditions precedent cannot be fulfilled within 90 days after the date of the Sale and Purchase Agreement, Purchaser 1 and Purchaser 2 (Equity) may jointly agree to grant a grace period (as determined by Purchaser 1 and Purchaser 2 (Equity) after negotiation) and notify the Sellers in writing. If such conditions precedent cannot be satisfied within the grace period (if any), Purchaser 1 and Purchaser 2 (Equity) may jointly decide to terminate the Sale and Purchase Agreement without assuming any liability.

Completion

Completion of the Disposal shall take place on the date on which (i) the registration of changes in relation to the Target Equity Interests to be acquired by Purchaser 1 and Purchaser 2 (Equity) with the market supervision and management authorities has been completed; and (ii) each of Purchaser 1 and Purchaser 2 (Equity) has been registered as a shareholder of the Target Company in its register of shareholders.

Right of first offer (優先報價權)

Although the Purchasers shall have the right to transfer or dispose of equity interests in the Target Company and/or its corresponding creditor's rights to parties other than the Company, the terms of the Sale and Purchase Agreement offer the Company the right of first offer to buy-back the Target Equity Interests and the Target Creditor's Rights then held by the Purchasers at a certain point in time after completion of the Disposal as agreed with the relevant purchaser at a fixed consideration or on an agreed basis for formulating the consideration, enabling the Group to have the opportunity to re-participate in the INDIGO II project when its financial position improves. Details of the right of first offer are as follows.

1. Right of first offer in relation to the equity interests and creditor's rights in the Target Company held by Purchaser 1

Provided that the terms on forfeiture of the right of first offer of the Company in the Sale and Purchase Agreement have not been triggered, the Company shall be entitled to exercise the right of first offer in respect of Purchaser 1 as follows:

(1) Right of first offer for the Period

Subject to the judgment and internal decision-making of Purchaser 1 with regard to the market changes, Purchaser 1 intends to continue to hold the 49.895% equity interests in the Target Company for a period of 5 years from the date of completion of the Disposal. Upon the expiry of 5 years from the completion date and prior to 30 September 2037 (the "**Period**"), in the event that Purchaser 1 intends to transfer part or all of the equity interests held by Purchaser 1 in the Target Company, Purchaser 1 shall issue a notice to the Company and the Company shall confirm whether it will exercise its right of first offer in respect of such equity interests and creditor's rights (if any) as set out in the notice in accordance with the terms of the Sale and Purchase Agreement.

(2) Right of first offer upon the expiry of a 5-year term

Upon the expiry of 5 years from the completion date, if Purchaser 1 holds equity interests in the Target Company at that time, the Company shall be entitled to exercise the right of first offer in accordance with the Sale and Purchase Agreement in respect of all equity interests in the Target Company then held by Purchaser 1 and all creditor's rights in the Target Company then held by Purchaser 1 (if any).

In the event that the Company intends to exercise the aforesaid right of first offer, a formal notice in writing (the "**5-Year Term Exercise Notice**") shall be issued by the Company to Purchaser 1 in accordance with the terms of the Sale and Purchase Agreement.

(3) Right of first offer upon the expiry of a 7-year term

If the Company does not issue the 5-Year Term Exercise Notice as stipulated in paragraph (2) above, upon the expiry of 7 years from the completion date, if Purchaser 1 holds equity interests in the Target Company at that time, the Company shall be entitled to exercise the right of first offer in accordance with the Sale and Purchase Agreement in respect of all equity interests in the Target Company then held by Purchaser 1 and all creditor's rights in the Target Company then held by Purchaser 1 (if any).

In the event that the Company intends to exercise the aforesaid right of first offer, a formal notice in writing (the "**7-Year Term Exercise Notice**") shall be issued by the Company to Purchaser 1 in accordance with the terms of the Sale and Purchase Agreement.

(4) Right of first offer at the end of the Period

If the Company does not issue the 5-Year Term Exercise Notice and the 7-Year Term Exercise Notice as stipulated in paragraphs (2) and (3) above respectively, upon the expiry of the period ending 30 September 2037, if Purchaser 1 still holds equity interests in the Target Company at that time, the Company shall be entitled to exercise the right of first offer in accordance with the Sale and Purchase Agreement in respect of all equity interests in the Target Company then held by Purchaser 1 and all creditor's rights in the Target Company then held by Purchaser 1 (if any).

In the event that the Company intends to exercise the aforesaid right of first offer, a formal notice in writing shall be issued by the Company to Purchaser 1 in accordance with the terms of the Sale and Purchase Agreement.

For the avoidance of doubt, the aforesaid arrangement for the Company to enjoy the right of first offer does not restrict the right of Purchaser 1 to dispose of its equity interests and/or creditor's rights in the Target Company in any manner, and Purchaser 1 has the right to transfer, set up security on, dispose of and/or make other arrangements of any kind for equity interests held by and/or creditor's rights of Purchaser 1 in the Target Company unless otherwise provided in the New Shareholders Agreement.

In the event that the Company exercises the right of first offer in accordance with the Sale and Purchase Agreement, the consideration payable to Purchaser 1 for the proposed acquisition shall not be less than the higher of the following two amounts as determined between Purchaser 1 and the Company through negotiations based on the aforementioned principles:

(i) the investment amount of Purchaser 1 for the acquisition of the equity interests and creditor's rights in the Target Company to be transferred by Purchaser 1 in the proposed transfer (as calculated and determined by Purchaser 1) plus an amount calculated on the basis of 8% IRR (for a period commencing from the date on which Purchaser 1 pays the first instalment of the consideration of the Disposal in accordance with the Sale and Purchase Agreement and ending on the date on which Purchaser 1 recovers its entire investment amount for the acquisition of the equity interests and creditor's rights in the Target Company to be transferred by Purchaser 1 in the proposed transfer) over the investment amount of Purchaser 1; and

(ii) the appraisal value of the equity interests and/or creditor's rights to be transferred in accordance with the then relevant requirements for the supervision and regulation of state-owned assets.

2. Right of first offer in relation to the equity interests and creditor's rights in the Target Company held by Purchasers 2

Provided that the terms on forfeiture of the right of first offer of the Company have not been triggered, the Company shall be entitled to exercise the right of first offer in respect of Purchasers 2 in accordance with the following provisions:

(1) Right of first offer upon the expiry of a 2-year term

Upon the expiry of 2 years from the date on which Seller 1 first receives the consideration paid by Purchasers 2 in accordance with the Sale and Purchase Agreement, if Purchaser 2 (Equity) is still holding equity interests in the Target Company at that time, the Company shall be entitled to exercise the right of first offer in accordance with the Sale and Purchase Agreement in respect of the 14.895% equity interests in the Target Company then held by Purchaser 2 (Equity) and the outstanding creditor's rights then held by Purchaser 2 (Debt), being the carrying amount of the portion of the Target Creditor's Rights in the Target Company acquired by Purchaser 2 (Debt) under the Disposal.

In the event that the Company intends to exercise the aforesaid right of first offer, a formal notice in writing (the "**2-Year Term Exercise Notice**") shall be issued by the Company to Purchaser 2 (Equity) upon the expiry of 2 years from the date on which Seller 1 first receives the consideration paid by Purchasers 2 in accordance with the Sale and Purchase Agreement.

(2) Right of first offer upon the expiry of a 3-year term

If the Company does not issue a 2-Year Term Exercise Notice as stipulated in paragraph (1) above, upon the expiry of 3 years from the date on which Seller 1 first receives the consideration paid by Purchasers 2 in accordance with the Sale and Purchase Agreement, if Purchaser 2 (Equity) is still holding equity interests in the Target Company at that time, the Company shall be entitled to exercise the right of first offer in accordance with the Sale and Purchase Agreement in respect of the 14.895% equity interests in the Target Company then held by Purchaser 2 (Equity) and the outstanding creditor's rights then held by Purchaser 2 (Debt), being the carrying amount of the portion of the Target Creditor's Rights in the Target Company acquired by Purchaser 2 (Debt) under the Disposal.

In the event that the Company intends to exercise the aforesaid right of first offer, a formal notice in writing (the "**3-Year Term Exercise Notice**") shall be issued by the Company to Purchaser 2 (Equity) upon the expiry of 3 years from the date on which Seller 1 first receives the consideration paid by Purchasers 2 in accordance with the Sale and Purchase Agreement.

For the avoidance of doubt, Purchasers 2 shall have the right to transfer, dispose of and/or make other arrangements of any kind at its sole discretion for equity interests held by Purchaser 2 (Equity) in the Target Company and/or all the creditor's rights of Purchaser 2 (Debt) in the Target Company, unless otherwise provided in the New Shareholders Agreement.

In the case that the Company decides to exercise any of such rights of first offer pursuant to the terms of the Sale and Purchase Agreement and the Purchaser 2 Agreement (as further elaborated in the section headed "PURCHASER 2 AGREEMENT" below) and signs transfer agreement(s) with Purchaser 1 and/or Purchasers 2, the Company will make announcement(s) as and when appropriate pursuant to the requirements of the Listing Rules.

PURCHASER 2 AGREEMENT

In accordance with the terms of the Sale and Purchase Agreement, on 7 June 2024, the Company, Seller 1, Purchaser 2 (Equity) and Purchaser 2 (Debt) entered into the Purchaser 2 Agreement in relation to, among other things, the waiver of the right of first refusal by Purchaser 2 (Equity) (as an existing shareholder of the Target Company) in relation to the disposal of the portion of the Target Equity Interests to be acquired by Purchaser 1 under the Disposal, the adjustment and payment of the consideration payable by Purchaser 2 (Equity) in relation to the Disposal, and the Company's exercise of its right of first offer and the payment of the relevant consideration.

Waiver of the right of first refusal by Purchaser 2 (Equity)

Subject to the payment of RMB184 million by Seller 1 to Purchaser 2 (Equity), Purchaser 2 (Equity) agreed to waive its right of first refusal in relation to the 49.895% equity interests in the Target Company held in aggregate by the Sellers that is intended to be transferred to Purchaser 1 according to the Sale and Purchase Agreement.

Adjustment and payment of consideration by Purchaser 2 (Equity) under the Sale and Purchase Agreement

If the Company and Seller 1 do not pay the consideration in relation to the waiver of the right of first refusal in accordance with the terms of the Purchaser 2 Agreement, Purchaser 2 (Equity) shall have the right to set off an amount equivalent to the aforesaid consideration (i.e. RMB184 million) in relation to the waiver of the right of first refusal against the first instalment of consideration payable by Purchaser 2 (Equity) to Seller 1 under the Sale and Purchase Agreement in relation to the Disposal.

Company's exercise of its right of first offer under the Sale and Purchase Agreement and the payment of the relevant consideration

If the Company exercises its right of first offer in respect of the 14.895% equity interests in the Target Company held by Purchaser 2 (Equity) and the outstanding creditor's rights, forming part of the Target Creditor's Rights in the Target Company acquired by Purchaser 2 (Debt) under the Disposal, in accordance with the terms of the Sale and Purchase Agreement, it is agreed under the Purchaser 2 Agreement that the total consideration payable by the Company to Purchasers 2 for the acquisition of the equity interests and the corresponding creditor's rights shall be as follows:

(i) in the event that the Company issues a 2-Year Term Exercise Notice, the total consideration shall be approximately RMB906 million, plus the carrying amount of the outstanding principal of and interests on the Target Creditor's Rights in the Target Company acquired by Purchaser 2 (Debt) under the Disposal; and

(ii) in the event that the Company issues a 3-Year Term Exercise Notice, the total consideration shall be approximately RMB1,006 million, plus the carrying amount of the outstanding principal of and interests on the Target Creditor's Rights in the Target Company acquired by Purchaser 2 (Debt) under the Disposal.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, the Target Company was accounted for as a joint venture of the Company in the consolidated financial statements of the Group and is owned as to 35% by Seller 1, 29.79% by Seller 2, 35% by Purchaser 2 (Equity) (a wholly-owned subsidiary of Swire Properties) and 0.21% by Jiangtai Authority Entity (wholly-owned by the Jiangtai Township Government), respectively. The Target Company is principally engaged in property development and is mainly responsible for the development and operation of the Property for the proposed development of a project named INDIGO II. Located in Dawangjing Business Circle, Beijing with strong business atmosphere, INDIGO II is intended to be developed into a flagship commercial complex.

Set out below is the financial information of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards for each of the two financial years ended 31 December 2022 and 31 December 2023:

	For the year ended 31 December 2022 *RMB'000* (unaudited)	For the year ended 31 December 2023 *RMB'000* (unaudited)
Net loss before taxation	24,283	1,479,335
Net loss after taxation	19,375	1,111,253

The unaudited net asset value of the Target Company as at 30 April 2024 prepared in accordance with the Hong Kong Financial Reporting Standards (taking into account the valuation of the Property as at 30 April 2024) was approximately RMB8.4 billion.

VALUATION OF THE PROPERTY

When performing the valuation of the Property, the independent property valuer, Cushman & Wakefield Limited, has firstly assessed the development value as if completed of each constituent portion of the Property. The development value as if completed represents the aggregate value of each constituent portion of the Property assuming it were completed at the valuation date (i.e. 30 April 2024). In arriving at the final valuation of the Property, the independent property valuer has also taken into account the development costs that will be incurred to complete the development. As advised by the independent property valuer, such valuation method is commonly adopted to evaluate properties under development in the PRC.

In assessing the development value as if completed of the retail and office portions of the Property, the independent property valuer has used investment method by capitalising the market rent of each constituent portion of the Property at an appropriate capitalisation rate. References have been made to the lettings of relevant comparable evidence of properties of similar use type in Beijing, with appropriate adjustments in terms of, among others, location, accessibility, age, quality, trade mix, size and time, have been analysed by the independent property valuer to determine the market rent under the investment method.

In assessing the development value as if completed of the hotel portion of the Property, the independent property valuer has used discounted cash flow method by discounting future net cash flow after operation-related and property-related capital taxes (i.e. net operating income) of the Property for a certain forecast period and the anticipated net operating income receivable thereafter being capitalised at an appropriate terminal capitalisation rate until the end of the respective unexpired land use term to its present value by using an appropriate discount rate. A 10-year cash flow forecast has been prepared by the independent property valuer with reference to, among others, the prevailing room rate and occupancy rate of hotels of similar calibre in Beijing as well as current and anticipated market conditions.

Please refer to the valuation report of the Property contained in Appendix V to this circular.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon completion of the Disposal, the Company will cease to have any interest in the Target Company.

It is estimated that the Group will record an unaudited loss on the Disposal of approximately RMB1,763 million, which is calculated with reference to the net consideration for the Target Equity Interests and Target Creditor's Rights (i.e. RMB3,816 million) minus (i) the audited carrying value of the Group's long-term equity investment of the Target Equity Interests as at 31 December 2023 of approximately RMB5,461 million and (ii) the book value of the Target Creditor's Rights as at 31 December 2023 of approximately RMB118 million in the consolidated financial statements of the Group. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group may be different from the above and will be subject to the review and final audit of the auditors of the Group.

The audited consolidated total assets and total liabilities of the Group as at 31 December 2023 (as extracted from the Company's 2023 annual report) were approximately RMB206,172 million and RMB185,380 million respectively. Given that the Group is estimated to record a loss of approximately RMB1,763 million for the Disposal (subject to audit), which is calculated based on the deficits of the net consideration of approximately RMB3,816 million for the Target Equity Interests and Target Creditor's Rights under the Group's long-term equity investment of the Target Equity Interests and the book value of Target Creditor's Rights as at 31 December 2023, the consolidated total assets of the Group is expected to decrease by approximately RMB1,763 million to approximately RMB204,409 million and the total liabilities of the Group is expected to remain unchanged at approximately RMB185,380 million following completion of the Disposal (subject to audit).

The proceeds from the Disposal are expected to be used for repayment of relevant priority indebtedness and necessary payment obligations. In particular, the net consideration for the Target Equity Interests and Target Creditor's Rights of RMB3,816 million is expected to be utilised as to (1) approximately RMB3,071 million for the repayment of principal and/or interests of certain borrowings and other liabilities, which is either due and payable or will be due in the second half of 2024; (2) approximately RMB443 million for the settlement of certain construction fees for part of the Land between Sino-Ocean Construction and the Target Company in relation to the replacement of its general contractor and the electrical and mechanical (E&M) engineering general contractor, and the settlement of creditor's rights and debts between Sino-Ocean Construction and the Target Company in accordance with the requirements of the Sale and Purchase Agreement, as disclosed in the paragraphs (ii) and (iii) under the sub-section above headed "*Conditions precedent to the payment of the second instalment*"; and (3) approximately RMB302 million for ensuring the Group's general working purpose.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has been facing significant liquidity pressure and difficulty in accessing typical financing channels amid the downturn of the real estate market in the PRC. As disclosed in the 2023 annual report of the Company, as at 31 December 2023, the Group's current liabilities were in excess of current assets by approximately RMB8.45 billion. In addition, the Group had total borrowings of approximately RMB96.14 billion, of which approximately RMB69.75 billion were repayable within one year and approximately RMB11.03 billion were repayable from one to two years, while the Group had cash and cash equivalents of approximately RMB1.99 billion only. As disclosed in the 2023 annual report of the Company, the auditor of the Company issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2023, citing multiple uncertainties relating to going concern. The Group announced a holistic restructuring of its offshore debts, which is still in progress as at the Latest Practicable Date, and the payments of all the Group's offshore debts (except for payments which would facilitate or be incidental to the debt restructuring having regard to the rights and priorities of the relevant creditors) were suspended. Please refer to the announcements of the Company dated 15 September 2023, 12 October 2023, 10 November 2023, 8 February 2024 and 30 April 2024 for further details on the proposed holistic debt restructuring of the Group.

In relation to the policy measures introduced by the PRC government recently, "ensuring delivery of the properties (保交樓)" mainly focuses on the timely delivery of residential projects under development and some key investment properties under construction. Although INDIGO II has been included in the White List (白名單), the purpose of which is only to ensure the granting of bank loans so as to support the continued development of the project. Due to the large scale of the project, the cycle from investment to cash flow breakeven is extremely long, and a large amount of capital is still required to be invested until the construction of the project is completed. Given its current cash flow situation, the Group is no longer able to make such capital contribution.

"Stimulating housing demand" mainly focuses on lowering home purchase loan interest rates and down payment ratios. Although various cities continue to introduce favorable policies, policy transmission will still take some time, and the market has not actually recovered yet. In terms of the Group's sales performance, due to limitations from (1) unsatisfactory total volume and composition of saleable resources, and (2) large-scale price reduction promotions not having been conducted in order to strike a balance between profit and cash flow, the Group's contracted sales (including those of the Group's joint ventures and associates) in May 2024 fell by 13% month-on-month, the average monthly contracted sales from January to May 2024 was approximately RMB1.9 billion, which was still a decrease of 24% from the average monthly contracted sales of RMB2.5 billion in the second half of 2023. In addition, even if each project generates sales proceeds, such proceeds must be strictly retained in the pre-sales escrow account to ensure that they are used for purposes such as ensuring project delivery and bank loan repayment, and will not be able to flow back to the Group's level.

In view of the above analysis of the impact of policies, despite the introduction of relevant favorable policies, its effect to the actual cash flow available to the Group is limited, and the Group will still have to rely on the transfer of bulk assets in achieving rapid cash inflow when the liabilities are matured in a concentrated manner. In addition, even if subsequent sales performance gradually recovers due to the introduction of policies, the Group is of the view that the successful sales of assets in the current gloomy bulk assets market can also help improving the Group's cash flow in a timely and effective manner.

To improve its liquidity and to obtain funds to meet its financial needs and commitments, the Group has been proactively formulating various plans and measures, including seeking potential purchasers in respect of its assets on terms which are in the best interests of the Company and its stakeholders taken as a whole. INDIGO II is one of the property assets that is of a meaningful size and is considered suitable for realisation.

In view of its current liquidity position, the Group encounters extreme difficulties in funding the Target Company in relation to the INDIGO II project development according to the schedule as planned. As disclosed in the circular of the Company dated 24 February 2021 in relation to, among other things, the investment in the Target Company, the total investment amount in the Target Company by its shareholders shall be RMB23 billion, of which the Group has already contributed approximately RMB6.3 billion (representing both Target Equity Interests and Target Creditor's Rights) as of 30 April 2024 as a 64.79% shareholder. As such, for as long as the Group remains a shareholder of the Target Company, it is expected that a substantial amount of the total investment amount remains to be contributed by the Group in respect of INDIGO II in its capacity as a 64.79% shareholder given that the project is only at its construction stage. The basement and superstructure work of INDIGO II are currently in progress, and are expected to be completed between 2025 and 2026, such that no near-term cash return to the Group is expected from INDIGO II. Unlike residential property projects where completed units are usually sold to property buyers and thus able to recoup a significant portion or all of the original investment within a shorter time frame, the INDIGO II project is an office-led mixed-use development which is expected to be held by the Target Company for long-term investment purpose, such that future cash inflow from the project is expected to be mainly from future rental income from the properties. Considering the project's circumstances, it is imperative to secure funds to support the project's normal development and construction, as well as subsequent operation. The Disposal will not only enable the Group to realise its investment in the Target Company and recoup immediate cash resources for the repayment of relevant priority indebtedness and necessary payment obligations, but also release the Group from future funding obligations to the project, which the Group would have a difficulty to in view of its current financial and liquidity position.

Based on the existing shareholders' agreement in respect of the Target Company, during the period up to the date of completion of the development of the INDIGO II project, neither the Sellers nor Purchaser 2 (Equity) may transfer any equity interest in the Target Company (other than an intra-group transfer or transfer of a 29.79% equity interest in the Target Company by the Sellers to a third party investor as approved by Purchaser 2 (Equity), subject to the right of last refusal as explained below) without the unanimous approval of the remaining shareholders of the Target Company. In addition, Purchaser 2 (Equity) is entitled to a right of last refusal such that it may reject the introduction of investor identified and/or require the Sellers to transfer the 14.895% equity interests in the Target Company and the corresponding creditor's rights to it. The above provisions in the existing shareholders' agreement render any realisation of the Group's interests in the Target Company impossible without the consent of other shareholders of the Target Company, therefore complicating the sales process. The fact that the Target Equity Interests do not represent a full control of the underlying project, meaning that any new purchaser would need to cooperate with the other existing shareholders of the Target Company to complete the project, has further increased the difficulty for the Sellers in finding suitable buyers. Despite the Group's dedicated efforts of over a year and a half in actively seeking and negotiating with various counterparties, including the Group's direct approaches to two investors and indirect approaches to a number of investors through a financial adviser appointed by the Group, no formal proposal has been received from parties (other than the Purchasers) as of the date of the Sale and Purchase Agreement.

The Group is expected to receive a consideration of approximately RMB3.9 billion for the Target Equity Interests. The above consideration was determined after arm's length negotiations between the Company, the Sellers and the Purchasers, and was determined with reference to, among others, (i) the unaudited net asset value of the Target Company as at 30 April 2024 prepared in accordance with the Hong Kong Financial Reporting Standards (taking into account the valuation of the Property as at 30 April 2024) of approximately RMB8.4 billion; (ii) the valuation of the Property as at 30 April 2024 in the amount of approximately RMB12.2 billion carried out by Cushman & Wakefield Limited, an independent property valuer, as set out in the section above headed "VALUATION OF THE PROPERTY"; (iii) a discount of approximately 29% to the above unaudited net asset value of the Target Company attributable to the Target Equity Interests as agreed and based on arm's length negotiations with the Purchasers, taking into account the urgency of the Group to realise its interests in INDIGO II in order to alleviate the Group's current liquidity pressure, which relates to the individual limitations/circumstances of the Group as opposed to a general willing seller in the market not subject to such limitations/circumstances; and (iv) the reasons for and benefits of the Disposal as stated in this section.

When determining the proposed payment of RMB184 million by Seller 1 to Purchaser 2 (Equity) under the Purchaser 2 Agreement, the Group has taken into account, among others, (i) the aforementioned transfer restrictions under the existing shareholders' agreement in respect of the Target Company that make it impossible for the Group to dispose of its Target Equity Interests and the Target Creditor's Rights to third parties during the construction stage of INDIGO II without the consent from Purchaser 2 (Equity), and the willingness of Purchaser 2 (Equity), as a current shareholder of the Target

Company, not to exercise the right of first refusal and separately to provide the required consent for the investment in the Target Company by Purchaser 1; (ii) as opposed to the case of Purchaser 1 who will have the right to appoint representatives (four out of eight) to the Target Company's board (to replace the four current representatives appointed by the Group), Purchaser 2 (Equity)'s acquisition of the 14.895% equity interests in the Target Company would not enable it to increase its current representation (four out of eight) at the Target Company's board, such that it only represents an acquisition of economic interests in the Target Company; (iii) the stated intention for Purchaser 1 to acquire 49.895% equity interests in and relevant debts of the Target Company from the Group, as disclosed in the announcement of the Company dated 29 April 2024, and Purchaser 2 (Equity) is the only willing and serious buyer for the remaining portion (i.e. 14.895% equity interests in and relevant debts of the Target Company), after the Group's dedicated selling efforts for over a year and a half in actively seeking interested buyers; and (iv) if the Group continues to hold the remaining 14.895% equity interests in the Target Company, it will continue to have future funding obligations to INDIGO II, the future return from which will only be realised in the long term as described above, as such, it is the most sensible way for the Group to dispose of the remaining 14.895% equity interests in the Target Company so as to ease the Group's immediate and imminent financial and liquidity needs, and to release the Group from the future funding obligations to INDIGO II.

Given the prime location and development plan of the Property, the Company considers INDIGO II to be a development project with attractive prospect. While the Disposal would provide the Group with the much required liquidity and would release its funding obligations to INDIGO II, any future opportunity to re-participate in the INDIGO II project is desirable. Although the Purchasers shall have the right to transfer or dispose of equity interests in the Target Company and/or its corresponding creditor's rights to parties other than the Company, the terms of the Sale and Purchase Agreement offer the Company the right of first offer to buy-back the Target Equity Interests and the Target Creditor's Rights then held by the Purchasers at a certain point in time after completion of the Disposal as agreed with the relevant purchaser at a fixed consideration or on an agreed basis for formulating the consideration, enabling the Group to have the opportunity to re-participate in the INDIGO II project when its financial position improves and provided that the terms on forfeiture of such right as stated in the Sale and Purchase Agreement have not been triggered.

Despite that a one-time loss is expected as a result of the Disposal, the Group considers that the Disposal would be the most appropriate option to help alleviate the Group's current liquidity crunch with a substantial and immediate cash inflow. The Group therefore considers that the resultant loss on the Disposal would be unavoidable but acceptable, taking into account the liquidity pressures and difficulties faced by the Group.

Having made prudent assessments on the above and considered the liquidity of the Group and the prevailing market conditions, the Directors (including the independent non-executive Directors but excluding the Abstained Directors), after balancing the immediate benefits of the Disposal that would be brought to the Group and the resultant loss on the Disposal, are of the view that the terms of the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal and the payment to

Purchaser 2 (Equity) in relation to the waiver of the right of first refusal by Purchaser 2 (Equity)) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Abstained Directors, namely Ms. CHAI Juan, Mr. ZHANG Zhongdang and Mr. YU Zhiqiang, all being Directors nominated by China Life Insurance, have abstained from voting on the relevant Board resolution(s) approving the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal). Each of the Abstained Directors has no shareholding in the Company. Save as aforementioned, none of the other Directors has a material interest in the Disposal Agreements and the transactions as contemplated thereunder and is required to abstain from voting on the relevant resolution(s).

POSSIBLE CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE DISPOSAL

Upon completion of the Disposal, the Target Company will be owned as to 49.895% by Purchaser 1, which is an associate of China Life Insurance (a substantial Shareholder), and therefore the Target Company will become a connected person of the Company. As the Group may continue to provide certain consultancy services (such as construction consultancy services) to the Target Company, the provision by the Group of such consultancy services to the Target Company will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. If necessary, the Group will make further announcement for such possible continuing connected transactions as and when appropriate in accordance with the applicable Listing Rules.

INFORMATION ON THE COMPANY, THE GROUP AND THE SELLERS

The Company 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. The principal business of the Company is investment holding. The Group is 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 the Group include development of residential property, investment property development and operation, property services and whole-industrial chain construction services, with its scope of businesses also covering senior living service, internet data center, logistics real estate and real estate fund, etc., forming a unique advantage in the field of asset-light agent construction.

Each of the Sellers is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. Each of the Sellers is principally engaged in investment holding.

INFORMATION ON THE PURCHASERS

Purchaser 1

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Purchaser 1 is a limited partnership established under the laws of the PRC whose limited partnership interest is held as to approximately 99.99% by China Life Insurance and approximately 0.01% by a wholly-owned subsidiary of China Life Insurance (Group) Company, the holding company of China Life Insurance. Purchaser 1 is principally engaged in equity investment, investment management, asset management, etc.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Life Insurance is a joint stock limited liability company incorporated under the laws of the PRC which is listed on the Stock Exchange (Stock Code: 02628) and The Shanghai Stock Exchange (Stock Code: 601628) and is a substantial shareholder of the Company which holds approximately 29.59% of the total issued share capital of the Company as at the Latest Practicable Date. China Life Insurance is one of the leading life insurance companies in the PRC. It offers personal insurance businesses, including life insurance, health insurance and accident insurance businesses, reinsurance relating to the above insurance businesses, use of funds permitted by applicable PRC laws and regulations or the State Council of the PRC (中華人民共和國國務院), as well as all types of personal insurance services, consulting business and agency business, sale of securities investment funds, and other businesses permitted by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Life Insurance (Group) Company is the holding company of China Life Insurance and is held as to 90% and 10% by the Ministry of Finance of the PRC (中華人民共和國財政部) and the National Council for Social Security Fund (全國社會保障基金理事會), respectively. It offers insurance policies to groups and individuals, which are managed by China Life Insurance under the policy management agreements.

Purchasers 2

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Purchaser 2 (Equity) and Purchaser 2 (Debt) is wholly-owned by Swire Properties. Purchaser 2 (Equity) is principally engaged in investment holding while Purchaser 2 (Debt) is principally engaged in property investment. Swire Properties is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange. The principal activities of Swire Properties and its subsidiaries are: (a) property investment, that is the development, leasing and management of commercial, retail and some residential properties; (b) property trading, that is the development and construction of properties, principally residential apartments, for sale; and (c) investment in and operation of hotels.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, other than being a joint venture partner of certain projects of the Group, each of Purchaser 2 (Equity) and Purchaser 2 (Debt) and their ultimate beneficial owners is a third party independent of the Company and connected persons (as defined under the Listing Rules) of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal exceed(s) 75%, the Disposal constitutes a very substantial disposal of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Further, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Purchaser 1 is a limited partnership whose limited partnership interest is held as to approximately 99.99% by China Life Insurance, a substantial Shareholder which holds approximately 29.59% of the total issued share capital of the Company, and approximately 0.01% by a wholly-owned subsidiary of China Life Insurance (Group) Company, which is the holding company of China Life Insurance. Purchaser 1 is therefore an associate of China Life Insurance and thus a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOOK CLOSURE FOR EGM ATTENDANCE

In order to ascertain the right to attend the EGM, the register of members of the Company will be closed from Monday, 8 July 2024 to Thursday, 11 July 2024 (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 share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 5 July 2024.

EGM

A notice convening the EGM to be held at Meeting Room, 31st Floor, Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC on Thursday, 11 July 2024 at 9:30 a.m. is set out on pages EGM-1 and EGM-2 of this circular for the purpose of considering and, if thought fit, approve the resolution to be proposed at the EGM in relation to the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal).

A form of proxy for use at the EGM is enclosed to this circular and published on the websites of the Company and the Stock Exchange. Whether or not you are able 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 share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM (i.e., not later than 9:30 a.m. on Tuesday, 9 July 2024 (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 event, 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 articles of association of the Company, be entitled to casting vote in addition to any other vote he may have.

China Life Insurance and its associates, being connected persons of the Company and having material interests in the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal), shall abstain from voting on the relevant resolution at the EGM. As at the Latest Practicable Date, China Life Insurance held 2,253,459,151 Shares, representing approximately 29.59% of the total issued share capital of the Company. The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the EGM.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, other than China Life Insurance and its associates, none of the Shareholders has a material interest in the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal) and is required to abstain from voting on the relevant resolution at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal), and to advise the Independent Shareholders on how to vote at the relevant resolution at the EGM. A letter from the Independent Board Committee is set out on pages 31 and 32 of this circular.

Halcyon Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. A letter from the Independent Financial Adviser is set out on pages 33 to 77 of this circular.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose views are set forth in the letter from the Independent Board Committee but excluding the Abstained Directors) consider that although the entering into of the Disposal Agreements was not made in the ordinary and usual course of business of the Group, the terms of the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal) are fair and reasonable, and the entering into of the Disposal Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors but excluding the Abstained Directors) recommend all the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to (i) the letter from the Independent Board Committee; (ii) the letter from the Independent Financial Adviser; and (iii) the appendices to this circular, which contain further information about the Group, the Target Company and the Property and other information that needs to be disclosed in accordance with the Listing Rules.

Yours faithfully,
By order of the Board
Sino-Ocean Group Holding Limited
LI Ming
Chairman

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal) for inclusion in this circular.

遠洋集團
SINO-OCEAN GROUP

25 June 2024

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF EQUITY INTERESTS AND CREDITOR'S RIGHTS IN THE TARGET COMPANY

We refer to the circular of the Company dated 25 June 2024 (the "**Circular**") of which this letter forms a part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to our opinion on the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal), the details of which are set out in the Circular. Halcyon Capital 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 Disposal Agreements and the transactions as contemplated thereunder (including the Disposal) are on normal commercial terms, and although the entering into of the Disposal Agreements was not made in the ordinary and usual course of business of the Group, it was 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 resolution to be proposed at the EGM to approve the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal).

Sino-Ocean Group Holding Limited
(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

Stock Code : 03377

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 as set out in the appendices to the Circular.

Yours faithfully,
Independent Board Committee of
Sino-Ocean Group Holding Limited
Mr. HAN Xiaojing
Mr. JIN Qingjun
Mr. LYU Hongbin
Mr. LIU Jingwei
Mr. JIANG Qi
Independent non-executive Directors

The following is the text of the letter of advice from the Independent Financial Adviser setting out its recommendation to the Independent Shareholders and the Independent Board Committee which has been prepared for the purpose of inclusion in this circular.

11/F, 8 Wyndham Street
Central
Hong Kong

25 June 2024

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF EQUITY INTERESTS AND CREDITOR'S RIGHTS IN THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Sale and Purchase Agreement and the Purchaser 2 Agreement (together "**the Disposal Agreements**") with the Purchasers, pursuant to which (among others) Purchaser 1, Purchaser 2 (Equity) and Purchaser 2 (Debt) (as the case maybe) have conditionally agreed to acquire (i) an aggregate of 64.79% equity interests in the Target Company; (ii) the Target Creditor's Rights in the aggregate sum of approximately RMB124.8 million; and (iii) waiver of the right of first refusal of Purchaser 2 (Equity) (being an existing shareholder of the Target Company) in relation to the disposal of 49.895% equity interests in the Target Company to Purchaser 1 under the Disposal.

Details of the Disposal Agreements and the Disposal are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 25 June 2024 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Circular.

As at the Latest Practicable Date, Purchaser 1 is a limited partnership whose limited partnership interest is held as to approximately 99.99% by China Life Insurance, a substantial Shareholder which holds approximately 29.59% of the total issued share capital of the Company, and approximately 0.01% by a wholly-owned subsidiary of China Life Insurance (Group) Company, which is the holding company of China Life Insurance. Purchaser 1 is therefore an associate of China Life Insurance and thus a connected person of the Company. As Purchaser 1 is a connected person of the Company, the transactions contemplated under the Disposal Agreements constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Disposal exceeds 75%, as such apart from being a connected transaction, the Disposal also constitutes very substantial disposal transaction of the Company, and the Disposal is therefore also subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules. China Life Insurance and its associates and any Shareholders who are materially interested in the Disposal Agreements shall abstain from voting in relation to the resolution(s) in approving the Disposal Agreements, the Disposal and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. HAN Xiaojing, Mr. JIN Qingjun, Mr. LYU Hongbin, Mr. LIU Jingwei and Mr. JIANG Qi has been established to advise the Independent Shareholders as to whether the terms of the Disposal Agreements and the transactions contemplated thereunder (including the Disposal) are fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolution in the EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In the last two years from the date of our appointment, saved as another independent financial adviser engagement, we have no other relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees paid/payable to us in connection with our appointments, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions that could reasonably be regarded as relevant to our independence. We are therefore independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcement of the Company dated 7 June 2024 and the Circular, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the Directors and/or management of the Company. We have been advised by the Directors and/or the management of the Company that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company including the Disposal Agreements and certain published information from the public domain. We have also discussed with the Directors and/or the management of the Company with respect to the terms of and reasons for the transactions contemplated under the Disposal Agreements and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, legal position, financial position or prospects of the Group, the Target Company, the Purchasers, China Life Insurance, Swire Properties, each of their respective associates, and the parties involved in the transactions contemplated under the Disposal Agreements.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the transactions contemplated under the Disposal Agreements, we have considered the following principal factors and reasons:

1. Background to and reasons for the entering into of the Disposal Agreements

The Company is incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business of the Company is investment holding.

The Group is 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 the Group include development of residential property, investment property development and operation, property services and whole-industrial chain construction services, with its scope of businesses also covering senior living service, internet data center, logistics real estate and real estate fund, etc., forming a unique advantage in the field of asset-light agent construction.

According to the annual report of the Group for the year ended 31 December 2023, despite the PRC government having introduced a series of favourable policy measures which had a stabilising effect in the overall property market, during FY2023, the GFA of commodity housing sold reduced by 8.5% year on year and the capital inflow for property enterprises were also 13.6% less compared to the previous financial year. Property enterprises faced tremendous risks due to reduced cash collection from sales, difficulty in asset disposal and re-financing and the industry continues to undergo consolidation. The Group foresees that the constraints will still persist in the PRC real estate market in the short term and demand may continue to drop, and it will take time for the market to regain confidence and for property enterprises to recuperate.

In the first half of 2023, the Group sold some of its core investment properties to repay debts timely in the open market. In the second half of the year, the Group continued to face harsh market conditions and financing and liquidity pressure. To improve the Group's liquidity position and to implement the subsequent debt repayment arrangement, the Company had sought extension for debts in the domestic and off-shore open markets and announced holistic debt management for offshore debts during the year, and has increased efforts in sales, asset disposal and stringent cost control. Considering such adverse market conditions, the Group believes that the strategy should be able to secure cash flow to ensure the steady progress of the Group's operations and on-time repayment of debts.

As at 31 December 2023, the Group's net gearing ratio (i.e. total borrowings less total cash resources divided by total equity) increased substantially to approximately 438% compared to 196% (restated) as at 31 December 2022. The increase in net gearing ratio was a result of the combined impact of multiple extreme factors including continued market downturn, noticeable decline in overall sales and a very harsh financing environment in 2023 in the PRC. In addition, as set out in the consolidated financial statement of the Group for the year ended 31 December 2023, the auditor of the Company has given a disclaimer of opinion expressing doubt if the Group can continue as a going concern.

As set out in the letter from the Board contained in this Circular, the Group has been facing significant liquidity pressure and difficulty in accessing typical financing channels amid the downturn of the real estate market in the PRC. To improve its liquidity and to obtain funds to meet its financial needs and commitments, the Group has been proactively formulating various plans and measures, including seeking potential purchasers in respect of its assets on terms which are in the best interests of the Company and its stakeholders taken as a whole. INDIGO II is one of the property assets that is of a meaningful size and is considered suitable for realisation.

As disclosed in the circular of the Company dated 24 February 2021 in relation to, among other things, the investment in the Target Company, the total investment amount in the Target Company by its shareholders shall be RMB23 billion, of which the Group has already contributed approximately RMB6.3 billion (representing both Target Equity Interests and Target Creditor's Rights) as of 30 April 2024 as a 64.79% shareholder. As such, for as long as the Group remains as a shareholder of the Target Company, it is expected that a substantial amount of the total investment amount remains to be contributed by the Group in respect of INDIGO II in its capacity as a 64.79% shareholder given that the project is only at its construction stage. In view of its current liquidity position, the Group encounters extreme difficulties in funding the

Target Company in relation to the INDIGO II project development according to the schedule as planned. The basement and superstructure work of INDIGO II are currently in progress, and are expected to be completed between 2025 and 2026, such that no near-term cash return to the Group is expected from INDIGO II. Unlike residential property projects where completed units are usually sold to property buyers and thus able to recoup a significant portion or all of the original investment within a shorter time frame, the INDIGO II project is an office-led mixed-use development which is expected to be held by the Target Company for long-term investment purpose, such that future cash inflows from the project are expected to be mainly from future rental income from the properties. Considering the project's circumstances, it is imperative to secure funds to support the project's development and construction, as well as subsequent operation. The Disposal will not only enable the Group to realise its investment in the Target Company and recoup immediate cash resources for the repayment of relevant priority indebtedness and necessary payment obligations but also release the Group from future funding obligations to the project, which the Group would have a difficulty to in view of its current financial and liquidity position.

Taking into account the above, the Directors (excluding (i) the independent non-executive Directors; and (ii) the Abstained Directors) consider and we concur that the entering into of the Disposal Agreements and the transactions as contemplated thereunder (including the Disposal) is in the interest of the Company and the Shareholders as a whole.

2. Information of the Group

2.1 Financial performance of the Group

Set out below is a summary of the consolidated financial information of the Group for the financial years ended 31 December 2021 ("**FY2021**"), 31 December 2022 ("**FY2022**") and 31 December 2023 ("**FY2023**"), as extracted from the 2021 Annual Report, 2022 Annual Report and 2023 Annual Report:

	FY2021	**FY2022**	**FY2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited) (restated)	(audited)
Revenue	64,247,332	46,126,585	46,459,008
Cost of sales	(52,989,257)	(43,749,646)	(45,276,191)
Gross Profit	11,258,075	2,376,939	1,182,817
Profit/(loss) before income tax	9,797,114	(16,130,781)	(19,560,765)
Profit/(loss) for the year	5,091,286	(18,756,180)	(20,984,885)
Profit/(loss) attributable to owners of the Company	2,729,143	(19,036,534)	(21,096,541)

For FY2021 and FY2022

Revenue of the Group decreased by approximately 28% to RMB46,127 million for FY2022, from RMB64,247 million in FY2021 due to the decrease in revenue from the property development segment. Property development segment remained the largest contributor, which accounted for about 80% of total revenue and the property development segment alone recorded a 33% decrease due to a drop in deliverance of saleable GFA especially in tier-one cities and the adverse downturn of the economy due to the effects of COVID-19.

Cost of sales on the other hand decreased at a smaller magnitude by 17% from RMB52,989 million in FY2021 to RMB43,750 million in FY2022 as there were less delivered projects located in top tier cities which require a higher construction cost while recording an increase in deliverance of tier-two cities projects which have a relatively lower land cost.

As illustrated above, the gross profit for FY2022 decreased significantly by 79% from RMB11,258 million in FY2021 to RMB2,377 million, and the gross profit margin also decreased to only 5% in FY2022 as compared to 18% in FY2021.

Apart from recording a significant decrease in gross profit, the Group also recorded other losses of RMB2,689 million in FY2022 compared to other gains of RMB76 million in FY2021, primarily due to a net exchange loss of RMB1,178 million compared to a net exchange gain of RMB348 million arising from the depreciation of RMB against USD in FY2022 and fair value losses of financial assets and financial liabilities at a fair value through profit or losses and losses on disposal of subsidiaries. The Group also recorded a larger impairment loss on financial assets of RMB7,850 million (restated) in FY2022 compared to RMB177 million in the FY2021 mainly due to provision made for expected credit losses for trade and other receivables considering the effects of the sluggish economy and resurgence of the pandemic. At the same time, there was a significant increase in the finance costs of the Company from RMB2,239 million to RMB3,066 million as a result of a higher cost of financing and interest expense.

As a result of the combined factors above, the Group recorded a loss attributable to owners of the Company of RMB19,037 million (restated) in FY2022 as compared to a profit attributable to owners of the Company of RMB2,729 million in FY2021.

For FY2022 and FY2023

The overall revenue of the Group in FY2023 remained comparable to FY2022. Property development segment continued to remain as the largest contributor, which accounted for about 84% of total revenue. The property development segment alone recorded a 5% increase was mainly due to more projects in tier-one and core tier-two cities being delivered in FY2023. With the increase in revenue from property development segment, cost of sales of the Group also increased by 4% from RMB43,750 million in FY2022 to RMB45,276 million in FY2023 as there were more delivered projects located in tier-one and core tier-two cities in 2023, which have relatively higher land costs. The increase in revenue from property development segment was offset by the decrease in revenue contributed by the other real estate businesses (including whole-industrial chain construction services, internet data center, senior living services, etc.) and resulted in an overall revenue in FY2023 being comparable to that of in FY2022.

The gross profit for FY2023 was RMB1,183 million, compared to RMB2,377 million in FY2022, representing a significant drop of 50% and the gross profit margin decreased to 3% in FY2023 compared to 5% in FY2022. The decrease in gross profit margin was mainly attributable to the overall subdued sentiment of the PRC real estate market during 2023, which included (i) the gross profit margin of the industry did not recover significantly; and (ii) the increase in the Group's provision for inventories.

In addition, the Group recorded other losses of RMB672 million in FY2023 compared RMB2,689 million in FY2022, the other losses record in FY2023 was mainly due to operating difficulties in the depressed PRC real estate market. It was mainly attributable to the net gain on disposal of joint ventures and associates during FY2023 offset by the fair value loss on financial assets and financial liabilities at fair value through profit or loss, and the net effect of litigation provisions. The Group also recorded a larger impairment loss on financial assets of RMB11,283 million in FY2023 compared to RMB7,850 million (restated) in the FY2022 mainly due to provision made for expected credit losses on the trade and receivables considering the effects of sluggish macroeconomic and industry environments and tough financing channels during 2023. Meanwhile, there was a significant increase in the finance costs of the Company from RMB3,066 million to RMB3,517 million as a result of a higher interest expense.

As a result of the combined factors above, a loss attributable to owners of the Company of RMB21,097 million in FY2023 was recorded as compared to RMB19,037 million (restated) in FY2022, the loss recorded for 2023 was mainly attributable to (i) the downturn in the overall real estate market in the PRC, resulting in the decrease in gross profit margin, and the increase in the provision for impairment of property projects; and (ii) the decrease in the share of results from joint ventures and associates, for the FY2023.

2.2 Financial position of the Group

The table below summarizes the assets and liabilities of the Group for as at 31 December 2021, 2022 and 2023 extracted from the 2023 Annual Report and the 2022 Annual Report:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited) (restated)	(audited)
Non-current assets	68,518,823	53,523,900	60,158,570
Current assets	212,733,219	189,442,108	146,013,756
Total assets	281,252,042	242,966,008	206,172,326
Non-current liabilities	76,139,240	60,794,272	30,915,031
Current liabilities	128,665,433	137,392,075	154,465,312
Total liabilities	204,804,673	198,186,347	185,380,343
Net assets	76,447,369	44,779,661	20,791,983
Equity attributable to the owners of the Company	55,073,811	28,641,157	7,028,557
Non-controlling interests	21,373,558	16,138,504	13,763,426
Total equity	76,447,369	44,779,661	20,791,983
Restricted bank deposit	5,423,573	4,763,360	3,033,268
Cash and cash equivalent	21,655,471	4,623,126	1,988,738
Cash and bank balance	27,079,044	9,386,486	5,022,006
Borrowings			
Current borrowings	18,667,628	38,091,736	69,750,588
Non-current borrowings	73,556,834	58,931,713	26,392,734
Total borrowings	92,224,462	97,023,449	96,143,322
Gearing Ratio *(note)*	85%	196%	438%

Note: The gearing ratio of the Group is calculated by the total borrowings less total cash resources including the restricted bank deposits divided by total equity.

As at 31 December 2022

Total assets

As at 31 December 2022, the total assets of the Group was approximately RMB242,966 million (restated), mainly comprising (i) trade and other receivables and prepayments of RMB89,183 million (restated); (ii) properties under development of RMB73,300 million; (iii) interest in joint ventures of RMB20,464 million; and (iv) completed properties held for sale of RMB20,234 million. The total assets of the Group decreased by approximately 14% from RMB281,252 million as at end of FY2021. The decrease was largely attributable to the decrease in interests in joint venture, properties under development and completed properties held for sale. In addition, the cash and bank balance including the restricted bank deposits of the Group as at the end of FY2022 was RMB9,386 million, representing a significant decrease of approximately 65% compared to FY2021 of RMB27,079 million.

Total liabilities

The total liabilities of the Group as at 31 December 2022 was approximately RMB198,186 million mainly consisting of (i) total borrowings of RMB97,023 million; (ii) trade and other payables of RMB44,938 million; (iii) contract liabilities of RMB41,026 million; and (iv) income tax payable amounting to RMB13,149 million. The total liabilities of the Group decreased approximately 3% compared to RMB204,805 million as at 31 December 2021.

Gearing ratio

As at 31 December 2022, the Group's net gearing ratio was approximately 196% (restated) compared to 85% as at 31 December 2021. The significant increase in net gearing ratio was due to impact from multiple extreme factors including continued market downturn, noticeable decline in overall sales and a very harsh financing environment in 2022 in the PRC. Coupled with the slowdown of the cash collection progress and exchange loss from the RMB which depreciated considerably against USD during the year, the gearing ratio of the Group recorded a significant increase.

As at 31 December 2023

Total assets

As at 31 December 2023, the total assets of the Group was approximately RMB206,172 million, mainly comprising (i) trade and other receivables and prepayments of RMB69,288 million; (ii) properties under development of RMB48,516 million; (iii) interest in joint ventures of RMB18,680 million; (iv) completed properties held for sale of RMB26,714 million; and (v) investment properties of RMB15,857 million. The total assets of the Group decreased by approximately 15% from RMB242,966 million (restated) as at end of FY2022. The decrease was largely attributable to the decrease in properties under development, interests in joint ventures and trade and other receivables and prepayments. In addition, the cash and bank balance including the restricted bank deposits of the Group as at the end of FY2023 was RMB5,022 million, representing a significant decrease of approximately 46% compared to FY2022 of RMB9,386 million.

Total liabilities

The total liabilities of the Group as at 31 December 2023 was approximately RMB185,380 million mainly consisting of (i) total borrowings of RMB96,143 million; (ii) trade and other payables of RMB49,780 million; (iii) contract liabilities of RMB20,873 million; and (iv) income tax payable amounting to RMB14,561 million. The total liabilities of the Group decreased approximately 7% compared to RMB198,186 million as at 31 December 2022.

Gearing ratio

As at 31 December 2023, the Group's net gearing ratio was approximately 438% compared to 196% (restated) as at 31 December 2022. The significant increase in net gearing ratio was due to impact from multiple extreme factors including continued market downturn, noticeable decline in overall sales and a very harsh financing environment in 2023 in the PRC. Coupled with the slowdown of the cash collection progress and the erosion of profitability across the industry, the gearing ratio of the Group recorded a significant increase.

2.3 Disclaimer of opinion on the 2023 financial results of the consolidated financial statements

According to the annual report of the Group for the year ended 31 December 2023, the auditor of the Group did not express an opinion on the consolidated financial statements of the Group due to multiple uncertainties relating to going concern, which among other things included (i) the Group recorded a net loss of approximately RMB20.98 billion for the year ended 31 December 2023 and the Group's current liabilities were in excess of current assets of the Group; (ii) the Group had total borrowings of approximately RMB96.14 billion, of which the current borrowings amounted to approximately RMB69.75 billion, while the Group had cash and cash equivalents of approximately RMB1.99 billion only. Subsequent to 31 December 2023, the total principal and interest amounts of three of the Group's bonds are approximately RMB8.42 billion, of which approximately RMB6.42 billion has already matured but has not been repaid; (iii) in view of the Group's tight liquidity position, on 15 September 2023, the Group announced to commence a holistic restructuring of its offshore debts ("**Offshore Debt Restructuring**") and to suspend payments of all its offshore debts (except for payments which would facilitate or be incidental to the debt restructuring having regard to the rights and priorities of the relevant creditors) until the Offshore Debt Restructuring and/or extension solutions are implemented. These offshore debts include seven guaranteed notes with carrying amount of approximately RMB23.25 billion and one perpetual subordinated guaranteed capital securities with carrying amount of approximately RMB4.57 billion as at 31 December 2023, due to the suspended payments, the Group has received demand letters, acceleration notices and other legal letters with respect to certain offshore debts; (iv) the Group has been involved in various litigation cases for unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters for which the Group has made provision; and (v) the Group's internal funds were progressively shrinking and the Group also experienced liquidity pressure due to limited access to external capital to finance its construction projects. All of the above reasons and other events or conditions indicated that multiple material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern.

In view of disclaimer audit opinion and the financial performance, liquidity and financial position of the Group as mentioned above, we concur with the Directors that, the Group has been facing significant liquidity pressure, in order to improve its liquidity and to obtain funds to meet its financial needs and commitments, INDIGO II would be one of the property assets that is of a meaningful size and suitable for realization for additional liquidity.

3. Information on the Target Company

The Target Company is a company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, the Target Company was accounted for as a joint venture of the Company in the consolidated financial statements of the Group and is owned as to 35% by Seller 1, 29.79% by Seller 2, 35% by Purchaser 2 (Equity) (a wholly-owned subsidiary of Swire Properties) and 0.21% by Jiangtai Authority Entity (wholly-owned by the Jiangtai Township Government), respectively.

The Target Company is principally engaged in property development and is mainly responsible for the development and operation of the Property for the proposed development of a project named INDIGO II. Located in Dawangjing Business Circle, Beijing with strong business atmosphere, INDIGO II is intended to be developed into a flagship commercial complex.

Financial Information of the Target Company

Set out below is the financial information of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards for each of the three financial years ended 31 December 2021, 2022 and 2023 and for the four months ended 30 April 2024 as extracted from Appendix II — Financial Information of the Target Company to the Circular:

	FY2021	**FY2022**	**FY2023**	**For the four months ended 30 April 2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) before income tax	76,404	(24,283)	(1,479,335)	102,135
Profit/(loss) after income tax	53,166	(19,375)	(1,111,253)	75,942

During FY2023, the Target Company recorded a loss before income tax of RMB1,480 million compared to a loss before income tax of RMB24.3 million in FY2022. The increase in loss in FY2023 was mainly attributable to the impairment loss of investment properties held by the Target Company amounting to RMB1,472 million due to the change in fair value of the Property. During FY2022, the Target Company recorded a loss before income tax of RMB24.3 million compared to a profit before income tax of RMB76.4 million for FY2021. The Target Company recorded a profit in FY2021 compared to a loss in FY2022 mainly due to a gain in fair value change on investment properties recorded in FY2021 compared to a loss recorded in FY2022.

During the four months ended 30 April 2024, the profit before income tax for the period amounted to RMB102 million mainly represented the increase in gain in fair value change of the Property during such period.

	As at 31 December 2021 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (unaudited)	As at 30 April 2024 RMB'000 (unaudited)
Current assets	5,591	10,090	87,560	71,731
Non-current assets	12,193,283	12,962,809	12,581,365	12,748,688
Total assets	12,198,874	12,972,899	12,668,925	12,820,419
Current liabilities	484,805	278,497	352,043	326,465
Non-current liabilities	2,213,398	3,213,106	3,946,839	4,047,969
Total liabilities	2,698,203	3,491,603	4,298,882	4,374,434
Net assets attributable to holding company	9,500,671	9,481,296	8,370,043	8,445,985

As at 31 December 2022

Total Assets

As at 31 December 2022, the total assets of the Target Company were approximately RMB12,973 million, mainly comprising (i) investment properties amounting RMB12,700 million representing the construction in progress of the Property (i.e INDIGO II); and (ii) other receivables and prepayments mainly composed of input value added tax pending deduction over one year and prepaid construction costs amounting to RMB263 million. The total assets of the Target Company increased by from RMB12,199 million as at the end of FY2021 to RMB12,973 million as at the end of FY2022 mainly due to the increase in fair value of the investment properties from RMB12,152 million as at the end of FY2021 to RMB12,700 million as at the end of FY2022 and an increase in other receivable and prepayments recorded as at end of FY2022.

Total Liabilities

The Target Company recorded total liabilities of RMB3,492 million as at the end of FY2022. The total liabilities comprising mainly (i) long term borrowings of bank loans amounting to RMB3,063 million; and (ii) other payables amounting to RMB410 million. The total liabilities of the Target Company increased from RMB2,698 million as at the end of FY2021 to RMB3,492 million as at the end of FY2022 mainly due to an increase in the amount of bank loans and other payables.

As a result of the above, the Target Company recorded a net asset value of RMB9,481 million as at 31 December 2022.

As at 31 December 2023

Total Assets

As at 31 December 2023, the total assets of the Target Company amounted to approximately RMB12,669 million, mainly comprising (i) the fair value of investment properties representing the construction in progress of the Property amounting to RMB11,986 million; (ii) other receivables and prepayments including mainly input value added tax pending deduction over one year and prepayments for construction costs amounting to RMB246 million; and (iii) deferred income tax assets amounting to RMB350 million. The total assets of the Target Company decreased from RMB12,972 million as at the end of FY2022 to RMB12,669 million as at the end of FY2023 mainly due to the decrease in fair value of investment properties from RMB12,700 million to RMB11,986 million but was slightly offset by deferred tax income assets recorded in FY2023 but not in FY2022 and an increase in cash and bank balance from RMB8.9 million to RMB86.6 million.

Total Liabilities

The Target Company recorded total liabilities of RMB4,299 million as at the end of FY2023. The total liabilities comprise mainly (i) long term borrowings of bank loans amounting to RMB3,760 million; and (ii) other payables of RMB539 million. The total liabilities of the Target Company increased from RMB3,492 million as at the end of FY2022 to RMB4,299 million as at the end of FY2023, mainly attributable to the increase in the amount of bank loans and other payables.

As a result of the above, the Target Company recorded a net asset value of RMB8,370 million as at 31 December 2023.

As at 30 April 2024, the unaudited net asset value of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards was approximately RMB8,446 million. The increase in net asset value was mainly attributable to increase in fair value of investment properties recorded which was slightly offset by the increase in the amount of borrowings during the period.

The Property

The Property comprises a development site of 78,298.69 sq.m for proposed mixed-use development known as INDIGO II located in Tuofangying Village, Jiangtai Town, Chaoyang District, Beijing, the PRC. As advised by the Company, the Property is to be developed into a complex, comprising office buildings, commercial space, hotel, carparks, storage and other utilities with a total planned gross floor area of 564,716.93 sq.m. The immediate neighborhood is mainly dominated by commercial developments and industrial parks. Upon its completion, it is expected to connect with Metro Line No. 14 directly. The Property is approximately 15-minute drive to Beijing's central business district and 30-minute drive to Beijing Capital International Airport.

The land use rights of the Property have been granted for terms of 40 years due to expire on 8 July 2060 for commercial uses and 50 years due to expire on 8 July 2070 for office, underground storage and underground parking uses. As at the valuation date (i.e. 30 April 2024), the Property was under construction and is estimated to complete construction in phases between 2025 and 2027.

Based on the Valuation Report, as at 30 April 2024, the market value of the Property was RMB12,168 million. The 64.79% interest of the Property attributable to the Group is valued at RMB7,883.6 million.

4. Information on the Sellers

Each of the Sellers is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of the Company. Each of the Sellers is principally engaged in investment holding.

5. Information on the Purchasers

Purchaser 1

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Purchaser 1 is a limited partnership established under the laws of the PRC whose limited partnership interest is held as to approximately 99.99% by China Life Insurance and approximately 0.01% by a wholly-owned subsidiary of China Life Insurance (Group) Company, the holding company of China Life Insurance. Purchaser 1 is principally engaged in equity investment, investment management, asset management, etc.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Life Insurance is a joint stock limited liability company incorporated under the laws of the PRC listed on the Stock Exchange (Stock Code: 02628) and The Shanghai Stock Exchange (Stock Code: 601628) and is a substantial shareholder of the Company which holds approximately 29.59% of the total issued share capital of the Company as at the Latest Practicable Date. China Life Insurance is one of the leading life insurance companies in the PRC. It offers personal insurance businesses, including life insurance, health insurance and accident insurance businesses, reinsurance relating to the above insurance businesses, use of funds permitted by applicable PRC laws and regulations or the State Council of the PRC (中華人民共和國國務院), as well as all types of personal insurance services, consulting business and agency business, sale of securities investment funds, and other businesses permitted by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Life Insurance (Group) Company is the holding company of China Life Insurance and is held as to 90% and 10% by the Ministry of Finance of the PRC (中華人民共和國財政部) and the National Council for Social Security Fund (全國社會保障基金理事會), respectively. It offers insurance policies to groups and individuals, which are managed by China Life Insurance under the policy management agreements.

Purchaser 2 (Equity) and Purchaser 2 (Debt)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Purchaser 2 (Equity) and Purchaser 2 (Debt) is wholly-owned by Swire Properties. Purchaser 2 (Equity) is principally engaged in investment holding while Purchaser 2 (Debt) is principally engaged in property investment. Swire Properties is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange. The principal activities of Swire Properties and its subsidiaries are: (a) property investment, that is the development, leasing and management of commercial, retail and some residential properties; (b) property trading, that is the development and construction of properties, principally residential apartments, for sale; and (c) investment in and operation of hotels.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquires, other than being a joint venture partner of certain projects of the Group, each of Purchaser 2 (Equity) and Purchaser 2 (Debt) and their ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

6. Principal terms of the Disposal Agreements

The principal terms of the Disposal Agreements are set out as follows:

(A) The Sale and Purchase Agreement

Details of the terms of the Sale and Purchase Agreement are set out below:

Date: 7 June 2024

Parties:

(i) the Company;

(ii) Seller 1, being a wholly-owned subsidiary of the Company;

(iii) Seller 2, being a wholly-owned subsidiary of the Company;

(iv) Purchaser 1;

(v) Purchaser 2 (Equity);

(vi) Purchaser 2 (Debt); and

(vii) the Target Company.

Subject matter

The Sellers conditionally agreed to sell and the Purchasers conditionally agreed to acquire the Target Equity Interests and the Target Creditor's Rights at the total consideration of RMB4 billion.

1. Transfer of Target Equity Interests

Purchaser 1 and Purchaser 2 (Equity) conditionally agreed to acquire and the Sellers conditionally agreed to sell an aggregate of 64.79% equity interests in the Target Company at the total consideration of RMB3,875,171,911.36, details of which are as follows:

(i) Purchaser 1 conditionally agreed to acquire an aggregate of 49.895% equity interests in the Target Company, which include:

(a) 20.105% equity interests in the Target Company to be disposed of by Seller 1 at the consideration of RMB1,202,505,498.96; and

(b) 29.79% equity interests in the Target Company to be disposed of by Seller 2 at the consideration of RMB1,781,777,608.26.

(ii) Purchaser 2 (Equity) conditionally agreed to acquire and Seller 1 conditionally agreed to sell 14.895% equity interests in the Target Company at the consideration of RMB890,888,804.14.

2. Transfer of Target Creditor's Rights

Purchaser 1 and Purchaser 2 (Debt) conditionally agreed to acquire the Target Creditor's Rights in the aggregate amount of RMB124,828,088.64 on a dollar-for-dollar basis, which is equivalent to the book value of the outstanding principal and interest of the Target Creditor's Rights in the Target Company as at 31 December 2023. Purchaser 1 and Purchaser 2 (Debt) conditionally agreed to acquire the Target Creditor's Rights in the amount of RMB96,130,536.85 and RMB28,697,551.79, respectively, which is the proportionate amount of the Target Creditor's Rights corresponding to the percentage of equity interests in the Target Company to be acquired by Purchaser 1 and Purchaser 2 (Equity) under the Sale and Purchase Agreement.

The transfer of an aggregate of 49.895% equity interests and corresponding creditor's rights in the Target Company to Purchaser 1 and the transfer of 14.895% equity interests and corresponding creditor's rights in the Target Company to Purchasers 2 are inter-conditional.

Payment terms

The consideration for the Disposal shall be payable in two instalments.

1. First instalment in the total amount of RMB3.8 billion

Upon satisfaction of the conditions precedent to the payment of the first instalment (as set out in the sub-section headed "Conditions precedent to the payment of the first instalment" herein below), Sellers Entities shall issue a confirmation letter to each of the Purchasers to confirm the satisfaction of the conditions precedent to the payment of the first instalment. Within 10 business days (subject to a grace period of 5 business days after expiry) after the Purchasers have received, reviewed and acknowledged the confirmation letters, the Purchasers shall pay the first instalment of the consideration for the Disposal in an aggregate amount of RMB3.8 billion to the Sellers in the following manners:

(i) Purchaser 1 shall pay the consideration in the total amount of RMB1,236,573,989.20 to Seller 1, of which RMB96,130,536.85 is the consideration payable by Purchaser 1 for the portion of the Target Creditor's Rights to be acquired by Purchaser 1, and RMB1,140,443,452.35 is the partial consideration payable by Purchaser 1 for the acquisition of the Target Equity Interests held by Seller 1;

(ii) Purchaser 1 shall pay the consideration in the amount of RMB1,689,818,972.67 to Seller 2, which is the partial consideration payable by Purchaser 1 for the acquisition of the Target Equity Interests held by Seller 2; and

(iii) Purchaser 2 (Debt) shall pay the consideration in the amount of RMB28,697,551.79 to Seller 1 for the portion of the Target Creditor's Rights to be acquired by Purchaser 2 (Debt), and Purchaser 2 (Equity) shall pay the partial consideration to Seller 1 for the acquisition of the Target Equity Interests held by Seller 1 in the amount of RMB844,909,486.34.

Conditions precedent to the payment of the first instalment:

Payment of the first instalment of consideration shall be subject to the satisfaction (unless otherwise waived or altered by mutual consent of the Purchasers) of, among others, the following conditions:

(i) the transaction documents of the Disposal, including but not limited to the New Shareholders Agreement, having been lawfully signed and becoming effective;

(ii) the conditions precedent to the Disposal, the details of which are set out in the section headed "Conditions precedent to the Disposal" in the letter from the Board contained in this Circular, having been fully satisfied;

(iii) the representation and warranties made by Sellers Entities to Purchaser 1 and Purchasers 2 respectively under the Sale and Purchase Agreement remaining true and valid;

(iv) if a declaration on concentration of business operators in relation to the Disposal is required pursuant to the applicable PRC laws or the requirements of the regulatory authorities, the obtaining of the required anti-trust approval documents;

(v) completion of arrangements in respect of the existing board representatives (four out of eight) and management appointed by the Sellers to the Target Company, such that the four board representatives currently appointed by the Sellers will be reappointed by Purchaser 1, one of which will be a director of the Company nominated by China Life Insurance, and the change or resignation of the designated management personnel appointed by the Sellers to the Target Company shall be completed in accordance with the Sale and Purchase Agreement;

(vi) the existing shareholders' agreement and its supplemental agreement(s) entered into among the Sellers, Purchaser 2 (Equity) and Jiangtai Authority Entity having been terminated, and the New Shareholders Agreement among Purchaser 1, Purchaser 2 (Equity) and Jiangtai Authority Entity having been entered into;

(vii) the registration of changes and filing in relation to the transfer of the Target Equity Interests having been completed, and the change of shareholders of the Target Company in its register of shareholders having been completed;

(viii) the transfer of certain items of the Target Company, including but not limited to business licences, stamps and financial data of the Target Company, from the Sellers Entities to the Purchasers no later than the date of completion of the Disposal;

(ix) save for the disclosed debts and external guarantees and the debts to be incurred by the Target Company due to daily operations after the date of the Sale and Purchase Agreement and with the prior consent of the Purchasers, the Target Company not having any other liabilities, contingent liabilities, or external guarantees;

(x) save for the disclosed contracts and the contracts to be signed by the Target Company as required for daily operations after the date of the Sale and Purchase Agreement and with the prior consent of the Purchasers, the Target Company not having any undisclosed contracts that are being performed;

(xi) the Target Company not having any undisclosed or pending lawsuits, arbitrations, seizures, enforcements, administrative penalties, etc., and it has no outstanding tax payable;

(xii) save for provision of security with the land use rights of the project plot and the buildings on the project plot for the existing syndicated project loan of the Target Company, there being no other encumbrances such as mortgage, seizure or pledge of accounts receivable in relation to INDIGO II. There being no encumbrances such as mortgage or seizure on assets of the Target Company other than INDIGO II;

(xiii) Sellers Entities having complied with the agreed covenants in relation to the transition period (i.e. the period between the date of signing of the Sale and Purchase Agreement and the date of completion of the Disposal). There being no breach of such covenants by Sellers Entities, or in the case of a breach (if any), it has been substantially corrected;

(xiv) all required internal and external approval, filing, registration and disclosure procedures for the Disposal having been completed by Sellers Entities and remaining valid;

(xv) relevant regulatory authorities not having taken any action to restrict, prevent or otherwise prohibit Purchaser 1 from the acquisition of Target Equity Interests and Target Creditor's Rights;

(xvi) Sellers having fulfilled all relevant obligations in reaching a written arrangement with Purchaser 2 (Equity) in relation to waiver of the right of first refusal by Purchaser 2 (Equity) (as an existing shareholder of the Target Company) in relation to the disposal of the portion of the Target Equity Interests to be acquired by Purchaser 1 under the Disposal (please refer to the section headed "PURCHASER 2 AGREEMENT" in the letter from the Board contained in this Circular for details of such written arrangement); and

(xvii) in relation to the designated account for receiving the consideration, Seller 1 and Seller 2 having signed a bank account supervision agreement with relevant parties including the Purchasers. The funds in the designated account will be supervised by such relevant parties and shall be utilized for repayment of certain existing debts owed by the related parties of Seller Entities to the relevant creditors.

2. Second instalment in the total amount of RMB0.2 billion

Upon satisfaction of the conditions precedent to the payment of the second instalment (as set out in the sub-section headed "Conditions precedent to the payment of the second instalment" herein below), the remaining consideration for the Disposal in the amount of RMB0.2 billion shall be paid in the following manners:

(i) Purchaser 1 shall pay the consideration in the amount of RMB62,062,046.61 to Seller 1, and shall pay the consideration in the amount of RMB91,958,635.59 to Seller 2; and

(ii) Purchaser 2 (Equity) shall pay the consideration in the amount of RMB45,979,317.80 to Seller 1.

Conditions precedent to the payment of the second instalment:

Payment of the second instalment of consideration shall be subject to the satisfaction of (unless otherwise waived or altered by mutual consent of the Purchasers), among others, the following conditions:

(i) the conditions precedent to the payment of the first instalment, the details of which are summarised in the section headed "Conditions precedent to the payment of the first instalment" in the "Letter from the Board" in this Circular, having been fully satisfied;

(ii) the relevant matters in relation to the settlement of certain construction fees for part of the Land between Sino-Ocean Construction and the Target Company and handover and exit works in relation to the replacement of its general contractor and the electrical and mechanical (E&M) engineering general contractor having been completed in accordance with the requirements of the Sale and Purchase Agreement;

(iii) creditor's rights and debts between Sino-Ocean Construction and the Target Company having been fully settled;

(iv) Sellers Entities shall cooperate with, and shall ensure Sino-Ocean Construction and other entities to cooperate with, the Target Company to complete the replacement of the general contractor and the electrical and mechanical (E&M) general contractor for part of the Land; and

(v) there being no breach by Sellers Entities of the Sale and Purchase Agreement, or in the case of a breach (if any), it has been substantially corrected.

Subject to the terms of the Sale and Purchase Agreement, if any of the conditions precedent to the payment of the second instalment cannot be satisfied within 1 year after the signing of the Sale and Purchase Agreement for reasons not due to the Purchasers, Purchaser 1 and Purchaser 2 (Equity) are no longer required to pay the aforementioned second instalment in the total amount of RMB0.2 billion.

Conditions precedent to the Disposal:

Completion of the Disposal is conditional upon, among other things, the satisfaction of the following conditions precedent (unless otherwise waived or altered by mutual consent of the Purchasers) within 90 days after signing of the Sale and Purchase Agreement:

(1) Sellers Entities shall procure the Target Company and Beijing Municipal Commission of Planning and Natural Resources to sign written document(s) or Beijing Municipal Commission of Planning and Natural Resources to issue written document(s) approving the transfer of the Target Equity Interests by Beijing Municipal Commission of Planning and Natural Resources;

(2) Sellers Entities shall procure the Target Company and Beijing Municipal Commission of Planning and Natural Resources to sign a supplementary agreement or other written document(s), or other government agencies acceptable to the Purchasers to issue written document(s) on arrangements acceptable to the Purchasers on matters of subsequent transfer of the equity interests in the Target Company by its shareholders to other entities, the property rights registration for INDIGO II, and the extension of the completion date of construction of INDIGO II;

(3) Sellers Entities shall ensure that the equity pledge and equity freeze of the respective shareholders of the Sellers, and the pledge of revenue rights attached to the equity interests in the Target Company on the part of the Sellers, and all matters in relation to such equity pledge, equity freeze, and pledge of revenue rights that may affect the Disposal are properly handled in accordance with the requirements of the Purchasers. Sellers Entities shall issue written confirmation document(s) and relevant supporting materials to the Purchasers in this regard;

(4) in respect of the existing syndicated project loan of the Target Company, the Target Company shall reach an arrangement acceptable to all parties in accordance with the requirements of the Purchasers, and the Target Company shall sign a valid agreement acceptable to the Purchasers with the relevant entities regarding the aforementioned matters. Sellers Entities shall ensure their full cooperation to complete such matters, and ensure that the Target Company notifies the lending banks of such project loan and/or obtain consent from the lending banks if such notification or consent is required in relation to the Disposal pursuant to the relevant syndicated project loan agreements;

(5) Sellers Entities shall be responsible for coordinating with Jiangtai Authority Entity to issue a written document on the consent to the transfer of the Target Equity Interests and the waiver of the right of first refusal;

(6) Sellers Entities shall ensure that the Target Company obtains the consents and approvals required in each agreement signed by the Target Company, and issues a confirmation letter to the Purchasers confirming the completion of the aforementioned matters;

(7) the arrangements in relation to the PM Co and relevant service agreement(s) between the PM Co and the Target Company which are acceptable to Purchaser 1 and Purchaser 2 (Equity) have been reached and corresponding written agreements which are acceptable to Purchaser 1 and Purchaser 2 (Equity) have been signed, and Sellers Entities shall cooperate in this regard;

(8) except for agreements in relation to the general contracting of construction of part of the Land for INDIGO II between Sino-Ocean Construction and the Target Company and the relevant service agreements between the PM Co and the Target Company, all agreements, contracts or collaboration arrangements between the Target Company and Sellers Entities and their related parties have been terminated in accordance with the requirements of the Purchasers, and the termination agreements shall be acceptable to the Purchasers and shall specify fee settlement and payment matters under the respective agreements;

(9) Sellers Entities shall ensure that the use of all information systems and approval platforms that belong to Sellers Entities and their related parties by the Target Company has been terminated in accordance with the Purchasers' requirements. Sellers Entities shall hand over all data, information and materials to the Target Company in accordance with the Purchasers' requirements, and cooperate with the Target Company to launch new systems and new platforms;

(10) the relevant construction blueprints of INDIGO II have passed the review, and the Target Company has obtained a new construction permit for designated part of the Land and all drainage permits required for INDIGO II project;

(11) in respect of the demolition, vacancy, and resettlement agreements signed by the Target Company, Sellers Entities, after the signing of the Sale and Purchase Agreement, shall coordinate as soon as possible with the Target Company, the Jiangtai Township Government or its subsidiaries to sign relevant written documents as acceptable to the Purchasers;

(12) all parties have reached an agreement on the transaction documents in relation to the Disposal, and the Company shall be responsible for coordinating with Jiangtai Authority Entity to sign the relevant transaction documents to complete all transactional arrangements under the Sale and Purchase Agreement;

(13) Sellers Entities shall ensure that Sino-Ocean Construction issues a letter of undertaking to the Purchasers on the date of signing of the Sale and Purchase Agreement in relation to the matters mentioned under paragraphs (ii) and (iv) under the section headed "Conditions precedent to the payment of the second instalment" in the letter from the Board contained in this Circular;

(14) Sellers Entities shall perform necessary internal decision-making procedures for the signing and performance of the relevant transaction documents in relation to the Disposal, and make necessary disclosures and obtain necessary approvals in accordance with applicable laws and regulations, including approval from the Shareholders on the Disposal; and

(15) Purchasers (including the limited partner(s) and executive partner(s) of Purchaser 1) shall (i) perform the necessary internal decision-making procedures and external publicity procedures for signing the relevant transaction documents in relation to the Disposal; and (ii) obtain any consent, approval, order or authorization from any applicable government agency; or make any applicable registration, qualification review, designation, declaration or filing with any government agency (including but not limited to, obtaining written or electronic approval documents of the antitrust review on concentration of business operators in relation to the Disposal), except for reporting to the National Financial Regulatory Administration and filing with the Asset Management Association of China.

If the aforementioned conditions precedent cannot be fulfilled within 90 days after the date of the Sale and Purchase Agreement, Purchaser 1 and Purchaser 2 (Equity) may jointly agree to grant a grace period (as determined by Purchaser 1 and Purchaser 2 (Equity) after negotiation) and notify the Sellers in writing. If such conditions precedent cannot be satisfied within the grace period (if any), Purchaser 1 and Purchaser 2 (Equity) may jointly decide to terminate the Sale and Purchase Agreement without assuming any liability.

Completion

Completion of the Disposal shall take place on the date on which (i) the registration of changes in relation to the Target Equity Interests to be acquired by Purchaser 1 and Purchaser 2 (Equity) with the market supervision and management authorities has been completed; and (ii) each of Purchaser 1 and Purchaser 2 (Equity) has been registered as a shareholder of the Target Company in its register of shareholders.

Right of first offer (優先報價權)

Although the Purchasers shall have the right to transfer or dispose of equity interests in the Target Company and/or its corresponding creditor's rights to parties other than the Company, the terms of the Sale and Purchase Agreement offer the Company the right of first offer to buy-back the Target Equity Interests and the Target Creditor's Rights then held by the Purchasers at a certain point in time after completion of the Disposal as agreed with the relevant purchaser at a fixed consideration or on an agreed basis for formulating the consideration, enabling the Group to have the opportunity to re-participate in the INDIGO II project when its financial position improves. Details of the right of first offer are as follows.

1. Right of first offer in relation to the equity interests and creditor's rights in the Target Company held by Purchaser 1

Provided that the terms on forfeiture of the right of first offer of the Company in the Sale and Purchase Agreement have not been triggered, the Company shall be entitled to exercise the right of first offer in respect of Purchaser 1 as follows:

(1) Right of first offer for the Period

Subject to the judgment and internal decision-making of Purchaser 1 with regard to the market changes, Purchaser 1 intends to continue to hold the 49.895% equity interests in the Target Company for a period of 5 years from the date of completion of the Disposal. Upon the expiry of 5 years from the completion date and prior to 30 September 2037 (the "**Period**"), in the event that Purchaser 1 intends to transfer part or all of the equity interests held by Purchaser 1 in the Target Company, Purchaser 1 shall issue a notice to the Company and the Company shall confirm whether it will exercise its right of first offer in respect of such equity interests and creditors' rights (if any) as set out in the notice in accordance with the terms of the Sale and Purchase Agreement.

(2) Right of first offer upon the expiry of a 5-year term

Upon the expiry of 5 years from the completion date, if Purchaser 1 holds equity interests in the Target Company at that time, the Company shall be entitled to exercise the right of first offer in accordance with the Sale and Purchase Agreement in respect of all equity interests in the Target Company then held by Purchaser 1 and all creditor's rights in the Target Company then held by Purchaser 1 (if any).

In the event that the Company intends to exercise the aforesaid right of first offer, a formal notice in writing (the "**5-Year Term Exercise Notice**") shall be issued by the Company to Purchaser 1 in accordance with the terms of the Sale and Purchase Agreement.

(3) Right of first offer upon the expiry of a 7-year term

If the Company does not issue the 5-Year Term Exercise Notice as stipulated in paragraph (2) above, upon the expiry of 7 years from the completion date, if Purchaser 1 holds equity interests in the Target Company at that time, the Company shall be entitled to exercise the right of first offer in accordance with the Sale and Purchase Agreement in respect of all equity interests in the Target Company then held by Purchaser 1 and all creditor's rights in the Target Company then held by Purchaser 1 (if any).

In the event that the Company intends to exercise the aforesaid right of first offer, a formal notice in writing (the "**7-Year Term Exercise Notice**") shall be issued by the Company to Purchaser 1 in accordance with the terms of the Sale and Purchase Agreement.

(4) Right of first offer at the end of the Period

If the Company does not issue the 5-Year Term Exercise Notice and the 7-Year Term Exercise Notice as stipulated in paragraphs (2) and (3) above respectively, upon the expiry of the period ending 30 September 2037, if Purchaser 1 still holds equity interests in the Target Company at that time, the Company shall be entitled to exercise the right of first offer in accordance with the Sale and Purchase Agreement in respect of all equity interests in the Target Company then held by Purchaser 1 and all creditor's rights in the Target Company then held by Purchaser 1 (if any).

In the event that the Company intends to exercise the aforesaid right of first offer, a formal notice in writing shall be issued by the Company to Purchaser 1 in accordance with the terms of the Sale and Purchase Agreement.

For the avoidance of doubt, the aforesaid arrangement for the Company to enjoy the right of first offer does not restrict the right of Purchaser 1 to dispose of its equity interests and/or creditor's rights in the Target Company in any manner, and Purchaser 1 has the right to transfer, set up security on, dispose of and/or make other arrangements of any kind for equity interests held by and/or creditor's rights of Purchaser 1 in the Target Company unless otherwise provided in the New Shareholders Agreement.

In the event that the Company exercises the right of first offer in accordance with the Sale and Purchase Agreement, the consideration payable to Purchaser 1 for the proposed acquisition shall not be less than the higher of the following two amounts as determined between Purchaser 1 and the Company through negotiations based on the aforementioned principles:

(i) the investment amount of Purchaser 1 for the acquisition of the equity interests and creditor's rights in the Target Company to be transferred by Purchaser 1 in the proposed transfer (as calculated and determined by Purchaser 1) plus an amount calculated on the basis of 8% IRR (for a period commencing from the date on which Purchaser 1 pays the first instalment of the consideration of the Disposal in accordance with the Sale and Purchase Agreement and ending on the date on which Purchaser 1 recovers its entire investment amount for the acquisition of the equity interests and creditor's rights in the Target Company to be transferred by Purchaser 1 in the proposed transfer) over the investment amount of Purchaser 1; and

(ii) the appraisal value of the equity interests and/or creditor's rights to be transferred in accordance with the then relevant requirements for the supervision and regulation of state-owned assets.

2. Right of first offer in relation to the equity interests and creditor's rights in the Target Company held by Purchasers 2

Provided that the terms on forfeiture of the right of first offer of the Company have not been triggered, the Company shall be entitled to exercise the right of first offer in respect of Purchasers 2 in accordance with the following provisions:

(1) Right of first offer upon the expiry of a 2-year term

Upon the expiry of 2 years from the date on which Seller 1 first receives the consideration paid by Purchasers 2 in accordance with the Sale and Purchase Agreement, if Purchaser 2 (Equity) is still holding equity interests in the Target Company at that time, the Company shall be entitled to exercise the right of first offer in accordance with the Sale and Purchase Agreement in respect of the 14.895% equity interests in the Target Company then held by Purchaser 2 (Equity) and the outstanding creditor's rights then held by Purchaser 2 (Debt), being the carrying amount of the portion of the Target Creditor's Rights in the Target Company acquired by Purchaser 2 (Debt) under the Disposal.

In the event that the Company intends to exercise the aforesaid right of first offer, a formal notice in writing (the "**2-Year Term Exercise Notice**") shall be issued by the Company to Purchaser 2 (Equity) upon the expiry of 2 years from the date on which Seller 1 first receives the consideration paid by Purchasers 2 in accordance with the Sale and Purchase Agreement.

(2) Right of first offer upon the expiry of a 3-year term

If the Company does not issue a 2-Year Term Exercise Notice as stipulated in paragraph (1) above, upon the expiry of 3 years from the date on which Seller 1 first receives the consideration paid by Purchasers 2 in accordance with the Sale and Purchase Agreement, if Purchaser 2 (Equity) is still holding equity interests in the Target Company at that time, the Company shall be entitled to exercise the right of first offer in accordance with the Sale and Purchase Agreement in respect of the 14.895% equity interests in the Target Company then held by Purchaser 2 (Equity) and the outstanding creditor's rights then held by Purchaser 2 (Debt), being the carrying amount of the portion of the Target Creditor's Rights in the Target Company acquired by Purchaser 2 (Debt) under the Disposal.

In the event that the Company intends to exercise the aforesaid right of first offer, a formal notice in writing (the "**3-Year Term Exercise Notice**") shall be issued by the Company to Purchaser 2 (Equity) upon the expiry of 3 years from the date on which Seller 1 first receives the consideration paid by Purchasers 2 in accordance with the Sale and Purchase Agreement.

For the avoidance of doubt, Purchasers 2 shall have the right to transfer, dispose of and/or make other arrangements of any kind at its sole discretion for equity interests held by Purchaser 2 (Equity) in the Target Company and/or all the creditor's rights of Purchaser 2 (Debt) in the Target Company, unless otherwise provided in the New Shareholders Agreement.

In the case that the Company decides to exercise any of such rights of first offer pursuant to the terms of the Sale and Purchase Agreement and the Purchaser 2 Agreement (as further elaborated in the section headed "PURCHASER 2 AGREEMENT" below) and signs transfer agreement(s) with Purchaser 1 and/or Purchasers 2, the Company will make announcement(s) as and when appropriate pursuant to the requirements of the Listing Rules.

(B) Purchaser 2 Agreement

In accordance with the terms of the Sale and Purchase Agreement, on 7 June 2024, the Company, Seller 1, Purchaser 2 (Equity) and Purchaser 2 (Debt) entered into the Purchaser 2 Agreement in relation to, among other things, the waiver of the right of first refusal by Purchaser 2 (Equity) (as an existing shareholder of the Target Company) in relation to the disposal of the portion of the Target Equity Interests to be acquired by Purchaser 1 under the Disposal, the adjustment and payment of the consideration payable by Purchaser 2 (Equity) in relation to the Disposal, and the Company's exercise of its right of first offer and the payment of the relevant consideration.

Waiver of the right of first refusal by Purchaser 2 (Equity)

Subject to the payment of RMB184 million by Seller 1 to Purchaser 2 (Equity), Purchaser 2 (Equity) agreed to waive its right of first refusal in relation to the 49.895% equity interests in the Target Company held in aggregate by the Sellers that is intended to be transferred to Purchaser 1 according to the Sale and Purchase Agreement.

Adjustment and payment of consideration by Purchaser 2 (Equity) under the Sale and Purchase Agreement

If the Company and Seller 1 do not pay the consideration in relation to the waiver of the right of first refusal in accordance with the terms of the Purchaser 2 Agreement, Purchaser 2 (Equity) shall have the right to set off an amount equivalent to the aforesaid consideration (i.e. RMB184 million) in relation to the waiver of the right of first refusal against the first instalment of consideration payable by Purchaser 2 (Equity) to Seller 1 under the Sale and Purchase Agreement in relation to the Disposal.

Company's exercise of its right of first offer under the Sale and Purchase Agreement and the payment of the relevant consideration

If the Company exercises its right of first offer in respect of the 14.895% equity interests in the Target Company held by Purchaser 2 (Equity) and the outstanding creditor's rights, forming part of the Target Creditor's Rights in the Target Company acquired by Purchaser 2 (Debt) under the Disposal, in accordance with the terms of the Sale and Purchase Agreement, it is agreed under the Purchaser 2 Agreement that the total consideration payable by the Company to Purchasers 2 for the acquisition of the equity interests and the corresponding creditor's rights shall be as follows:

(i) in the event that the Company issues a 2-Year Term Exercise Notice, the total consideration shall be approximately RMB906 million, plus the carrying amount of the outstanding principal of and interests on the Target Creditor's Rights in the Target Company acquired by Purchaser 2 (Debt) under the Disposal; and

(ii) in the event that the Company issues a 3-Year Term Exercise Notice, the total consideration shall be approximately RMB1,006 million, plus the carrying amount of the outstanding principal of and interests on the Target Creditor's Rights in the Target Company acquired by Purchaser 2 (Debt) under the Disposal.

7. Analysis of the consideration

According to the Directors, the considerations in respect of the Target Equity Interests, the Target Creditor's Rights and the respective considerations payable by Purchaser 1 and Purchasers 2 were determined based on arm's length negotiations between the relevant parties to the Disposal Agreements and with reference to a number of factors, including (i) the unaudited net asset value of the Target Company as at 30 April 2024 prepared in accordance with the Hong Kong Financial Reporting Standards (taking into account the valuation of the Property as at 30 April 2024) of approximately RMB8.4 billion; (ii) the carrying value of the Target Creditor's Right; (iii) the valuation of the Property as at 30 April 2024 in the amount of approximately RMB12.2 billion carried out by Cushman & Wakefield Limited (the "**Valuer**"), an independent professional property valuer; and (iv) a discount of approximately 29% to the above unaudited net asset value of the Target Company attributable to the Target Equity Interests as agreed and based on arm's length negotiations with the Purchasers, taking into account the urgency of the Group to realise its interest in INDIGO II in order to alleviate the Group's current liquidity pressure, which relates to the individual limitations/circumstances of the Group as opposed to a general willing seller in the market not subject to such limitations/circumstances.

The valuation on the Property as at 30 April 2024 was conducted by the Valuer, using various valuation approaches for different property types contained in the development project held by the Target Company.

For further details of the Valuation Report please refer to Appendix V to the Circular.

(i) Expertise and independence of the Valuer

To assess the expertise and independence of the Valuer, we have (i) reviewed the engagement letter of the Valuer; and (ii) discussed with members of the valuation team engaged in the valuation of the Target Company to understand their experience and relationship with the Company as well as the valuation methodology adopted.

Based on our discussion with the Valuer and from the public domain, the Valuer, Cushman & Wakefield, provided valuation services to more than 120,000 properties in 2021, valued at over RMB6 trillion, they also advised many large-scale state-owned enterprises in their strategic reform, asset revitalization, merger and acquisition and joint venture mandates. The valuation team lead by Ms. Grace S.M. Lam, who is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and a Register Professional Surveyor (General Practice) and has over 30 years' experience in property valuation. We also understand that other members of the valuation team engaged in the Valuation have relevant working experience in carrying out valuation in the PRC's property segment and the scope of work of the Valuer is appropriate to the opinion required to be given and we are not aware of any limitations on the scope of work which might have an adverse impact on the preparation of the valuation report issued by the Valuer.

The Valuer has confirmed that it is an independent third party of the Company, the Purchasers, and their respective associates. Furthermore, the Valuer confirmed to us that apart from normal professional fees payable to it in connection with its engagement for the issuance of the Valuation Report and other valuation engagements from time-to-time, no arrangements exist whereby it will receive any fee or benefit from the Group, the Purchasers, the Sellers, and its respective associates.

Based on our discussion with the Valuer and our review of their scope of work, we are not aware of any matters that could cause us to have doubts on the expertise and independence of the Valuer.

(ii) The Valuation

In assessing the fairness and reasonableness of the valuation of the Target Company, we have reviewed the Valuation Report, the basis and assumptions made, and the methodology adopted by the Valuer in preparing the Valuation. Details of the assumptions are set out in the Valuation Report as contained in Appendix V to the Circular.

We understand that the Property is under construction and the valuation assessment was on the development value as if each constituent portion of the Property has been completed on the valuation date (i.e. 30 April 2024) while taking into account the development cost incurred and the cost that will be incurred to complete the development of the Property.

The Property is a mixed-use development to be known as INDIGO II, with usage mainly including, among other things, office, commercial, hotel, and car parks. Pursuant to the Valuation Report, different valuation methodologies have been adopted for different usage types of the Property which will be elaborated as follows:

Retail and office portions

a) Valuation methodology

In assessing the development value of the retail and office portions of the Property as if completed, the Valuer has adopted the investment method under the income approach by capitalizing the market rent of each constituent portion of the Property at an appropriate capitalization rate and cross-checked against comparable sales evidence as available in the relevant market.

When applying investment method, the Valuer has made reference to lettings of other relevant comparable rental evidence of properties of similar use type (subject to relevant adjustments). The capitalization rates adopted in the valuation are based on the Valuer's analyses of the yields of properties of similar use type after due adjustments. Such capitalization rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation, and relevant risk factors.

b) Major assumptions adopted

Assumptions	**Analysis**
Comparable rental evidence	We noted that the Valuer have adopted 4 comparable properties each for retail and offices properties. We understand from the Valuer that comparable rental evidences were adopted with reference to asking prices of for let properties and adjustment has been applied in respect of nature, location and accessibility, quality, market position & customer base, theme and quantum. We have reviewed the comparable rental asking price evidence adopted and noted that those rental transactions were in a proximate distance as compared to the Property and of comparable grades to the Property's retail and office portion to be developed. We have also discussed with the Valuer and noted that such adjustment factors were commonly applied for property valuations of such nature of properties. Given the comparable rental evidence were published lettings (i) recently identified on market; (ii) were retail, and/or office properties located in proximate location as compared to the Property; and (iii) were of similar grade of the Property's retail and office portion intended to be developed and for any variance between the Property and the comparable adopted, adjustment has been applied in adjusting the differences of the comparable adopted as to the Property, we concur with the Valuer that such comparables and adjustment applied are appropriate for valuing the Property.

Assumptions	Analysis
	With reference to the comparable properties and the adjustment mentioned above, average unit market rent of RMB365 per sq.m per month was adopted in the valuation for office portion of the Property and RMB609 per sq.m. per month for retail portion of the Property. ***Office rental applied in the valuation*** In respect of RMB365 per sq.m per month for office portion of the Property, we noted from the announcement of Quarterly Operating Statement of Swire Properties Limited for the fourth Quarter 2023 ("**Operation Data Announcement**") that INDIGO I, which is located next to the Property, recorded a latest rental range of mid RMB200 to mid RMB300 per sq.m per month, the RMB365 per sq.m per month adopted in the valuation for the Property is slightly higher than the range noted from the Operation Data Announcement, in view that the Property would be a new property while INDIGO I was completed in 2012 and the Group is disposing the Property, as such a higher than INDIGO I rental estimation applying in the valuation would be acceptable. ***Retail rental applied in the valuation*** In respect of RMB609 per sq.m per month for retail portion of the Property, we have noted from the public domain on research data published by property agents with over 160 years of operation and current presents in the PRC on "Beijing Retail 2H/2023" paper published on 17 January 2024 that, the RMB per sq.m. month rental in Beijing shopping malls ranging from low RMB400 for suburban malls to low RMB600 for sub-prime malls and close to RMB1,400 for prime malls in 3rd quarter of 2023. In view of the location of the Property which do not situate at the prime location in Beijing (i.e. at first ring of Beijing) RMB609 per sq.m per month which is comparable to the monthly rental of sub-prime malls for retail portion of the Property would be appropriate.

Assumptions	Analysis
Capitalization rate	In the course of valuation, the Valuer has adopted capitalization rates ranging from 6% to 6.25% having regard to analysis of the rates of return of relevant market segment which indicate yields ranging mostly from 5.70% to 6.50% for commercial premises. As discussed with the Valuer, the capitalization rates adopted were made reference to publicly available market transactions data ("**Market Reference**") for each individual types of properties which are located proximate to the Property. We have checked on the public domain, the location of the property of the Market Reference with available addresses and noted that such properties were located within 20 minutes' drive to the Property, which we concur with the Valuer that such Market Reference to be appropriate references. For the capitalization rates ranging from 6% to 6.25%, we have noted from the public domain published by a global real estate agent regarding cap rates in Asia pacific that in the 4th quarter of 2023, the cap rate of Beijing's office and retails ranged from 5.25% to 6.5%, of which the capitalization rates adopted in the valuation of the office and retail section of the Property were within the range from data obtained from the public domain.

Hotel portion

a) Valuation methodology

Due to scarcity of transactions of hotel properties, the Valuer has not been able to rely on Market Comparison Method and had valued the development value of the hotel portion of the Property as if completed by discounted cash flow method ("**DCF Method**") under Income Approach. DCF Method involves discounting future net cash flow after operation-related and property-related capital taxes (i.e. net operating income) of the property for a certain forecast period and the anticipated net operating income receivable thereafter being capitalized at an appropriate terminal capitalization rate until the end of the respective unexpired land use term to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. The Valuer has prepared the cash flow forecast for 10 years with reference to the current and anticipated market conditions ("**DCF Model**").

The discount rate adopted in DCF Method reflects the rate of return required by a third party investor for an investment of similar use type. In determining the discount rate which reflects the inherent risks associated with investment in the property, the Valuer take into consideration compensation for risks inherent in future cash flows, inflation, revenue growth, the Valuer's understanding of the return expected by investors for similar properties as well as the level of discount rates used in valuations of similar types of properties.

In determining the terminal capitalisation rate for assessing the terminal value, the Valuer had due regard, among other things, to (i) the analyses of known sales transactions of properties of similar use types, or (ii) where transactions of properties of similar use types are not available, the discount rate the Valuer have adopted, the Property's forecasted change in revenue over the 10-year forecast period, and the duration of the remaining land use term of the property.

b) Major assumptions adopted

Assumptions	**Analysis**
Room rates	Pursuant to the Valuation Report, the Valuer has made reference to the prevailing room rate of hotels in Beijing in the range of RMB1,330 to RMB1,680 per night subject to the scale and operation of the hotel. We have cross-checked the room rates of RMB1,100 to RMB2,757 inputted to DCF Model by the Valuer against room rates of hotels nearby the Property from the public domain and noted that the room rate applied in the DCF Model were within the range of room rates for hotels nearby the location of the Property. We also noted that the hotel which forms part of the INDIGO I project, which is located at a proximate distance to the Property charged a rate of around RMB900 to RMB3,000 per night (depending on room types and dates) which is comparable to the room rates applied in the DCF Model.

Assumptions	Analysis
	As the room rates adopted in the DCF Model were comparable to the ranges as noted in the public domain, we consider applying such room rates to be appropriate.
Occupancy rate	Pursuant to the Valuation Report, the Valuer has made reference to the occupancy rate of hotels in Beijing in the range of 40% to 60% subject to the scale and operation of the hotel. We have cross-checked the occupancy rate adopted by the Valuer of 50% to 78% in the DCF model against market data on Beijing hotel room occupancy rate published in the public domain and noted that the occupancy rate adopted by the Valuer were comparable with the occupancy rate recorded between December 2022 up to December 2023 in Beijing of between around 35% to 76.5%. As the occupancy rates adopted were comparable to the ranges as noted in the public domain, we consider applying such occupancy rates to be appropriate.
Cost of operation	Depending on the year of operation, gross operating profit margins of 57.2% to 61.7% were estimated in DCF model. We have cross-checked such margin to gross profit margin of listed companies with principal business operation of hotel on the Stock Exchange ("**Hotel Comparables**") and noted that such margin in the DCF Model within the range of gross profit margins of the Hotel Comparables.

(iii) The consideration

Set out below is the analysis of net consideration payable to each purchaser after taking into account the above-mentioned valuation result and the unaudited net asset value of the Target Company as at 30 April 2024 (taking into account the valuation of the Property prepared in accordance with the Hong Kong Financial Reporting Standards as at 30 April 2024) of approximately RMB8,446 million:

		Purchaser 1	**Purchasers 2 (as the case maybe)**
Target Creditor's Rights consideration	(a)	RMB96.1 million	RMB28.7 million
Carrying value of the Target Creditor's right as at 31 December 2023		RMB96.1 million	RMB28.7million
Premium/discount		At par	At par
Target Equity Interest consideration	(b)	RMB2,984.3 million *(gross & net)*	RMB890.9 million *(gross)* *RMB706.9 million (net)*
Equity interest to be acquired		49.895%	14.895%
Net asset value of the Target Equity Interests (taking into account the valuation of the Property prepared in accordance with the Hong Kong Financial Reporting Standards as at 30 April 2024)		RMB4,214.1 million	RMB1,258.0 million
Discount in respect of the gross consideration for the equity interest to be acquired		29.2%	29.2%
Discount in respect of the net consideration for the equity interest to be acquired		29.2%	43.8%

We understand that the Target Creditor's Rights consideration were determined on a dollar-for-dollar basis with reference to the equity interest to be acquired by each of the purchasers, as Purchaser 1 and Purchaser 2 (Debt) have conditionally agreed to acquire the proportionate amount of the Target Creditor's

Rights corresponding to the percentage of equity interests in the Target Company to be acquired by each of them in the amount of RMB96.1 million and RMB28.7 million, respectively.

The net consideration for the Target Equity Interests, however, represented a discount of 29.2% and 43.8% respectively to Purchaser 1 and Purchaser 2 (Equity) were determined after arm's length negotiations between the Company, the Sellers and the Purchasers.

When determining the proposed payment of RMB184 million by Seller 1 to Purchaser 2 (Equity) under the Purchaser 2 Agreement, the Group has taken into account, among others, (i) the aforementioned transfer restrictions under the existing shareholders' agreement in respect of the Target Company that make it impossible for the Group to dispose of its Target Equity Interests and the Target Creditor's Rights to third parties during the construction stage of INDIGO II without the consent from Purchaser 2 (Equity) and the willingness of Purchaser 2 (Equity), as a current shareholder of the Target Company, not to exercise the right of first refusal and separately to provide the required consent for the investment in the Target Company by Purchaser 1; (ii) as opposed to the case of Purchaser 1 who will have the right to appoint representatives (four out of eight) to the Target Company's board (to replace the four current representatives appointed by the Group), Purchaser 2 (Equity)'s acquisition of the 14.895% equity interests in the Target Company would not enable it to increase its current representation (four out of eight) at the Target Company's board, such that it only represents an acquisition of economic interests in the Target Company; (iii) the stated intention for Purchaser 1 to acquire 49.895% equity interests in and relevant debts of the Target Company from the Group, as disclosed in the announcement of the Company dated 29 April 2024, and Purchaser 2 (Equity) is the only willing and serious buyer for the remaining portion (i.e. 14.895% equity interests in and relevant debts of the Target Company), after the Group's dedicated selling efforts for over a year and a half in actively seeking interested buyers; and (iv) if the Group continues to hold the remaining 14.895% equity interests in the Target Company, it will continue to have future funding obligations to INDIGO II, the future return from which will only be realised in the long term as described above, as such, it is the most sensible way for the Group to dispose of the remaining 14.895% equity interests in the Target Company so as to ease the Group's immediate and imminent financial and liquidity needs, and to release the Group from the future funding obligations to INDIGO II.

According to the Directors, the respective discount to the unaudited net asset value of the Target Company was agreed and based on arm's length negotiations with the respective Purchasers, taking into account the urgency of the Group to realise its interest in INDIGO II in order to alleviate the Group's current liquidity pressure, which relates to the individual limitations/circumstances of the Group as opposed to a general willing seller in the market not subject to such limitations/circumstances and a further discount of approximately RMB184 million as agreed and based on arm's length negotiations with Purchaser 2 (Equity) considering certain rights it possesses as a current shareholder of the Target Company of which without them agreeing to the Disposal, the Disposal would not be able to proceed.

Taking into consideration:

(i) the Group has been facing significant liquidity pressure and difficulty in accessing typical financing channels amid the downturn of the real estate market in the PRC, despite the PRC government has announced a series of favorable policies recently (as summarized in the "Letter from the Board" to the Circular) in boosting the PRC property market, those polices were more focused on residential markets in particular ensuring on time delivery of pre-sale properties and providing fundings for project development. However, such polices have yet to provide immediately contribution in easing the immediate funding needs of the Group;

(ii) the auditor of the Group had issued a disclaimer opinion on the consolidated financial statements of the Group regarding going-concern stating among other things that (a) the Group's current liabilities were in excess of current assets by approximately RMB8.45 billion as at 31 December 2023; (b) the Group had total borrowings of approximately RMB96.14 billion, of which the current borrowings amounted to approximately RMB69.75 billion, while the Group had cash and cash equivalents of approximately RMB1.99 billion as at 31 December 2023; and subsequent to 31 December 2023, the total principal and interest amounts of three of the Group's bonds are approximately RMB8.42 billion, of which approximately RMB6.42 billion has already matured but has not been repaid as at 28 March 2024;

(iii) as disclosed in the circular of the Company dated 24 February 2021 in relation to, among other things, the investment in the Target Company, the total investment amount in the Target Company by its shareholders shall be RMB23 billion, of which the Group has already contributed approximately RMB6.3 billion (representing both Target Equity Interests and Target Creditor's Rights) as of 30 April 2024 as a 64.79% shareholder. As such, for as long as the Group remains a shareholder of the Target Company, it is expected that a substantial amount of the total investment amount remains to be contributed by the Group in respect of INDIGO II in its capacity as a 64.79% shareholder given that the project is only at its construction stage which would be burdensome to the Group's current financial and liquidity position and the Disposal would release the Group from future funding obligations to the project;

(iv) the consideration payable by Purchaser 2 (Equity) was based on a net consideration taking into account relevant payment arrangement in order for Purchaser 2 (Equity) to agree to waive its right of first refusal in relation to the sales of the 49.895% equity interests in the Target Company held in aggregate by the Sellers to Purchaser 1 according to the Sale and Purchase Agreement of which without such waiver, the Disposal will not be able to proceed further and Purchaser 2 (Equity) is the only willing and serious buyer for the remaining portion (i.e. 14.895% equity interests in and relevant debts of the Target Company), after the Group's dedicated selling efforts for over a year and a half in actively seeking and negotiating with various counterparties;

(v) the Target Equity Interests do not represent a full control of the underlying project, meaning that any new purchaser would need to cooperate with the other existing shareholders of the Target Company to complete the project and the development of the Property has yet to be completed nor generate any positive return, has further increased the difficulty for the Sellers in finding suitable buyers;

(vi) we understand from the management of the Group that despite the Group's dedicated efforts of over a year and a half in actively seeking and negotiating with various counterparties (including direct approaching to two investors and indirect approaching a number of investors through a financial adviser appointed by the Group), no formal proposal has been received from parties (other than the Purchasers);

(vii) given each of Purchaser 2 (Equity) and Purchaser 2 (Debt) and their ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined under Listing Rules), and the discount in respect of the gross consideration of both Purchaser 1 and Purchaser 2 (Equity) were the same, such that the consideration offered by Purchaser 1 to the Group is no less favorable than that offered by Purchaser 2 who are independent third parties, and given Purchaser 2 (Equity) has agreed to provide a waiver of the right of first refusal in respect of the disposal of 49.895% equity interests in the Target Company to Purchaser 1 under the Disposal and it will not be provided with additional nomination right for board members of the Target Company after increasing in its' equity holdings in the Target Company, Purchaser 2 (Equity) was provided with additional discount on top of the gross consideration, by which in the context of net consideration, Purchaser 2 (Equity)'s net consideration represents a deeper discount as compared to Purchaser 1;

(viii) the development of the Property had yet to be completed and will not be able to generate any positive cash flow in the near future to ease the liquidity pressure of the Group while the Disposal could provide immediate cash inflow to the Group for repayment of the Group's indebtedness; and

(ix) given the prime location and development plan of the Property, the Company considers INDIGO II to be a development project with attractive prospect. While the Disposal would provide the Group with much required liquidity and would release its funding obligations to INDIGO II, any future opportunity to re-participate in the INDIGO II project is desirable. Although the Purchasers shall have the right to transfer or dispose of equity interests in the Target Company and/or its corresponding creditor's rights to parties other than the Company, the terms of the Sale and Purchase Agreement offer the Company the right of first offer to buy-back the Target Equity Interests and the Target Creditor's Rights then held by the Purchasers at a certain point in time after completion of the Disposal as agreed with the relevant purchaser at a fixed consideration or on an agreed basis for formulating the consideration, enabling the Group to have the opportunity to re-participate in the INDIGO II project when its financial position improves and provided that the terms on forfeiture of such right as stated in the Sale and Purchase Agreement have not been triggered.

We concur with the Directors (excluding (i) the independent non-executive Directors; and (ii) the Abstained Directors) that, despite the net consideration represents a discount to the net asset value of the Target Equity Interests and would result in a one-time loss on disposal (as further elaborated below), without other better offer(s) received by the Group in disposing the Target Company and other financing options to alleviate the Group's current liquidity pressure, the amount of net consideration to be reasonable.

8. Financial effect of the Disposal

Immediately after the Completion, the Company will no longer hold any equity interest in the Target Company and therefore, the Target Company's financial results and financial position will no longer have any contribution towards the consolidated financial statements of the Company.

It should be noted that the following analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon Completion.

Effect on earnings

It is estimated that the Group may record an unaudited loss on the Disposal, which is calculated with reference to the net consideration for the Target Equity Interests and Target Creditor's Rights (i.e. RMB3,816 million) minus (i) the audited carrying value of the Group's long-term equity investment of the Target Equity Interests as at 31 December 2023 and (ii) the Target Creditor's Rights as at 31 December 2023.

The actual amount of gain or loss as a result of the Disposal to be recorded by the Group may be different from the disclosure in the Circular and will be subject to the review and final audit of the auditors of the Group.

Nevertheless, all professional fees, taxes and other expenses (if any) incurred in association with the Disposal ("**Disposal Expenses**") will decrease the earnings of the Group.

Effect on net asset value

Referring to the analysis above, depending on the Disposal will result in a gain or loss on such disposal, such gain or loss on disposal will increase or decrease the net asset value of the Group (as the case maybe).

Referring to the illustration and based on the estimation above, the Group would likely record an immediate loss on disposal in relation to disposing the interest of the Target Company and such loss together with the Disposal Expenses will decrease the net asset value of the Group accordingly.

Effect on gearing and cash flow

Given that the net consideration for the Target Equity Interests and Target Creditor's Rights of RMB3,816 million, after reducing relevant Disposal Expenses will be applied towards repayment of relevant priority indebtedness and necessary payment obligations, it is expected that the receipt of the cash consideration by the Group will have a positive impact on the cash flow and gearing of the Group.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that, the terms of the Disposal Agreements and the transactions contemplated thereunder (including the Disposal), although was not made in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and the entering into the Disposal Agreements is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favor of the relevant resolution for approving the Disposal Agreements and the transactions contemplated thereunder (including the Disposal) at the relevant general meeting.

Yours faithfully,
For and on behalf of
HALCYON CAPITAL LIMITED
Terry Chu
Managing Director

Mr. Terry Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 24 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2021, 2022 and 2023 are disclosed on pages 124 to 255 of the annual report of the Company for the year ended 31 December 2021, pages 121 to 250 of the annual report of the Company for the year ended 31 December 2022, pages 110 to 243 of the annual report of the Company for the year ended 31 December 2023 respectively, all of which are published on the website of the Stock Exchange (www.hkexnews.hk), and the website of the Company (www.sinooceangroup.com). Quick links to such financial information are set out below:

Annual report of the Company for the year ended 31 December 2021:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0408/2022040800440.pdf

Annual report of the Company for the year ended 31 December 2022:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0417/2023041700560.pdf

Annual report of the Company for the year ended 31 December 2023:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042604431.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at 30 April 2024, the Group had outstanding borrowings of approximately RMB96,287,713,000, details of which are as follows:

	RMB'000 (unaudited)
Bank borrowings (a)	37,916,615
Corporate bonds issuance	18,261,663
Guaranteed notes	23,380,653
Other borrowings (b)	16,728,782
Total	96,287,713
Carrying amount of borrowings repayable:	
— Within 1 year	63,995,144
— Between 1 and 2 years	7,478,094
— Between 2 and 5 years	18,661,827
— Over 5 years	6,152,648
	96,287,713

(a) As at 30 April 2024, bank borrowings of approximately RMB37,916,615,000, among which bank borrowings of RMB21,314,624,000 were secured by the pledge of investment properties, property, plant and equipment, land use rights, property under development, completed properties held for sales and equity interest in certain subsidiaries of the Group and bank borrowings of RMB16,601,991,000 were unsecured.

(b) Other borrowings of approximately RMB16,728,782,000, among which other borrowings of RMB12,918,009,000 were secured by the pledge of financial assets, investment properties, property, plant and equipment, land use rights, property under development, completed properties held for sales, trade and other receivables, equity interest in certain subsidiaries of the Group and equity interest in certain joint venture and associate of the Group, and other borrowings of RMB3,810,773,000 were unsecured.

Lease liabilities

As at 30 April 2024, the Group had unaudited outstanding lease liabilities of approximately RMB2,018,823,000, details of which are as follows:

	RMB'000 (unaudited)
Lease liabilities under current portion	187,552
Lease liabilities under non-current portion	1,831,271
Total	2,018,823

Contingent Liabilities

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. For guarantees provided in respect of residential properties, the guarantees are released upon the issuance of real estate ownership certificate of the properties concerned. As at 30 April 2024, such unaudited guarantees amounted to approximately RMB16,207,408,000.

As at 30 April 2024, the Group provided guarantees in the amount of approximately RMB62,841,310,000 for borrowings of its related parties and third parties. Properties under development and other assets owned by these parties are the primary collateral of such borrowings.

As at 30 April 2024, various parties have filed litigation against the Group for unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters. The directors of the Company have assessed the impact of the above litigation matters and no further provisions are required for these litigations. The Group is actively communicating with relevant creditors and seeking various ways to resolve these litigations. The directors of the

Company consider that such litigations, individually or jointly, will not have significant adverse effects on the operating performance, cash flow and financial condition of the Group at the current stage.

Save for the aforesaid and apart from intra-group liability and normal trade payables in the ordinary course of business, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 30 April 2024.

The directors of the Company are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 30 April 2024.

3. 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 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

In the preparation of the Group's statement regarding sufficiency of working capital, the Directors have given careful consideration to the future liquidity and performance of the Group as well as the cash flow forecast and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern for at least the twelve months from the date of this circular. Major assumptions, certain plans and measures taken into account by the Directors in preparing the statement regarding sufficiency of working capital include:

(i) As at 31 December 2023, the Group's current liabilities were in excess of current assets by approximately RMB8.45 billion, the Group had total borrowings of approximately RMB96.14 billion, of which the current borrowings amounted to approximately RMB69.75 billion, while the Group had cash and cash equivalents of approximately RMB1.99 billion only.

The Group has been actively negotiating with bondholders on adjusting the principal and interest repayment arrangements for onshore corporate bonds.

As of the Latest Practicable Date, adjusted principal and interest repayment arrangements have been made in respect of eight onshore corporate bonds with total outstanding principal amount of approximately RMB15.27 billion. Under the adjusted arrangements, the repayment of the relevant corporate bonds has been extended to pay in accordance with repayment schedules from one to five years. The adjusted repayment arrangements were approved in the relevant bondholders' meetings.

Subsequent to 31 December 2023 and as of the Latest Practicable Date, the total principal and interest amounts of two of the Group's onshore bonds that the Group is still in communication with bondholders regarding the repayment arrangements are approximately RMB3.50 billion, which has already matured but has not been repaid.

In view of the Group's tight liquidity position, on 15 September 2023, the Group announced to commence a holistic restructuring of its offshore debts ("**Offshore Debt Restructuring**") and appointed Houlihan Lokey (China) Limited as the financial advisor and Sidley Austin as its legal advisor to assist the Group in assessing and formulating an optimal solution for its existing capital structure and liquidity challenges. The Group also announced to suspend payments of all its offshore debts (except for payments which would facilitate or be incidental to the debt restructuring having regard to the rights and priorities of the relevant creditors) until the Offshore Debt Restructuring and/or extension solutions are implemented. These offshore debts include seven USD-denominated guaranteed notes with carrying amount of approximately RMB23.38 billion and one USD-denominated perpetual subordinated guaranteed capital securities with carrying amount of approximately RMB4.66 billion as of the Latest Practicable Date. Due to the suspended payments, the Group has received demand letters, acceleration notices and other legal letters with respect to certain offshore debts. As at the Latest Practicable Date, the Offshore Debt Restructuring is still in progress and the trading in the offshore USD securities on the Stock Exchange has been suspended. The Group has continued to work closely with its financial advisor and legal advisor to assess its current financial and operational conditions with a view to formulating a solution that respects the rights of all stakeholders and provides a sustainable capital structure, and establishes a runway for the Group to stabilise its operations. More detailed information of the Offshore Debt Restructuring is disclosed in the announcements of the Company dated 15 September 2023, 12 October 2023, 10 November 2023, 8 February 2024 and 30 April 2024 on the Stock Exchange.

In addition, the Group has been involved in various litigation cases for unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters for which the Group has made provision. The Group has been proactive in seeking ways to resolve the outstanding litigations of the Group. The Group is positive that it can continue to reach an amicable solution on the litigations which have not yet reached a definite outcome;

(ii) The Disposal will be completed in the third quarter of 2024 and the payment of the consideration will be settled in accordance with the Sale and Purchase Agreement;

(iii) The Group is actively in discussions with the other existing lenders to renew the Group's certain borrowings and/or not to demand immediate repayment until the Group has successfully completed the property construction projects and generated sufficient cash flows therefrom. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions;

(iv) The Group will continue to seek to obtain additional new sources of financing through all possible channels;

(v) The Group will continue to maintain active dialogue to secure a continuing and normal business relationship with major constructors and suppliers, including agreement on the payment arrangements and the construction schedule;

(vi) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. Subject to the market sentiment, the Group will actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;

(vii) The Group will continue to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will also continue to actively assess additional measures to further reduce discretionary spending.

The Directors, after due and careful enquiry, are of the opinion that, taking into account the financial resources available to the Group including internally generated funds and the available banking facilities, and based on the assumptions that the Group's management will be able to achieve the plans and measures, including the abovementioned plans and measures, the Group will have sufficient working capital to fund its operations and to meet its financial obligations as and when they fall due for at least the next twelve months from the date of this Circular, in the absence of unforeseen circumstances. However, if the implementation of the plans and measures of the Group become unsuccessful, the Group will not have sufficient working capital for at least the twelve months from the date of this Circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the core businesses of the Group include development of residential property, investment property development and operation, property services and whole-industrial chain construction services, with its scope of businesses also covering senior living service, internet data center, logistics real estate and real estate fund, etc., forming a unique advantage in the field of asset-light agent construction.

As disclosed in the 2023 Annual Report of the Company, the Group foresaw that constraints still existed in the real estate market in the short term, demand might still drop in a stable manner. There was solid and strong support in the medium to long term, with demanded generated by urbanization, upgrading and redevelopment. The real estate industry in China was still a major industry worthy of deep cultivation. The supply and demand relationship of properties was going through huge changes. It still took time for the market to regain confidence, property enterprises to recuperate and weak players to be eliminated. The industry was entering a new development model, leaving the 'high leverage, high turnover, high risk' model behind. Converting to asset-light businesses is the way to go. They were turning to more product-oriented and service-oriented for sustainable operation.

Upon completion of the Disposal, the core businesses of the Remaining Group will remain unchanged. The Disposal will help to alleviate the Remaining Group's liquidity crunch with a substantial and immediate cash inflow. The Remaining Group still has a wide range of coverage in property investments. The Remaining Group and its joint ventures and associates hold more than 22 operating investment properties, mainly A-grade office premises, shopping malls, commercial complexes and logistics projects, located in key cities such as Beijing, Shanghai and Hangzhou. The Remaining Group remains dedicated to high-quality delivery, sustainable operation and promotion of an asset-light business model. The expansion and growth of asset-light businesses including the agent construction for development projects, urban renewal, asset management, commercial property management, fund management and professional services, will serve to strengthen and enhance the Remaining Group's capacity for sustainable operations and growth. The Remaining Group's asset-light agent construction business has acquired multiple agent construction projects in Beijing, Wuhan, Jinan and etc., involving various types of properties such as residential, commercial, hotels and logistics parks.

The following is the text of a report received from the Company's reporting accountants, BDO Limited, for the purpose of incorporation in this circular.

INDEPENDENT PRACTITIONER'S REVIEW REPORT ON THE FINANCIAL INFORMATION OF THE TARGET COMPANY

BDO

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25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

To the Board of Directors of Sino-Ocean Group Holding Limited
(Incorporated in Hong Kong with limited liability)

We have reviewed the unaudited financial information set out on pages II-3 to II-9 which comprise the unaudited statements of financial position of Beijing Xingtaitonggang Properties Company Limited* (北京星泰通港置業有限公司) (the "**Target Company**") as of 31 December 2021, 2022, 2023 and 30 April 2024 and the unaudited statements of profit or loss, unaudited statements of comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows for each of the periods then ended and explanatory notes (the "**Unaudited Financial Information**"). The Unaudited Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by Sino-Ocean Group Holding Limited (the "**Company**") dated 25 June 2024 (the "**Circular**") in connection with the disposal of the Target Company in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation and presentation of the Unaudited Financial Information of the Target Company in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information and Rule 14.68(2)(a)(i) of the Listing Rules. The directors of the Company are also responsible for such internal control as management determines is necessary to enable the preparation of Unaudited Financial Information that is free from material misstatement, whether due to fraud or error. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "*Presentation of Financial Statements*" or an interim financial report as defined in Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Unaudited Financial Information in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our review in accordance with Hong Kong Standard on Review Engagements ("**HKSRE**") 2400 (Revised) *"Engagements to Review Historical Financial Statements"* and with reference to Practice Note 750 *"Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal"* issued by the HKICPA. HKSRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the Unaudited Financial Information, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with HKSRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Hong Kong Standards on Auditing. Accordingly, we do not express an audit opinion on this financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Financial Information of the Target Company for the relevant periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information.

BDO Limited
Certified Public Accountants

Hong Kong, 25 June 2024

UNAUDITED STATEMENTS OF PROFIT OR LOSS

For the years ended 31 December 2021, 2022 and 2023 and four months ended 30 April 2023 and 2024:

	For the year ended 31 December			For the four months ended 30 April	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	—	—	—	—	—
Other income	1,454	1,283	106	24	53
Other losses — net	(11,092)	—	—	—	—
Fair value change on investment properties	92,954	(19,634)	(1,472,330)	16,573	104,773
Selling and marketing expense	—	(1,877)	(3,466)	(89)	(2,088)
Administrative expense	(6,912)	(4,055)	(3,645)	(921)	(603)
Profit/(loss) before income tax	76,404	(24,283)	(1,479,335)	15,587	102,135
Income tax (expense)/ credit	(23,238)	4,908	368,082	(4,143)	(26,193)
Profit/(loss) for the year/ period	53,166	(19,375)	(1,111,253)	11,444	75,942

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2021, 2022 and 2023 and four months ended 30 April 2023 and 2024:

	For the year ended 31 December			For the four months ended 30 April	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the year/period	53,166	(19,375)	(1,111,253)	11,444	75,942
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss	—	—	—	—	—
Items that may be reclassified subsequently to profit or loss	—	—	—	—	—
	—	—	—	—	—
Total comprehensive income/(loss) for the year/period	53,166	(19,375)	(1,111,253)	11,444	75,942

UNAUDITED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021, 2022 and 2023 and 30 April 2024:

	31 December			30 April
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets				
Property, plant and equipment	524	685	931	804
Investment properties	12,152,000	12,700,000	11,985,580	12,176,580
Other receivables and prepayments	40,759	262,124	245,102	247,745
Deferred income tax assets	—	—	349,752	323,559
Total non-current assets	12,193,283	12,962,809	12,581,365	12,748,688
Current assets				
Other receivables and prepayments	1,415	1,161	1,004	1,089
Cash and cash equivalents	4,176	8,929	86,556	70,642
Total current assets	5,591	10,090	87,560	71,731
Current liabilities				
Other payables	484,805	278,497	352,043	326,465
Total current liabilities	484,805	278,497	352,043	326,465
Net current liabilities	(479,214)	(268,407)	(264,483)	(254,734)
Total assets less current liabilities	11,714,069	12,694,402	12,316,882	12,493,954
Non-current liabilities				
Borrowings	2,111,000	3,063,630	3,760,060	3,861,190
Other payables	79,160	131,146	186,779	186,779
Deferred income tax liabilities	23,238	18,330	—	—
Total non-current liabilities	2,213,398	3,213,106	3,946,839	4,047,969
Net assets	9,500,671	9,481,296	8,370,043	8,445,985
Equity				
Paid-up capital	9,500,000	9,500,000	9,500,000	9,500,000
Retained earnings/(accumulated losses)	671	(18,704)	(1,129,957)	(1,054,015)
Total equity	9,500,671	9,481,296	8,370,043	8,445,985

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2021, 2022 and 2023 and four months ended 30 April 2023 and 2024:

	Paid-up capital *RMB'000* (unaudited)	(Accumulated losses)/ retained earnings *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
At 1 January 2021	2,857,000	(52,495)	2,804,505
Comprehensive income			
Profit for the year	—	53,166	53,166
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	53,166	53,166
Transaction with owners of the Target Company			
Capital injection from equity holders	6,643,000	—	6,643,000
At 31 December 2021 and 1 January 2022	9,500,000	671	9,500,671
Comprehensive income			
Loss for the year	—	(19,375)	(19,375)
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	(19,375)	(19,375)
At 31 December 2022 and 1 January 2023	9,500,000	(18,704)	9,481,296
Comprehensive income			
Loss for the year	—	(1,111,253)	(1,111,253)
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	(1,111,253)	(1,111,253)
At 31 December 2023 and 1 January 2024	9,500,000	(1,129,957)	8,370,043
Comprehensive income			
Profit for the period	—	75,942	75,942
Other comprehensive income	—	—	—
Total comprehensive income for the period	—	75,942	75,942
At 30 April 2024	9,500,000	(1,054,015)	8,445,985
At 31 December 2022 and 1 January 2023	9,500,000	(18,704)	9,481,296
Comprehensive income			
Profit for the period	—	11,444	11,444
Other comprehensive income	—	—	—
Total comprehensive income for the period	—	11,444	11,444
At 30 April 2023	9,500,000	(7,260)	9,492,740

UNAUDITED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2021, 2022 and 2023 and four months ended 30 April 2023 and 2024:

		For the year ended 31 December			For the four months ended 30 April	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net cash generated from/ (used in) operating activities	4	16,179	10,093	(4,449)	327	(2,589)
Cash flows from investing activities						
Purchase of investment properties		(335,183)	(435,724)	(468,676)	(174,448)	(96,849)
Prepayment for construction of investment properties		—	(204,612)	(102,347)	(8,019)	—
Purchases of property, plant and equipment		(598)	(714)	(298)	(169)	(91)
Interest paid		(266,107)	(144,047)	(144,317)	(38,256)	(45,015)
Net cash used in investing activities		(601,888)	(785,097)	(715,638)	(220,892)	(141,955)
Cash flows from financing activities						
Capital injection from equity holders		6,643,000	—	—	—	—
Proceeds from borrowings		2,111,000	952,630	696,430	214,000	101,130
Repayments of borrowings		(6,000,000)	—	—	—	—
Proceeds from entrusted loans due from equity holders		3,324,784	219,419	127,997	22,530	27,500
Repayment of entrusted loans due from equity holders		(5,508,235)	(392,292)	(26,713)	(17,915)	—
Net cash generated from financing activities		570,549	779,757	797,714	218,615	128,630
(Decrease)/increase in cash and cash equivalents		(15,160)	4,753	77,627	(1,950)	(15,914)
Effect of foreign exchange rate changes		(11,139)	—	—	—	—
Cash and cash equivalents at beginning of the year/period		30,475	4,176	8,929	8,929	86,556
Cash and cash equivalents at end of the year/period		4,176	8,929	86,556	6,979	70,642

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Sino-Ocean Group Holding Limited (the "**Company**") is a limited liability company incorporated in Hong Kong on 12 March 2007. The Company and its subsidiaries (the "**Group**") are principally engaged in investment holding, property development and property investment in the People's Republic of China (the "**PRC**"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Beijing Xingtaitonggang Properties Company Limited* (北京星泰通港置業有限公司) (the "**Target Company**") is a limited liability company established in the PRC. The Target Company is principally engaged in the land and property development in the PRC.

On 7 June 2024, Beijing Yingyu Enterprise Management Consulting Co., Ltd.* (北京穎煜企業管理諮詢有限公司) and Tianjin Yigangtong Enterprise Management Co., Ltd.* (天津頤港通企業管理有限公司), (the "**Sellers**"), both being wholly-owned subsidiaries of the Group entered into the equity and debt transfer agreement with China Life Qihang Phase I (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (國壽啟航壹期(天津)股權投資基金合夥企業(有限合夥), Beijing Sanlitun South Property Management Company Limited* (北京三里屯南區物業管理有限公司) and Shiny Harbour Limited (the "**Purchasers**") under which the Sellers conditionally agree to sell an aggregate of 64.79% equity interests in the Target Company and assign the entire loan owing by the Target Company to the Sellers as at the completion of this proposal disposal (the "**Disposal**").

The Unaudited Financial Information is presented in Renminbi ("**RMB**"). All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The Unaudited Financial Information of the Target Company for the years ended 31 December 2021, 2022 and 2023 and four months ended 30 April 2024 (the "**Relevant Periods**") has been prepared solely for the purpose of inclusion in the Circular to be issued by the Company in connection with the disposal in accordance with Rule 14.68(2)(a)(i) of the Listing Rules.

Upon completion of the disposal, the Target Company will cease to be a joint venture of the Group and the financial results of the Target Company will cease to be accounted for in the consolidated financial statements of the Group.

The Unaudited Financial Information of the Target Company have been recognised and measured in accordance with the accounting policies of the Company for the Relevant Periods, which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants. The Unaudited Financial Information of the Target Company has been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard 1 *"Presentation of Financial Statements"* or an interim financial report as defined in Hong Kong Accounting Standard 34 *"Interim Financial Reporting"* issued by the HKICPA and should be read in conjunction with the relevant published annual reports and/or interim financial statements of the Group for the Relevant Periods.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Unaudited Financial Information are consistent with those applied in the preparation of the Company's annual financial statements for each of the years ended 31 December 2021, 2022 and 2023 except for the adoption of the following amendments for the first time for the four months ended 30 April 2024.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (Revised) & Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The amendments listed above are effective for annual period beginning on or after 1 January 2024 and did not have any impact on the Unaudited Financial Information of the Target Company.

4. CASH FLOW INFORMATION

	For the year ended 31 December			For the four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities					
Profit/(loss) for the year/period	53,166	(19,375)	(1,111,253)	11,444	75,942
Adjustments for:					
Income tax expense/(credit)	23,238	(4,908)	(368,082)	4,143	26,193
Exchange gains and losses, net	11,139	—	—	—	—
Depreciation of property, plant and equipment	92	253	382	113	154
Impairment loss on other receivables	12	74	58	5	12
Fair value (gains)/loss on investment properties	(92,954)	19,634	1,472,330	(16,573)	(104,773)
Operating loss before working capital changes	(5,307)	(4,322)	(6,565)	(868)	(2,472)
Decrease/(increase) in other receivables and prepayments	2,411	(37,964)	(11,602)	(6,265)	(3,287)
Increase in other payables	19,075	52,379	13,718	7,460	3,170
Net cash generated from/(used in) operating activities	16,179	10,093	(4,449)	327	(2,589)

INTRODUCTION

The following is the unaudited pro forma consolidated statement of financial position as at 31 December 2023, and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023, and related notes (the "**Unaudited Pro Forma Financial Information**") of the Group excluding the Target Company (as defined below) (the "**Remaining Group**") in connection with the proposed disposal of the Group's entire equity interests and corresponding creditor's rights in Beijing Xingtaitonggang Properties Company Limited* (北京星泰通港置業有限公司) (the "**Target Company**") (the "**Disposal**"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal, as if the Disposal had been completed on 31 December 2023 or 1 January 2023, as appropriate.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2023 as extracted from the Group's 2023 annual report after making pro forma adjustments relating to the Disposal as set out below. The Group's 2023 annual report includes the audited consolidated financial statements of the Group for the year ended 31 December 2023.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2023 as extracted from the Group's 2023 annual report after making pro forma adjustments relating to the Disposal as set out below.

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")and with reference to Accounting Guideline 7 *"Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 31 December 2023 or at any future date had the Disposal been completed on 31 December 2023, or the results of and cash flows of the Remaining Group for the year ended 31 December 2023 or for any future period had the Disposal been completed on 1 January 2023.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the Group's 2023 annual report and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP

	The Group for the year ended 31 December 2023	Pro forma adjustments				The Remaining Group for the year ended 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 5*	*Note 6*	*Note 7*	*Note 8*	
Revenue	46,459,008	—	—	—	—	46,459,008
Cost of sales	(45,276,191)	—	—	—	—	(45,276,191)
Gross profit	1,182,817	—	—	—	—	1,182,817
Interests and other income	854,411	—	—	(6,806)	—	847,605
Other losses — net	(672,379)	—	—	—	(2,477,468)	(3,149,847)
Fair value change on investment properties	(928,020)	—	—	—	—	(928,020)
Selling and marketing expense	(1,169,502)	—	—	—	—	(1,169,502)
Impairment loss on financial assets	(11,282,720)	—	1,971	—	—	(11,280,749)
Administrative expenses	(1,694,518)	—	—	—	—	(1,694,518)
Operating loss	(13,709,911)	—	1,971	(6,806)	(2,477,468)	(16,192,214)
Finance costs	(3,517,124)	—	—	—	—	(3,517,124)
Share of results of joint ventures	(936,319)	723,074	—	—	—	(213,245)
Share of results of associates	(1,397,411)	—	—	—	—	(1,397,411)
Loss before income tax	(19,560,765)	723,074	1,971	(6,806)	(2,477,468)	(21,319,994)
Income tax expense	(1,424,120)	—	—	—	—	(1,424,120)
Loss for the year	(20,984,885)	723,074	1,971	(6,806)	(2,477,468)	(22,744,114)
Attributable to:						
— Owners of the Company	(21,096,541)	723,074	1,971	(6,806)	(2,477,468)	(22,855,770)
— Non-controlling interests	111,656	—	—	—	—	111,656
	(20,984,885)	723,074	1,971	(6,806)	(2,477,468)	(22,744,114)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REMAINING GROUP

	The Group for the year ended 31 December 2023	Pro forma adjustments				The Remaining Group for the year ended 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 5*	*Note 6*	*Note 7*	*Note 8*	
Loss for the year	(20,984,885)	723,074	1,971	(6,806)	(2,477,468)	(22,744,114)
Other comprehensive (loss)/income, net of tax						
Items that will not be reclassified subsequently to profit or loss:						
Fair value change on financial assets at fair value through other comprehensive income, net of tax	(190,269)	—	—	—	—	(190,269)
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences	(273,403)	—	—	—	—	(273,403)
Deferred hedging gains	56,486	—	—	—	—	56,486
Share of other comprehensive income of investments accounted for using the equity method	164,174	—	—	—	—	164,174
Other comprehensive loss for the year	(243,012)	—	—	—	—	(243,012)
Total comprehensive loss for the year	(21,227,897)	723,074	1,971	(6,806)	(2,477,468)	(22,987,126)
Total comprehensive (loss)/income for the year attributable to:						
— Owners of the Company	(21,410,410)	723,074	1,971	(6,806)	(2,477,468)	(23,169,639)
— Non-controlling interests	182,513	—	—	—	—	182,513
Total comprehensive loss for the year	(21,227,897)	723,074	1,971	(6,806)	(2,477,468)	(22,987,126)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group as at 31 December 2023	Pro forma adjustments			The Remaining Group as at 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2, 4*	*Note 3, 4*	*Note 4*	
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	3,492,480	—	—	—	3,492,480
Right-of-use assets	1,745,946	—	—	—	1,745,946
Land use rights	212,009	—	—	—	212,009
Intangible assets	400,164	—	—	—	400,164
Goodwill	1,243,182	—	—	—	1,243,182
Investment properties	15,857,341	—	—	—	15,857,341
Interests in joint ventures	18,679,921	(5,460,706)	—	—	13,219,215
Interests in associates	3,915,886	—	—	—	3,915,886
Financial assets at fair value through other comprehensive income	777,280	—	—	—	777,280
Financial assets at fair value through profit or loss	4,748,336	—	—	—	4,748,336
Trade and other receivables and prepayments	6,878,282	—	(105,196)	—	6,773,086
Deferred income tax assets	2,207,743	—	—	—	2,207,743
Total non-current assets	60,158,570	(5,460,706)	(105,196)	—	54,592,668
Current assets					
Properties under development	48,516,015	—	—	—	48,516,015
Inventories, at cost	1,379,381	—	—	—	1,379,381
Land development cost recoverable	1,279,428	—	—	—	1,279,428
Completed properties held for sale	26,713,610	—	—	—	26,713,610
Financial assets at fair value through profit or loss	646,833	—	—	—	646,833
Trade and other receivables and prepayments	62,409,893	—	(13,376)	3,816,000	66,212,517
Contract assets	46,590	—	—	—	46,590
Restricted bank deposits	3,033,268	—	—	—	3,033,268
Cash and cash equivalents	1,988,738	—	—	—	1,988,738
Total current assets	146,013,756	—	(13,376)	3,816,000	149,816,380

	The Group as at 31 December 2023	Pro forma adjustments			The Remaining Group as at 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2, 4*	*Note 3, 4*	*Note 4*	
Current liabilities					
Borrowings	69,750,588	—	—	—	69,750,588
Lease liabilities	150,898	—	—	—	150,898
Trade and other payables	49,096,209	—	—	—	49,096,209
Contract liabilities	20,872,878	—	—	—	20,872,878
Income tax payable	14,560,975	—	—	—	14,560,975
Financial liabilities at fair value through profit or loss	33,764	—	—	—	33,764
Total current liabilities	154,465,312	—	—	—	154,465,312
Net current liabilities	(8,451,556)	—	(13,376)	3,816,000	(4,648,932)
Total assets less current liabilities	51,707,014	(5,460,706)	(118,572)	3,816,000	49,943,736
Non-current liabilities					
Borrowings	26,392,734	—	—	—	26,392,734
Lease liabilities	1,822,109	—	—	—	1,822,109
Trade and other payables	683,491	—	—	—	683,491
Deferred income tax liabilities	2,016,697	—	—	—	2,016,697
Total non-current liabilities	30,915,031	—	—	—	30,915,031
Net assets	20,791,983	(5,460,706)	(118,572)	3,816,000	19,028,705

	The Group as at 31 December 2023	Pro forma adjustments			The Remaining Group as at 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2, 4*	*Note 3, 4*	*Note 4*	
EQUITY					
Equity attributable to owner of the Company					
Share capital	27,329,232	—	—	—	27,329,232
Other reserves	(7,854,369)	—	—	—	(7,854,369)
Accumulated losses	(12,446,306)	(5,460,706)	(118,572)	3,816,000	(14,209,584)
	7,028,557	(5,460,706)	(118,572)	3,816,000	5,265,279
Non-controlling interests	13,763,426	—	—	—	13,763,426
Total equity	20,791,983	(5,460,706)	(118,572)	3,816,000	19,028,705

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	The Group for the year ended 31 December 2023	Pro forma adjustments		The Remaining Group for the year ended 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 8*	*Note 9*	
Cash flows from operating activities				
Cash generated from operations	5,716,955	—	—	5,716,955
Interest paid	(3,548,456)	—	—	(3,548,456)
Income tax paid	(538,421)	—	—	(538,421)
Net cash generated from operating activities	1,630,078	—	—	1,630,078
Cash flows from investing activities				
Purchases of property, plant and equipment	(173,265)	—	—	(173,265)
Purchases of investment properties	(20,799)	—	—	(20,799)
Proceeds from sale of property, plant and equipment	73,645	—	—	73,645
Proceeds from sale of investment properties	19,050	—	—	19,050
Purchases of intangible assets and land use rights	(11,088)	—	—	(11,088)
Purchases of financial assets at fair value through profit or loss	(259,100)	—	—	(259,100)
Proceeds from disposal of financial assets at fair value through profit or loss	22,607	—	—	22,607
Dividends received from financial instruments	57,000	—	—	57,000
Acquisition of subsidiaries, net of cash acquired	(391,940)	—	—	(391,940)
Disposal of interests in subsidiaries, net of cash disposed	436,028	—	—	436,028
Capital injection to joint ventures	(99,777)	—	—	(99,777)

	The Group for the year ended 31 December 2023	Pro forma adjustments		The Remaining Group for the year ended 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 8*	*Note 9*	
Cash flows from investing activities (continued)				
Capital reduction of joint ventures	10,780	—	—	10,780
Proceeds from disposal of entrusted loan	—	124,828	—	124,828
Proceeds from disposal of joint ventures	4,556,749	3,691,172	—	8,247,921
Capital reduction of associates	78,702	—	—	78,702
Proceeds from disposal of interests in associates	30,124	—	—	30,124
Dividends received from joint ventures and associates	46,872	—	—	46,872
Entrusted loans to third parties and related parties	(407,757)	—	—	(407,757)
Repayment of entrusted loans to third parties and related parties	1,169,961	—	(17,307)	1,152,654
The amounts advanced to related and third parties	(7,075,039)	—	20,947	(7,054,092)
The amounts repaid from related and third parties	8,196,796	—	—	8,196,796
Interest received	249,408	—	—	249,408
Net cash generated from investing activities	6,508,957	3,816,000	3,640	10,328,597

	The Group for the year ended 31 December 2023	Pro forma adjustments		The Remaining Group for the year ended 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 8*	*Note 9*	
Cash flows from financing activities				
Proceeds from borrowings	6,765,318	—	—	6,765,318
Repayments of borrowings	(16,276,280)	—	—	(16,276,280)
Capital injection from non-controlling interests	108,381	—	—	108,381
Dividends paid to non-controlling interests	(394,221)	—	—	(394,221)
Distribution relating to capital securities	(144,827)	—	—	(144,827)
Consideration paid for transaction with non-controlling interests	(577,079)	—	—	(577,079)
Distribution relating to capital instrument	(15,941)	—	—	(15,941)
Payments of lease liabilities	(239,314)	—	—	(239,314)
Net cash used in financing activities	(10,773,963)	—	—	(10,773,963)
(Decrease)/increase in cash and cash equivalents	(2,634,928)	3,816,000	3,640	1,184,712
Cash and cash equivalents at beginning of the year	4,623,126	—	—	4,623,126
Effect of exchange rate changes on cash and cash equivalents	540	—	—	540
Cash and cash equivalents at end of the year	1,988,738	3,816,000	3,640	5,808,378

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2023 as set out in the published annual report of the Company for the year ended 31 December 2023.

2. The adjustment represents the derecognition of equity interest in the Target Company as if the Disposal had taken place on 31 December 2023. The amount represents the Group's share of net assets in the Target Company which is extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023.

3. The adjustment represents the derecognition of net carrying amount (after deduction of the loss allowance) of entrusted loan due from the Target Company as if the Disposal had taken place on 31 December 2023. The entrusted loan due from the Target Company is extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023.

4. The adjustment represents the pro forma loss on the Disposal as if the Disposal had taken place on 31 December 2023 and is calculated as follows:

	Notes	*RMB'000*
Total consideration	(i)	3,816,000
Less: Equity interest in the Target Company	2	(5,460,706)
Less: Entrusted loan due from the Target Company	3	(118,572)
Pro forma loss on the Disposal		(1,763,278)

(i) The amount represents the net cash consideration of RMB3,816 million for the Disposal to be received within one year from the date of Disposal.

5. The adjustment represents the reversal of share of results of the Target Company, which is extracted from the audited consolidated statement of profit or loss of the Group for year ended 31 December 2023, assuming the Disposal had taken place on 1 January 2023.

6. The adjustment represents the reversal of provision of expected credit loss on the entrusted loan due from the Target Company, which is extracted from the audited consolidated statement of profit or loss of the Group for year ended 31 December 2023, assuming the Disposal had taken place on 1 January 2023.

7. The adjustment represents the reversal of interest income recognised on the entrusted loan due from the Target Company, which is extracted from the audited consolidated statement of profit or loss of the Group for year ended 31 December 2023, assuming the Disposal had taken place on 1 January 2023.

8. The adjustment represents the pro forma loss and net cash flow on the Disposal as if the Disposal had taken place on 1 January 2023 and is calculated as follows:

	Notes	*RMB'000*
Total consideration	(i)	3,816,000
Less: Equity interest in the Target Company	(ii)	(6,183,780)
Less: Entrusted loan due from the Target Company	(iii)	(109,688)
Pro forma loss on the Disposal		(2,477,468)

	Notes	*RMB'000*
Total consideration	(i)	3,816,000
Net cash flow on the Disposal		3,816,000

(i) The amount represents the net cash consideration of RMB3,816 million for the Disposal to be received within one year from the date of Disposal.

(ii) The amount represented the Group's share of net assets in the Target Company as at 1 January 2023.

(iii) The amount represents the net carrying amount of entrusted loan due from the Target Company as at 1 January 2023.

9. The adjustment represents the reversal of entrusted loan repaid from and advanced to the Target Company, which are extracted from the audited consolidated statement of cash flows of the Group for year ended 31 December 2023, assuming the Disposal had taken place on 1 January 2023.

10. The adjustments in respect of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows above are not expected to have a continuing effect on the Remaining Group.

11. No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to 1 January 2023 for the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income, and the unaudited pro forma consolidated statement of cash flows and those enter into subsequent to 31 December 2023 for the unaudited pro forma consolidated statement of financial position.

The following is the text of a report received in relation to the Unaudited Pro Forma Financial Information of the Remaining Group received from BDO Limited, for the purpose of inclusion in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

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To the directors of Sino-Ocean Group Holding Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sino-Ocean Group Holding Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2023 and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023, and related notes as set out on III-1 to III-11 of Appendix III of the circular dated 25 June 2024 (the "**Circular**") in connection with the proposed disposal of the Group's entire equity interest and corresponding creditor's rights in Beijing Xingtaitonggang Properties Company Limited* (北京星泰通港置業有限公司) (the "**Target Company**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed disposal of the Group's entire equity interest and corresponding creditor's rights in the Target Company (the "**Disposal**") on the Group's financial position as at 31 December 2023 as if the Disposal had taken place at 31 December 2023, and the Group's financial performance and cash flows for the year ended 31 December 2023 as if the Disposal had taken place at 1 January 2023. As part of this process, information about the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows has been extracted by the directors of the Company from the Group's audited consolidated financial statements for the year ended 31 December 2023, on which an auditor's report with disclaimer of opinion has been published.

* *The English names are for identification purpose only and the official names of the entities are in Chinese.*

Directors' responsibility for the unaudited pro forma financial information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our independence and quality management

We have complied with the independence and other ethical requirements of the "*Code of Ethics for Professional Accountants*" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "*Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *"Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 31 December 2023 or 1 January 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants

Hong Kong, 25 June 2024

MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Set out below is the management discussion and analysis of the Remaining Group's results of operation for each of the three years ended 31 December 2021, 2022 and 2023. The information set out below is principally extracted from the 2021 Annual Report, 2022 Annual Report and 2023 Annual Report respectively.

For the purpose of this circular and for illustration purpose only, the management discussion and analysis of the Remaining Group below is made with the exclusion of the Target Company. There will be no change to the principal businesses of the Remaining Group as a result of the Disposal. Following the Disposal, the Remaining Group will continue to carry out its existing businesses.

(a) For the year ended 31 December 2023

Financial Review

Revenue

For the year ended 31 December 2023, the Remaining Group's revenue in 2023 increased by approximately 1% to RMB46,459 million, from RMB46,127 million in 2022. Property development segment remained the largest contributor, which accounted for about 84% of total revenue. During 2023, the revenue from property development contributed by the Beijing, Bohai Rim, Eastern, Southern, Central and Western Regions were 7%, 26%, 18%, 16%, 29% and 4%, respectively.

In 2023, revenue from property investment increased by approximately 14% to RMB446 million (2022: RMB391 million). As at 31 December 2023, the Remaining Group and its joint ventures and associates held more than 22 operating investment properties. Our investment properties are mainly A-grade office premises, shopping malls, commercial complexes and logistics projects at good locations. Besides, the commercial part of Grand Canal Place in Beijing was launched in June 2023 and the office part also entered into the market in December 2023.

Property management and related services include (i) property management and commercial operational services; (ii) community value-added services; and (iii) value-added services to non-property owners. For the year ended 31 December 2023, the Remaining Group's revenue from property management and related services recorded RMB2,885 million, an increase of approximately 1% from RMB2,868 million in 2022, maintaining high operation capacity and the synergy with the principal business.

Due to the downturn trend of the overall real estate market in the PRC, the total revenue of other real estate businesses (including whole-industrial chain construction services, internet data center, senior living services, etc.) of RMB4,135 million, recorded a relatively larger decrease for 2023 (2022: RMB5,736 million).

Cost of sales

The Remaining Group's total cost for the year was RMB45,276 million (2022: RMB43,750 million). The Remaining Group's total cost of sales was mainly the cost of property development, which mainly consisted of land cost and construction cost.

Excluding carparks, average land cost per sq.m. of property development business in 2023 increased to approximately RMB6,500 compared to RMB5,700 in 2022. The increase was mainly due to more projects located in tier-one and core tier-two cities, which have relatively higher land costs, being delivered in 2023. Average construction cost per sq.m. (excluding carparks) for property development business was approximately RMB5,700 for the year (2022: RMB5,500 per sq.m.).

Gross profit

Gross profit for the year was RMB1,183 million, representing a decrease of approximately 50% compared to that of 2022. Gross profit margin decreased to 3% in 2023 (2022: 5%). The decrease in gross profit margin was mainly because of the downturn in the overall real estate market sentiment in the PRC during 2023, of which (i) the industry gross profit margin has not recovered significantly; and (ii) the provision made by the Remaining Group for inventories increased.

Interest and other income and other losses (net)

Interest and other income decreased by approximately 22% to RMB848 million in 2023, compared to RMB1,087 million in 2022. The decrease was mainly attributable to the decrease in the interest income and dividend income during 2023.

The Remaining Group recorded other losses (net) of RMB672 million in 2023 (2022: RMB2,689 million). The recorded losses in 2023 were primarily due to the downturn and operational difficulties in the real estate market in the PRC. It was mainly comprised of net effect of net gains on disposal of joint ventures and associates, fair value losses of financial assets and financial liabilities at fair value through profit or loss and provision for litigations during the year.

Revaluation of investment properties

Due to the continual slump of the real estate industry in the PRC, the Remaining Group recognized fair value losses on its investment properties (before tax and non-controlling interests) of RMB928 million for 2023 (2022: RMB256 million).

Operating expenses

Selling and marketing expenses for 2023 were RMB1,170 million (2022: RMB1,803 million), which decreased by approximately 35% as compared to 2022. The decrease was mainly because of the negative real estate market sentiment in the PRC during 2023, with the combined effect of (i) the decrease in contracted sales; and

(ii) the launch of more sales promotions by the Remaining Group so as to boost the sales. These costs accounted for approximately 2.3% of the total contracted sales amount for 2023 (2022: 1.8%).

Under the Remaining Group's strict cost control policy, administrative expenses incurred for 2023 slightly decreased to RMB1,695 million (2022: RMB1,698 million), representing approximately 3.6% of the total revenue for 2023 (2022: 3.7%). The Remaining Group will continue to adopt strict cost control measures to maintain these costs at a relatively stable and lower level.

Net impairment losses on financial assets

The Remaining Group recorded the net impairment losses on financial assets of RMB11,281 million for the year (2022: RMB7,846 million (restated[Note 1])). The increase in the expenses was mainly due to the provision made by the Remaining Group for expected credit losses on the trade and other receivables, considering the combined effects of sluggish macroeconomic and industry environments and tough financing channels during 2023.

Finance costs

Our weighted average interest rate increased from 5.16% for the year of 2022 to 5.63% for the year of 2023. The total interest expenses paid or accrued increased to RMB5,358 million in 2023 (2022: RMB5,064 million), of which RMB3,517 million (2022: RMB3,066 million) was not capitalized and charged through consolidated income statement during the year.

Taxation

The aggregate of enterprise income tax and deferred tax decreased to RMB361 million in 2023 (2022: RMB1,175 million), the decrease in the expense was mainly attributed by the decrease in taxable temporary differences recognized in the previous years primarily relating to the asset impairment losses. In addition, land appreciation tax in 2023 decreased to RMB1,063 million (2022: RMB1,451 million). The decrease was mainly due to lower applicable tax rate being applied during 2023.

Loss attributable to owners of the Remaining Group

The loss attributable to owners of the Remaining Group was RMB20,378 million for the year of 2023 (2022: RMB19,024 million (restated[Note 1]). The loss recorded for 2023 was mainly attributable to (i) the downturn in the overall real estate market in the PRC, resulting in the decrease in gross profit margin, and the increase in the provision for impairment of property projects; and (ii) the decrease in the share of results from joint ventures and associates, for the year.

Note 1: In preparing the Group's consolidated financial statements for the financial year ended 31 December 2023, the management of the Group has identified accounting errors in the previously issued consolidated financial statement. As such, the Group had reassessed the carrying amount of the Group's investments in the Group's associated company, Fortune Joy Ventures Limited, as at 31 December 2022 and its share of profit or loss and other comprehensive income for the year ended 31 December 2022 and the amount of impairment loss that should have been recognised as at 31 December 2022. For details, please refer to 2023 Annual Report of the Group.

Financial resources and liquidity

During 2023, the Remaining Group continued to refine our funding structure, treasury and credit policies and objectives to strengthen the financial control and minimize its risk exposure under the everchanging financial market and global economic environment. We are committed to managing the borrowings at an appropriate level, the borrowings decreased from RMB97,023 million at the end of 2022 to RMB96,143 million as at the year end of 2023, of which 60% of the borrowings were denominated in RMB. The remaining borrowings were denominated in other currencies, such as USD and HKD. Approximately 63% of the borrowings were made at fixed interest rate.

As at 31 December 2023, the Remaining Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB5,022 million, of which approximately 99% (31 December 2022: 99%) of the Remaining Group's cash resources were denominated in RMB with the remaining balances denominated in other currencies, such as USD and HKD. The current ratio was 0.97 time. During the year of 2023, the Remaining Group took the initiative in mitigating liquidity risks, kept focusing on high-quality delivery of property projects and revitalized operating cash flow, so as to secure the steady business operation.

As at 31 December 2023, the Remaining Group's net gearing ratio (i.e. total borrowings less total cash resources divided by total equity) was approximately 478% (31 December 2022: 207% (restated)). The increase in net gearing ratio was a result of combined impact from multiple extreme factors including continued market downturn, noticeable decline in overall sales and a very harsh financing environment in 2023 in the PRC. In addition, the profitability of the overall industry was being eroded and cash collection process remained slow. All these pushed up the net gearing ratio.

The maturities of the Remaining Group's total borrowings are set out as follows:

(RMB million)	As at 31 December 2023	As a percentage of total borrowing	As at 31 December 2022	As a percentage of total borrowing
Within 1 year	69,751	73%	38,092	39%
1 to 2 years	11,027	11%	21,062	22%
2 to 5 years	9,386	10%	30,061	31%
Over 5 years	5,979	6%	7,808	8%
Total	96,143	100%	97,023	100%

Financial guarantees and charge on assets

As at 31 December 2023, the value of the guarantees provided by the Remaining Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB16,591 million (31 December 2022: RMB20,677 million).

As at 31 December 2023, the Remaining Group had pledged some of plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties, equity interests in certain subsidiaries and affiliates and trade and other receivables to secure short-term borrowings (including the current portion of long-term borrowings) of RMB16,305 million (31 December 2022: RMB10,370 million) and long-term borrowings of RMB16,476 million (31 December 2022: RMB15,275 million). As at 31 December 2023, total pledged assets accounted for approximately 27% of the total assets of the Remaining Group (31 December 2022: 18%).

Capital commitments

The Remaining Group entered into certain agreements in respect of land acquisition, property projects. As at 31 December 2023, the Remaining Group had a total capital commitment of RMB8,819 million (31 December 2022: RMB9,626 million).

Contingent liabilities

As at 31 December 2023, the value of the guarantees provided by the Remaining Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB16,591 million (31 December 2022: RMB20,677 million).

As at 31 December 2023, the Remaining Group provided guarantees amounted to approximately RMB60,594 million for borrowings of joint ventures, associates and third parties (31 December 2022: RMB5,523 million).

Foreign exchange exposure

As at 31 December 2023, approximately 40% of the Remaining Group's total borrowings were denominated in USD and HKD. As a result, the Remaining Group had a net currency exposure to fluctuation in foreign exchange rates. As non-RMB currency borrowings are subject to fluctuations of exchange rates, the Remaining Group is careful in having borrowings in non-RMB currencies and had entered into certain forward contracts so as to hedge against the potential exchange loss in future years. The Remaining Group has never engaged in the dealing of any financial derivative instruments for speculative purpose. Our operation has not been materially affected by the exchange rate fluctuations. The Remaining Group will continue to closely monitor the fluctuations of exchange rates and consider appropriate measures to reduce the risk of exchange rate fluctuations.

Employees

As at 31 December 2023, the Remaining Group had 13,942 employees (31 December 2022: 13,428 employees). The increase in the number of employees was mainly due to the expansion of related customer services. Meanwhile, the Remaining Group continued to proactively optimize staff deployment for improving operational efficiency and resources allocation in 2023. Together with the reduction in amortization from share options granted, the Remaining Group's staff cost in 2023 was decreased by approximately 9% to RMB2,441 million (2022: RMB2,684 million). The decrease in staff cost was the net effect of the reduction of staff cost in the property development segment and the expansion of related customer services.

Share option schemes

On 6 August 2018, the Shareholders approved a share option scheme (the "**2018 Option Scheme**", details of which are set out in the circular of the Company dated 16 July 2018), which is valid and effective for a period of 10 years until 5 August 2028, unless it is terminated early in accordance with the provisions of the 2018 Option Scheme.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

- *Acquisition of the entire equity interests in a property development company in the PRC*

On 8 February 2023, following completion of the bidding process through the Shandong Property Right Exchange Center (山東產權交易中心), Beijing Yuanshengchang Real Estate Development Co., Ltd.* (北京遠盛昌房地產開發有限公司) ("**Beijing Yuanshengchang**", a wholly-owned subsidiary of the Company) as purchaser, entered into a property right transaction agreement with Shandong Detian Real Estate Co., Ltd.* (山東德天置業有限公司) ("**Shandong Detian**") as seller in relation to the acquisition by Beijing Yuanshengchang from Shandong Detian of (a) the entire equity interests in Shandong Detian Jiaye Real Estate Co., Ltd.* (山東德天嘉業置業有限公司) ("**Shandong Detian Jiaye**") and (b) a loan owing by Shandong Detian Jiaye to Shandong Detian (inclusive of interest) (in the amount of RMB1,584,414,200) at an aggregate consideration of RMB1,584,414,201. The principal business of Shandong Detian Jiaye is property development and its principal asset is four parcels of land situated at the Beihu Core Area, Jinan City, Shandong Province, the PRC with a total land area of 137,504 sq.m. and a total GFA of approximately 534,600 sq.m. for residential and commercial purposes.

Upon completion of the aforementioned transaction, Shandong Detian Jiaye shall become a wholly-owned subsidiary of the Company, with its financial results being consolidated into the financial statements of the Remaining Group. The aforementioned transaction had been completed during the year of 2023.

Details of the above transaction have been disclosed in the announcement of the Company dated 8 February 2023.

- *Sale and leaseback arrangements*

During the period from January to March 2023, Beijing UNIQloud Technology Co., Ltd.* (北京雲泰數通互聯網科技有限公司), a non wholly-owned subsidiary of the Company, and certain wholly-owned subsidiaries or entity controlled by it, as lessees, entered into sale and leaseback agreements in respect of certain leased assets (mainly comprising ancillary equipment and facilities for data center) with Chengtong Financial Leasing Company Limited* (誠通融資租賃有限公司) and CGN International Financial Leasing (Tianjin) Co., Ltd.* (中廣核國際融資租賃(天津)有限公司), respectively, each as lessor, pursuant to which the relevant lessor will purchase the respective leased assets from the relevant lessee(s) for a maximum aggregate purchase price of RMB475 million and RMB375 million, respectively, and such leased assets will be leased back to the relevant lessee(s) for maximum aggregate lease payments of approximately RMB535.08 million and RMB431.81 million, respectively, each with a term of five years and six years, respectively, subject to early termination in accordance with the terms and conditions of the respective sale and leaseback agreement(s). Upon the relevant lessee(s) having paid all the lease payments and other payables (if any) to the relevant lessor in accordance with the terms of the respective sale and leaseback agreement(s), the relevant lessee(s) shall have the right to repurchase the respective leased assets at a nominal consideration. According to the Hong Kong Financial Reporting Standards, the transactions as contemplated under the aforementioned sale and leaseback agreements shall be accounted for as financing arrangements.

Details of the above sale and leaseback arrangements have been disclosed in the announcements of the Company dated 27 February 2023 and 10 March 2023, respectively.

- *Transactions in relation to a property project in the PRC*

On 29 May 2023, Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司) ("**SOG China**") (a wholly-owned subsidiary of the Company), Zhongyuan Hotel Property Management Co., Ltd.* (中遠酒店物業管理有限公司) ("**Zhongyuan Hotel PM Co**", a wholly-owned subsidiary of Sino-Ocean Service and a non wholly-owned subsidiary of the Company) and Beijing Easyhome Furniture Franchise Co., Ltd. (北京居然之家家居連鎖有限公司) ("**Easyhome**") entered into a cooperation agreement in respect of, among others, (1) the assignment of the right of first refusal with respect to all or part of the equity and debt interests in Beijing Rui Hong Commercial Management Co., Ltd.* (北京睿鴻商業管理有限公司) ("**Beijing Rui Hong**", being the owner of a shopping centre located in Beijing, the PRC known as Ocean We-Life Plaza (Beijing)* (遠洋未來廣場(北京)) (the "**Beijing Property**")) by SOG China to Easyhome (the "**ROFR Assignment**") whereby SOG China shall designate Easyhome as the entity exercising such right of first refusal to purchase the entire equity and debt interests in Beijing Rui Hong from GSUM Real Estate Fund Management Co., Ltd.* (中聯前源不動產基金管理有限公司) (on behalf of GSUM-Sino-Ocean Group No.1 Private Investment Fund* (中聯前源 — 遠洋集團一號私募投資基金), in which all the units are held by an asset-backed special scheme, and associates of the Company are holders of the subordinated class securities issued under the scheme) (the "**Beijing Rui Hong Sale and Purchase**"); (2) the disposal of 53 parking spaces located at the Beijing Property by Zhongyuan Hotel PM Co to Easyhome (through disposal to Beijing Rui Hong upon completion of the ROFR Assignment and the Beijing Rui Hong Sale and Purchase) (the "**Parking Spaces Disposal**"); and (3) the transfer of the right of use in the civil air defence works and their ancillary facilities with respect to the Beijing Property by Beijing Chaoyang Branch of Sino-Ocean Holding Group (China) Limited* (遠洋控股集團(中國)有限公司北京朝陽分公司), a branch office company of SOG China, to Easyhome (through transfer to Beijing Rui Hong upon completion of the ROFR Assignment and the Beijing Rui Hong Sale and Purchase) (the "**Civil Air Defence Works Transfer**"). The aggregate consideration for the above transactions is RMB359,170,615.68 (subject to completion adjustment of an amount not more than RMB20,000,000), of which RMB348,835,615.68 (subject to completion adjustment of an amount not more than RMB20,000,000) is the consideration for the ROFR Assignment and RMB10,335,000 is the consideration for the Parking Spaces Disposal. No separate consideration has been designated to the Civil Air Defence Works Transfer.

Beijing Rui Hong is principally engaged in investment holding and is the owner of the Beijing Property. As at the date of the abovementioned cooperation agreement, Beijing Rui Hong was accounted for as a joint venture of the Company in the consolidated financial statements of the Remaining Group. Upon completion of the ROFR Assignment and the Beijing Rui Hong Sale and Purchase, the Remaining Group shall cease to have any interest in Beijing Rui Hong, and Beijing Rui Hong shall cease to be accounted for as a joint venture of the Company in the consolidated financial statements of the Remaining Group. The aforementioned transactions had been completed during the year of 2023.

Details of the above transactions have been disclosed in the joint announcement of the Company and Sino-Ocean Service dated 29 May 2023.

- *Completion of disposal of interests in property holding companies and property management company*

As of 22 February 2023, all of the disposals by the Remaining Group of (1) an aggregate of 50% issued shares of Great City China Holdings Limited (乾林中國控股有限公司), (2) an aggregate of 50% equity interest in Chengdu Yingang Real Estate Company Limited* (成都銀港置業有限公司), and (3) an aggregate of 50% equity interest in Chengdu Qianhao Property Services Company Limited* (成都乾豪物業服務有限公司) to subsidiaries of Swire Properties Limited (太古地產有限公司) had been completed, following which the Remaining Group had ceased to have any interest in such target companies.

Details of the above transactions have been disclosed in the joint announcement of the Company and Sino-Ocean Service dated 15 December 2022, the circular of the Company dated 19 January 2023, the announcement of the Company dated 22 February 2023 and the paragraphs headed "Material acquisitions and disposals of subsidiaries, associates and joint ventures" under sub-section (b) below for the year ended 31 December 2022.

- *Internal restructuring of assets*

On 21 July 2023, SOG China and Ocean Homeplus Property Service Corporation Limited* (遠洋億家物業服務股份有限公司) ("**Ocean Homeplus**", a wholly-owned subsidiary of Sino-Ocean Service and a non wholly-owned subsidiary of the Company) entered into a parking spaces transfer framework agreement and a commercial properties transfer framework agreement in relation to the acquisition by Ocean Homeplus and its subsidiaries from SOG China and its subsidiaries of 4,961 parking spaces and 168 commercial properties (with a total GFA of approximately 12,901 sq.m. in aggregate) in the PRC (collectively, the "**Target Assets**") respectively (the "**Assets Transfer**"). The aggregate consideration for the Assets Transfer was RMB626,350,000, which shall be offset against the refundable deposit receivables due from the Remaining Group (for the avoidance of doubt, excluding Sino-Ocean Service and its subsidiaries (the "**Sino-Ocean Service Group**")) to the Sino-Ocean Service Group in its entirety.

The Assets Transfer is in substance an internal restructuring of assets of the Remaining Group. Upon completion of the Assets Transfer, the financial results of the Target Assets shall continue to be consolidated into the financial statements of the Remaining Group. The Assets Transfer had been completed during the year of 2023.

Details of the Assets Transfer have been disclosed in the joint announcement of the Company and Sino-Ocean Service dated 21 July 2023.

(b) For the year ended 31 December 2022

Financial Review

Revenue

For the year ended 31 December 2022, the Remaining Group's revenue in 2022 decreased by 28% to RMB46,127 million, from RMB64,247 million in 2021. Property development segment remained the largest contributor, which accounted for about 80% of total revenue. During 2022, the revenue from property development contributed by the Beijing, Bohai Rim, Eastern, Southern, Central and Western Regions were 12%, 29%, 22%, 15%, 18% and 4%, respectively.

In 2022, revenue from property investment decreased by 5% to RMB391 million (2021: RMB410 million), which was mainly due to the implementation of mid to light asset mode for the Remaining Group's investment properties. As at 31 December 2022, the Remaining Group held more than 22 operating investment properties. Our investment properties are mainly A-grade office premises, shopping malls, commercial complexes and logistics projects at good locations.

Property management and related services includes (i) property management and commercial operational services; (ii) community value-added services; and (iii) value-added services to non-property owners. For the year ended 31 December 2022, the Remaining Group's revenue from property management and related services recorded RMB2,868 million, an increase of 13% from RMB2,530 million in 2021, which was mainly due to the synergy with the principal business and improvement in operating capacity.

The other real estate businesses cover whole-industrial chain construction services, internet data center, senior living services and etc. The total revenue of other real estate businesses was RMB5,736 million, remained relatively stable as compared with 2021 (2021: RMB6,177 million).

Cost of sales

In line with the decrease in revenue, the Remaining Group's total cost for the year reduced to RMB43,750 million accordingly (2021: RMB52,989 million). The Remaining Group's total cost of sales was mainly the cost of property development, which mainly consisted of land cost and construction cost.

Excluding carparks, average land cost per sq.m. of property development business in 2022 decreased to approximately RMB5,700 compared to RMB8,300 in 2021. The decrease was mainly due to more projects located in tier-two cities, which are having relatively lower land costs, being delivered in 2022. Average construction cost per sq.m. (excluding carparks) for property development business decreased by 7% to approximately RMB5,500 for the year, compared to RMB5,900 in 2021. The decrease in average construction cost was mainly because more villa and tier-one projects with higher construction cost were delivered during 2021.

Gross profit

Gross profit for the year was RMB2,377 million, representing a decrease of 79% compared to that of 2021. Gross profit margin decreased to 5% in 2022 (2021: 18%). The decrease in gross profit margin was mainly affected by the depressed real estate market sentiment in the PRC in 2022, of which (i) so as the Remaining Group launched promotions for the leftover unsold units to minimize the Remaining Group's operating risks and liquidize remnant assets; and (ii) the provision made by the Remaining Group for inventories increased.

Interest and other income and other losses (net)

Interest and other income decreased by 50% to RMB1,087 million in 2022, compared to RMB2,177 million in 2021. The decrease was mainly attributable to the decrease in entrusted loan interest income due to the decline in the weighted average entrusted loan balance and interest rate during the year of 2022.

The Remaining Group recorded other losses (net) of RMB2,689 million in 2022 (2021: other gains (net) of RMB76 million). Other losses (net) were mainly comprised of net effect of net exchange losses, fair value losses of financial assets and financial liabilities at fair value through profit or loss and losses on disposal of subsidiaries during the year. The recorded losses in 2022 was primarily due to the net exchange losses of RMB1,178 million (2021: net exchange gains of RMB348 million) arising from the depreciation of RMB against USD to a larger extent during 2022.

Revaluation of investment properties

Affected by the resurgence of the novel coronavirus pandemic, the Remaining Group recognized fair value losses on its investment properties (before tax and non-controlling interests) of RMB256 million for 2022 (2021: fair value losses of RMB64 million).

Operating expenses

Selling and marketing expenses for 2022 were RMB1,803 million (2021: RMB1,665 million), which was increased by 8% as compared to 2021. The increase was mainly driven by the increase of marketing activities so as to cope with the cooldown of the market in 2022. These costs accounted for approximately 1.8% of the total contracted sales amount for 2022 (2021: 1.2%). The Remaining Group put more resources in its sales and marketing activities during the year, to aim for better recognition of the Remaining Group's pursuance of quality of residential property development, investment property development and operation, property services and whole-industrial chain construction services and ultimately turn into higher branding value and sustainable revenue growth in the future.

Under the Remaining Group's strict control policy, administrative expenses incurred for 2022 slightly decreased to RMB1,698 million (2021: RMB1,777 million (restated)), representing approximately 3.7% of the total revenue for 2022 (2021: 2.8% (restated)). The Remaining Group will continue to adopt strict cost control measures to maintain these costs at a relatively stable and lower level.

Net impairment losses on financial assets

The Remaining Group recorded the net impairment losses on financial assets of RMB7,846 million for the year (2021: RMB177 million (restated)). The increase in the expenses was mainly due to the provision made by the Remaining Group for expected credit losses on the trade and other receivables and etc., considering the combined effects of sluggish macroeconomic and industry environments, tough financing channels and the resurgence of the pandemic during 2022. The 2022 figure was subsequently restated for the year ended 31 December 2023. For details, please refer to the "Financial Review for the year ended 31 December 2023" above and 2023 Annual Report of the Group.

Finance costs

Our weighted average interest rate increased from 4.96% for the year of 2021 to 5.16% for the year of 2022. As we obtained higher cost of financing during the year, the total interest expenses paid or accrued increased to RMB5,064 million in 2022 (2021: RMB4,639 million), of which RMB3,066 million (2021: RMB2,239 million) was not capitalized and charged through consolidated income statement during the year.

Taxation

The aggregate of enterprise income tax and deferred tax decreased to RMB1,175 million in 2022 (2021: RMB2,684 million), the decrease in the expense was mainly attributed by the combination of the decrease in revenue and gross profit. In addition, land appreciation tax in 2022 decreased to RMB1,451 million (2021: RMB2,022 million). The decrease was mainly due to lower applicable tax rate was applied during 2022.

(Loss)/profit attributable to owners of the Remaining Group

The loss attributable to owners of the Remaining Group was RMB19,024 million for the year of 2022 (2021: profit of RMB2,623 million). The loss recorded for 2022 was mainly attributed to (i) the downturn in the overall real estate market and the continuous novel coronavirus pandemic in the PRC, resulting in the decrease in revenue and gross profit margin, and the increase in the provision for impairment of property projects; (ii) the decrease in the share results from joint ventures and associates; and (iii) the exchange loss due to the depreciation of RMB, for the year. The 2022 figure was subsequently restated for the year ended 31 December 2023. For details, please refer to the "Financial Review for the year ended 31 December 2023" above and 2023 Annual Report of the Group.

Financial resources and liquidity

During 2022, the Remaining Group continued to refine our funding structure, liquidity and credit policies to minimize its risk exposure under the everchanging financial market and global economic environment. With overwhelming support from investors, the Remaining Group successfully issued green notes of USD400 million, corporated bonds of RMB1,320 million, private placement notes of RMB2,000 million and real estate investment trusts of RMB1,303 million in 2022. We are committed to managing the borrowings at an appropriate level, the borrowings increased from RMB92,224 million at the end of 2021 to RMB97,023 million as at the year end of 2022, of which 59% of the borrowings were denominated in RMB. The remaining borrowings were denominated in other currencies, such as HKD and USD. Approximately 67% of the borrowings were made at fixed interest rate.

As at 31 December 2022, the Remaining Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB9,386 million, of which approximately 99% (31 December 2021: 89%) of the Remaining Group's cash resources were denominated in RMB with the remaining balances denominated in other currencies, such as HKD and USD. The current ratio was 1.41 times. Together with the unutilized credit facilities of approximately RMB165,200 million, the Remaining Group is confident with its liquidity.

As at 31 December 2022, the Remaining Group's net gearing ratio (i.e. total borrowings less total cash resources divided by total equity) was approximately 207% (31 December 2021: 88%). The increase in net gearing ratio was a result of combined impact from multiple extreme factors including continued market downturn, noticeable decline in overall sales and a very harsh financing environment in 2022 in the PRC. Cash collection remained slow. In addition, RMB depreciated considerably against USD during the year. All these pushed up the net gearing ratio. Facing the sharp deterioration of the overall financing environment of the PRC real estate market, thanks to the strong supports from our major shareholder and financial institutions, the Remaining Group maintained the operational soundness.

The maturities of the Remaining Group's total borrowings are set out as follows:

(RMB million)	As at 31 December 2022	As a percentage of total borrowing	As at 31 December 2021	As a percentage of total borrowing
Within 1 year	38,092	39%	18,668	20%
1 to 2 years	21,062	22%	17,354	19%
2 to 5 years	30,061	31%	46,077	50%
Over 5 years	7,808	8%	10,125	11%
Total	97,023	100%	92,224	100%

Financial guarantees and charge on assets

As at 31 December 2022, the value of the guarantees provided by the Remaining Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB20,677 million (2021: RMB15,826 million).

In 2022, the Remaining Group had pledged some of plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties and equity interests to secure short-term borrowings (including the current portion of long-term borrowings) of RMB10,370 million (2021: RMB2,029 million) and long-term borrowings of RMB15,275 million (2021: RMB15,167 million). As at 31 December 2022, total pledged assets accounted for approximately 18% of the total assets of the Remaining Group (2021: 7%).

Capital commitments

The Remaining Group entered into certain agreements in respect of land acquisition, property development. As at 31 December 2022, the Remaining Group had a total capital commitment of RMB9,626 million (2021: RMB15,632 million).

Contingent liabilities

As at 31 December 2022, the value of the guarantees provided by the Remaining Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB20,677 million (2021: RMB15,826 million).

As at 31 December 2022, the Remaining Group provided guarantees amounted to approximately RMB5,523 million for borrowings of joint ventures and third party (31 December 2021: RMB2,013 million). For details of financial guarantees, please refer to note 46 to the consolidated financial statements of this annual report.

Foreign exchange exposure

As at 31 December 2022, approximately 41% of the Remaining Group's total borrowings were denominated in USD and HKD. As a result, the Remaining Group had a net currency exposure to fluctuation in foreign exchange rates. As non-RMB currency borrowings are subject to fluctuations of exchange rates, the Remaining Group is careful in having borrowings in non-RMB currencies and has entered into certain forward contracts so as to hedge against the potential exchange loss in future years. The Remaining Group has never engaged in the dealing of any financial derivative instruments for speculative purpose. In view of the potential RMB exchange rate fluctuations, the Remaining Group will continuously consider appropriate measures including matching non-RMB borrowings with corresponding non-RMB assets and arranging appropriate level of hedging instruments.

Employees

As at 31 December 2022, the Remaining Group had 13,428 employees (31 December 2021: 14,890 employees). The decrease in the number of employees was based on changes in operating scale in each department to proactively optimize staff deployment for improving operational efficiency and resources allocation. Together with the reduction in amortization from share options granted, the Remaining Group's staff cost in 2022 was decreased by approximately 10% to RMB2,684 million (2021: RMB2,982 million).

Share option schemes

On 6 August 2018, the Shareholders approved the 2018 Option Scheme, which is valid and effective for a period of 10 years until 5 August 2028, unless it is terminated early in accordance with the provisions of the 2018 Option Scheme.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

- *Acquisition of the entire equity interests in a property management company*

On 12 August 2022, (i) Ocean Homeplus, as purchaser, and (ii) Dalian Sky-Upright Property Limited* (大連正乾置業有限公司), a wholly-owned subsidiary of the Company, and an associate of the Company as vendors (collectively, the "**Vendors**") entered into a framework agreement in relation to the acquisition by Ocean Homeplus of 50% equity interests in Tianjin Xihe Supply Chain Services Co., Ltd.* (天津熙合供應鏈服務有限公司) ("**Tianjin Xihe**") from each of the Vendors for RMB250 million, i.e. a total consideration of RMB500 million for the entire equity interests in Tianjin Xihe (the "**Acquisition**"). Tianjin Xihe and its subsidiaries (the "**Tianjin Xihe Group**") are principally engaged in property management business in the PRC. As at the date of the abovementioned framework agreement, Tianjin Xihe was accounted for as a joint venture of the Company in the consolidated financial statements of the Remaining Group. Upon completion of the Acquisition on 3 November 2022, Tianjin Xihe became a wholly-owned subsidiary of Sino-Ocean Service and a non wholly-owned subsidiary of the Company, and the financial results of the Tianjin Xihe Group have been consolidated into the financial statements of each of the Sino-Ocean Service Group and the Remaining Group.

Details of the Acquisition have been disclosed in the joint announcement of the Company and Sino-Ocean Service dated 12 August 2022.

- *Disposal of interests in property holding companies and property management company*

On 15 December 2022, (i) the Company, Sino-Ocean Service, Neo Origin Limited (穎源有限公司) (a wholly-owned subsidiary of the Company), Beijing Yingang Real Estate Development Company Limited* (北京銀港房地產開發有限公司) (a wholly-owned subsidiary of the Company) (together with Neo Origin Limited, collectively, the "**Property Holdco Sellers**"), Beijing Yichi Property Services Company Limited* (北京億馳物業服務有限公司) (a wholly-owned subsidiary of Sino-Ocean Service and a non wholly-owned subsidiary of the Company) (the "**PM Seller**"), Swire Properties (Chengdu) Limited, Tianjin Linsong City Facilities Development Company Limited* (天津麟松城市建設開發有限公司) (together with Swire Properties (Chengdu) Limited, collectively, the "**Property Holdco Purchasers**") and Beijing Great Well Consultancy Company Limited* (北京浩倡諮詢有限公司) (the "**PM Purchaser**") entered into the first master agreement in respect of the sales and purchases of (a) 15% of the issued shares of Great City China Holdings Limited (乾林中國控股有限公司) (the "**Offshore JV Co**"), together with 30% of the amounts owed by the Offshore JV Co (or any of its subsidiaries) to any member of the Remaining Group as at the completion of the transactions pursuant to the first master agreement (the "**First Closing**"), (b) 15% equity interest in Chengdu Yingang Real Estate Company Limited* (成都銀港置業有限公司) (the "**Onshore JV Co**"), together with 30% of the amounts owed by the Onshore JV Co (or any of its subsidiaries) to any member of the Remaining Group as at the First Closing, and (c) 15% equity interest in Chengdu Qianhao Property Services Company Limited* (成都乾豪物業服務有限公司) (the "**Target PM Co**") (the "**First Transaction**"); (ii) the Company, Sino-Ocean Service, the PM Seller and the PM Purchaser entered into the second master agreement in respect of the sale and purchase of 35% equity interest in the Target PM Co (the "**Second Transaction**"); and (iii) the Company, the Property Holdco Sellers and the Property Holdco Purchasers entered into the third master agreement in respect of the sales and purchases of (a) 35% of the issued shares of the Offshore JV Co, together with all of the amounts owed by the Offshore JV Co (or any of its subsidiaries) to any member of the Remaining Group as at the completion of the transactions pursuant to the third master agreement (the "**Third Closing**"), and (b) 35% equity interest in the Onshore JV Co, together with all of the amounts owed by the Onshore JV Co (or any of its subsidiaries) to any member of the Remaining Group as at the Third Closing (together with the First Transaction and the Second Transaction, collectively, the "**Aggregated Transaction**"). The total consideration for the Aggregated Transaction is RMB5,550,000,000.

Each of the Offshore JV Co and the Onshore JV Co is principally engaged in investment property development and operation. The Offshore JV Co (through its wholly-owned subsidiaries) and the Onshore JV Co are collectively the owners of a retail-led mixed-use development (primarily consisting of an open-plan, lane-driven mall and a boutique hotel with serviced apartments) known as Sino-Ocean Taikoo Li Chengdu (the "**Chengdu Property**") located at Jinjiang District, Chengdu, the PRC jointly developed by the Company and Swire Properties Limited (太古地產有限公司). The Target PM Co is principally engaged in the provision of property management services to the Chengdu Property. As at the date of the abovementioned master agreements, each of the Offshore JV Co and the Onshore JV Co was a 50%-owned joint venture of the Company and the Target PM Co was a 50%-owned joint venture of Sino-Ocean Service. All of the Aggregated Transaction had been completed as of 22 February 2023, following which the Remaining Group had ceased to have any interest in the Offshore JV Co, the Onshore JV Co and the Target PM Co.

Details of the Aggregated Transaction have been disclosed in the joint announcement of the Company and Sino-Ocean Service dated 15 December 2022, the circular of the Company dated 19 January 2023 and the announcement of the Company dated 22 February 2023.

(c) For the year ended 31 December 2021

Financial Review

Revenue

For the year ended 31 December 2021, the Remaining Group's revenue in 2021 increased by 14% to RMB64,247 million, from RMB56,511 million in 2020. Property development segment remained the largest contributor, which accounted for about 86% of total revenue. During 2021, the revenue from property development contributed by the Beijing, Bohai Rim, Eastern, Southern, Central and Western Region were 19%, 15%, 22%, 21%, 17% and 6%, respectively.

In 2021, revenue from property investment decreased by 17% to RMB410 million (2020: RMB494 million), which was mainly due to the implementation of mid to light asset mode for the Remaining Group's investment properties. As at 31 December 2021, the Remaining Group held more than 23 operating investment properties. Our investment properties are mainly A-grade office premises, shopping malls, commercial complexes and logistics projects at good locations.

Property management and related services includes (i) property management and commercial operational services; (ii) community value-added services; and (iii) value-added services to non-property owners. For the year ended 31 December 2021, the Remaining Group's revenue from property management and related services recorded RMB2,530 million, an increase of 44% from RMB1,763 million in 2020, which was mainly due to the synergy with the principal business and improvement in operating capacity.

The revenue of other real estate businesses was RMB6,177 million. The increase in revenue of other real estate businesses was mainly contributed by the higher contribution from whole-industrial chain construction services, internet data center and senior living services.

Cost of sales

In line with the increase in the revenue of property development, the Remaining Group's total cost for the year increased to RMB52,989 million accordingly (2020: RMB46,053 million). The Remaining Group's total cost of sales was mainly the cost of property development, which mainly consisted of land cost and construction cost.

Excluding carparks, average land cost per sq.m. of property development business in 2021 increased to approximately RMB8,300 compared to RMB6,200 in 2020. The increase was mainly due to more projects located in tier-one and core tier-two cities, which have higher land cost, were delivered in 2021. Average construction cost per sq.m. (excluding carparks) for property development business increased by 9% to approximately RMB5,900 for the year, compared to RMB5,400 in 2020. The increase in average construction cost was mainly because more villa and tier-one projects with higher construction cost were delivered during 2021.

Gross profit

Gross profit for the year was RMB11,258 million, representing an increase of 8% compared to that of 2020. Gross profit margin decreased to 18% in 2021 (2020: 19%).

Interest and other income and other gains/(losses) (net)

Interest and other income decreased by 9% to RMB2,177 million in 2021, compared to RMB2,394 million in 2020. The decrease was mainly attributable to the decrease in entrusted loan interest income due to the decline in the weighted average entrusted loan balance and interest rate during the year of 2021.

The Remaining Group recorded other gains (net) of RMB76 million in 2021 (2020: other losses (net) of RMB1,018 million). Other gains (net) were mainly comprised of net effect of net exchange gains, fair value losses of financial assets and financial liabilities at fair value through profit or loss and gains on disposal of subsidiaries during the year.

Revaluation of investment properties

As the leasing market was still in the recovery phase, the Remaining Group recognized fair value losses on its investment properties (before tax and non-controlling interests) of RMB64 million for 2021 (2020: RMB156 million).

Operating expenses

Selling and marketing expenses for 2021 was RMB1,665 million (2020: RMB1,293 million), which was increased by 29% as compared to 2020. The increase was mainly driven by i) the increase of marketing activities so as to cope with the sluggish market; ii) the increase in the number of pre-sale projects; and iii) the relaxation of restriction of marketing activities due to the novel coronavirus pandemic in 2021. These costs accounted for approximately 1.2% of the total contracted sales amount for 2021 (2020: 1.0%). The Remaining Group put more resources in its sales and marketing activities in 2021, to aim for better recognition of the Remaining Group's pursuance of quality of residential property development, investment property development and operation, property services and whole-industrial chain construction services and ultimately turn into higher revenue in the future.

Under the Remaining Group's strict cost control policy, administrative expenses incurred for 2021 increased to RMB1,955 million (2020: RMB1,816 million), representing 3.0% of the total revenue for 2021 (2020: 3.2%). The Remaining Group will continue to adopt strict cost control measures to maintain these costs at a relatively stable and lower level.

Finance costs

Our weighted average interest rate decreased from 5.10% for the year of 2020 to 4.96% for the year of 2021. As we obtained lower cost of financing during the year, the total interest expenses paid or accrued decreased to RMB4,639 million in 2021 (2020: RMB4,832 million), of which RMB2,239 million (2020: RMB2,111 million) was not capitalized and charged through consolidated income statement during the year.

Taxation

The aggregate of enterprise income tax and deferred tax slightly increased to RMB2,684 million in 2021 (2020: RMB2,550 million), reflecting an effective tax rate of 35% (2020: 35%), maintained at same level as 2020. In addition, land appreciation tax in 2021 decreased to RMB2,022 million (2020: RMB2,817 million). The decrease was mainly due to lower applicable tax rate was applied during 2021.

Profit attributable to owners of the Remaining Group

Profit attributable to owners of the Remaining Group increased to RMB2,623 million for the year of 2021, as compared to RMB514 million in 2020, the increase was mainly due to the net input of the above changes.

Financial resources and liquidity

During 2021, the Remaining Group continued to refine our funding structure, liquidity and credit policies to minimize its risk exposure under the everchanging financial market and global economic environment. With overwhelming support from investors, the Remaining Group successfully issued guaranteed green notes of total USD720 million, corporate bonds of RMB4,550 million, private placement note of RMB6,000 million and commercial mortgage-backed note of RMB3,201 million in 2021. We are committed to managing the borrowings at an appropriate level, the borrowings increased from RMB82,204 million at the end of 2020 to RMB92,224 million as at the year end of 2021, of which 58% of the borrowings were denominated in Renminbi. The remaining borrowings were denominated in other currencies, such as HKD and USD. Approximately 65% of the borrowings were made at fixed interest rate.

As at 31 December 2021, the Remaining Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB27,079 million, of which 89% (31 December 2020: 92%) of the Remaining Group's cash resources were denominated in Renminbi with the remaining balances denominated in other currencies. The current ratio was 1.68 times (31 December 2020: 1.50 times).

As at 31 December 2021, the Remaining Group's net gearing ratio (i.e. total borrowings less total cash resources divided by total equity) was approximately 88% (31 December 2020: 57%). The increase in the net gearing ratio was mainly due to extreme factors such as the tightening of the overall financing regulatory policies in the real estate market and the excessive curtailing of bank mortgage loans, resulting in relative slower cash collection in the second half of 2021, furthermore, in response to extreme industry risks, we increased the drawdown of development loans to secure financial healthiness afterwards. Thanks to the trust of onshore and offshore financial institutions, the Remaining Group has ample onshore and offshore financing channels. The unutilized credit facilities was approximately RMB232,230 million as at 31 December 2021.

The maturities of the Remaining Group's total borrowings are set out as follows:

(RMB million)	As at 31 December 2021	As a percentage of total borrowing	As at 31 December 2020	As a percentage of total borrowing
Within 1 year	18,668	20%	25,934	32%
1 to 2 years	17,354	19%	17,459	21%
2 to 5 years	46,077	50%	27,005	33%
Over 5 years	10,125	11%	11,806	14%
Total	92,224	100%	82,204	100%

Financial guarantees and charge on assets

As at 31 December 2021, the value of the guarantees provided by the Remaining Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB15,826 million (2020: RMB9,800 million).

In 2021, the Remaining Group had pledged some of plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties and equity interest to secure short-term borrowings (including the current portion of long-term borrowings) of RMB2,029 million (2020: RMB4,724 million) and long-term borrowings of RMB15,167 million (2020: RMB4,485 million). As at 31 December 2021, total pledged assets accounted for approximately 7% of the total assets of the Remaining Group (2020: 5%).

Capital commitments

The Remaining Group entered into certain agreements in respect of land acquisition, property development. As at 31 December 2021, the Remaining Group had a total capital commitment of RMB15,632 million (2020: RMB13,063 million).

Contingent liabilities

As at 31 December 2021, the value of the guarantees provided by the Remaining Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB15,826 million (2020: RMB9,800 million).

As at 31 December 2021, the Remaining Group provided guarantees amounted to approximately RMB2,013 million for borrowings of joint ventures and third party (31 December 2020: RMB3,308 million).

Foreign exchange exposure

As at 31 December 2021, approximately 42% of the Remaining Group's total borrowings were denominated in USD and HKD. As a result, the Remaining Group had a net currency exposure to fluctuation in foreign exchange rates. As non-Renminbi currency borrowings are subject to fluctuations of exchange rates, the Remaining Group is careful in having borrowings in non-Renminbi currencies and has entered into certain forward contracts so as to hedge against the potential exchange loss in future years. The Remaining Group has never engaged in the dealing of any financial derivative instruments for speculative purpose. In view of the potential RMB exchange rate fluctuations, the Remaining Group will continuously consider appropriate measures including matching non-Renminbi borrowings with corresponding non-Renminbi assets and arranging appropriate level of hedging instruments.

Employees

As at 31 December 2021, the Remaining Group had 14,890 employees (31 December 2020: 13,201 employees). The increase in the number of employees was mainly due to the service-related businesses expansion, such as property management services, senior living services, hotel services and etc.

Share option schemes

On 6 August 2018, the Shareholders approved the 2018 Option Scheme, which is valid and effective for a period of 10 years until 5 August 2028, unless it is terminated early in accordance with the provisions of the 2018 Option Scheme.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

- *Cooperation in relation to investment in property development company*

On 18 July 2021, SOG China entered into a cooperation framework agreement in relation to the indirect investment in Chongqing Hongxing Macalline Enterprise Development Co., Ltd.* (重慶紅星美凱龍企業發展有限公司) ("**Chongqing Hongxing Macalline**") by the Remaining Group through a joint venture. The maximum amount of capital contribution to be made by the Remaining Group to the joint venture pursuant to the cooperation framework agreement is RMB2 billion. Chongqing Hongxing Macalline and its subsidiaries are principally engaged in the development of real estate projects and related business in the PRC.

Details of the cooperation in relation to the Remaining Group's investment in Chongqing Hongxing Macalline have been disclosed in the announcements of the Company dated 18 July 2021 and 22 July 2021.

- *Disposal of property holding companies and investment in a limited partnership*

On 13 October 2021, Fast Fame Capital Investment Limited (迅榮創富有限公司) (a wholly-owned subsidiary of the Company) and SOG China as sellers entered into a sale and purchase agreement with Jade Fortune Global Limited (翠運環球有限公司) and Beijing Yuanrui Enterprise Management Consulting Co., Ltd.* (北京遠睿企業管理諮詢有限公司) (both of which are portfolio companies wholly owned by Sino-Ocean Prime Office Partners I LP (the "**Partnership**") as purchasers for the sale and purchase of (a) the entire issued share capital of Super Goal Development Limited (崇高發展有限公司) (the "**Z6 Target Company**") (which in turn holds 99.9% of the equity interests in Beijing Skyriver CBD Property Co., Ltd.* (北京天江通睿置業有限公司) (the "**Z6 Project Company**"); and (b) the remaining 0.1% of the equity interests in the Z6 Project Company. The Z6 Project Company is the sole owner of the land located at Plot Z6, the Core area of the Central Business District, East Third Ring Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區東三環商務中心區(CBD)核心區Z6地塊) on which a grade-A office building (the "**Z6 Property**") is being constructed. The consideration comprises an offshore tranche and an onshore tranche and the total consideration is estimated to be approximately RMB6,414.55 million. Upon completion of the sale and purchase of the entire of the issued share capital of the Z6 Target Company, the Z6 Target Company and the Z6 Project Company ceased to be subsidiaries of the Company, and the financial results of the Z6 Target Company and the Z6 Project Company were no longer consolidated into the accounts of the Remaining Group.

On the same day, New Shine Global Limited (新耀環球有限公司) (an indirect wholly-owned subsidiary of the Company) also executed a subscription agreement, pursuant to which it shall contribute a maximum of USD400 million to the Partnership as a sponsor limited partner. Three other external limited partners, all being global sovereign wealth fund(s) or government affiliated institutional investor(s), shall also contribute USD400 million, USD400 million and USD200 million to the Partnership, respectively. The Partnership primarily invests in prime office projects located in downtown locations in Beijing, the PRC, including the Z6 Property (excluding the part that is to be sold to a third party which is a member of a well-known international banking and financial services organization) and a grade-A office complex known as Ocean Office Park (遠洋光華國際) located on a land parcel at No. 10–12, Jin Tong West Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區金桐西路10–12號) and No. 5, Jing Hua South Street, Chaoyang District, Beijing, the PRC (中國北京市朝陽區景華南街5號). The Remaining Group's investment in the Partnership has been accounted for as a joint venture in the Remaining Group's financial statements upon completion.

Details of the disposal of the Z6 Target Company and the Z6 Project Company, as well as the Remaining Group's investment in the Partnership have been disclosed in the announcements of the Company dated 13 October 2021 and 10 December 2021 and the circular of the Company dated 24 November 2021.

- *Subscription of shares in logistics property company*

On 19 November 2021, Jovial Step International Limited (樂階國際有限公司) ("**Jovial Step**") (an indirect wholly-owned subsidiary of the Company) entered into a subscription agreement with Sino-Ocean Logistics Property Holding Limited (遠洋物流地產控股有限公司) (the "**Target Logistics Company**") and Ocean Thrive Global Limited (海昌環球有限公司), pursuant to which Jovial Step agreed to subscribe for, and the Target Logistics Company agreed to allot and issue, certain subscription shares at the aggregate subscription price of RMB780 million. The subscription shares represent 30% of the enlarged issued share capital of the Target Logistics Company upon completion. The Target Logistics Company and its subsidiaries are primarily engaged in logistics real estate investment, and construction and asset management of logistics real estate. The Target Logistics Company has been accounted for as a joint venture in the consolidated financial statements of the Company upon completion.

Details of the Remaining Group's investment in the Target Logistics Company have been disclosed in the announcement of the Company dated 19 November 2021.

- *Subscription of shares in a non-wholly owned subsidiary*

On 29 December 2021, Big Profit Creation Limited (巨利創建有限公司) ("**Big Profit**") (an indirect wholly-owned subsidiary of the Company) entered into a subscription agreement with Sino-Ocean Yuntai Data Technology Co., Limited (遠洋雲泰數據科技有限公司) (the "**Target IDC Company**") (an indirect non-wholly owned subsidiary of the Company), pursuant to which Big Profit agreed to subscribe for, and the Target IDC Company agreed to issue and sell, certain subscription shares at the aggregate subscription price of the US dollars equivalent of RMB1,023,829,000. The subscription shares represent approximately 24.83% of the enlarged issued share capital of the Target IDC Company upon closing. The Target IDC Company and its subsidiaries are primarily engaged in internet data centers operation and internet data center-integrated solutions provision in the PRC. Its operation and financial is insignificant to the Remaining Group as of 31 December 2021, and the Remaining Group has consolidated its results through certain arrangement according to ordinary, usual agreements and relevant regulations. Upon completion, the Remaining Group's shareholding in the Target IDC Company was increased from approximately 34.72% to approximately 50.92% and the Target IDC Company continues to be an indirect non-wholly owned subsidiary of the Company.

Details of the Remaining Group's investment in the Target IDC Company have been disclosed in the announcement of the Company dated 29 December 2021.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the Property as at 30 April 2024.

CUSHMAN & WAKEFIELD
戴德梁行

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

25 June 2024

The Directors
Sino-Ocean Group Holding Limited
Suite 601, One Pacific Place
88 Queensway
Hong Kong

Dear Sirs,

RE: A DEVELOPMENT SITE FOR A PROPOSED DEVELOPMENT TO BE KNOWN AS INDIGO II, TUOFANGYING VILLAGE, JIANGTAI TOWN, CHAOYANG DISTRICT, BEIJING, THE PEOPLE'S REPUBLIC OF CHINA

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions of Sino-Ocean Group Holding Limited (遠洋集團控股有限公司) (the "**Company**") for us to value the captioned property (the "**Property**") in the People's Republic of China (the "**PRC**") (as more particularly described in the attached valuation report) in which the Company and/or its subsidiaries (together referred to as the "**Group**") have interests, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 April 2024 (the "**Valuation Date**").

VALUATION BASIS

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation of the Property is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

We confirm that we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of The Hong Kong Limited and The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors.

In the course of our valuation of the Property, we have relied on the information and advice given by the Company and the Company's PRC legal adviser (the "**Legal Adviser**"), Jincheng Tongda & Neal Law Firm, regarding the titles to the Property and the interests of the Company in the Property in the PRC. Unless otherwise stated in the legal opinion provided for the Property in the PRC, in valuing the Property, we have assumed that the Company has an enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the respective unexpired land use term as granted.

The status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

METHOD OF VALUATION

The Property is currently under construction and we have valued on the basis that the Property is to be developed and completed in accordance with the Company's latest development proposal provided to us. We have firstly assessed the development value as if completed of each constituent portion of the Property. The development value as if completed represents our opinion of the aggregate value of each constituent portion of the development assuming it would have been completed at the Valuation Date. In arriving at the final value of the Property, we have also taken into account the development costs incurred and the costs that will be incurred to complete the development.

Market Comparison Method is a method of valuation based on comparing the property to be assessed directly with other comparable properties which recently changed hands. However, this method has limitation for application especially in the event that relevant property transactions are few and the nature of properties are not uniform. Due to scarcity of transactions of properties under construction or en-bloc completed properties, Market Comparison Method is not used. In assessing the development value as if completed of the retail and office portions of the Property, we have used Investment Method which is capitalising the market rent of each constituent portion of the Property at an appropriate capitalisation rate.

When using Investment Method, we have mainly made reference to lettings of other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, trade mix, size, time and other relevant factors.

The capitalisation rates adopted in our valuation are based on our analyses of the yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the property type, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

We have valued the development value as if completed of the hotel portion of the Property by Discounted Cash Flow ("**DCF**") Method. DCF Method is to discount future net cash flow after operation-related and property-related capital taxes (i.e. net operating income) of the Property for a certain forecast period and the anticipated net operating income receivable thereafter being capitalised at an appropriate terminal capitalisation rate until the end of the respective unexpired land use term to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. We have prepared the cash flow forecast for 10 years with reference to the current and anticipated market conditions.

The discount rate adopted in DCF Method reflects the rate of return required by a third party investor for an investment of similar use type. In determining the discount rate which reflects the inherent risks associated with investment in the Property, we take into consideration compensation for risks inherent in future cash flows, inflation, revenue growth, our understanding of the return expected by investors for similar properties as well as the level of discount rates used in valuations of similar types of properties. The discount rate adopted is reasonable and in line with the market norm having regard to the relevant analyses.

In determining the terminal capitalisation rate for assessing the terminal value, we have had due regard, among other things, to (i) our analyses of known sales transactions of properties of similar use types, or (ii) where transactions of properties of similar use types are not available, the discount rate we have adopted, our forecasted change in revenue over the 10-year forecast period, and the duration of the remaining land use term of the Property. The terminal capitalisation rate adopted is reasonable and in line with the market norm having regard to the relevant analyses.

For properties with specific nature and lack of sales transactions of the same characteristics in the vicinity, Cost Approach may be employed. Cost Approach is to provide an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. However, considering the Property's income-generating potential and alignment with the general market practice, we considered such method is not appropriate.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, development proposal, development time schedule, development costs, site and floor areas, site and floor plans, number of guest rooms and parking spaces, facilities, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Company with copies of documents in relation to the current title to the Property. However, we have not been able to conduct searches to verify the ownership of the Property and we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Property in the PRC and we have therefore relied on the advice given by the Company and the PRC legal opinion.

SITE INSPECTION

Our Assistant Manager of Beijing Office, Gavin Guan, inspected the exterior, and where possible, the interior of the Property on 11 January 2024. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary sums stated in our valuation is in Renminbi ("**RMB**") which is the official currency of the PRC.

OTHER DISCLOSURE

We hereby confirm that Cushman & Wakefield Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

INTENDED USE OF REPORT

This valuation report is issued for the use of the Company for regulatory disclosure purpose.

We attach herewith our valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MHKIS, MRICS, RPS (GP)
Senior Director
Valuation & Advisory Services, Greater China

Notes:

(1) Ms. Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

(2) * *Company name in English translation for identification only.*

VALUATION REPORT

Property held by the Company under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2024
A development site for a proposed development to be known as INDIGO II, Tuofangying Village, Jiangtai Town, Chaoyang District, Beijing, the PRC	The Property comprises a site of 78,298.68 sq.m. for a proposed mixed-use development to be known as INDIGO II. As advised by the Company, the development will comprise seven 16-storey office buildings, a 4-storey retail podium, an 18-storey hotel providing 318 rooms and a total of 1,821 car parking spaces. Details of the planned gross floor areas as follows:	As at the Valuation Date, the Property was under construction and estimated to complete in phases, mostly in 2025 to 2026, the latest in 2027.	RMB12,168,000,000 (RENMINBI TWELVE BILLION ONE HUNDRED AND SIXTY EIGHT MILLION) (64.79% interest attributable to the Company: RMB7,883,647,200)

Use	Planned Gross Floor Area (sq.m.)
Office	280,972.02
Commercial	82,646.62
Hotel	32,218.78
Storage	7,966.98
Car parks (Non-civil defence)	58,016.95
Others	102,895.58
Total	564,716.93

The land use rights of the Property have been granted for terms of 40 years due to expire on 8 July 2060 for commercial uses, and 50 years due to expire on 8 July 2070 for office, underground storage and underground parking uses.

The Property is situated in Chaoyang District. The immediate neighbourhood is mainly dominated by commercial developments and industrial parks. Upon its completion, it is expected to connect with Metro Line No. 14 directly. The Property is approximately 15-minute drive to Beijing's central business district and 30-minute drive to Beijing Capital International Airport.

Notes:

(1) According to two Real Estate Title Certificates issued by 北京市規劃和自然資源委員會 (Beijing Planning and Natural Resources Committee) (the "**Grantor**"), the land use rights of the Property have been vested in 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) (the "**Grantee**") with details as follows:

Certificate No.	**Land Use Term Expiry Date**	**Site Area** *(sq.m.)*
(2020)0055444	Underground storage: 8 July 2070 Underground parking: 8 July 2070 Office: 8 July 2070 Commercial: 8 July 2060	44,298.68
(2020)0055443	Underground storage: 8 July 2070 Underground parking: 8 July 2070 Office: 8 July 2070 Commercial: 8 July 2060	34,000.00
	Total:	**78,298.68**

It is worth noting the following covenants:

(a) The sites serve as green belts from the neighbouring park.

(b) The sites must be used for developing real estate property for self-sustainable operation.

(c) The holder of the real estate title must hold and operate the real estate property and must not transfer or dispose of the real estate property or the equity interest, or modify the planned land uses without prior permission of the Grantor. Any breach of the above may render the Grantee to re-enter the sites and take possession of the land use rights.

(d) Upon expiry of the land use terms, the land use rights will be reverted to the central government.

(2) According to two Grant Contracts of State-owned Land Use Rights and their Supplementary Agreements dated 9 July 2020, the land use rights of the property have been contracted to be granted to 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) with salient details as follows:

Contract Number	:	Jing Di Chu (He) (2020) 0081 (Land Plot 2) Jing Di Chu (He) (2020) 0082 (Land Plot 1)
Land Use	:	Commercial, office, underground parking, underground storage (serve as green belt)
Site Area	:	34,000 sq.m. (Land Plot 2) 44,298.68 sq.m. (Land Plot 1) 78,298.68 sq.m. (total)
Land Use Term	:	40 years for commercial (serve as green belt) 50 years for office, underground parking and underground storage (serve as green belt)

Permissible Gross Floor Area	:	254,500 sq.m. (Land Plot 2) 310,216.93 sq.m. (Land Plot 1) 564,716.93 sq.m. (total)
Land Premium	:	RMB780,465,070 (Land Plot 2) RMB1,061,654,377 (Land Plot 1) RMB1,842,119,447 (total)
Alienation Restriction	:	The holder of the real estate title must hold and operate the real estate property and must not transfer or dispose of the real estate property or the equity interest, or modify the planned land uses without prior permission of the Grantor. Any breach of the above may render the Grantee to re-enter the sites and take possession of the land use rights.

(3) According to four Planning Permits for Construction Works issued by 北京市規劃和自然資源委員會 (Beijing Planning and Natural Resources Committee), the construction works of the development are in compliance with the construction works requirements and have been approved with details as follows:

No.	**Permit No.**	**Issue Date**	**Planned Gross Floor Area** *(sq.m.)*
1	(2021)0041	30 December 2021	137,994.67
2	(2021)0042	30 December 2021	123,693.86
3	(2021)0043	30 December 2021	162,677.90
4	(2021)0044	30 December 2021	140,350.50
		Total:	**564,716.93**

(4) According to four Commencement Permits for Construction Works issued by 北京市朝陽區住房和城鄉建設委員會 (Beijing Chaoyang District Housing and Urban and Rural Development Committee), the construction works of the development are in compliance with the requirements for works commencement and have been permitted with details as follows:

No.	**Permit No.**	**Issue Date**	**Planned Gross Floor Area** *(sq.m.)*
1	(2020)0490	9 September 2020	121,840.00
2	(2020)0493	9 September 2020	132,660.00
3	(2020)0494	9 September 2020	113,618.45
4	(2020)0491	9 September 2020	196,598.48
		Total:	**564,716.93**

(5) As advised by the Company, upon completion of the development, a total gross floor area of 20,000 sq.m. will be delivered to the local township government upon its request subject to compensation.

(6) As advised by the Company, the incurred construction cost as at the Valuation Date was approximately RMB2,129,000,000. The estimated outstanding construction cost to complete the development as at the Valuation Date was approximately RMB5,980,000,000. In the course of our valuation, we have taken into account such costs.

(7) The development value of the Property as if completed as at the Valuation Date was RMB21,427,000,000 (exclusive of value-added tax).

(8) The reconciliation between development value as if completed and market value in existing state:

		RMB
Development value as if completed	(a)	21,427,000,000
Adjustments made below:		
Estimated total construction cost		8,109,000,000
Expended construction cost as at the Valuation Date		2,129,000,000
Allowance for outstanding construction cost	(b)	5,980,000,000
Allowance for administrative and profession fees	(c)	359,000,000
Allowance for interest cost	(d)	1,396,000,000
Allowance for developer's profit and risk to further complete the development	(e)	1,524,000,000
Market value in existing state (a) – (b) – (c) – (d) – (e)		12,168,000,000

(9) According to Business Licence No. 911101053484670581 dated 17 January 2022, 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) (the "**Project Company**") was established on 8 July 2015 as a limited company with a registered capital of RMB9,500,000,000 for a valid operating period from 12 January 2021 to 11 January 2051.

As advised by the Company, the shareholders of 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) are 緻港有限公司 (Shiny Harbour Limited) which holds 35% of the equity of the Project Company, 北京穎煜企業管理諮詢有限公司 (Beijing Yingyu Enterprise Management Consulting Co., Ltd.) which holds 35% of the equity of the Project Company, 天津頤港通企業管理有限公司 (Tianjin Yigangtong Enterprise Management Co., Ltd.) which holds 29.7866% of the equity of the Project Company, and 北京星泰泓信資產管理有限公司 (Beijing Xingtai Hongxin Asset Management Co., Ltd.) which holds 0.2134% of the equity of the Project Company.

(10) We have been provided with a legal opinion issued by the Company's Legal Adviser, which contains, *inter alia*, the following information:

(a) Shareholders of 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) are 緻港有限公司(Shiny Harbour Limited), holding 35% of the equity of the Project Company, 北京穎煜企業管理諮詢有限公司 (Beijing Yingyu Enterprise Management Consulting Co., Ltd.) holding 35% of the equity of the Project Company, 天津頤港通企業管理有限公司 (Tianjin Yigangtong Enterprise Management Co., Ltd.) holding 29.7866% of the equity of the Project Company, and 北京星泰泓信資產管理有限公司 (Beijing Xingtai Hongxin Asset Management Co., Ltd.) holding 0.2134% of the equity of the Project Company;

(b) The holder of the real estate title must hold and operate the real estate property and must not transfer or dispose of the real estate property or the equity interest, or modify the planned land uses without prior permission of the Grantor. Any breach of the above may render the Grantee to re-enter the sites and take possession of the land use rights;

(c) 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) has legally obtained and is the legal owner of the land use rights of the Property;

(d) 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) has obtained all approvals and permissions for obtaining the land use rights of the Property;

(e) 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) has fully settled the land premium;

(f) 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) is entitled to legally occupy, use and lease the land use rights of the Property;

(g) The sites serve as green belts; and

(h) The Property is subject to a legal charge for a term loan commencing on 26 January 2021 and expiring on 25 January 2041.

(11) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the opinion of the PRC Legal Adviser:

Real Estate Title Certificate	Yes
Grant Contract of State-owned Land Use Rights and Supplementary Agreement	Yes
Planning Permit for Construction Works	Yes
Commencement Permit for Construction Works	Yes
Business Licence	Yes

(12) We have identified relevant rental comparables in the nearby developments. Comparable properties are selected based on the following criteria: (i) comparable properties are located in Beijing; (ii) comparable properties were transacted within the past 12 months; and (iii) the type of the comparable properties is similar to the Property (retail/office properties).

Retail

We have identified four relevant retail rental comparables; the unit rents of these comparable properties range from about RMB540 per sq.m. per month to RMB730 per sq.m. per month.

The rental comparables details are listed below:

No.	**Retail Rental Comparable**	**Location**	**Leased Area** *(sq.m.)*	**Asking Unit Rent** *(RMB/sq.m./month)*
1	Wanke Times Centre — Wangjing	Beijing	35	543
2	Jiajingtiancheng	Beijing	300	536
3	Wangjing International Commercial Centre	Beijing	33	727
4	Baoxinghuating	Beijing	89	540

In arriving at the key assumptions, appropriate adjustments and analysis are considered to reflect the differences in several aspects including but not limited to location, size, quality, other physical characteristics between the Property and the comparable properties. The general basis of adjustment is that if the Property is better than the comparable properties, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

The adjustments made to arrive at our valuation include but not limited to:

Adjustment	**Range**
Nature	–2%
Location & Accessibility	+13% to +19%
Quality	+10% to +20%
Market Position & Customer Base	+11% to +19%
Theme	+15% to +20%
Quantum	–5% to 0%

In terms of nature, as all the comparables are asking rents, downward adjustments are applied.

All the comparables are upward adjusted due to the inferior location and accessibility compared to the Property.

In terms of quality, market position and customer base, and theme, the Property is better than all comparables, thus upward adjustments are applied.

Comparable 2 has similar size as the typical units of the Property, thus no adjustment is needed while Comparables 1, 3 and 4 are smaller than the typical units of the Property, downward adjustments are applied.

We have assigned equal weighting to the four comparables after due adjustments. The average unit market rent of the retail portion is RMB609 per sq.m. per month.

Office

We have identified four relevant office rental comparables; the unit rents of these comparable properties range from about RMB320 per sq.m. per month to RMB430 per sq.m. per month.

The rental comparables details are listed below:

No.	**Office Rental Comparable**	**Location**	**Leased Area** *(sq.m.)*	**Asking Unit Rent** *(RMB/sq.m./ month)*
1	Jinfai Building	Beijing	436	319
2	China Life Financial Centre	Beijing	6,600	375
3	Air China Group Tower	Beijing	1,500	360
4	CITIC Tower	Beijing	2,000	432

In arriving at the key assumptions, appropriate adjustments and analysis are considered to reflect the differences in several aspects including but not limited to location, size, floor, quality and other physical characteristics between the Property and the comparable properties. The general basis of adjustment is that if the Property is better than the comparable properties, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

The adjustments made to arrive at our valuation include but not limited to:

Adjustment	**Range**
Nature	–2%
Location & Accessibility	–12% to –1%
Age & Quality	+8% to +9%
Quantum	–2% to +10%
Floor	–2% to +2%

In terms of nature, as all the comparables are asking rents, downward adjustments are applied.

All the comparables are downward adjusted due to the superior location and accessibility compared to the Property.

The Property has superior quality and younger building age than all the comparables, thus upward adjustments are applied.

Comparable 1 is downward adjusted due to smaller in size compared to the typical units of the Property and Comparables 2, 3 and 4 are upward adjusted due to larger in size compared to the typical units of the Property.

Downward floor adjustment is applied to Comparable 3 as it is in high zone. Upward floor adjustment is applied to Comparable 2 as it is in low zone. No adjustment is made to Comparables 1 and 4 as they are in middle zone.

We have assigned equal weighting to the four comparables after due adjustments. The average unit market rent of the office portion is RMB365 per sq.m. per month.

Based on our independent adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rents of the Property are fair and reasonable.

(13) The development value as if completed of the hotel portion arrived by DCF Method is RMB1,169,000,000. We have made reference to the prevailing average daily room rate and occupancy rate of hotels in Beijing in the range of RMB1,330 to RMB1,680 per night and 40% to 60% subject to the scale and operation of the hotel.

The adopted discount rate and terminal capitalisation rate are 9.00% and 6.00% respectively when valuing the development value as if completed of the hotel portion of the Property. The adopted average daily room rate and the occupancy rate in year 1 of the cashflow analysis of the said portion are approximately RMB1,100 per night and 50% respectively.

(14) The development values as if completed of the retail, office and car parking space portions arrived by Investment Method are RMB4,132,000,000, RMB15,632,000,000 and RMB494,000,000 respectively. We have capitalised the adopted market rents as described in Note (12) at appropriate capitalisation rates.

In the course of our valuation, we have adopted capitalisation rates of 6.00% and 6.25% in valuing the development value as if completed of the retail and office portions of the Property respectively, having regard to analysis of the rates of return of relevant market segment which indicate yields ranging mostly from 5.70% to 6.40% for retail premises and 6.20% to 6.50% for office premises respectively, with due allowance for rental incentives at the beginning of the rental operation of the Property.

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 executives in the Company and its associated corporation(s)

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives 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 (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares and the underlying Shares

Name of Directors	Capacity/nature of interest	No. of Shares held (long position)	No. of underlying Shares comprised in share options of the Company *(Note i)*	Total	Approximate percentage in the Company's total issued share capital *(Note iv)*
Mr. LI Ming	Founder of discretionary trust	127,951,178 *(Note ii)*	—	127,951,178	1.680%
	Beneficiary of trust	14,914,200 *(Note iii)*	—	14,914,200	0.196%
	Beneficial owner	65,445,000	—	65,445,000	0.859%
Mr. WANG Honghui	Beneficial owner	273,295	—	273,295	0.004%
Mr. CUI Hongjie	Beneficial owner	369,571	—	369,571	0.005%
Ms. CHAI Juan	—	—	—	—	—
Mr. ZHAO Peng	—	—	—	—	—
Mr. ZHANG Zhongdang	—	—	—	—	—
Mr. YU Zhiqiang	—	—	—	—	—
Mr. SUN Jinfeng	—	—	—	—	—
Mr. HAN Xiaojing	Beneficial owner	460,000	600,000	1,060,000	0.014%
Mr. JIN Qingjun	Beneficial owner	120,000	600,000	720,000	0.009%
Mr. LYU Hongbin	—	—	—	—	—
Mr. LIU Jingwei	—	—	—	—	—
Mr. JIANG Qi	—	—	—	—	—

Notes:

(i) The share options were granted pursuant to the 2018 option scheme of the Company, details of which are set out in the section headed "SHARE OPTION SCHEME OF THE COMPANY" in the 2023 annual report of the Company published on 26 April 2024.

(ii) The 127,951,178 Shares are held by a discretionary trust of which Mr. LI Ming is the founder.

(iii) The 14,914,200 Shares are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.

(iv) Calculated based on the Company's total number of issued Shares of 7,616,095,657 Shares as at the Latest Practicable Date.

(ii) Long position in the shares of associated corporation(s) of the Company

Name of Director	**Name of associated corporation**	**Capacity/nature of interest**	**No. of ordinary shares of associated corporation held (long position)**	**Approximate percentage of total issued share capital of associated corporation** *(Note)*
Mr. WANG Honghui	Gemini Investments (Holdings) Limited	Beneficial owner	132,000	0.021%

Note: Calculated based on Gemini Investments (Holdings) Limited's total number of issued ordinary shares of 635,570,000 shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Interests of the substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO, the persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholders	**Capacity/nature of interest**	**Long/short position**	**No. of Shares held**	**Approximate percentage in the Company's total issued share capital** *(Note iii)*
China Life Insurance (Group) Company ("**China Life Group**") *(Note i)*	Interest of controlled corporation	Long	2,253,459,151	29.59%
Dajia Insurance Group Co., Ltd.* (大家保險集團有限責任公司) ("**Dajia Insurance Group**") *(Note ii)*	Interest of controlled corporation	Long	2,252,646,115	29.58%

Notes:

(i) The 2,253,459,151 Shares were registered in the name of, and beneficially owned by, China Life Insurance. China Life Group was interested in 68.37% of China Life Insurance. China Life Group was deemed to be interested in these Shares by virtue of the SFO.

(ii) The 2,252,646,115 Shares were registered in the name of, and beneficially owned by, Dajia Life Insurance. Dajia Insurance Group was interested in 99.98% of Dajia Life Insurance. Dajia Insurance Group was deemed to be interested in these Shares by virtue of the SFO.

(iii) Calculated based on the Company's total number of issued Shares of 7,616,095,657 Shares as at the Latest Practicable Date.

(iv) As at the Latest Practicable Date, the following Director was a director and/or an employee of the aforementioned Shareholder(s):

Name of Director	**Position(s) held**
Mr. ZHAO Peng	An assistant general manager and board secretary of Dajia Insurance Group

Save as disclosed herein, 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 or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under 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' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had entered or proposed to enter into a service contract with any member of the Group which was not determinable by the employer within one year without payment of any compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group, and none of the Directors was directly or indirectly interested in any assets which have been, since 31 December 2023 (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 (or were proposed to be acquired or disposed of by or leased to) any member of the Group.

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

5. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given advice, letter or opinion for incorporation and as contained in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants
Halcyon Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Cushman & Wakefield Limited	independent property valuer

As at the Latest Practicable Date, each of the experts identified above had no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts identified above had no direct or indirect interests in any assets which have been, since 31 December 2023 (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.

Each of the experts identified above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

6. LITIGATION

So far as the Directors were aware, as at the Latest Practicable Date, no member of the Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Group) were entered into by members of the Group within the two years immediately preceding the issue of this circular which are or may be material:

(a) a framework agreement dated 12 August 2022 entered into between (i) Ocean Homeplus Property Service Corporation Limited* (遠洋億家物業服務股份有限公司) ("**Ocean Homeplus**") (a wholly-owned subsidiary of Sino-Ocean Service and a non wholly-owned subsidiary of the Company), and (ii) Dalian Sky-Upright Property Limited* (大連正乾置業有限公司) (a wholly-owned subsidiary of the Company) and Sino-Ocean Capital Limited* (遠洋資本有限公司) (collectively, the "**Vendors**") in relation to the acquisition by Ocean Homeplus of 50% equity interests in Tianjin Xihe Supply Chain Services Co., Ltd.* (天津熙合供應鏈服務有限公司) from each of the Vendors, details of which are set out in the joint announcement of the Company and Sino-Ocean Service dated 12 August 2022;

(b) a master agreement dated 15 December 2022 entered into between the Company, Sino-Ocean Service, Neo Origin Limited (穎源有限公司) (the "**Offshore Seller**") (a wholly-owned subsidiary of the Company), Beijing Yingang Real Estate Development Company Limited* (北京銀港房地產開發有限公司) (the "**Onshore Seller**") (a wholly-owned subsidiary of the Company), Beijing Yichi Property Services Company Limited* (北京億馳物業服務有限公司) (the "**PM Seller**") (a wholly-owned subsidiary of Sino-Ocean Service and a non wholly-owned subsidiary of the Company), Swire Properties (Chengdu) Limited (the "**Offshore Purchaser**"), Tianjin Linsong City Facilities Development Company Limited* (天津麟松城市建設開發有限公司) (the "**Onshore Purchaser**") and Beijing Great Well Consultancy Company Limited* (北京浩倡諮詢有限公司) (the "**PM Purchaser**") in relation to the sales and purchases of (i) 15% of the issued shares of Great City China Holdings Limited (乾林中國控股有限公司) (the "**Offshore JV Co**"), together with 30% of the amounts owed by the Offshore JV Co (or any of its subsidiaries) to any member of the Group as at the completion of the sales and purchases pursuant to the master agreement, (ii) 15% equity interest in Chengdu Yingang Real Estate Company Limited* (成都銀港置業有限公司) (the "**Onshore JV Co**"), together with 30% of the amounts owed by the Onshore JV Co (or any of its subsidiaries) to any member of the Group as at the completion of the sales and purchases pursuant to the master agreement and (iii) 15% equity interest in

Chengdu Qianhao Property Services Company Limited* (成都乾豪物業服務有限公司) (the "**Target PM Co**"), details of which are set out in the announcement of the Company dated 15 December 2022 and the circular of the Company dated 19 January 2023;

(c) a master agreement dated 15 December 2022 entered into between the Company, Sino-Ocean Service, the PM Seller and the PM Purchaser in relation to the sale and purchase of 35% equity interest in the Target PM Co, details of which are set out in the announcement of the Company dated 15 December 2022 and the circular of the Company dated 19 January 2023;

(d) a master agreement dated 15 December 2022 entered into between the Company, the Offshore Seller, the Onshore Seller, the Offshore Purchaser and the Onshore Purchaser in relation to the sales and purchases of (i) 35% of the issued shares of the Offshore JV Co, together with all of the amounts owed by the Offshore JV Co (or any of its subsidiaries) to any member of the Group as at the completion of the sales and purchases pursuant to the master agreement and (ii) 35% equity interest in the Onshore JV Co, together with all of the amounts owed by the Onshore JV Co (or any of its subsidiaries) to any member of the Group as at the completion of the sales and purchases pursuant to the master agreement, details of which are set out in the announcement of the Company dated 15 December 2022 and the circular of the Company dated 19 January 2023;

(e) a property right transaction agreement dated 8 February 2023 entered into between Beijing Yuanshengchang Real Estate Development Co., Ltd.* (北京遠盛昌房地產開發有限公司) ("**Beijing Yuanshengchang**") (a wholly-owned subsidiary of the Company) and Shandong Detian Real Estate Co., Ltd.* (山東德天置業有限公司) ("**Shandong Detian**") in relation to the acquisition by Beijing Yuanshengchang from Shandong Detian of (i) the entire equity interests in Shandong Detian Jiaye Real Estate Co., Ltd.* (山東德天嘉業置業有限公司) ("**Shandong Detian Jiaye**") and (ii) a loan owing by Shandong Detian Jiaye to Shandong Detian (inclusive of interest), details of which are set out in the announcement of the Company dated 8 February 2023;

(f) a cooperation agreement dated 29 May 2023 entered into between Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司) ("**SOG China**") (a wholly-owned subsidiary of the Company), Zhongyuan Hotel Property Management Co., Ltd.* (中遠酒店物業管理有限公司) ("**Zhongyuan Hotel PM Co**") (a wholly-owned subsidiary of Sino-Ocean Service and a non wholly-owned subsidiary of the Company) and Beijing Easyhome Furniture Franchise Co., Ltd. (北京居然之家家居連鎖有限公司) ("**Easyhome**") in relation to, among others, (i) the assignment of the right of first refusal with respect to all or part of the equity and debt interests in Beijing Rui Hong Commercial Management Co., Ltd.* (北京睿鴻商業管理有限公司) ("**Beijing Rui Hong**", being the owner of a shopping centre located in Beijing, the PRC known as Ocean We-Life Plaza (Beijing)* (遠洋未來廣場(北京)) (the "**Beijing Property**")) by SOG China to Easyhome (the "**ROFR Assignment**") whereby SOG China shall designate Easyhome as the entity exercising such right of first refusal to purchase the entire equity and debt interests in Beijing Rui Hong from GSUM Real Estate Fund Management Co., Ltd.* (中聯前源不動產基金管理有限公司) (on behalf of GSUM-Sino-Ocean Group No.1 Private Investment Fund* (中聯前源 — 遠洋集團一號私募投資基金), in which all the units are held by an asset-backed special scheme, and associates of the Company are holders of the subordinated class securities issued under the scheme) (the "**Beijing Rui Hong Sale and Purchase**"); (ii) the disposal of 53 parking spaces located at the Beijing Property by Zhongyuan Hotel PM Co to Easyhome (through disposal to Beijing Rui Hong upon completion of the ROFR Assignment and Beijing Rui Hong Sale and Purchase); and (iii) the transfer of the right of use in the civil air defence works and their ancillary facilities with respect to the Beijing Property by Beijing Chaoyang Branch of Sino-Ocean Holding Group (China) Limited* (遠洋控股集團(中國)有限公司北京朝陽分公司), a branch office company of SOG China, to Easyhome (through transfer to Beijing Rui Hong upon completion of the ROFR Assignment and Beijing Rui Hong Sale and Purchase), details of which are set out in the joint announcement of the Company and Sino-Ocean Service dated 29 May 2023;

(g) a parking spaces transfer framework agreement dated 21 July 2023 entered into between SOG China and Ocean Homeplus in relation to the acquisition by Ocean Homeplus and its subsidiaries from SOG China and its subsidiaries of 4,961 parking spaces in the PRC, details of which are set out in the joint announcement of the Company and Sino-Ocean Service dated 21 July 2023;

(h) a commercial properties transfer framework agreement dated 21 July 2023 entered into between SOG China and Ocean Homeplus in relation to the acquisition by Ocean Homeplus and its subsidiaries from SOG China and its subsidiaries of 168 commercial properties (with a total GFA of approximately 12,901 sq.m. in aggregate) in the PRC, details of which are set out in the joint announcement of the Company and Sino-Ocean Service dated 21 July 2023;

(i) the Sale and Purchase Agreement; and

(j) the Purchaser 2 Agreement.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection on the websites of the Company (www.sinooceangroup.com) and the Stock Exchange (www.hkexnews.hk) from the date of this circular until 14 days hereafter:

(a) the Sale and Purchase Agreement;

(b) the Purchaser 2 Agreement;

(c) the letter from the Independent Board Committee, the text of which is set out under the section headed "Letter from the Independent Board Committee" of this circular;

(d) the letter from Halcyon Capital, the Independent Financial Adviser, the text of which is set out under the section headed "Letter from the Independent Financial Adviser" of this circular;

(e) the report on review of the financial information of the Target Company, the text of which is set out in Appendix II to this circular;

(f) the report on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(g) the valuation report of the Property, the text of which is set out in Appendix V to this circular;

(h) the letters of consent from the experts identified in the section headed "Qualification and Consent of Experts" above in this appendix; and

(i) this circular.

9. GENERAL

(a) The registered office of the Company is Suite 601, One Pacific Place, 88 Queensway, Hong Kong.

(b) The principal place of business of the Company is 31–33 Floor, Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC.

(c) The company secretary of the Company is Mr. SUM Pui Ying who is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales.

(d) The Company's share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text.

遠洋集團
SINO-OCEAN GROUP

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Sino-Ocean Group Holding Limited (the "**Company**") will be held at Meeting Room, 31st Floor, Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC on Thursday, 11 July 2024 at 9: 30 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. **"THAT:**

(a) the sale and purchase agreement dated 7 June 2024 (the "**Sale and Purchase Agreement**") (a copy of which has been produced to the EGM and marked "A" and initialed by the chairman of the EGM for the purpose of identification) entered into among the Company, Beijing Yingyu Enterprise Management Consulting Co., Ltd.* (北京穎煜企業管理諮詢有限公司) ("**Seller 1**"), Tianjin Yigangtong Enterprise Management Co., Ltd.* (天津頤港通企業管理有限公司) (together with Seller 1, the "**Sellers**"), China Life Qihang Phase I (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (國壽啟航壹期(天津)股權投資基金合夥企業(有限合夥)) ("**Purchaser 1**"), Shiny Harbour Limited (緻港有限公司) ("**Purchaser 2 (Equity)**"), Beijing Sanlitun South Property Management Company Limited* (北京三里屯南區物業管理有限公司) (together with Purchaser 2 (Equity), "**Purchasers 2**") and Xingtaitonggang Properties Company Limited* (北京星泰通港置業有限公司) (the "**Target Company**") in relation to the disposal (the "**Disposal**") by the Sellers of (i) an aggregate of 64.79% equity interests in the Target Company and (ii) creditor's rights held by Seller 1 in the Target Company, and the transactions as contemplated under the Sale and Purchase Agreement be and are hereby approved, confirmed and ratified;

(b) the agreement dated 7 June 2024 (the "**Purchaser 2 Agreement**", together with the Sale and Purchase Agreement, the "**Disposal Agreements**") (a copy of which has been produced to the EGM and marked "B" and initialed by the chairman of the EGM for the purpose of identification) entered into among the Company, Seller 1 and Purchasers 2 in relation to, among others, the waiver of the right of first refusal by Purchaser 2 (Equity), the adjustment of payment of consideration payable by Purchaser 2 (Equity) in relation to the Disposal and the exercise of the right of first offer by the Company and the payment of the relevant consideration, and the transactions as contemplated under the Purchaser 2 Agreement be and are hereby approved, confirmed and ratified; and

(c) any director of the Company be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in his/her opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Disposal Agreements and the transactions as contemplated thereunder."

Note: Shareholders of the Company are being asked to approve the Sale and Purchase Agreement and the Purchaser 2 Agreement in a single ordinary resolution as the entering into of the Purchaser 2 Agreement is one of the conditions precedent to the payment of the consideration pursuant to the Sale and Purchase Agreement, and is considered as an integral part of the Disposal. Accordingly, shareholders of the Company will not be able to vote on the Sale and Purchase Agreement without also voting on the Purchaser 2 Agreement in the same manner, and vice versa.

By order of the Board
Sino-Ocean Group Holding Limited
LI Ming
Chairman

Hong Kong, 25 June 2024

* *For identification purposes only*

Notes:

(a) The register of members of the Company will be closed from Monday, 8 July 2024 to Thursday, 11 July 2024 (both dates inclusive), during which period no transfer of shares will 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 share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 5 July 2024.

(b) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company. 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 share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours (excluding any part of a day that is a public holiday) before the time fixed for holding the EGM, or any adjournment thereof.

(c) As at the date of this notice, the board of directors of the Company comprises Mr. LI Ming, Mr. WANG Honghui, Mr. CUI Hongjie and Ms. CHAI Juan as executive directors; Mr. ZHAO Peng, Mr. ZHANG Zhongdang, Mr. YU Zhiqiang and Mr. SUN Jinfeng as non-executive directors; and Mr. HAN Xiaojing, Mr. JIN Qingjun, Mr. LYU Hongbin, Mr. LIU Jingwei and Mr. JIANG Qi as independent non-executive directors.