

THIS DOCUMENT 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 an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in Hopson Development Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

Website: <http://www.irasia.com/listco/hk/hopson>

CONTINUING CONNECTED TRANSACTIONS

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



Pelican Financial Limited

A letter from the Board is set out on pages 6 to 35 of this circular. A letter from the Independent Board Committee is set out on pages 36 to 37 of this circular. A letter from Pelican Financial containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 94 of this circular.

A notice convening a special general meeting of the Company (the “SGM”) to be held at Gloucester Room, 2/F, Mandarin Oriental, 5 Connaught Road Central, Central, Hong Kong, on Tuesday, 29 June 2021 at 3:00 p.m. is set out on pages 99 to 101 of this circular.

A form of proxy for the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* for identification purposes only

CONTENTS

	<i>Page No.</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	36
LETTER FROM PELICAN FINANCIAL	38
APPENDIX I — GENERAL INFORMATION	95
APPENDIX II — NOTICE OF SGM	99

DEFINITIONS

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

“Annual Caps”	the maximum aggregate annual transaction amount for the 2021–2023 Transactions collectively under the 2021 Framework Agreement for each of the three financial years ending 31 December 2023
“associates”	the meaning given to that term in the Listing Rules
“Board”	board of Directors
“Chu’s Controlled Entities”	companies which are associates of either Mr. Y.H. Chu or Mr. W.H. Chu
“Chu Family’s Controlled Entities”	the Chu’s Controlled Entities and Mr. M.Y. Chu’s Controlled Entities
“Company”	Hopson Development Holdings Limited
“connected person”	the meaning given to that term in the Listing Rules
“controlling shareholder”	the meaning given to that term in the Listing Rules
“Directors”	directors of the Company
“ERP Systems”	Enterprise Resource Planning systems
“Existing 2021 Transactions”	Transactions 3 to 5, 7 to 10 and 13 of the 2021–2023 Transactions entered into between the Group and the Chu Family’s Controlled Entities from 1 January 2021 and up to the Latest Practicable Date
“Farrich”	Farrich Investments Limited, a company incorporated in the British Virgin Islands and whose entire issued share capital is owned by Mr. Y.H. Chu, a son of Mr. Chu and a brother of Ms. Chu. It is the holder of 395,246,625 Shares, representing approximately 18.03% of the issued share capital of the Company as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Guangdong Hanjiang”	廣東韓江工程總承包有限公司 (Guangdong Hanjiang Engineering Construction Limited), one of the Previous Contracting Parties and a member of the Chu’s Controlled Entities

DEFINITIONS

“Hanjiang”	廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited), one of the Previous Contracting Parties and a member of the Chu’s Controlled Entities
“Hanjiang Group”	Hanjiang, its subsidiaries, its associated companies and its associates
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, established to advise the Independent Shareholders in respect of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps
“Independent Shareholders”	Shareholders who are independent of Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu and their respective associates including Sounda, Farrich, Ju Rong Investment and Ms. Chu
“Independent Third Parties”	persons who are not connected persons of the Company
“Ju Rong Investment”	Ju Rong Investment Holdings Limited 聚融投資控股有限公司, a company incorporated in Hong Kong and whose entire issued share capital is owned by Ms. Chu. It is the holder of 1,014,000 Shares, representing approximately 0.05% of the issued share capital of the Company as at the Latest Practicable Date
“Latest Practicable Date”	4 June 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Mang Yee, the controlling shareholder of the Company, a former executive Director and the former Chairman of the Board
“Mr. M.Y. Chu’s Controlled Entities”	companies which are associates of Mr. Chu
“Mr. W.H. Chu”	Mr. Chu Wai Hong, the son of Mr. Chu and a brother of Ms. Chu

DEFINITIONS

“Mr. Y.H. Chu”	Mr. Chu Yat Hong, the son of Mr. Chu and a brother of Ms. Chu
“Ms. Chu”	Ms. Chu Kut Yung, an executive Director, the Chairman of the Board, daughter of Mr. Chu and sister of Mr. W.H Chu and Mr. Y.H. Chu
“Payable Annual Caps”	the maximum aggregate annual transaction amount payable by the Group for services/leases to be provided/leased by Chu Family’s Controlled Entities to the Group under the 2021 Framework Agreement for each of the three financial years ending 31 December 2023
“Pelican Financial”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps
“PRC”	the People’s Republic of China
“Previous Contracting Parties”	members of Hanjiang Group that entered into transactions with the Group under the 2015 Framework Agreement, which have become members of the Chu’s Controlled Entities as a result of the restructuring of Hanjiang
“Receivable Annual Caps”	the maximum aggregate annual transaction amount receivable by the Group for services/leases to be provided/leased to the Chu Family’s Controlled Entities by the Group under the 2021 Framework Agreement for each of the three financial years ending 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened to approve, among other things, the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps
“Shareholders”	holders of Shares

DEFINITIONS

“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands and whose entire issued share capital is owned by Mr. Chu. It is the holder of 1,160,363,809 Shares, representing approximately 52.95% of the issued share capital of the Company as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Framework Agreement”	the conditional supplemental framework agreement dated 2 July 2019 entered into between the Company, Mr. Y.H. Chu and Mr. W.H. Chu, which amends and supplements the 2018 Framework Agreement, and which expired on 31 December 2020
“2015 Framework Agreement”	the conditional framework agreement dated 22 April 2015 entered into between the Company and Hanjiang in relation to the certain recurrent transactions which expired on 31 December 2017
“2018 Framework Agreement”	the conditional framework agreement dated 26 April 2018 entered into between the Company and Mr. Y.H. Chu and Mr. W.H. Chu in relation to the certain recurrent transactions which expired on 31 December 2020
“2021 Framework Agreement”	the conditional framework agreement dated 30 April 2021 entered into between the Company, Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu in relation to the 2021–2023 Transactions
“2021 Total Amount Paid/ Payable”	the aggregate amount paid/payable by the Group to the Chu Family’s Controlled Entities in respect of the Existing 2021 Transactions
“2021 Total Amount Received/ Receivable “	the aggregate amount received/receivable by the Group from the Chu Family’s Controlled Entities in respect of the Existing 2021 Transactions

DEFINITIONS

“2021–2023 Transactions” the Transaction 1 to the Transaction 13 (including the Existing 2021 Transactions) as described in the section headed “The 2021–2023 Transactions” of this circular proposed to be entered into between the Group and the Chu Family’s Controlled Entities pursuant to the 2021 Framework Agreement

In this circular, the conversion of RMB into HK\$ has been made at the rate of RMB1.00: HK\$1.19. Such conversion rate is included in this circular for indicative purpose only and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

Website: <http://www.irasia.com/listco/hk/hopson>

Executive Directors:

CHU Kut Yung (Chairman)
ZHANG Fan (Co-president)
AU Wai Kin
XIE Bao Xin
BAO Wenge

Principal Office:

Unit 4903–10, 49/F.
The Center
99 Queen's Road Central
Central
Hong Kong

Independent Non-executive Directors:

TAN Leng Cheng, Aaron
CHING Yu Lung
IP Wai Lun, William

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

9 June 2021

To the Shareholders

Dear Sir or Madam,

A. INTRODUCTION

Reference is made to the announcement of the Company dated 30 April 2021 relating to, among other things, the 2021 Framework Agreement and the 2021–2023 Transactions, which constituted continuing connected transactions of the Company under the Listing Rules.

Pursuant to the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement), which expired on 31 December 2020, the Group carried out certain recurring continuing connected transactions with the Chu's Controlled Entities. Since the Group expects to continue certain recurring transactions contemplated under the 2018 Framework Agreement and to enter into certain new recurring transactions with the Chu's Controlled Entities and Mr. M.Y. Chu's Controlled Entities (together, the Chu Family's Controlled Entities) in the three financial years ending 31 December 2023, the Company entered into the 2021 Framework Agreement with Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu to govern the 2021–2023 Transactions on 30 April 2021.

* for identification purposes only

LETTER FROM THE BOARD

Mr. Chu is the controlling shareholder of the Company. Both Mr. Y.H. Chu and Mr. W.H. Chu are the sons of Mr. Chu and the brothers of Ms. Chu. In addition, as at the Latest Practicable Date, Mr. Y.H. Chu also indirectly owned approximately 18.03% of the Shares. Accordingly, all of Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu are connected persons of the Company under the Listing Rules, and the 2021 Framework Agreement and the 2021–2023 Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Before the entry of the 2021 Framework Agreement, during the period from 1 January 2021 and up to the Latest Practicable Date, the Group had continued to carry out Transactions 3 to 5 and 7 to 10 of the 2021–2023 Transactions, and begun carrying out Transaction 13 of the 2021–2023 Transactions (collectively, the Existing 2021 Transactions), with the Chu Family's Controlled Entities. As none of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Total Amount Received/Receivable, being the larger of the 2021 Total Amount Paid/Payable and the 2021 Total Amount Received/Receivable, exceeds 0.1%, the Existing 2021 Transactions are fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the Existing 2021 Transactions are aggregated with the 2021–2023 Transactions for the purposes of compliance with the relevant rules under Chapter 14A of the Listing Rules.

As for the 2021–2023 Transactions, as one or more of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Receivable Annual Caps for the financial year ending 31 December 2021 (being the largest among the Annual Caps) exceed 5%, the 2021 Framework Agreement and the 2021–2023 Transactions constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Accordingly, the Company proposes to seek the Independent Shareholders' approval of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps for the three financial years ending 31 December 2023 at the SGM. Each of Sounda, Farrich, Ju Rong Investment and Ms. Chu will abstain from voting at the SGM, and votes of the Independent Shareholders at the SGM will be taken by poll. Such Shareholders collectively had 1,557,624,434 Shares, representing approximately 71.07% of the issued share capital of the Company, as at the Latest Practicable Date.

The Independent Board Committee has been formed to advise the Independent Shareholders and Pelican Financial has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps.

The purpose of this circular is to provide you with information on the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps, the letter from the Independent Board Committee, the letter of advice from Pelican Financial and the notice to convene the SGM.

LETTER FROM THE BOARD

B. THE 2021–2023 TRANSACTIONS

(1) Services to be provided/premises to be leased by the Chu Family’s Controlled Entities to the Group pursuant to the 2021 Framework Agreement:

Construction

The appointment of the Chu Family’s Controlled Entities by the Group to carry out construction works for certain property development projects of the Group (“**Transaction 1**”).

Consultancy service on cost control for construction work

The appointment of the Chu Family’s Controlled Entities by the Group to provide the Group with cost control services for its construction work (“**Transaction 2**”).

Office lease

The lease of certain premises located in Guangzhou, Shanghai and Shenzhen by the Chu Family’s Controlled Entities to the Group for office use (“**Transaction 3**”). Pursuant to Hong Kong Financial Reporting Standard 16, the lease payment under Transaction 3 will be recognised by the Group as a right-of-use asset, and hence Transaction 3 will be regarded as a one-off connected acquisition of a right-of-use asset by the Group under Chapter 14A of the Listing Rules. Based on the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules, Transaction 3 constitutes a de minimis connected transaction pursuant to Rule 14A.76 of the Listing Rules. Please refer to paragraph F. Proposed Annual Caps below for more details. Nevertheless, given the continuing connected nature of Transaction 3 and as a good corporate governance measure, the parties have included Transaction 3 in the 2021 Framework Agreement.

Information technology related services and ERP System services

The appointment of the Chu Family’s Controlled Entities by the Group to provide information technology related services and ERP Systems services to the Group (“**Transaction 4**”).

Marketing services

The appointment of the Chu Family’s Controlled Entities by the Group to provide marketing services to the Group (“**Transaction 5**”).

LETTER FROM THE BOARD

Management of a property development project

The appointment of the Chu Family's Controlled Entities by the Group to provide services to the Group in relation to the management of a property development project of the Group ("**Transaction 6**").

(2) Services to be provided/premises to be leased by the Group to the Chu Family's Controlled Entities pursuant to the 2021 Framework Agreement:

Building design

The appointment of the Group by the Chu Family's Controlled Entities to provide building design services for certain property development projects of the Chu Family's Controlled Entities ("**Transaction 7**").

Management of vacant properties

The appointment of the Group by the Chu Family's Controlled Entities to manage vacant properties of property development projects of the Chu Family's Controlled Entities ("**Transaction 8**").

Office lease

The lease of certain premises located in Guangzhou, Shanghai and Beijing by the Group to the Chu Family's Controlled Entities for use as offices ("**Transaction 9**").

Operational and building management

The appointment of the Group by the Chu Family's Controlled Entities to provide operational and building management services for certain property development projects of the Chu Family's Controlled Entities ("**Transaction 10**").

Construction

The appointment of the Group by the Chu Family's Controlled Entities to provide construction services for certain property development projects of the Chu Family's Controlled Entities ("**Transaction 11**").

Refurbishments and renovations

The appointment of the Group by the Chu Family's Controlled Entities to refurbish and renovate buildings and facilities of property development projects of the Chu Family's Controlled Entities, in preparation for the sale of such buildings and facilities ("**Transaction 12**").

LETTER FROM THE BOARD

Smart technology services

The appointment of the Group by the Chu Family's Controlled Entities to provide smart technology services to the Chu Family's Controlled Entities ("**Transaction 13**").

C. PRINCIPAL TERMS OF THE 2021 FRAMEWORK AGREEMENT

On 30 April 2021, the Company, Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu entered into the 2021 Framework Agreement, which set out, among other things, the principal terms of the 2021–2023 Transactions as follows:

- Date: 30 April 2021
- Parties:
- (1) the Company
 - (2) Mr. Chu
 - (3) Mr. Y.H. Chu
 - (4) Mr. W.H. Chu
- Scope of services:
1. Each of Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu shall procure the relevant member(s) of the Chu Family's Controlled Entities or their respective sub-contractors to perform the services (other than Transaction 3), as the case may be, set out in paragraph 1 of Section B of this circular and shall procure the relevant member(s) of the Chu Family's Controlled Entities to lease certain office premises to the Group.
 2. The Company shall procure the relevant member(s) of the Group or their respective sub-contractors to perform the services (other than Transaction 9) set out in paragraph 2 of Section B of this circular and shall procure the relevant member(s) of the Group to lease certain office premises to the Chu Family's Controlled Entities.
- Term: For a term commencing from the date when the 2021 Framework Agreement becomes unconditional and ending on 31 December 2023.
- Condition precedent: The 2021 Framework Agreement is conditional upon the Company having obtained the approval of the Independent Shareholders at a general meeting of the Company.

LETTER FROM THE BOARD

Specific terms for the 2021–2023 Transactions: Each of the Company, Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu shall procure the relevant members of the Group and the Chu Family’s Controlled Entities to enter into a separate sales contract or agreement for each of the engagements/orders/leases in respect of each of the 2021–2023 Transactions. The sales contracts or agreements shall contain specific terms of the engagements/orders/leases which are consistent with the terms and principles set forth in the 2021 Framework Agreement. In general, the terms of the engagements/orders/leases in respect of the 2021–2023 Transactions must be fair and reasonable so far as the Group is concerned and each individual sales contract or agreement that the Group and the Chu Family’s Controlled Entities shall enter into must pass through the Group’s internal approval procedures in order to ensure that each of the engagements/orders/leases in respect of each of the 2021–2023 Transactions shall be conducted on normal commercial terms offered by Independent Third Parties or better so far as the Group is concerned.

D. DETAILS OF THE 2021–2023 TRANSACTIONS

Set out below are particulars of the 2021–2023 Transactions and the relevant pricing bases set out in the 2021 Framework Agreement:

1. Transaction 1 — Construction

Scope: The Group agrees to appoint the Chu Family’s Controlled Entities to carry out construction works for certain property development projects of the Group.

LETTER FROM THE BOARD

Bases for determining price and other terms: The fees payable by the Group to the Chu Family's Controlled Entities and the other terms for this transaction shall be determined by the parties with reference to (i) the market prices offered by independent third parties for providing similar services and (ii) the latest stipulated standards and guidelines prescribed by 建設委員會 (Construction Committee) of the region where the project is located, such as the following:

- (a) 《建設工程工程量清單計價規範》(GB50500-2013) (Code of valuation with bill quantity of construction works) published by 中華人民共和國住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development of the PRC) in 2012, whereby, among others, the contractor shall determine the different phases for the entire construction and itemise the individual projects for each phase based on, among others, the nature of works, technical expertise and raw materials required; and the contractor shall determine the price for the entire construction based on, among others, the costs for the required labour, raw materials and machinery and equipment, the relevant amount of taxes, other fees and costs that are payable as prescribed by the laws and regulations and local governments, the administration and management costs to be incurred, plus a profit margin; and
- (b) 《廣東省建設工程計價依據(2018)》(Costing Basis of Construction and Installation Works, Guangdong Province (2018) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2019 for property projects in Guangzhou, which set out, among others, the prescribed standards for each type of construction work, and the pricing guidelines and bases on, among others, the respective costs for labour, raw materials and machinery and equipment, and the administration and management costs for each type of construction work, as well as the profit margin for the entire construction of approximately 20%.

The contract price to be determined by the parties shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities.

LETTER FROM THE BOARD

2. Transaction 2 — Consultancy service on cost control for construction work

Scope: The Group agrees to appoint the Chu Family's Controlled Entities to provide the Group with cost control services for its construction work, including the preparation of project settlement based on completion data such as built drawings, and the issuance of completion accounts.

Bases for determining price and other terms: The fees payable by the Group to the Chu Family's Controlled Entities and other terms for this transaction shall be determined with reference to (i) market prices offered by independent third parties for providing similar services and (ii) the standards and guidelines prescribed by the relevant governmental authorities of where the project is located, such as (a) 《廣東省物價局關於調整我省建設工程造價諮詢服務收費的覆函》(粵價函[2011]742號) (Reply letter in relation to the adjustment of the pricing of fee enquiries for construction projects of the Price Control Administrative Bureau of Guangdong Province*) issued by 廣東省物價局 (Price Control Administrative Bureau of Guangdong Province*) in 2011, and (b) 《廣東省建設工程造價管理規定》(Rules governing the fees chargeable for construction projects of Guangdong province*) issued by 廣東省人民政府 (People's Government of Guangdong Province) in 2014.

The contract price to be determined by the parties shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities.

LETTER FROM THE BOARD

3. Transaction 3 — Office lease

Scope: The Chu Family's Controlled Entities agree to lease certain premises located in Guangzhou, Shanghai and Shenzhen to the Group for office use.

Bases for determining price and other terms: The rent payable by the Group to the Chu Family's Controlled Entities and the other terms shall be determined with reference to the prevailing market rents paid by lessees who are independent third parties for leasing similar premises located in nearby areas, or leasing premises of the same grading.

4. Transaction 4 — Information technology related services and ERP Systems services

Scope: The Group agrees to appoint the Chu Family's Controlled Entities to provide information technology related services to the Group, including the planning, consulting, development, implementing, marketing and maintaining of the Group's information technology systems for the management of smart offices, labour, operations, financing and the property industry.

The Group agrees to appoint the Chu Family's Controlled Entities to also provide ERP Systems services to the Group, including the establishing and maintaining of ERP Systems.

Bases for determining price and other terms: The fees payable by the Group to the Chu Family's Controlled Entities and the other terms for this transaction shall be determined by the parties with reference to the market prices offered by independent third parties for providing similar services.

LETTER FROM THE BOARD

5. Transaction 5 — Marketing services

- Scope: The Group agrees to appoint the Chu Family's Controlled Entities to provide marketing services to the Group, including marketing services in relation to the expansion of online and offline customers of property projects of the Group, the expansion of resources required by the property projects of Group, the set-up of offline marketing channels, and the suggestion of operational strategies with respect to sales agents, the media and system platforms.
- Bases for determining price and other terms: The fees payable by the Group to the Chu Family's Controlled Entities and the other terms for this transaction shall be determined with reference to the market rate, including the market rates for property projects located in first tier cities, second and third tier cities and the outer regions, of the PRC.

6. Transaction 6 — Management of a property development project

- Scope: The Group agrees to appoint the Chu Family's Controlled Entities to provide services to the Group in relation to the management of a property development project of the Group, involving the urban renewal of the Lingshan village, a village located in Guangzhou. The said property development project will require the relocation of the current residents and the redevelopment of Lingshan village. It is expected that the property development project will commence in 2027, after the completion of all relocation work. The time of completion of the property development project will be further evaluated at a later stage.
- The management services provided by the Chu Family's Controlled Entities to the Group include but are not limited to services in relation to the management of the division of labour, project teams, human resources, financial matters, operational matters, and settlement of costs. The Chu Family's Controlled Entities will also be responsible for liaising with current residents of Lingshan village, and managing the payment of their relocation compensation.
- Bases for determining price and other terms: The fees payable by the Group to the Chu Family's Controlled Entities and the other terms for this transaction shall be determined with reference to the market price offered by Independent Third Parties for providing similar services.

LETTER FROM THE BOARD

7. Transaction 7 — Building design

Scope: The Chu Family's Controlled Entities agree to appoint the Group to provide building design services for certain property development projects of the Chu Family's Controlled Entities in regions including Xian, Beijing, Guangzhou, Hebei, Shanghai, Chengdu and Tianjin.

Bases for determining price and other terms: The fees payable by the Chu Family's Controlled Entities to the Group and the other terms for this transaction shall be determined by the parties with reference to (i) the market prices offered by independent third parties for providing similar design services and (ii) the latest standards and guidelines prescribed by the relevant local authority on the fees for providing similar services, including the 《建築設計服務計費指導》 (Guide on fees charged for construction design services) issued by the 中國勘察設計協會 (China Engineering and consulting association) in 2015.

The contract price to be determined by the parties shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities.

8. Transaction 8 — Management of vacant properties

Scope: The Chu Family's Controlled Entities agree to appoint the Group to manage vacant properties of property development projects of the Chu Family's Controlled Entities, including the provision of services in relation to the key holding, ongoing maintenance and regular inspection of such vacant properties.

Bases for determining price and other terms: The fees payable by the Chu Family's Controlled Entities to the Group and the other terms for this transaction shall be determined by the parties with reference to the market prices offered by independent third parties for providing similar services in regions including the Guangdong province, Zhejiang province, Tianjin, Beijing and Shanghai.

LETTER FROM THE BOARD

9. Transaction 9 — Office lease

Scope: The Group agrees to lease certain premises located in Guangzhou, Shanghai and Beijing to the Chu Family's Controlled Entities for use as offices.

Bases for determining price and other terms: The rent payable by the Chu Family's Controlled Entities to the Group and the other terms for this transaction shall be determined with reference to the market rents charged by independent third parties for leasing out similar types of properties.

10. Transaction 10 — Operational and building management

Scope: The Chu Family's Controlled Entities agree to appoint the Group to provide operational and building management services for certain property development projects of the Chu Family's Controlled Entities, including pre-development management, operations management, and information technology systems management. Such pre-development, operations and information technology systems management services cover services such as the oversight of applications for the necessary permits and authorisations from the relevant governmental agencies, and overall day-to-day management of the property development projects.

Bases for determining price and other terms: The services fee payable by the Chu Family's Controlled Entities to the Group and the other terms for this transaction shall be determined by the parties with reference to the pricing standards of Independent Third Parties for providing similar services in the industry.

LETTER FROM THE BOARD

11. Transaction 11 — Construction

Scope: The Chu Family's Controlled Entities agree to appoint the Group to provide construction services for certain property development projects of the Chu Family's Controlled Entities.

Bases for determining price and other terms: The construction fees payable by the Chu Family's Controlled Entities to the Group and the other terms for this transaction shall be determined by the parties with reference to (i) the market prices offered by independent third parties for providing similar services, and (ii) the latest stipulated standards and guidelines prescribed by 建設委員會 (Construction Committee) of the region where the projects are located, such as (a) 《建設工程工程量清單計價規範》 (GB50500-2013) (Code of valuation with bill quantity of construction works) published by 中華人民共和國住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development of the PRC) in 2012, (b) 《天津市建築工程預算基價》 (Tianjin city construction project budgeting standard*) published by 天津市住房和城鄉建設委員 (Tianjin Housing and Urban-Rural Construction Commission) in 2020, and (c) 《江蘇省建築與裝飾工程計價定額》 (Calculation of fees for construction and renovation projects of the Jiangsu province*) published by 江蘇省住房和城鄉建設廳 (Jiangsu Provincial Department of Housing and Urban-Rural Construction Office*) in 2014.

The contract price to be determined by the parties shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities.

12. Transaction 12 — Refurbishments and renovations

Scope: The Chu Family's Controlled Entities agree to appoint the Group to refurbish and renovate buildings and facilities of property development projects of the Chu Family's Controlled Entities, in preparation for the sale of such buildings and facilities.

Bases for determining price and other terms: The fees payable by the Chu Family's Controlled Entities to the Group and the other terms for this transaction shall be determined by the parties with reference to the pricing standards of independent third parties for providing similar services in the industry.

LETTER FROM THE BOARD

13. Transaction 13 — Smart technology services

Scope:	The Chu Family's Controlled Entities agree to appoint the Group to provide smart technology services to the Chu Family's Controlled Entities, including smart supervision services (for example, services in relation to setting up CCTV surveillance systems), preliminary management services through the use of existing centralised smart supervisory systems, smart management consultancy services for vacant properties, and the consultation services in relation to the integration of online and offline operations for businesses and the community (for example, the development of software or mobile applications for shopping malls).
Bases for determining price and other terms:	The services fee payable by the Chu Family's Controlled Entities to the Group and the other terms for this transaction shall be determined by the parties with reference to the pricing standards of independent third parties for providing similar services in the industry.

E. INTERNAL CONTROL MEASURES

To ensure that the terms of the individual sales contract or agreement in respect of the 2021–2023 Transactions proposed to be entered into by the Group are fair and reasonable and are normal commercial terms or better so far as the Group is concerned, the cost centre of the Group shall, before the Group enters into any individual sales contract or agreement in respect of the 2021–2023 Transactions with the Chu Family's Controlled Entities, first obtain quotations and terms for providing services/leases of similar level and types from at least two Independent Third Parties for reference. The relevant operational team of the Group shall then review and evaluate the terms proposed to be offered by/to the Chu Family's Controlled Entities to/by our Group and compare such terms with that obtained from the Independent Third Parties. The head of such operational team shall be responsible for approving the individual sales contract or agreement in respect of the 2021–2023 Transactions that the Group enters into with the Chu Family's Controlled Entities in order to ensure that each of the engagements/orders/leases in respect of each of the 2021–2023 Transactions shall be conducted on normal commercial terms offered by Independent Third Parties or better so far as the Group is concerned.

LETTER FROM THE BOARD

In the event that market quotations and terms for providing services/leases of a similar level and type from at least two Independent Third Parties are not available, for the purpose of ensuring that each of the engagements/orders/leases in respect of each of the 2021–2023 Transactions are be conducted on normal commercial terms offered by Independent Third Parties or better so far as the Group is concerned, the cost centre of the Group shall instead review and evaluate the terms proposed to be offered by/to the Chu Family’s Controlled Entities to/by our Group by comparing such terms against the terms of existing sales contracts or agreements entered into by the Group with Independent Third Parties (if any) for similar services, while the relevant operational team will also take into account the Group’s own judgment based on its experience and knowledge of current market conditions and practices and the prevailing market terms.

In addition, the cost centre of the Group shall regularly collect and keep the relevant operational team informed of the latest standards and guidelines published by the relevant governmental authorities in the PRC that are relevant to the 2021–2023 Transactions. The cost centre of the Group shall request the relevant operational teams of the Group to report the actual transaction amounts incurred for each of the relevant Transactions on a regular basis. The cost centre of the Group shall monitor the aggregate transaction amounts incurred on a regular basis to ensure that the Annual Caps in respect of each of the Transactions are not exceeded. If and when the cost centre of the Group becomes aware of the actual aggregate transaction amount of any Transaction will soon exceed its annual cap for the relevant financial year, the cost centre shall be required to inform the management of the Company and the relevant operational team promptly to ensure that no further transactions in respect of that particular Transaction shall be carried out for the remainder of that financial year.

The independent non-executive Directors will conduct an annual review of the Transactions and confirm in the Company’s annual report in accordance with Rule 14A.55 of the Listing Rules. The auditors of the Group will also conduct an annual review and report on the Transactions in accordance with Rule 14A.56 of the Listing Rules.

The Directors are of the view that the internal approval procedure and internal control measures adopted by the Group set out in the above are effective in ensuring that the 2021–2023 Transactions shall be conducted on normal commercial terms or better which are fair and reasonable to the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

F. PROPOSED ANNUAL CAPS

(I) Set out below are the Annual Caps proposed by the Directors for each of the three financial years ending 31 December 2023 in respect of the 2021–2023 Transactions and the relevant breakdowns:

A. *Services to be provided/premises to be leased by Chu Family's Controlled Entities to the Group pursuant to the 2021 Framework Agreement:*

Transactions	2021 Annual Cap	2022 Annual Cap	2023 Annual Cap
1. Transaction 1 — Construction	RMB1,311,460,000 (equivalent to approximately HK\$1,560,637,000)	RMB1,582,620,000 (equivalent to approximately HK\$1,883,318,000)	RMB1,308,040,000 (equivalent to approximately HK\$1,556,568,000)
2. Transaction 2 — Consultancy service on cost control for construction work	RMB39,090,000 (equivalent to approximately HK\$46,517,000)	RMB34,150,000 (equivalent to approximately HK\$40,639,000)	RMB36,700,000 (equivalent to approximately HK\$43,673,000)
3. Transaction 3 — Office lease <i>Note</i>	RMB13,180,000 (equivalent to approximately HK\$15,684,000)	RMB13,650,000 (equivalent to approximately HK\$16,244,000)	RMB13,440,000 (equivalent to approximately HK\$15,994,000)
4. Transaction 4 — Information technology related services and ERP Systems services	RMB126,600,000 (equivalent to approximately HK\$150,654,000)	RMB83,880,000 (equivalent to approximately HK\$99,817,000)	RMB94,390,000 (equivalent to approximately HK\$112,324,000)
5. Transaction 5 — Marketing services	RMB987,900,000 (equivalent to approximately HK\$1,175,601,000)	RMB1,458,890,000 (equivalent to approximately HK\$1,736,079,000)	RMB2,468,650,000 (equivalent to approximately HK\$2,937,694,000)
6. Transaction 6 — Management of a property development project	RMB47,460,000 (equivalent to approximately HK\$56,477,000)	RMB15,820,000 (equivalent to approximately HK\$18,826,000)	RMB63,280,000 (equivalent to approximately HK\$75,303,000)
Total Payable Annual Caps	RMB2,525,690,000 (equivalent to approximately <u>HK\$3,005,570,000</u>)	RMB3,189,010,000 (equivalent to approximately <u>HK\$3,794,923,000</u>)	RMB3,984,500,000 (equivalent to approximately <u>HK\$4,741,556,000</u>)

Note: Pursuant to Hong Kong Financial Reporting Standards 16, the lease payment under Transaction 3 will be recognised by the Group as a right-of-use asset with the aggregate consideration of approximately RMB40,270,000 (equivalent to approximately HK\$47,922,000 (without taking into account the discounting factor for the years ending 31 December 2022 and 2023)), and hence Transaction 3 will be regarded as a one-off connected acquisition of a right-of-use asset by the Group under Chapter 14A of the Listing Rules. As none of the applicable percentage ratios (other than profits ratio) as defined under Rule 14.07 of the Listing Rules exceed 0.1%, Transaction 3 constitutes a de minimis connected transaction pursuant to Rule 14A.76 of the Listing Rules and is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. Nevertheless, given the continuing

LETTER FROM THE BOARD

connected nature of Transaction 3 and as a good corporate governance measure, the parties have included Transaction 3 in the 2021 Framework Agreement. The annual caps represent the annual rentals payable by the Group for the relevant financial year.

B. *Services to be provided/premises to be leased by the Chu Family's Controlled Entities to the Group pursuant to the 2021 Framework Agreement:*

Transactions	2021 Annual Cap	2022 Annual Cap	2023 Annual Cap
7. Transaction 7 — Building design	RMB244,220,000 (equivalent to approximately HK\$290,622,000)	RMB200,130,000 (equivalent to approximately HK\$238,155,000)	RMB108,390,000 (equivalent to approximately HK\$128,984,000)
8. Transaction 8 — Management of vacant properties	RMB72,170,000 (equivalent to approximately HK\$85,882,000)	RMB76,550,000 (equivalent to approximately HK\$91,095,000)	RMB85,830,000 (equivalent to approximately HK\$102,138,000)
9. Transaction 9 — Office lease	RMB87,120,000 (equivalent to approximately HK\$103,673,000)	RMB96,100,000 (equivalent to approximately HK\$114,359,000)	RMB98,300,000 (equivalent to approximately HK\$116,977,000)
10. Transaction 10 — Operational and building management	RMB2,191,230,000 (equivalent to approximately HK\$2,607,564,000)	RMB2,020,700,000 (equivalent to approximately HK\$2,404,633,000)	RMB1,491,160,000 (equivalent to approximately HK\$1,774,480,000)
11. Transaction 11 — Construction	RMB1,025,950,000 (equivalent to approximately HK\$1,220,881,000)	RMB482,540,000 (equivalent to approximately HK\$574,223,000)	RMB153,020,000 (equivalent to approximately HK\$182,094,000)
12. Transaction 12 — Refurbishments and renovations	RMB53,420,000 (equivalent to approximately HK\$63,570,000)	RMB37,440,000 (equivalent to approximately HK\$44,554,000)	RMB41,190,000 (equivalent to approximately HK\$49,016,000)
13. Transaction 13 — Smart technology services	RMB531,840,000 (equivalent to approximately <u>HK\$632,890,000</u>)	RMB775,530,000 (equivalent to approximately <u>HK\$922,881,000</u>)	RMB1,364,480,000 (equivalent to approximately <u>HK\$1,623,731,000</u>)
Total Receivable Annual Caps	RMB4,205,950,000 (equivalent to approximately <u><u>HK\$5,005,082,000</u></u>)	RMB3,688,990,000 (equivalent to approximately <u><u>HK\$4,389,900,000</u></u>)	RMB3,342,370,000 (equivalent to approximately <u><u>HK\$3,977,420,000</u></u>)

LETTER FROM THE BOARD

- (II) The management of the Company determined the proposed Annual Caps based on the estimated annual transaction amounts for each of the three financial years ending 31 December 2023 in respect of each of the 2021–2023 Transactions. Set out below are the bases upon which such annual transaction amounts are estimated:**

Transaction 1 — Construction

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely that it shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities; (ii) the approximate aggregate gross floor area of the construction projects to be carried out by the Chu Family's Controlled Entities located in Guangzhou and Huizhou; (iii) the proportion of the subject construction projects expected to be completed in each of the three years ending 31 December 2023; and (iv) the scope and scale of works required from the Chu Family's Controlled Entities based on the estimated completion schedule. In determining the proposed annual caps for Transaction 1, the Company had taken into consideration the terms and scale of the historical transaction and the historical transaction amounts.

The amount of constructions fees payable has a direct reference to the number and scale of construction projects involved. The proposed annual caps for Transaction 1 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for three years ended 31 December 2020, as the number and scale of the construction projects in connection with Transaction 1 for the three years ending 31 December 2023 are expected to increase significantly than that of the year ended 31 December 2020, and thus the Group's demand for construction works provided by the Chu Family's Controlled Entities is expected to increase substantially. Having considered the aforementioned reason, the Directors consider the proposed annual cap for Transaction 1 to be fair and reasonable. The construction costs are generally payable by phases according to the completion schedule of a particular project. The year-on-year fluctuation in the proposed annual caps for Transaction 1 for the three years ending 31 December 2023 is largely due to the differences in the estimated completion schedules and the estimated aggregate gross floor area to be completed for each financial year.

LETTER FROM THE BOARD

Transaction 2 — Consultancy service on cost control for construction work

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely that it shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities; (ii) the approximate aggregate construction floor area of the property projects to be completed by the Group in Tianjin, Guangzhou and Shanghai, and the northern (including Shanxi, Bazhou, Langfang and Beijing) and Huizhou of the PRC, which require such services from the Chu Family's Controlled Entities; and (iii) the scope and scale of works required from the Chu Family's Controlled Entities. In determining the proposed annual caps for Transaction 2, the Company had taken into consideration the terms and scale of the historical transaction and the historical transaction amounts.

The amount of consultancy fees payable has a direct reference to the number and scale of construction projects involved. It is expected that the number and scale of construction projects will remain relatively consistent for each of the three years ending 31 December 2023, and as such, the proposed annual caps for Transaction 2 for each of the three years ending 31 December 2023 remain relatively stable. Having considered the aforementioned reason, the Directors consider the proposed annual cap for Transaction 2 to be fair and reasonable.

Transaction 3 — Office lease

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely the prevailing market rents for similar premises in similar locations; and (ii) the proposed leased premises identified and the aggregate size thereof. In determining the proposed annual caps for Transaction 3, the Company had taken into consideration the terms and scale of the historical transaction and the historical transaction amounts.

The amount of rent payable has a direct reference to location and size of the premises involved. The proposed annual caps for Transaction 3 for each of the three years ending 31 December 2023 are relatively stable as that the Group expects to be leasing the same office premises throughout the three years ending 31 December 2023, and that the rent payable by the Group to the Chu Family's Controlled Entities for such premises will also remain stable throughout the same period. Having considered the aforementioned reason, the Directors consider the proposed annual cap for Transaction 3 to be fair and reasonable.

LETTER FROM THE BOARD

Transaction 4 — Information technology related services and ERP Systems services

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely the market price offered by Independent Third Parties for providing similar services; and (ii) the scope and extent of the services to be provided by the Chu Family's Controlled Entities to the Group. In determining the proposed annual caps for Transaction 4, the Company had taken into consideration the terms and scale of the historical transaction and the historical transaction amounts.

The amount of fees payable has a direct reference to the scope of works involved. The proposed annual caps for Transaction 4 is expected to decline after the financial year ending 31 December 2021 and thereafter remain relatively stable for the two years ending 31 December 2023; such fluctuation is largely due to the fact that the Chu Family's Controlled Entities will be responsible for firstly establishing the ERP Systems during the year ending 31 December 2021, and thereafter will only be responsible for the maintenance, and upgrade if needed, of such ERP Systems for the financial years ending 31 December 2022 and 2023. Given that more substantive works are required for the establishment of the ERP Systems than the maintenance of the same, the proposed annual caps for the financial year ending 31 December 2021 is significantly higher. Having considered the aforementioned reason, the Directors consider the proposed annual cap for Transaction 4 to be fair and reasonable.

Transaction 5 — Marketing services

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely the market price offered by Independent Third Parties for providing similar services; (ii) the location, scale and number of the proposed property projects, and (iii) the scope and scale of works required from the Chu Family's Controlled Entities. In determining the proposed annual caps for Transaction 5, the Company had taken into consideration the terms and scale of the historical transaction and the historical transaction amounts.

The amount of fees payable has a direct reference to the level of demand of services in light of the number of property development projects involved and the scope of works involved. The proposed annual caps for Transaction 5 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for three years ended 31 December 2020. Such significant increment is largely due to the fact that the Group's expected demand of services will increase significantly in view of the increased number of property development projects that are expected to be launched to the market by the Group, and also due to the Group's increased emphasis to expand its sale and marketing efforts, in particular to diverge more resources on online and multi media marketing. Having considered the aforementioned reason, the Directors consider the proposed annual caps for Transaction 5 to be fair and reasonable. The year-on-year fluctuation in the proposed annual caps for Transaction 5 for each of the three years ending 31 December 2023 mainly represent the fluctuation in the number of the

LETTER FROM THE BOARD

Group's property development projects involved for that particular financial year, which is determined based on the Group's actual and forecast construction progress and overall sales strategies, and hence the scale of services required from the Chu Family's Controlled Entities.

Transaction 6 — Management of a property development project

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely that it shall be in line with the latest market prices charged by Independent Third Parties for providing similar services; (ii) the scale of urban renewal and redevelopment work expected to be carried out; and (iii) the aggregate investment cost to be contributed by the Group for the said project. There is no relevant historical transaction amount for Transaction 6.

The amount of management fees payable has a direct reference to the scale of the project. The year-on-year fluctuation in the proposed annual caps for Transaction 6 for the three years ending 31 December 2023 is largely due the expected progress of the project for that particular financial year, which will be carried out by phases and according to schedules, and hence the nature and scope of works required from the Chu Family's Controlled Entities for that financial year. Having considered the aforementioned reason, the Directors consider the proposed annual cap for Transaction 6 to be fair and reasonable.

Transaction 7 — Building design

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely that it shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities; and (ii) our Directors' estimation of the aggregate sizes and types of the property development projects of the Chu Family's Controlled Entities for which building design work is proposed to be assigned to the Group based on our Directors' discussion with the Chu Family's Controlled Entities. In determining the proposed annual caps for Transaction 7, the Company had taken into consideration the terms and scale of the historical transaction and the historical transaction amounts.

The amount of design fees payable has a direct reference to the number and scale of construction projects involved. The proposed annual caps for Transaction 7 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for three years ended 31 December 2020, as the number of properties under construction by the Chu Family's Controlled Entities have increased since the three years ended 31 December 2020, and thus the Chu Family's Controlled Entities' demand of the Group's building design services is expected to increase correspondingly. Having considered the aforementioned reason, the Directors consider

LETTER FROM THE BOARD

the proposed annual caps for Transaction 7 to be fair and reasonable. The decrease in the proposed annual caps for Transaction 7 for each of the three years ending 31 December 2023 is largely due to the varying progress of each property under construction.

Transaction 8 — Management of vacant properties

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely the market price offered by Independent Third Parties for providing similar services; and (ii) the expected number of vacant properties, hence the aggregate gross floor area, that the Chu Family's Controlled Entities require the services of vacant property management; and (iii) the costs incurred for the provision of such property management services by the Group. In determining the proposed annual caps for Transaction 8, the Company had taken into consideration the terms and scale of the historical transaction and the historical transaction amounts.

The amount of management fees payable has a direct reference to the number of vacant properties involved. The proposed annual caps for Transaction 8 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for three years ended 31 December 2020, as the Group expects that there will be an increase in vacant properties that require the Group's management services due to an expected increase in completed property development projects of Chu Family's Controlled Entities. Having considered the aforementioned reason, the Directors consider the proposed annual caps for Transaction 8 to be fair and reasonable. The slight increase in the proposed annual cap for Transaction 8 for each of the three years ending 31 December 2023 is largely due to the increase in the estimated gross floor area of the vacant properties of Chu Family's Controlled Entities which the Group will provide management services to.

Transaction 9 — Office lease

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely the prevailing market rents for similar premises in similar locations; and (ii) the proposed leased premises identified and the aggregate size thereof. In determining the proposed annual caps for Transaction 9, the Company had taken into consideration the terms and scale of the historical transaction and the historical transaction amounts.

The amount of rent payable has a direct reference to location and size of the premises involved. The proposed annual caps for Transaction 9 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for three years ended 31 December 2020, as the Chu Family's Controlled Entities' demand for office premises has increased. Having considered the aforementioned reason, the Directors consider the proposed annual cap for Transaction 9 to be fair and reasonable. The proposed annual caps for Transaction 9 for each the three years ending 31 December 2023 are relatively stable as the Group expects the Chu

LETTER FROM THE BOARD

Family's Controlled Entities to be leasing the same office premises throughout the three years ending 31 December 2023, and that the rent payable by the Chu Family's Controlled Entities to the Group for such premises will also remain stable throughout the same period.

Transaction 10 — Operational and building management

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely the pricing standards of Independent Third Parties for providing similar services in the industry; (ii) our Directors' estimation of the number and size of the property development projects of the Chu Family's Controlled Entities which require the Group's services based on our Directors' discussion with the Chu Family's Controlled Entities; and (iii) the estimated total construction costs and expenses of the aforesaid property development projects. In determining the proposed annual caps for Transaction 10, the Company had taken into consideration the terms and scale of the historical transaction and the historical transaction amounts.

The amount of fees payable has a direct reference to the number and scale of property development projects involved. The proposed annual caps for Transaction 10 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for three years ended 31 December 2020, as the number and scale of the property development projects of the Chu Family's Controlled Entities have increased, and thus the Chu Family's Controlled Entities' demand for operational and building management services provided by the Group is expected to increase correspondingly. Having considered the aforementioned reason, the Directors consider the proposed annual cap for Transaction 10 to be fair and reasonable. The year-on-year fluctuation in the proposed annual caps for Transaction 10 for the three years ending 31 December 2023 mainly represent the fluctuation in the scale and number of the property development projects involved in that particular financial year, and hence the scale of services required from the Group.

Transaction 11 — Construction

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely that it shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities; (ii) the approximate aggregate gross floor area of the construction projects of the Chu Family's Controlled Entities to be carried out by the Group located in Tianjin, Kunshan and Guangdong; (iii) the proportion of the subject construction projects expected to be completed in each of the three financial years ending 31 December 2023; and (iv) the scope and scale of works required from the Group based on the estimated completion schedule. In determining the proposed annual caps for Transaction 11, the Company had taken into consideration the terms and scale of the historical transaction and the historical transaction amounts.

LETTER FROM THE BOARD

The amount of constructions fees payable has a direct reference to the number and scale of construction projects involved. The construction costs are generally payable by phases according to the completion schedule of a particular project. The decrease in the proposed annual caps for Transaction 11 for each of the three years ending 31 December 2023 is largely due to the estimated progress and completion schedules of the construction projects involved. Having considered the aforementioned reason, the Directors consider the proposed annual cap for Transaction 11 to be fair and reasonable.

Transaction 12 — Refurbishments and renovations

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely the pricing standards of Independent Third Parties for providing similar services in the industry; (ii) our Directors' estimation of the level of demand for the Group's refurbishment and renovation services based on our Directors' discussion with the Chu Family's Controlled Entities, and (iii) our Directors' estimation of the total number of new apartments to be delivered by the Chu Family's Controlled Entities based on our Directors' discussion with the Chu Family's Controlled Entities. There is no relevant historical transaction amount for Transaction 12.

The amount of fees payable has a direct reference to the number of property development projects involved. The year-on-year fluctuation in the proposed annual caps for Transaction 12 for the three years ending 31 December 2023 is largely due the expected number of property development projects involved and the scope of services required from the Group, which may vary depending on the expected number of delivery of property units to their respective buyers. Having considered the aforementioned reason, the Directors consider the proposed annual cap for Transaction 12 to be fair and reasonable.

Transaction 13 — Smart technology services

The proposed annual caps were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely the pricing standards of Independent Third Parties for providing similar services in the industry; and (ii) our Director's estimation of the demand for the Group's smart technology services for the three years ending 31 December 2023 based on our Directors' discussion with the Chu Family's Controlled Entities. There is no relevant historical transaction amount for Transaction 13.

The amount of fees payable has a direct reference to the number and scale of projects involved. The increase in the proposed annual cap for Transaction 13 for each of the three years ending 31 December 2023 is largely due to the number and scale of projects involved in that particular financial year, and hence the scale of services required from the Group. Having considered the aforementioned reason, the Directors consider the proposed annual cap for Transaction 13 to be fair and reasonable.

LETTER FROM THE BOARD

G. HISTORICAL TRANSACTION AMOUNTS OF THE 2021–2023 TRANSACTIONS

Set out below are the annual caps and the actual transaction amounts of the transactions which were also carried out between the Group and the Chu's Controlled Entities under the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) for the three financial years ended 31 December 2020.

Transactions	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	
	Annual caps	Approximate transaction amount	Annual caps	Approximate transaction amount	Annual caps	Approximate transaction amount
Transaction 1 — Construction (ie: Transaction 1 of 2021–2023 Transactions)	RMB483,493,000 (equivalent to approximately HK\$575,357,000)	RMB73,856,000 (equivalent to approximately HK\$87,889,000)	RMB1,022,388,000 (equivalent to approximately HK\$1,216,642,000)	RMB872,689,000 (equivalent to approximately HK\$1,038,500,000)	RMB1,149,632,000 (equivalent to approximately HK\$1,368,062,000)	RMB462,228,000 (equivalent to approximately HK\$550,051,000)
Transaction 2 — Electrical installation, low voltage system and intelligent building system installation and consultancy service on cost control for construction work (ie: Transaction 2 of 2021–2023 Transactions)	RMB83,077,000 (equivalent to approximately HK\$98,862,000)	RMB22,697,000 (equivalent to approximately HK\$27,009,000)	RMB72,471,000 (equivalent to approximately HK\$86,240,000)	RMB10,164,000 (equivalent to approximately HK\$12,095,000)	RMB79,114,000 (equivalent to approximately HK\$94,146,000)	RMB40,266,000 (equivalent to approximately HK\$47,917,000)
Transaction 3 — Office lease (ie: Transaction 3 of 2021–2023 Transactions)	RMB8,860,000 (equivalent to approximately HK\$10,543,000)	RMB6,466,000 (equivalent to approximately HK\$7,695,000)	RMB8,964,000 (equivalent to approximately HK\$10,667,000)	RMB8,406,000 (equivalent to approximately HK\$10,003,000)	RMB9,153,000 (equivalent to approximately HK\$10,892,000)	RMB8,927,000 (equivalent to approximately HK\$10,623,000)
Transaction 4 — Information technology related services (ie: Transaction 4 of 2021–2023 Transactions)	RMB57,345,000 (equivalent to approximately HK\$68,241,000)	RMB42,556,000 (equivalent to approximately HK\$50,642,000)	RMB60,645,000 (equivalent to approximately HK\$72,168,000)	RMB11,880,000 (equivalent to approximately HK\$14,137,000)	RMB65,645,000 (equivalent to approximately HK\$78,118,000)	RMB20,473,000 (equivalent to approximately HK\$24,363,000)
Transaction 5 — Marketing (ie: Transaction 5 of 2021–2023 Transactions)	RMB200,440,000 (equivalent to approximately HK\$238,524,000)	RMB200,360,000 (equivalent to approximately HK\$238,428,000)	RMB799,995,000 (equivalent to approximately HK\$951,994,000)	RMB604,577,000 (equivalent to approximately HK\$719,447,000)	RMB1,000,222,000 (equivalent to approximately HK\$1,190,264,000)	RMB675,960,000 (equivalent to approximately HK\$804,392,000)
Transaction 6 — Building design (ie: Transaction 7 of 2021–2023 Transactions)	RMB40,820,000 (equivalent to approximately HK\$48,576,000)	RMB25,960,000 (equivalent to approximately HK\$30,892,000)	RMB72,378,000 (equivalent to approximately HK\$86,130,000)	RMB62,032,000 (equivalent to approximately HK\$73,818,000)	RMB55,638,000 (equivalent to approximately HK\$66,209,000)	RMB53,918,000 (equivalent to approximately HK\$64,162,000)
Transaction 7 — Management of vacant properties and delivery of sold property units (ie: Transaction 8 of 2021–2023 Transactions)	RMB29,113,000 (equivalent to approximately HK\$34,644,000)	RMB25,732,000 (equivalent to approximately HK\$30,621,000)	RMB32,024,000 (equivalent to approximately HK\$38,109,000)	RMB29,689,000 (equivalent to approximately HK\$35,330,000)	RMB35,227,000 (equivalent to approximately HK\$41,920,000)	RMB32,000,000 (equivalent to approximately HK\$38,080,000)

LETTER FROM THE BOARD

Transactions	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	
	Annual caps	Approximate transaction amount	Annual caps	Approximate transaction amount	Annual caps	Approximate transaction amount
Transaction 8 — Heating services	NA	NA	RMB2,710,000 (equivalent to approximately HK\$3,225,000)	RMB1,292,000 (equivalent to approximately HK\$1,537,000)	RMB2,540,000 (equivalent to approximately HK\$3,023,000)	RMB861,000 (equivalent to approximately HK\$1,025,000)
Transaction 9 — Hotel management (ie: Transaction 10 of 2021–2023 Transactions)	RMB7,039,000 (equivalent to approximately HK\$8,376,000)	RMB3,290,000 (equivalent to approximately HK\$3,915,000)	RMB7,048,000 (equivalent to approximately HK\$8,387,000)	RMB4,399,000 (equivalent to approximately HK\$5,235,000)	RMB8,519,000 (equivalent to approximately HK\$10,138,000)	RMB6,925,000 (equivalent to approximately HK\$8,241,000)
Transaction 10 — Shop and office lease (ie: Transaction 9 of 2021–2023 Transactions)	RMB35,675,000 (equivalent to approximately HK\$42,453,000)	RMB8,473,000 (equivalent to approximately HK\$10,083,000)	RMB37,058,000 (equivalent to approximately HK\$44,099,000)	RMB22,634,000 (equivalent to approximately HK\$26,934,000)	RMB37,746,000 (equivalent to approximately HK\$44,918,000)	RMB20,822,000 (equivalent to approximately HK\$24,778,000)
Transaction 11 — Commercial real estate management (ie: Transaction 10 of 2021–2023 Transactions)	RMB153,901,000 (equivalent to approximately HK\$183,142,000)	RMB41,348,000 (equivalent to approximately HK\$49,204,000)	RMB314,683,000 (equivalent to approximately HK\$374,473,000)	RMB116,769,000 (equivalent to approximately HK\$138,955,000)	RMB297,351,000 (equivalent to approximately HK\$353,848,000)	RMB279,527,000 (equivalent to approximately HK\$332,637,000)
Transaction 12 — Construction (ie: Transaction 11 of 2021–2023 Transactions)	NA	NA	RMB200,000,000 (equivalent to approximately HK\$238,000,000)	RMB14,312,000 (equivalent to approximately HK\$17,031,000)	RMB250,000,000 (equivalent to approximately HK\$297,500,000)	RMB162,803,000 (equivalent to approximately HK\$193,736,000)

H. INFORMATION OF THE GROUP AND CHU FAMILY'S CONTROLLED ENTITIES

The Group is principally engaged in the development of residential properties, commercial properties investment, property management and infrastructure business in the PRC, and investments business. The 2021–2023 Transactions shall be carried out in the Group's ordinary and usual course of business.

The Chu's Controlled Entities are engaged in the construction of properties, public utilities and power transmission and transformation in the PRC. The Chu's Controlled Entities invest in various projects including infrastructure, land, energy and resources, new energy vehicles, pharmaceuticals, robots, electronics and telecommunications. They are also engaged in the sale and purchase of equipment for metallurgy, forging, mining and hydropower and the sale and purchase of other minerals, metals and construction materials.

A member of the Chu's Controlled Entities, namely, Guangdong Hanjiang, is classified as 房屋建築工程總承包壹級 (Property Construction First Class Main Contractor) and 市政公用工程施工總承包貳級資質企業 (Level 2 Main Contractor for Municipal Public Construction Projects*) by the relevant government authority in the PRC. First class main contractors are qualified to

LETTER FROM THE BOARD

undertake larger scale projects than non-first class contractors, while contractors may only be classified as a Level 2 Main Contractor upon fulfilling certain requirements prescribed by the relevant government authority in the PRC in relation to the contractor's total valuation, experience and qualifications. Guangdong Hanjiang offers a comprehensive range of services, employing experts to manage and control the quality, safety and costs of their construction projects with modern management methods. Guangdong Hanjiang is a reputable contractor in the industry, has a proven track record and possesses the relevant technical capabilities and expertise in handling a wide range of construction projects.

Relying on technologies such as big data and artificial intelligence, Mr. M.Y. Chu's Controlled Entities are committed to building an ecological platform for technology empowerment, and intends to become a multi-business, all-round technical solution and service provider. The Group has conducted market research and is of the view that the pricing offered by the Chu Family's Controlled Entities are highly competitive.

I. REASONS FOR, AND BENEFITS OF, ENTERING INTO THE 2021 FRAMEWORK AGREEMENT

The purpose of entering into the 2021 Framework Agreement is to regulate the 2021–2023 Transactions which are recurrent, regular and continuing in nature between the Group and the Chu Family's Controlled Entities. The Group has been transacting with the Previous Contracting Parties, which have since become members of the Chu Family's Controlled Entities as a result of the restructuring of Hanjiang, since 2003. Over the years, the Group and the Previous Contracting Parties have built up a close and good working relationship. Given the Previous Contracting Parties' proven track record, qualification, expertise, reputation, experience and highly competitive pricing, the Group is of the view that the continued appointment of the Chu Family's Controlled Entities for the provision of services under Transaction 1, Transaction 2, Transaction 4 and Transaction 5, the continued leasing of office premises from the Chu Family's Controlled Entities under Transaction 3 and the new appointment of the Chu Family's Controlled Entities for the provision of services under Transaction 6, are in the interests of the Company and its Shareholders as a whole.

In view of the long-term and good working relationship between the Group and the Previous Contracting Parties and the good payment records of the Previous Contracting Parties, the Group considers that the continued provision of services under Transaction 7, Transaction 8, Transaction 10 and Transaction 11, the continued leasing of office premises to the Chu Family's Controlled Entities under Transaction 9, and the new provision to the Chu Family's Controlled Entities of services under Transaction 12 and Transaction 13, on normal commercial terms or better, would generate a steady income source to the Group and are in the interests of the Company and its shareholders as a whole.

Having considered the experience of certain members of Mr. M.Y. Chu's Controlled Entities, their respective proven track record in the industry and that the proposed pricing terms charged by Mr. M.Y. Chu's Controlled Entities are comparable to that of the independent third parties for the

LETTER FROM THE BOARD

provision of similar services, the Group is of the view that the appointment of Mr. M.Y. Chu's Controlled Entities, in addition to the Chu's Controlled Entities, for the provision of services under Transaction 4 is in the best interests of the Company and its shareholders as a whole.

The entering into of the 2021 Framework Agreement will provide a single basis on which the Company shall comply with the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules, thereby reducing the Company's administrative burden and costs for complying with such requirements in relation to the execution of a separate sales contract or agreement for each of the engagements/orders/leases under each of the 2021–2023 Transactions.

The Directors consider that the 2021–2023 Transactions will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms or better so far as the Group is concerned. The Directors, having considered the bases and principles for determining the pricing and other terms of the individual contracts or agreements for the 2021–2023 Transactions, consider the terms of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps to be fair and reasonable and are in the interests of the Company and its shareholders as a whole.

J. LISTING RULES IMPLICATIONS

Mr. Chu is the controlling shareholder of the Company. Both Mr. Y.H. Chu and Mr. W.H. Chu are the sons of Mr. Chu and the brothers of Ms. Chu. In addition, as at the Latest Practicable Date, Mr. Y.H. Chu also indirectly owned approximately 18.03% of the Shares. Accordingly, all of Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu are connected persons of the Company under the Listing Rules, and the 2021 Framework Agreement and the 2021–2023 Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Before the entry of the 2021 Framework Agreement, during the period from 1 January 2021 and up to the Latest Practicable Date, the Group has continued to carry out Transactions 3 to 5 and 7 to 10 of the 2021–2023 Transactions, and begun carrying out Transaction 13 of the 2021–2023 Transactions (collectively, the Existing 2021 Transactions), with the Chu Family's Controlled Entities. As none of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Total Amount Received/Receivable, being the larger of the 2021 Total Amount Paid/Payable and the 2021 Total Amount Received/Receivable, exceeds 0.1%, the Existing 2021 Transactions are fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the Existing 2021 Transactions are aggregated with the 2021–2023 Transactions for the purposes of compliance with the relevant rules under Chapter 14A of the Listing Rules.

As for the 2021–2023 Transactions, as one or more of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Receivable Annual Caps for the financial year ending 31 December 2021 (being the largest among the Annual Caps) exceed 5%, the 2021 Framework Agreement and the 2021–2023 Transactions constitute non-exempt

LETTER FROM THE BOARD

continuing connected transactions of the Company and are subject to the reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company proposes to seek the Independent Shareholders' approval of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps for the three financial years ending 31 December 2023 at the SGM. Each of Sounda, Farrich, Ju Rong Investment and Ms. Chu will abstain from voting at the SGM.

Since the 2021 Framework Agreement and the 2021–2023 Transactions constitute continuing connected transactions for the Company due to Mr. Chu being the controlling shareholder of the Company, and the connection between Mr. Y.H. Chu and Mr. W.H. Chu with each of Mr. Chu and Ms. Chu, Ms. Chu abstained from voting on the resolutions of the Board approving the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps.

K. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps.

Pelican Financial, an independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the 2021–2023 Transactions and the Annual Caps.

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on pages 36 to 37 of this circular and the advice letter from Pelican Financial to the Independent Board Committee and the Independent Shareholders set out on pages 38 to 94 of this circular.

L. SGM

A notice convening the SGM is set out in Appendix II to this circular. At the SGM, a resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps.

A form of proxy for the SGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

M. RECOMMENDATION

The Directors consider that the 2021 Framework Agreement and the 2021–2023 Transactions are on normal commercial terms or better so far as the Group is concerned and terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and the Annual Caps are also fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution at the SGM. Your attention is drawn to the letter from the Independent Board Committee set out on pages 36 to 37 of this circular and the letter from Pelican Financial set out on pages 38 to 94 of this circular.

M. GENERAL INFORMATION

Your attention is drawn to the general information set out in Appendix I to this circular.

By Order of the Board
Hopson Development Holdings Limited
Chu Kut Yung
Chairman



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

Website: <http://www.irasia.com/listco/hk/hopson>

9 June 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 9 June 2021 issued by the Company (“**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings defined in the Circular unless the context requires otherwise.

The Independent Board Committee comprising Mr. Tan Leng Cheng, Aaron, Mr. Ching Yu Lung and Mr. IP Wai Lun, William has been established to advise you in respect of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps, details of which are set out in the Circular. Pelican Financial has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps.

RECOMMENDATION

We wish to draw your attention to the Letter from the Board as set out on pages 6 to 35 of the Circular and the letter from Pelican Financial which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps as set out on pages 38 to 94 of the Circular.

Having taken into account the advice of Pelican Financial and the principal factors and reasons considered by Pelican Financial, we consider that the 2021 Framework Agreement and the 2021–2023 Transactions are on normal commercial terms or better so far as the Group is concerned and are in the ordinary and usual course of business of the Group and the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps are fair and reasonable and in the

* *for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution proposed at the SGM to approve the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps.

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

Tan Leng Cheng, Aaron
*Independent non-executive
Director*

Ching Yu Lung
*Independent non-executive
Director*

IP Wai Lun, William
*Independent non-executive
Director*

LETTER FROM PELICAN FINANCIAL

The following is the letter of advice from Pelican Financial to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purposes of inclusion in this circular.



PELICAN FINANCIAL LIMITED

21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

9 June 2021

*To the Independent Board Committee and the Independent Shareholders of
Hopson Development Holdings Limited*

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps, details of which are set out in the letter from the Board contained in the circular of the Company dated 9 June 2021 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) expired on 31 December 2020. Since the Group expects to continue certain recurring transactions contemplated under the 2018 Framework Agreement and to enter into certain new recurring transactions with the Chu’s Controlled Entities and Mr. M.Y. Chu’s Controlled Entities (together, the Chu Family’s Controlled Entities) in the three financial years ending 31 December 2023, the Company entered into the 2021 Framework Agreement with Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu to govern the 2021–2023 Transactions on 30 April 2021.

Mr. Chu is the controlling shareholder of the Company. Both Mr. Y.H. Chu and Mr. W.H. Chu are the sons of Mr. Chu and the brothers of Ms. Chu. As at the Latest Practicable Date, Mr. Y.H. Chu indirectly owned approximately 18.03% of the Shares. Accordingly, all of Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu are connected persons of the Company under the Listing Rules, and the 2021 Framework Agreement and the 2021–2023 Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM PELICAN FINANCIAL

Before the entry of the 2021 Framework Agreement, during the period from 1 January 2021 and up to the Latest Practicable Date, the Group had continued to carry out Transactions 3 to 5 and 7 to 10 of the 2021-2023 Transactions, and begun carrying out Transaction 13 of the 2021-2023 Transactions (collectively, the Existing 2021 Transactions), with the Chu Family's Controlled Entities. As none of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Total Amount Received/Receivable, being the larger of the 2021 Total Amount Paid/Payable and the 2021 Total Amount Received/Receivable, exceeds 0.1%, the Existing 2021 Transactions are fully exempt from the Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the Existing 2021 Transactions are aggregated with the 2021-2023 Transactions for the purposes of compliance with the relevant rules under Chapter 14A of the Listing Rules.

Furthermore, as for the 2021-2023 Transactions, as one or more of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Receivable Annual Caps for the financial year ending 31 December 2021 (being the largest among the Annual Caps) exceed 5%, the 2021 Framework Agreement and the 2021-2023 Transactions constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. Accordingly, the Company proposes to seek the Independent Shareholders' approval of the 2021 Framework Agreement, the 2021-2023 Transactions and the Annual Caps at the SGM. Each of Sounda, Farrich, Ju Rong Investment and Ms. Chu will abstain from voting at the SGM.

The Board currently comprises five executive Directors and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Mr. Tan Leng Cheng, Aaron, Mr. Ching Yu Lung and Mr. IP Wai Lun, William, has been established to advise the Independent Shareholders regarding the 2021 Framework Agreement, the 2021-2023 Transactions and the Annual Caps. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

We are not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and also there is no relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence to act as independent financial adviser to the Company and therefore we considered that we are suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, except for our engagement as the independent financial adviser to the Company in respect of its entering into of the Supplemental Framework Agreement, which involved the revision of annual caps for and extension of scope of continuing connected transactions contemplated under the 2018 Framework Agreement (details of which are set out in the Company's circular dated 12 August 2019), there was no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as

LETTER FROM PELICAN FINANCIAL

independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the 2021 Framework Agreement is carried out in the ordinary and usual course of business of the Group and is on normal commercial terms; (ii) whether the terms of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps at the SGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, with the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group (including those related to the Chu Family's Controlled Entities). The documents reviewed include the 2021 Framework Agreement (together with the relevant announcement of the Company dated 30 April 2021), the 2018 Framework Agreement (together with the relevant announcement and circular of the Company dated 26 April 2018 and 28 May 2018 respectively), the Supplemental Framework Agreement (together with the relevant announcement and circular of the Company dated 2 July 2019 and 12 August 2019 respectively), the annual report of the Company for the financial year ended 31 December 2020 (the "**2020 Annual Report**"), and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

LETTER FROM PELICAN FINANCIAL

We consider that we have been provided with 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 included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps, we have considered the following principal factors and reasons.

1. Background of the 2021 Framework Agreement

As the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) expired on 31 December 2020 and the Group expects to continue certain recurring transactions contemplated under the 2018 Framework Agreement and to enter into certain new recurring transactions with the Chu's Controlled Entities and Mr. M.Y. Chu's Controlled Entities (together, the Chu Family's Controlled Entities) in the three financial years ending 31 December 2023, the Company entered into the 2021 Framework Agreement with Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu to govern the 2021–2023 Transactions on 30 April 2021.

Set out below is a summary description of the 2021–2023 Transactions pursuant to the 2021 Framework Agreement.

Services to be provided/premises to be leased by the Chu Family's Controlled Entities to the Group pursuant to the 2021 Framework Agreement:

Construction (“Transaction 1”)

The appointment of the Chu Family's Controlled Entities by the Group to carry out construction work for certain property development projects of the Group.

Consultancy service on cost control for construction work (“Transaction 2”)

The appointment of the Chu Family's Controlled Entities by the Group to provide the Group with cost control services for its construction work.

Office lease (“Transaction 3”)

The lease of certain premises located in Guangzhou, Shanghai and Shenzhen by the Chu Family's Controlled Entities to the Group for office use. Pursuant to Hong Kong Financial Reporting Standard 16, the lease payment under Transaction 3 will be recognised by the Group as a right-of-use asset, and hence Transaction 3 will be regarded as a one-off connected acquisition of a right-of-use asset by the Group under Chapter 14A of the Listing Rules. Based on the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules, Transaction 3 constitutes a de minimis connected transaction pursuant to Rule 14A.76 of the

LETTER FROM PELICAN FINANCIAL

Listing Rules. Please refer to paragraph F. Proposed Annual Caps of the Board Letter for more details. Nevertheless, given the continuing connected nature of Transaction 3 and as a good corporate governance measure, the parties have included Transaction 3 in the 2021 Framework Agreement.

Information technology related services and ERP Systems services (“Transaction 4”)

The appointment of the Chu Family’s Controlled Entities by the Group to provide information technology related services and ERP Systems services to the Group.

Marketing services (“Transaction 5”)

The appointment of the Chu Family’s Controlled Entities by the Group to provide marketing services to the Group.

Management of a property development project (“Transaction 6”)

The appointment of the Chu Family’s Controlled Entities by the Group to provide services to the Group in relation to the management of a property development project of the Group.

Services to be provided/premises to be leased by the Group to the Chu Family’s Controlled Entities pursuant to the 2021 Framework Agreement:

Building design (“Transaction 7”)

The appointment of the Group by the Chu Family’s Controlled Entities to provide building design services for certain property development projects of the Chu Family’s Controlled Entities.

Management of vacant properties (“Transaction 8”)

The appointment of the Group by the Chu Family’s Controlled Entities to manage vacant properties of property development projects of the Chu Family’s Controlled Entities.

Office lease (“Transaction 9”)

The lease of certain premises located in Guangzhou, Shanghai and Beijing by the Group to the Chu Family’s Controlled Entities for office use.

Operational and building management (“Transaction 10”)

The appointment of the Group by the Chu Family’s Controlled Entities to provide operational and building management services for certain property development projects of the Chu Family’s Controlled Entities.

LETTER FROM PELICAN FINANCIAL

Construction (“Transaction 11”)

The appointment of the Group by the Chu Family’s Controlled Entities to provide construction services for certain property development projects of the Chu Family’s Controlled Entities.

Refurbishments and renovations (“Transaction 12”)

The appointment of the Group by the Chu Family’s Controlled Entities to refurbish and renovate buildings and facilities of property development projects of the Chu Family’s Controlled Entities, in preparation for the sale of such buildings and facilities.

Smart technology services (“Transaction 13”)

The appointment of the Group by the Chu Family’s Controlled Entities to provide smart technology services to the Chu Family’s Controlled Entities.

2. Principal terms of the 2021 Framework Agreement

As set out in the 2021 Framework Agreement, (i) each of Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu shall procure the relevant member(s) of the Chu Family’s Controlled Entities or their respective sub-contractors to perform the services (other than Transaction 3) set out in Section 1(a) of this letter above and shall procure the relevant member(s) of the Chu Family’s Controlled Entities to lease certain office premises to the Group; (ii) the Company shall procure the relevant member(s) of the Group or their respective sub-contractors to perform the services (other than Transaction 9) set out in Section 1(b) of this letter above and shall procure the relevant member(s) of the Group to lease certain office premises to the Chu Family’s Controlled Entities.

The 2021 Framework Agreement is conditional upon the Company having obtained the approval of the Independent Shareholders at a general meeting of the Company.

In respect of the engagement for each of the 2021–2023 Transactions, each of the Company, Mr. Chu, Mr. Y.H. Chu and Mr. W.H. Chu shall procure the relevant members of the Group and the Chu Family’s Controlled Entities to enter into a separate sales/purchase agreement and/or service contract (refer to as “engagement(s)” or “sales contract(s)” in general hereinafter where appropriate). The sales contracts shall contain specific terms which are consistent with the terms and principles set forth in the 2021 Framework Agreement. In general, the terms of the sales contracts in respect of the 2021–2023 Transactions must be fair and reasonable so far as the Group is concerned and each sales contract that the Group and the Chu Family’s Controlled Entities will enter into must pass through the Group’s internal approval procedures (please refer to the section headed “Internal Control Measures” below for details) in order to ensure that each of the sales contract for the 2021–2023 Transactions shall be conducted on normal commercial terms or better than those offered by Independent Third Parties so far as the Group is concerned.

LETTER FROM PELICAN FINANCIAL

3. Internal control measures

To ensure that the fees and other terms of the individual agreements in respect of the 2021–2023 Transactions proposed to be entered into by the Group are fair and reasonable and are on normal commercial terms or better so far as the Group is concerned, the cost centre of the Group shall, before the Group enters into any individual sales contract or agreement in respect of the 2021–2023 Transactions with the Chu Family’s Controlled Entities, first obtain quotations and terms for providing services/leases of similar level and types from at least two Independent Third Parties for reference. The relevant operational team of the Group shall then review and evaluate the terms proposed to be offered by/to the Chu Family’s Controlled Entities to/by our Group and compare such terms with that obtained from the Independent Third Parties. The head of such operational team shall be responsible for approving the individual sales contract or agreement in respect of the 2021–2023 Transactions that the Group enters into with the Chu Family’s Controlled Entities in order to ensure that each of the engagements/orders/leases in respect of each of the 2021–2023 Transactions shall be conducted on normal commercial terms offered by Independent Third Parties or better so far as the Group is concerned.

In the event that market quotations and terms for providing services/leases of a similar level and type from at least two Independent Third Parties are not available, for the purpose of ensuring that each of the engagements/orders/leases in respect of each of the 2021–2023 Transactions are conducted on normal commercial terms offered by Independent Third Parties or better so far as the Group is concerned, the cost centre of the Group shall instead review and evaluate the terms proposed to be offered by/to the Chu Family’s Controlled Entities to/by our Group by comparing such terms against the terms of existing sales contracts or agreements entered into by the Group with Independent Third Parties (if any) for similar services, while the relevant operational team will also take into account the Group’s own judgment based on its experience and knowledge of current market conditions and practices and the prevailing market terms.

In addition, the cost centre of the Group shall regularly collect and keep the relevant operational team informed of the latest standards and guidelines published by the relevant governmental authorities in the PRC that are relevant to the 2021–2023 Transactions. The cost centre of the Group shall request the relevant operational teams of the Group to report the actual transaction amounts incurred for each of the relevant 2021–2023 Transactions on a regular basis. The cost centre of the Group shall monitor the aggregate transaction amounts incurred on a regular basis to ensure that the Annual Caps in respect of each of the 2021–2023 Transactions are not exceeded. If and when the cost centre of the Group becomes aware of the actual aggregate transaction amount of any 2021–2023 Transactions will soon exceed its annual cap for the relevant financial year, the cost centre shall be required to inform the management of the Company and the relevant operational team promptly to ensure that no further transactions in respect of that particular transaction shall be carried out for the remainder of that financial year.

LETTER FROM PELICAN FINANCIAL

The independent non-executive Directors will conduct an annual review of the 2021–2023 Transactions and confirm in the Company’s annual report in accordance with Rule 14A.55 of the Listing Rules. The auditors of the Group will also conduct an annual review and report on the 2021–2023 Transactions in accordance with Rule 14A.56 of the Listing Rules.

In considering whether the internal control measures adopted by the Group as set out above are adequate and effective, we have walked through the internal control systems for two of the Existing 2021 Transactions, namely transactions 6 and 10 under the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement), which are referred to as Transaction 7 (Building design) and Transaction 9 (Office lease) under the 2021 Framework Agreement. As discussed in this letter above, Transaction 7 regards the appointment of the Group by the Chu Family’s Controlled Entities to provide building design services for certain property development projects of the Chu Family’s Controlled Entities, while Transaction 9 regards the lease of certain premises located in Guangzhou, Shanghai and Beijing by the Group to the Chu Family’s Controlled Entities for use as offices. In this regard, we have obtained relevant supporting documents including, amongst others, relevant quotations from Independent Third Parties, the approvals from the relevant operational team, the relevant standards and guidelines published by the relevant governmental authorities in the PRC and maintained by the cost centre and records of the actual transaction amounts incurred. We noted that the quotations are from sizeable Independent Third Parties and the price and terms adopted in these quotations are in line with the latest standards and guidelines published by the relevant governmental authorities in the PRC. Based on our review of the information and examination of the internal control system, we are satisfied that the internal control measures have been properly maintained by the Group and that the transactions contemplated under have been conducted on normal commercial terms, or better than, the relevant market rates.

Given that (i) each individual sales contract in respect of the Transactions (for both payable and receivable agreements) with the Chu Family’s Controlled Entities will continue to be compared with the price and terms of similar services provided by/to Independent Third Parties to ensure that the engagements in respect of each of the 2021–2023 Transactions will be conducted on normal commercial terms or better; (ii) there is an appropriate segregation of duties in the approval process in each of the engagements; and (iii) there is a monitoring system in place to ensure that the Annual Caps are not exceeded from time to time, we are satisfied that the internal control measures adopted by the Group will ensure that the price and terms of the engagement with the Chu Family’s Controlled Entities will continue to be on normal commercial terms and comparable to, or better than, the market rates and that an effective system will continue to in place to ensure the relevant Annual Caps will not be exceeded.

4. Background information of the Group and the Chu’s Controlled Entities

4.1. Background information of the Group

The Group is principally engaged in the property development, commercial properties investment, property management and infrastructure business in Mainland China and investments business. Its property development and commercial properties investment are

LETTER FROM PELICAN FINANCIAL

segregated into three main geographical areas, namely Southern China (including Guangzhou, Huizhou, Zhongshan and Yangshuo), Northern China (including Beijing, Tianjin, Langfang, Dalian, Taiyuan and Qinhuangdao) and Eastern China (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang).

Set out below is a summary of the financial information of the Group for the two financial years ended 31 December 2020 as extracted from the 2020 Annual Report.

	For the financial year ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
<i>Revenue</i>		
— Property development	19,075,270	12,848,239
— Commercial properties investments	3,624,556	3,154,385
— Property management	2,133,609	1,183,147
— Infrastructure business	1,507,780	1,414,809
— Investment income	8,030,061	—
Total revenue	34,371,276	18,600,580
Gross profit	21,831,745	9,363,144
Profit for the year	13,688,077	9,650,390

Total revenue of the Group for the financial years ended 31 December 2019 and 2020 amounted to approximately HK\$18,601 million and HK\$34,371 million respectively, representing a growth of approximately 84.8%. Such growth in overall revenue was mainly driven by the growth in revenue of approximately 48.5% from the Group's property development, and the gain of approximately HK\$8,030 million from its investment business, which was a new operating segment of the Group for the financial years ended 31 December 2020.

As set out in the 2020 Annual Report, at the beginning of the year 2020, confronted with impacts brought about by the COVID-19 epidemic, various governments flexibly tailored their policies according to the specific situation in the cities and successively introduced support policies for the real estate sector from both the supply and demand sides, thereby reducing the adverse impacts of the epidemic on the real estate market. Since the real estate market rebounded in the second quarter, in view of expected growth in property prices and land premium in cities with red-hot property markets, the central government stressed that the primary policies of “properties are for accommodation, not for speculation” and

LETTER FROM PELICAN FINANCIAL

“implementing different policies according to specific situation of different cities”. As such, the Group expected that the overall development of the real estate market in China will remain stable in 2021.

For the year 2021, it is expected that the central government will take multi-pronged approaches to boost the internal circulation and fully activate the potential of domestic demand for real estates, and at the same time, reiterate the national housing policies of “promoting the balanced development of finance, real estate sector and the real economy”, “properties are for accommodation, not for speculation” and “implementing different policies according to specific situation of different cities and giving category-based guidance” in pursuit of stabilising the real estate market. In view of these national housing policies and as well as a regional policy for developing the Beijing-Tianjin-Hebei Region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area at full steam, the Group will continue to develop and boost its sales of residential properties in these regions in 2021 in order to further improve the financial performance of the Group.

4.2. Background information of the Chu Family’s Controlled Entities

The Chu’s Controlled Entities are engaged in the construction of properties, public utilities and power transmission and transformation in the PRC. The Chu’s Controlled Entities invest in various projects including infrastructure, land, energy and resources, new energy vehicles, pharmaceuticals, robots, electronics and telecommunications. They are also engaged in the sale and purchase of equipment for metallurgy, forging, mining and hydropower and the sale and purchase of other minerals, metals and construction materials.

A member of the Chu’s Controlled Entities, namely, Guangdong Hanjiang, is classified as 房屋建築工程總承包壹級 (Property Construction First Class Main Contractor[#]) and 市政公用工程施工總承包貳級資質企業 (Level 2 Main Contractor for Municipal Public Construction Projects[#]) by the relevant government authority in the PRC. First class main contractors are qualified to undertake larger scale projects than non-first class contractors, while contractors may only be classified as a Level 2 Main Contractor upon fulfilling certain requirements prescribed by the relevant government authority in the PRC in relation to the contractor’s total valuation, experience and qualifications. Guangdong Hanjiang offers a comprehensive range of services, employing experts to manage and control the quality, safety and costs of their construction projects with modern management methods. Guangdong Hanjiang is a reputable contractor in the industry, has a proven track record and possesses the relevant technical capabilities and expertise in handling a wide range of construction projects.

Relying on technologies such as big data and artificial intelligence, Mr. M.Y. Chu’s Controlled Entities are committed to building an ecological platform for technology empowerment, and intends to become a multi-business, all-round technical solution and service provider.

LETTER FROM PELICAN FINANCIAL

We understand that the Chu Family's Controlled Entities (including the Previous Contracting Parties) have a long and proven track record in transacting with the Group. We also noted that the Group has conducted market research and is of the view that the pricing offered by Chu Family's Controlled Entities is highly competitive.

5. Reasons for, and benefits of, entering into the 2021 Framework Agreement

The 2021 Framework Agreement was entered into to regulate the 2021–2023 Transactions which are recurrent, regular and continuing in nature between the Group and the Chu Family's Controlled Entities. The Group has been transacting with the Previous Contracting Parties, which have since become members of the Chu Family's Controlled Entities as a result of the restructuring of Hanjiang, since 2003. Over the years, the Group and the Previous Contracting Parties have built up a close and good working relationship. Given the Previous Contracting Parties' proven track record, qualification, expertise, reputation, experience and highly competitive pricing, the Group is of the view that the continued appointment of the Chu Family's Controlled Entities for the provision of services under Transaction 1, Transaction 2, Transaction 4 and Transaction 5, the continued leasing of office premises from the Chu Family's Controlled Entities under Transaction 3 and the new appointment of the Chu Family's Controlled Entities for the provision of services under Transaction 6, are in the interests of the Company and the Shareholders as a whole.

Meanwhile, in view of the long-term and good working relationship between the Group and the Previous Contracting Parties and the good payment records of the Previous Contracting Parties, the Group considers that the continued provision of services under Transaction 7, Transaction 8, Transaction 10 and Transaction 11, the continued leasing of office premises to the Chu Family's Controlled Entities under Transaction 9, and the new provision to the Chu Family's Controlled Entities of services under Transaction 12 and Transaction 13, are on normal commercial terms or better, would generate a steady income source to the Group and are in the interests of the Company and the Shareholders as a whole.

Having considered the experience of certain members of Mr. M.Y. Chu's Controlled Entities, their respective proven track record in the industry and that the proposed pricing terms charged by Mr. M.Y. Chu's Controlled Entities are comparable to that of the Independent Third Parties for the provision of similar services, the Group is of the view that the appointment of Mr. M.Y. Chu's Controlled Entities, in addition to the Chu's Controlled Entities, for the provision of services under Transaction 4 is in the best interests of the Company and the Shareholders as a whole.

The entering into of the 2021 Framework Agreement will also provide a single basis on which the Company shall comply with the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules, thereby reducing the Company's administrative burden and costs for complying with such requirements in relation to the execution of a separate sales contract or agreement for each of the engagements/orders/leases under each of the 2021–2023 Transactions.

LETTER FROM PELICAN FINANCIAL

Having considered that (i) the Chu Family's Controlled Entities (including the Previous Contracting Parties) have a long and proven track record in transacting with the Group; (ii) the Chu Family's Controlled Entities (including the Previous Contracting Parties) have maintained good payment records with the Group; (iii) the proposed pricing terms charged by Mr. M.Y. Chu's Controlled Entities are comparable to that of the Independent Third Parties for the provision of similar services; and (iv) the entering into of the 2021 Framework Agreement will reduce the Company's administrative burden and costs for complying with the requirements under the Listing Rules, we are of the view that 2021–2023 Transactions contemplating under the 2021 Framework Agreement with the Chu Family's Controlled Entities will provide an efficient and effective mean for the Group to carry out certain of its business activities. Accordingly, we are of view that the 2021–2023 Transactions will be carried out in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

6. Principal terms of the 2021–2023 Transactions

6.1. Historical annual caps and historical transaction amounts

Set out below are the annual caps and actual transaction amounts of the transactions which were carried out between the Group and the Chu's Controlled Entities under the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) for the three financial years ended 31 December 2020:

Transactions under the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) (i.e., 2021–2023 Transactions)	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	
	Annual Caps	Approximate transaction amount	Annual Caps	Approximate transaction amount	Annual Caps	Approximate transaction amount
Transaction 1 — Construction (i.e., Transaction 1)	RMB483,493,000 (equivalent to approximately HK\$575,357,000)	RMB73,856,000 (equivalent to approximately HK\$87,889,000)	RMB1,022,388,000 (equivalent to approximately HK\$1,216,642,000)	RMB872,689,000 (equivalent to approximately HK\$1,038,500,000)	RMB1,149,632,000 (equivalent to approximately HK\$1,368,062,000)	RMB462,228,000 (equivalent to approximately HK\$550,051,000)
Transaction 2 — Electrical installation, low voltage system and intelligent building system installation and consultancy service on cost control for construction work (i.e., Transaction 2)	RMB83,077,000 (equivalent to approximately HK\$98,862,000)	RMB22,697,000 (equivalent to approximately HK\$27,009,000)	RMB72,471,000 (equivalent to approximately HK\$86,240,000)	RMB10,164,000 (equivalent to approximately HK\$12,095,000)	RMB79,114,000 (equivalent to approximately HK\$94,146,000)	RMB40,266,000 (equivalent to approximately HK\$47,917,000)
Transaction 3 — Office lease (i.e., Transaction 3)	RMB8,860,000 (equivalent to approximately HK\$10,543,000)	RMB6,466,000 (equivalent to approximately HK\$7,695,000)	RMB8,964,000 (equivalent to approximately HK\$10,667,000)	RMB8,406,000 (equivalent to approximately HK\$10,003,000)	RMB9,153,000 (equivalent to approximately HK\$10,892,000)	RMB8,927,000 (equivalent to approximately HK\$10,623,000)
Transaction 4 — Information technology related services (i.e., Transaction 4)	RMB57,345,000 (equivalent to approximately HK\$68,241,000)	RMB42,556,000 (equivalent to approximately HK\$50,642,000)	RMB60,645,000 (equivalent to approximately HK\$72,168,000)	RMB11,880,000 (equivalent to approximately HK\$14,137,000)	RMB65,645,000 (equivalent to approximately HK\$78,118,000)	RMB20,473,000 (equivalent to approximately HK\$24,363,000)

LETTER FROM PELICAN FINANCIAL

Transactions under the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) (i.e., 2021–2023 Transactions)	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	
	Annual Caps	Approximate transaction amount	Annual Caps	Approximate transaction amount	Annual Caps	Approximate transaction amount
Transaction 5 — Marketing (i.e., Transaction 5)	RMB200,440,000 (equivalent to approximately HK\$238,524,000)	RMB200,360,000 (equivalent to approximately HK\$238,428,000)	RMB799,995,000 (equivalent to approximately HK\$951,994,000)	RMB604,577,000 (equivalent to approximately HK\$719,447,000)	RMB1,000,222,000 (equivalent to approximately HK\$1,190,264,000)	RMB675,960,000 (equivalent to approximately HK\$804,392,000)
Transaction 6 — Building design (i.e., Transaction 7)	RMB40,820,000 (equivalent to approximately HK\$48,576,000)	RMB25,960,000 (equivalent to approximately HK\$30,892,000)	RMB72,378,000 (equivalent to approximately HK\$86,130,000)	RMB62,032,000 (equivalent to approximately HK\$73,818,000)	RMB55,638,000 (equivalent to approximately HK\$66,209,000)	RMB53,918,000 (equivalent to approximately HK\$64,162,000)
Transaction 7 — Management of vacant properties and delivery of sold property units (i.e., Transaction 8)	RMB29,113,000 (equivalent to approximately HK\$34,644,000)	RMB25,732,000 (equivalent to approximately HK\$30,621,000)	RMB32,024,000 (equivalent to approximately HK\$38,109,000)	RMB29,689,000 (equivalent to approximately HK\$35,330,000)	RMB35,227,000 (equivalent to approximately HK\$41,920,000)	RMB32,000,000 (equivalent to approximately HK\$38,080,000)
Transaction 8 — Heating services	NA	NA	RMB2,710,000 (equivalent to approximately HK\$3,225,000)	RMB1,292,000 (equivalent to approximately HK\$1,537,000)	RMB2,540,000 (equivalent to approximately HK\$3,023,000)	RMB861,000 (equivalent to approximately HK\$1,025,000)
Transaction 9 — Hotel management (i.e., Transaction 10)	RMB7,039,000 (equivalent to approximately HK\$8,376,000)	RMB3,290,000 (equivalent to approximately HK\$3,915,000)	RMB7,048,000 (equivalent to approximately HK\$8,387,000)	RMB4,399,000 (equivalent to approximately HK\$5,235,000)	RMB8,519,000 (equivalent to approximately HK\$10,138,000)	RMB6,925,000 (equivalent to approximately HK\$8,241,000)
Transaction 10 — Shop and office lease (i.e., Transaction 9)	RMB35,675,000 (equivalent to approximately HK\$42,453,000)	RMB8,473,000 (equivalent to approximately HK\$10,083,000)	RMB37,058,000 (equivalent to approximately HK\$44,099,000)	RMB22,634,000 (equivalent to approximately HK\$26,934,000)	RMB37,746,000 (equivalent to approximately HK\$44,918,000)	RMB20,822,000 (equivalent to approximately HK\$24,778,000)
Transaction 11 — Commercial real estate management (i.e., Transaction 10)	RMB153,901,000 (equivalent to approximately HK\$183,142,000)	RMB41,348,000 (equivalent to approximately HK\$49,204,000)	RMB314,683,000 (equivalent to approximately HK\$374,473,000)	RMB116,769,000 (equivalent to approximately HK\$138,955,000)	RMB297,351,000 (equivalent to approximately HK\$353,848,000)	RMB279,527,000 (equivalent to approximately HK\$332,637,000)
Transaction 12 — Construction (i.e., Transaction 11)	NA	NA	RMB200,000,000 (equivalent to approximately HK\$238,000,000)	RMB14,312,000 (equivalent to approximately HK\$17,031,000)	RMB250,000,000 (equivalent to approximately HK\$297,500,000)	RMB162,803,000 (equivalent to approximately HK\$193,736,000)

LETTER FROM PELICAN FINANCIAL

6.2. Proposed Annual Caps for the 2021–2023 Transactions

Set out below are the Annual Caps proposed by the Directors for each of the three financial years ending 31 December 2023 in respect of the 2021–2023 Transactions and the relevant breakdowns:

Services to be provided/premises to be leased by the Chu Family's Controlled Entities to the Group pursuant to the 2021 Framework Agreement:

2021–2023 Transactions	2021 Annual Cap	2022 Annual Cap	2023 Annual Cap
Transaction 1 — Construction	RMB1,311,460,000 (equivalent to approximately HK\$1,560,637,000)	RMB1,582,620,000 (equivalent to approximately HK\$1,883,318,000)	RMB1,308,040,000 (equivalent to approximately HK\$1,556,568,000)
Transaction 2 — Consultancy service on cost control for construction work	RMB39,090,000 (equivalent to approximately HK\$46,517,000)	RMB34,150,000 (equivalent to approximately HK\$40,639,000)	RMB36,700,000 (equivalent to approximately HK\$43,673,000)
Transaction 3 — Office lease (Note)	RMB13,180,000 (equivalent to approximately HK\$15,684,000)	RMB13,650,000 (equivalent to approximately HK\$16,244,000)	RMB13,440,000 (equivalent to approximately HK\$15,994,000)
Transaction 4 — Information technology related services and ERP Systems services	RMB126,600,000 (equivalent to approximately HK\$150,654,000)	RMB83,880,000 (equivalent to approximately HK\$99,817,000)	RMB94,390,000 (equivalent to approximately HK\$112,324,000)
Transaction 5 — Marketing services	RMB987,900,000 (equivalent to approximately HK\$1,175,601,000)	RMB1,458,890,000 (equivalent to approximately HK\$1,736,079,000)	RMB2,468,650,000 (equivalent to approximately HK\$2,937,694,000)
Transaction 6 — Management of a property development project	RMB47,460,000 (equivalent to approximately HK\$56,477,000)	RMB15,820,000 (equivalent to approximately HK\$18,826,000)	RMB63,280,000 (equivalent to approximately HK\$75,303,000)
Total Payable Annual Caps	RMB2,525,690,000 (equivalent to approximately <u>HK\$3,005,570,000</u>)	RMB3,189,010,000 (equivalent to approximately <u>HK\$3,794,923,000</u>)	RMB3,984,500,000 (equivalent to approximately <u>HK\$4,741,556,000</u>)

LETTER FROM PELICAN FINANCIAL

Note:

Pursuant to Hong Kong Financial Reporting Standards 16, the lease payment under Transaction 3 will be recognised by the Group as a right-of-use asset with the aggregate consideration of approximately RMB40,270,000 (equivalent to approximately HK\$47,922,000 (without taking into account the discounting factor for the years ending 31 December 2022 and 2023)), and hence Transaction 3 will be regarded as a one-off connected acquisition of a right-of-use asset by the Group under Chapter 14A of the Listing Rules.

As none of the applicable percentage ratios (other than profits ratio) as defined under Rule 14.07 of the Listing Rules exceed 0.1%, Transaction 3 constitutes a de minimis connected transaction pursuant to Rule 14A.76 of the Listing Rules and is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. Nevertheless, given the continuing connected nature of Transaction 3 and as a good corporate governance measure, the parties have included Transaction 3 in the 2021 Framework Agreement. The annual caps represent the annual rentals payable by the Group for the relevant financial year.

*Services to be provided/premises to be leased by the Group to the Chu Family's
Controlled Entities pursuant to the 2021 Framework Agreement:*

2021–2023 Transactions	2021 Annual Cap	2022 Annual Cap	2023 Annual Cap
Transaction 7 — Building design	RMB244,220,000 (equivalent to approximately HK\$290,622,000)	RMB200,130,000 (equivalent to approximately HK\$238,155,000)	RMB108,390,000 (equivalent to approximately HK\$128,984,000)
Transaction 8 — Management of vacant properties	RMB72,170,000 (equivalent to approximately HK\$85,882,000)	RMB76,550,000 (equivalent to approximately HK\$91,095,000)	RMB85,830,000 (equivalent to approximately HK\$102,138,000)
Transaction 9 — Office lease	RMB87,120,000 (equivalent to approximately HK\$103,673,000)	RMB96,100,000 (equivalent to approximately HK\$114,359,000)	RMB98,300,000 (equivalent to approximately HK\$116,977,000)
Transaction 10 — Operational and building management	RMB2,191,230,000 (equivalent to approximately HK\$2,607,564,000)	RMB2,020,700,000 (equivalent to approximately HK\$2,404,633,000)	RMB1,491,160,000 (equivalent to approximately HK\$1,774,480,000)
Transaction 11 — Construction	RMB1,025,950,000 (equivalent to approximately HK\$1,220,881,000)	RMB482,540,000 (equivalent to approximately HK\$574,223,000)	RMB153,020,000 (equivalent to approximately HK\$182,094,000)
Transaction 12 — Refurbishments and renovations	RMB53,420,000 (equivalent to approximately HK\$63,570,000)	RMB37,440,000 (equivalent to approximately HK\$44,554,000)	RMB41,190,000 (equivalent to approximately HK\$49,016,000)
Transaction 13 — Smart technology services	RMB531,840,000 (equivalent to approximately HK\$632,890,000)	RMB775,530,000 (equivalent to approximately HK\$922,881,000)	RMB1,364,480,000 (equivalent to approximately HK\$1,623,731,000)
Total Receivable Annual Caps	RMB4,205,950,000 (equivalent to approximately HK\$5,005,082,000)	RMB3,688,990,000 (equivalent to approximately HK\$4,389,900,000)	RMB3,342,370,000 (equivalent to approximately HK\$3,977,420,000)

LETTER FROM PELICAN FINANCIAL

7. Basis for determining the respective Annual Caps (including the pricing basis and other relevant factors)

Services to be provided/premises to be leased by Chu Family's Controlled Entities to the Group pursuant to the 2021 Framework Agreement:

7.1. Transaction 1 — Construction

7.1.1. Basis for determining the Annual Caps for Transaction 1

Set out below are the Annual Caps for Transaction 1 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 1 — Construction	RMB1,311,460,000 (equivalent to approximately HK\$1,560,637,000)	RMB1,582,620,000 (equivalent to approximately HK\$1,883,318,000)	RMB1,308,040,000 (equivalent to approximately HK\$1,556,568,000)

In determining the Annual Caps for Transaction 1 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely that it shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities; (ii) the approximate aggregate gross floor area of the construction projects to be carried out by the Chu's Controlled Entities located in Guangzhou and Huizhou; (iii) the proportion of the subject construction project expected to be completed in each of the three years ending 31 December 2023; (iv) the scope and scale of works required from the Chu's Controlled Entities based on the estimated completion schedule; and (v) the terms and scale of the historical transaction and the historical transaction amounts.

In deriving the Annual Caps for Transaction 1, the Company has multiplied the estimated average unit construction fee payable with the estimated aggregate gross floor areas of the property development projects of the Group in Guangzhou and Huizhou, the construction of which are probably to be performed by the Chu Family's Controlled Entities for each of the three financial years ending 31 December 2023.

7.1.2. Documents obtained and reviewed for Transaction 1

In connection with Transaction 1, we have obtained, reviewed and examined (i) a schedule setting out the estimated construction fee payable by the Group to the Chu Family's Controlled Entities for the three financial years ending 31 December 2023; (ii) a schedule setting out the breakdown of estimated average unit construction fee; (iii) a schedule setting out the historical construction fees paid by the Group to the Chu's

LETTER FROM PELICAN FINANCIAL

Controlled Entities during the three financial years ended 31 December 2020; and (iv) reference materials for setting prices for different construction materials and services, including the standards and guidelines stipulated by the relevant government authorities.

7.1.3. *Our analysis of the Annual Caps for Transaction 1*

The relevant pricing basis under the 2021 Framework Agreement

As set out in the 2021 Framework Agreement, the construction fees payable by the Group to the Chu's Controlled Entities for carrying out construction work of the property development projects of the Group in the PRC (i) shall be determined by the parties with reference to the latest market prices offered by Independent Third Parties for providing similar services; and (ii) shall conform with the latest stipulated standards and guidelines prescribed by the relevant governmental authorities, such as 建設委員會 (Construction Committee[#]) for the region where the project is located, including (a) 《建設工程工程量清單計價規範》 (GB50500-2013) (Code of valuation with bill quantity of construction works[#]) published by 中華人民共和國住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development of the PRC[#]) in 2012, whereby, among others, the contractor shall determine the different phases for the entire construction and itemise the individual projects for each phase based on, among others, the nature of works, technical expertise and raw materials required; and the contractor shall determine the price for the entire construction based on, among others, the costs for the required labour, raw materials and machinery and equipment, the relevant amount of taxes, other fees and costs that are payable as prescribed by the laws and regulations and local governments, the administration and management costs to be incurred, plus a profit margin; and (b) 《廣東省建設工程計價依據 (2018)》 (Costing Basis of Construction and Installation Works, Guangdong Province (2018)[#]) published by 廣東省建設廳 (Construction Department of Guangdong Province[#]) in 2019 for property projects in Guangzhou, which sets out, among others, the prescribed standards for each type of construction work, and the pricing guidelines and bases on, among others, the respective costs for labour, raw materials and machinery and equipment, and the administration and management costs for each type of construction work, as well as the profit margin for the entire construction of approximately 20%.

As advised by the Company, whilst the estimated unit construction fee for each of the property projects may vary as they are subject to a few factors: (i) the types of construction materials consumed; (ii) the class of the properties; (iii) the scope of the construction works; and (iv) the geographic location of the property sites, the overall effect after averaging them is very close and hence the Company has estimated the average unit construction fee payable to the Chu's Controlled Entities by taking the average of the estimated unit fees for each of the property projects and we considered such approach to be reasonable.

LETTER FROM PELICAN FINANCIAL

According to the management, the average estimated unit construction fee payable by the Group is approximately RMB4,700 per sq.m., which is within the range of the average unit construction cost as stipulated in the latest standards and guidelines prescribed by 建設委員會 (Construction Committee[#]) for the region where the project is located, such as (a) 《建設工程工程量清單計價規範》 (GB50500-2013) (Code of valuation with bill quantity of construction works[#]), and (b) 《廣東省建設工程計價依據 (2018)》 (Costing Basis of Construction and Installation Works, Guangdong Province (2018)[#]). We also noted that in determining its construction fees payable to the Chu's Controlled Entities, the Group had considered its profit margins for similar construction projects which it had provided to the Chu's Controlled Entities and Independent Third Parties in recent years. In this regard, we noted that the Group's profit margins for these construction projects were also about 20%, and hence we considered the Group's reference to 《廣東省建設工程計價依據 (2018)》 (Costing Basis of Construction and Installation Works, Guangdong Province (2018)[#]), which sets out that among others, the profit margin for the entire construction should be approximately 20%, as fair and reasonable.

The approximate aggregate gross floor area of the construction projects to be carried out by the Chu's Controlled Entities, the proportion of the subject construction project expected to be completed in each of the three years ending 31 December 2023, and the scope and scale of works required from the Chu's Controlled Entities based on the estimated completion schedule

We have reviewed the schedule in respect of the estimated aggregate gross floor areas of property development projects of the Group in Guangzhou and the eastern areas of the PRC (which includes Huizhou), the construction of which are expected to be carried out by the Chu Family's Controlled Entities for the three financial years ending 31 December 2023. As advised by the Company, the estimated aggregate gross floor areas of the property development projects of the Group are determined in accordance with the Group's property development schedule in the forthcoming years. In our review of the estimated aggregate gross floor area of the said property development projects in Guangzhou and the eastern areas of the PRC (which includes Huizhou) of approximately 967,411 sq.m., we noted that the Company expected about 23–36% of such estimated aggregate gross floor area will be completed in each of the three years ending 31 December 2023. We also noted that such project pipelines are consistent with the property development plan of the Group for 2021–2023. As such, we are of the view that such estimated aggregate gross floor areas of property development projects of the Group are fair and reasonable and they reflect the Group's need for construction services from the Chu's Controlled Entities for the three financial years ending 31 December 2023.

LETTER FROM PELICAN FINANCIAL

The terms and scale of the historical transaction and the historical transaction amounts

We noted that the Annual Caps for Transaction 1 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for the three years ended 31 December 2020. We have inquired the Company regarding such substantial growth in the Annual Caps, and noted that it is mainly due to the fact that the number and scale of property development projects of the Group are expected to increase substantially for the three years ending 31 December 2023, leading to the corresponding increase in the Group' demand for construction services from the Chu's Controlled Entities.

From our discussion with the Company, we noted that construction costs of the Group are generally payable at phases according to the completion schedule of a particular project. Hence, the differences in the estimated completion schedules and the estimated aggregate gross floor areas to be completed for each financial year have led to the year-on-year fluctuation of the Annual caps for Transaction 1. In this regard, given that as discussed above, we are of the view that the estimated aggregate gross floor areas of property development projects of the Group are fair and reasonable and they reflect the Group's need for construction services from the Chu's Controlled Entities for the three financial years ending 31 December 2023, we are of the view that in order to meet the Group's demand for such construction works, it is fair and reasonable to set the year-on-year fluctuation of the Annual Caps for Transaction 1. As the Group and the Chu's Controlled Entities have established long-term business relationship and the construction services provided by the Chu's Controlled Entities have been satisfactory, the continuing appointment of the Chu's Controlled Entities to provide the Group with construction services can further boost the overall operating efficiency and cost effectiveness of the Group as a whole.

In light of the above, we are of the view that the fees payable under Transaction 1 and the Annual Caps for Transaction 1 are properly estimated. We are also of the view that Transaction 1 will be entered into on normal commercial terms and that the terms of Transaction 1 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM PELICAN FINANCIAL

7.2. Transaction 2 — Consultancy service on cost control for construction work

7.2.1. Basis for determining the Annual Caps for Transaction 2

Set out below are the Annual Caps for Transaction 2 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 2 —	RMB39,090,000	RMB34,150,000	RMB36,700,000
Consultancy service	(equivalent to	(equivalent to	(equivalent to
on cost control for	approximately	approximately	approximately
construction work	HK\$46,517,000)	HK\$40,639,000)	HK\$43,673,000)

In determining the Annual Caps for Transaction 2 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely that it shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities; (ii) the approximate aggregate construction floor area of the property projects to be completed by the Group in Tianjin, Guangzhou and Shanghai, and the northern (including Shanxi, Bazhou, Langfang and Beijing) and Huizhou of the PRC, which will require such services from the Chu Family's Controlled Entities; (iii) the scope and scale of works required from the Chu's Controlled Entities; and (iv) the terms and scale of the historical transaction and the historical transaction amounts.

In deriving the Annual Caps for Transaction 2, the Company has multiplied the respective estimated average unit fee for consultancy service on cost control for construction work with the estimated aggregate gross floor area of the property projects to be completed by the Group in Tianjin, Guangzhou and Shanghai, and the northern (including Shanxi, Bazhou, Langfang and Beijing) and Huizhou of the PRC, which are likely to be performed by the Chu's Controlled Entities for the three years ending 31 December 2023.

7.2.2. Documents obtained and reviewed for Transaction 2

In connection with Transaction 2, we have obtained, reviewed and examined (i) a schedule setting out the estimated consultancy service fees on cost control for construction work payable by the Group to the Chu's Controlled Entities for the three years ending 31 December 2023; (ii) a schedule setting out the historical consultancy service fees on cost control for construction work paid by the Group to the Chu's Controlled Entities during the three years ended 31 December 2020; (iii) the prevailing market rates for consultancy service with reference to the terms offered by Independent Third Parties; (iv) two sample installation and consultancy contracts, selected on a random sampling basis, entered into between the Group and the Chu's Controlled Entities

LETTER FROM PELICAN FINANCIAL

during the three years ended 31 December 2020 and up to the Latest Practicable Date; and (v) reference materials for setting the pricing basis and fees, including the standards stipulated by the relevant government authorities as set out below.

7.2.3. *Our analysis of the Annual Caps for Transaction 2*

The relevant pricing basis under the 2021 Framework Agreement

The fees payable by the Group to the Chu's Controlled Entities for carrying out consultancy service on cost control for construction work and the other terms of this transaction (i) shall be determined with reference to latest market prices offered by Independent Third Parties for providing similar services; and (ii) shall conform with the latest standards and guidelines prescribed by the relevant governmental authorities of where the project is located, such as (a) 《廣東省物價局關於調整我省建設工程造價諮詢服務收費的覆函》(粵價函[2011]742號) (Reply letter in relation to the adjustment of the pricing of fee enquiries for construction projects of the Price Control Administrative Bureau of Guangdong Province[#]) issued by 廣東省物價局 (Price Control Administrative Bureau of Guangdong Province[#]) in 2011, and (b) 《廣東省建設工程造價管理規定》(Rules governing the fees chargeable for construction projects of Guangdong province[#]) issued by 廣東省人民政府 (People's Government of Guangdong Province[#]) in 2014.

In this regard, we have reviewed the relevant standards and guidelines and compared the consultancy fees paid by the Group for the three years ended 31 December 2020 and up to the Latest Practicable Date with the market rates for similar consultancy service. We have also obtained three sample consultancy contracts, selected on a random sampling basis, made between the Group and the Chu's Controlled Entities during the same period and compared that to the then market rates for similar consultancy service and made with reference to the terms offered by Independent Third Parties. Based on our review of the documents, we noted that consultancy fees paid by the Group was approximately RMB10 per sq.m. which was within the market range of approximately RMB8 to RMB20 per sq.m.. As such, the comparison shows that the historical consultancy fees paid by the Group to the Chu's Controlled Entities were comparable to, or no less favorable than, such market rates and that the pricing basis adopted in Transaction 2 has been fair and reasonable.

As advised by the Company, whilst the estimated average unit fee for consultancy service on cost control for construction work may vary as they are also subject to a few factors such as (i) the form of consultation; (ii) the range of the consultancy service to be delivered; and (iii) the reputation of the consultancy firms, the overall effect after averaging them is very close and hence the Company has estimated such unit fee for consultancy service payable by the Group to the Chu's Controlled Entities for the three years ending 31 December 2023, by taking the average of the estimated unit fee for these items for each of the property development projects.

LETTER FROM PELICAN FINANCIAL

In addition, as advised by the Company, as the proposed consultancy service on cost control for construction work for various property projects of the Group would need to conform to the latest standards and guidelines prescribed by the relevant governmental authorities of where the project is located, before entering into a specific agreement for each consultancy engagement under Transaction 2, the Group and the Chu's Controlled Entities shall determine the relevant consultancy fees by making reference to, among others, the then available relevant standards.

Having considered the above, we are of the view that the unit fee for consultancy service on cost control for construction work to be payable by the Group to the Chu's Controlled Entities and used in determining the Annual Caps for Transaction 2 for the three years ending 31 December 2020, are properly estimated.

The approximate aggregate construction floor area of the property projects to be completed by the Group which will require such services from the Chu's Controlled Entities, and the scope and scale of works required from the Chu's Controlled Entities

We have also reviewed the schedule in respect of the relevant consultancy service on cost control for construction work, which are likely to be performed by the Chu's Controlled Entities for the three years ending 31 December 2023. As advised by the Company, the estimated amount of consultancy service is determined in accordance with the Group's property development schedule in the forthcoming years. In our review of the relevant consultancy service on cost control for construction work which are expected to be carried out by the Chu's Controlled Entities, we noted that the consultancy service on cost control for construction work to be carried out by the Chu's Controlled Entities is approximately 3.8 million sq.m. in 2021, 3.4 million sq.m. in 2022 and 3.2 million sq.m. in 2023. We noted that the property projects under Transaction 2 are consistent with the property development plan of the Group for 2021–2023. Accordingly, we are of the view that such estimated aggregate construction floor area of property projects of the Group is fair and reasonable and it reflects the Group's need for consultancy service from the Chu Family's Controlled Entities for the three financial years ending 31 December 2023.

The terms and scale of the historical transaction and the historical transaction amounts

It is noted that the Annual Caps for Transaction 2 of approximately RMB39.1 million, RMB34.2 million and RMB 36.7 million for the three years ending 31 December 2023 are within the range of the historical transaction amounts of approximately RMB22.7 million, RMB10.2 million and RMB40.3 million for three years ended 31 December 2020. In this regard, we noted from the Company that the number and scale of construction projects are expected to remain relatively consistent for each of the three years ending 31 December 2023, and as such, the

LETTER FROM PELICAN FINANCIAL

Annual Caps for Transaction 2 for each of the three years ending 31 December 2023 are also expected to remain relatively stable. Having considered such reason and the fact that the amount of consultancy fees payable directly correlates with the number and scale of construction projects to be involved, we concur with the Directors that the Annual Caps for Transaction 2, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

As the Group and the Chu's Controlled Entities have established long-term business relationship and the consultancy service on cost control for construction work provided by the Chu's Controlled Entities has been satisfactory, the continuing appointment of the Chu's Controlled Entities to provide the Group with such service can further boost the overall operating efficiency and cost effectiveness of the Group as a whole.

In light of the above, we are of the view that the fees payable under Transaction 2 and the Annual Caps for Transaction 2 are properly estimated. We are also of the view that Transaction 2 will be entered into on normal commercial terms and that the terms of Transaction 2 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

7.3. Transaction 3 — Office lease

7.3.1. Basis for determining the Annual Caps for Transaction 3

Set out below are the Annual Caps for Transaction 3 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 3	RMB13,180,000	RMB13,650,000	RMB13,440,000
— Office lease	(equivalent to approximately HK\$15,684,000)	(equivalent to approximately HK\$16,244,000)	(equivalent to approximately HK\$15,994,000)

In determining the Annual Caps for Transaction 3 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely the prevailing market rents for similar premises in similar locations; (ii) the proposed leased premises identified and the aggregate size thereof; and (iii) the terms and scale of the historical transaction and the historical transaction amounts.

LETTER FROM PELICAN FINANCIAL

In deriving the Annual Caps for Transaction 3, the Company has multiplied the area of premises and the respective estimated rents payable per square metre of the relevant premises to be leased by the Group from the Chu's Controlled Entities in Guangzhou, Shanghai and Shenzhen for the three years ending 31 December 2023.

7.3.2. Documents obtained and reviewed for Transaction 3

In connection with Transaction 3, we have obtained, reviewed and examined (i) a schedule setting out the location and aggregate size of the relevant premises to be leased by the Chu's Controlled Entities to the Group in Guangzhou, Shanghai and Shenzhen, and the respective estimated rents payable by the Group to the Chu's Controlled Entities for the relevant premises for three years ending 31 December 2023; (ii) a schedule setting out the historical rents paid by the Group to the Chu's Controlled Entities for commercial premises leased during the three years ended 31 December 2020; and (iii) three sample rental contracts, selected on a random sampling basis, that were entered into between the Group and the Chu's Controlled Entities for commercial premises owned by the latter during the three years ended 31 December 2020 and up to the Latest Practicable Date.

7.3.3. Our analysis of the Annual Caps for Transaction 3

The relevant pricing basis under the 2021 Framework Agreement

The rent payable by the Group to the Chu's Controlled Entities and the other terms of this transaction shall be determined with reference to the prevailing market rents paid by lessees who are Independent Third Parties for leasing similar premises located in nearby areas or leasing premises of the same grading.

In this regard, we have reviewed and compared the rental rate paid by the Group for the three years ended 31 December 2020 with the then market rates as listed/quoted by PRC property leasing agents of similar premises. We have also reviewed the terms of the three rental contracts, selected on a random sampling basis, made between the Group and the Chu's Controlled Entities during the three years ended 31 December 2020 and up to the Latest Practicable Date and compared them with the terms for rental contracts as listed/quoted by PRC property leasing agents of similar premises. Our review shows that the per square metre rental rates paid by the Group were within the market rates and therefore the comparison shows that the historical rental rates paid by the Group to the Chu's Controlled Entities were comparable to, or no less favorable than, such market rates and that the pricing basis adopted in Transaction 3 has been fair and reasonable.

To determine whether the estimated rents payable by the Group to the Chu's Controlled Entities for leasing office premises for the three years ending 31 December 2023 are on normal commercial terms, we have conducted an independent research on the prevailing market rates and/or rental rates as quoted by

LETTER FROM PELICAN FINANCIAL

property agents in the PRC for other premises in the same building or similar premises in similar proximity to the relevant premises in Guangzhou, Shanghai and Shenzhen, and compared them against the estimated rents for the relevant premises which the Chu's Controlled Entities have agreed to lease to the Group for use as offices. Based on our comparison and also considering factors such as the quality and the floor level of the relevant premises to be leased by the Group, we note that the estimated rents payable by the Group to the Chu's Controlled Entities are in line with the prevailing market rates.

The proposed leased premises identified and the aggregate size thereof

We noted that the Group is expecting to rent offices in thirteen commercial buildings with aggregate gross floor area of approximately 6,944 sq.m. in Guangzhou, Shanghai and Shenzhen for the three years ending 31 December 2023. From our review of the office premises to be leased by the Group, we noted that all of them are already currently being leased by the Group. As such, we are of the view that the size of the offices to be leased by the Group is properly estimated.

The terms and scale of the historical transaction and the historical transaction amounts

It is noted that the Annual Caps for Transaction 3 of approximately RMB13.2 million, RMB13.7 million and RMB 13.4 million for the three years ending 31 December 2023 are within the range of the historical transaction amounts of approximately RMB6.5 million, RMB8.4 million and RMB9.0 million for three years ended 31 December 2020. In this regard, we noted from the Company that the Group expects to lease the same office premises from the Chu's Controlled Entities throughout the three years ending 31 December 2023, and hence the rent payable by the Group for such premises (i.e., the Annual Caps for Transaction 3) are also expected to remain stable throughout each of the three years. Having considered such reason and the fact that the amount of rent payable directly correlates with the location and size of the premises to be involved, we concur with the Directors that the Annual Caps for Transaction 3, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

In light of the above, we are of the view that the rents payable under Transaction 3 and the Annual Caps for Transaction 3 are properly estimated. We are also of the view that Transaction 3 will be entered into on normal commercial terms and that the terms of Transaction 3 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM PELICAN FINANCIAL

7.4. Transaction 4 — Information technology related services and ERP Systems services

7.4.1. Basis for determining the Annual Caps for Transaction 4

Set out below are the Annual Caps for Transaction 4 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 4 — Information technology related services and ERP Systems services	RMB126,600,000 (equivalent to approximately HK\$150,654,000)	RMB83,880,000 (equivalent to approximately HK\$99,817,000)	RMB94,390,000 (equivalent to approximately HK\$112,324,000)

In determining the Annual Caps for Transaction 4 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely the market price offered by Independent Third Parties for providing similar services; (ii) the scope and extent of the services to be provided by the Chu Family's Controlled Entities to the Group; (iii) the terms and scale of the historical transaction and the historical transaction amounts.

7.4.2. Documents obtained and reviewed for Transaction 4

In connection with Transaction 4, we have obtained, reviewed and examined (i) a schedule setting out the estimated service fees payable by the Group to the Chu Family's Controlled Entities for information technology related services and ERP Systems services for the three years ending 31 December 2023; (ii) a schedule setting out the historical fees paid by the Group for information technology related services for each project during the three years ended 31 December 2020; (iii) the prevailing market rates for, and terms of, similar information technology related services and ERP Systems services offered by Independent Third Parties; and (iv) three sample contracts, selected on a random sampling basis, on information technology related services entered into between the Group and the Chu's Controlled Entities during the three years ended 31 December 2020 and up to the Latest Practicable Date.

7.4.3. Our analysis of the Annual Caps for Transaction 4

The relevant pricing basis under the 2021 Framework Agreement

The fees payable by the Group to the Chu Family's Controlled Entities and the other terms of this transaction shall be determined by the parties with reference to the market prices offered by Independent Third Parties for providing similar services.

LETTER FROM PELICAN FINANCIAL

In this regard, we have reviewed the technology related service fees paid by the Group for the three years ended 31 December 2020, as well as the various market rates for similar services. We have obtained three sample contracts, selected on a random sampling basis, on information technology related services made between the Group and the Chu's Controlled Entities (i.e., containing over ten different products and other services) during the three years ended 31 December 2020 and up to the Latest Practicable Date and compared them to two samples and/or references of fee/commission quotations for similar information technology related services, selected on a random sampling basis, offered by Independent Third Parties to the Group. Based on our review, we noted that the prevailing market rates offered by Independent Third Parties range from RMB2,350 to 3,000 per man-day, which are less favorable than the historical/estimated information technology related services fees paid/payable by the Group to the Chu's Controlled Entities that ranged/range from RMB1,200 to 1,600 per man-day. As such, the comparison shows that the historical fees paid by the Group to the Chu's Controlled Entities for information technology related services were comparable to, or no less favorable than, such market rates and that the pricing basis adopted in Transaction 4 has been fair and reasonable.

The scope and extent of the services to be provided by the Chu Family's Controlled Entities to the Group

Furthermore, we have enquired the nature and description of the relevant information technology related services and ERP Systems services to be rendered by the Chu Family's Controlled Entities for the three years ending 31 December 2023. Given that the Annual Caps for Transaction 4 was determined based on the expected relevant information technology related services that would be required by the Group in each of the three years ending 31 December 2023, as well as the annual increase in the cost of related software components, we are of the view that it is reasonable that the Annual Caps for Transaction 4 will increase in the region of approximately 10% to 15% in 2022 and 2023 as compared with the prior year. In light of the above, we are of the view that the basis and assumptions in formulating the Annual Caps for Transaction 4 are fair and reasonable.

The terms and scale of the historical transaction and the historical transaction amounts

We noted that the Annual Caps for Transaction 4 for each of the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for the three years ended 31 December 2020. We have inquired the Company regarding such substantial growth in the Annual Caps and noted that it is mainly due to the fact that the establishment of ERS Systems is a new

LETTER FROM PELICAN FINANCIAL

development strategy of the Group and it was not covered by transaction 4 under the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement).

We also noted that because the Chu Family's Controlled Entities will be responsible for firstly establishing the ERP Systems in 2021 which will entail substantive works, the Annual Caps for Transaction 4 are expected to be much higher for 2021 but remain relatively stable thereafter for the 2022 and 2023, given that in the latter two years, only maintenance work, and upgrade if needed, of the ERS Systems, will be required. Having consider such reason and the fact that the amount of information technology related service fees payable directly correlates with the scope of works involved, we concur with the Directors that the Annual Caps for Transaction 4, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the experience of certain members of the Chu Family's Controlled Entities, their respective proven track record in the industry and that the proposed pricing terms charged by the Chu Family's Controlled Entities are comparable to those of the Independent Third Parties for the provision of similar services, it is expected that the appointment of the Chu Family's Controlled Entities to provide the Group with information technology related services and ERP Systems services will further boost the overall operating efficiency cost effectiveness of the Group as a whole.

In light of the above, we are of the view that the fees payable under Transaction 4 and the Annual Caps for Transaction 4 are properly estimated. We are also of the view that Transaction 4 will be entered into on normal commercial terms and that the terms of Transaction 4 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

7.5. Transaction 5 — Marketing services

7.5.1. Basis for determining the Annual Caps for Transaction 5

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 5 — Marketing services	RMB987,900,000 (equivalent to approximately HK\$1,175,601,000)	RMB1,458,890,000 (equivalent to approximately HK\$1,736,079,000)	RMB2,468,650,000 (equivalent to approximately HK\$2,937,694,000)

In determining the Annual Caps for Transaction 5 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely the market price offered by Independent Third Parties for providing similar services; (ii) the location, scale and number of the proposed

LETTER FROM PELICAN FINANCIAL

property projects; (iii) the scope and scale of works required from the Chu's Controlled Entities; and (iv) the terms and scale of the historical transaction and the historical transaction amounts.

7.5.2. Documents obtained and reviewed for Transaction 5

In connection with Transaction 5, we have obtained, reviewed and examined (i) a schedule setting out the estimated marketing service fees payable by the Group to the Chu's Controlled Entities for marketing services for the three financial years ending 31 December 2023; (ii) a schedule setting out the historical marketing service fees paid by the Group to the Chu's Controlled Entities during the three financial years ended 31 December 2020; and (iii) the market rates or price quotations provided by Independent Third Parties for providing similar marketing services.

7.5.3 Our analysis of the Annual Caps for Transaction 5

The relevant pricing basis under the 2021 Framework Agreement

The fees payable by the Group to the Chu's Controlled Entities and the other terms of this transaction shall be determined with reference to the market price offered by Independent Third Parties for providing similar services.

In this regard, we have reviewed the marketing service fees paid by the Group for the three financial years ended 31 December 2020, as well as the various market rates for similar marketing services. We have obtained three sample contracts, selected on a random sampling basis, on marketing services made between the Group and the Chu's Controlled Entities during the three financial years ended 31 December 2020 and up to the Latest Practicable Date and compared them to the then market rates for similar marketing services. Based on our review, we noted that the various marketing service fees paid by the Group were within the market rates for similar services. As such, the comparison shows that the historical fees paid by the Group to the Chu's Controlled Entities for marketing services were comparable to, or no less favorable than, such market rates and that the pricing basis adopted in Transaction 5 has been fair and reasonable.

The location, scale and number of the proposed property projects, and the scope and scale of works required from the Chu's Controlled Entities

The Group agrees to appoint the Chu's Controlled Entities to provide marketing services to the Group, including marketing services in relation to the expansion of online and offline customers of property projects of the Group in Langfang, Beijing, Tangshan, Dalian, Taiyuan, Shanghai, Guangzhou, Huizhou and

LETTER FROM PELICAN FINANCIAL

Tianjin, the expansion of resources required by these property projects of Group, the set-up of offline marketing channels, and the suggestion of operational strategies with respect to sales agents, the media and system platforms.

As advised by the Company, the estimated fees for marketing services may vary as they are subject to the nature of marketing services to be provided by the Chu's Controlled Entities to the Group based on the Group's plans. In this regard, we noted from the management that, since early 2019, the Group has revised its sales strategy to substantially increase its marketing efforts with an aim to achieve higher sales and enhance its cost efficiency, and the Group plans to utilise more marketing services from the Chu's Controlled Entities, particularly their online platform which promotes and expedites transactions facilitated by individual sales agents. It is estimated that the average marketing service fees would be in the region of approximately 2% to 4% of sales generated from projects in first-tier cities, and up to 8% of sales from projects in outer suburbs, second and/or third tier cities. To determine whether such estimated marketing service fees for the three financial years ending 31 December 2023 are on normal commercial terms, we have compared the estimated marketing service fees to the prevailing market rates for similar marketing services provided by Independent Third Parties to the Group. In this regard, we have obtained two samples and/or references of fee/commission quotations for similar marketing services, selected on a random sampling basis, offered by Independent Third Parties to the Group or obtained from the public domain (i.e. commission rates published by PRC property agents such as 房江湖 (Fang Jianghu[#]), 易居房友 (E-House Fangyou[#]), 58同城 (58.com[#]), and 房多多 (Fangdd[#])) during the three financial years ended 31 December 2020 and up to the Latest Practicable Date. Based on our discussion with the management and our review of the documents, we noted that the prevailing market rates for similar marketing services provided by Independent Third Parties range in the region of approximately 4.92% to 10% of sales generated from a project. Our comparison indicates that the estimated marketing service fees payable by the Group to the Chu's Controlled Entities falls within the market range and are comparable, or better than, those chargeable by Independent Third Parties. Having considered the above, we are of the view that the marketing service fees used in determining the Annual Caps for Transaction 5 are properly estimated.

The terms and scale of the historical transaction and the historical transaction amounts

We noted that the Annual Caps for Transaction 5 for the three years ending 31 December 2023 are expected to increase significantly compared to the historical transaction amounts for three years ended 31 December 2020, because it is expected that the Group's demand for marketing services from the Chu's Controlled Entities will increase significantly in view of the expected increase in the number of

LETTER FROM PELICAN FINANCIAL

property development projects to be launched by the Group, and the fact that the Group intends to expand its sale and marketing efforts, particularly through online and multimedia marketing.

In the same vein, the year-on-year fluctuation of the Annual Caps for Transaction 5 mainly represents the fluctuation in the number of the Group's property development projects expected to be involved for that particular financial year, which is determined based on the Group's actual and forecast construction progress and overall sales strategies. Having consider such reason and the fact that the amount of marketing service fees payable directly correlates with the level of demand for marketing services from the Chu's Controlled Entities as well as the scope of works expected to be involved, we concur with the Directors that the Annual Caps for Transaction 5, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

Also, as the Group and the Chu's Controlled Entities have established long-term business relationship, the Chu's Controlled Entities have secured a solid understanding of the Group's operations and its property projects as well as the expectations and requirements of the Group, which are considered by the Group to be necessary in designing and implementing a marketing plan suitable for the Group. As such, the continual appointment of the Chu's Controlled Entities to provide the Group with marketing services can further boost the overall operating efficiency and cost effectiveness of the Group as a whole.

In light of the above, we are of the view that the fees payable under Transaction 5 and the Annual Caps for Transaction 5 are properly estimated. We are also of the view that Transaction 5 will be entered into on normal commercial terms and that the terms of Transaction 5 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM PELICAN FINANCIAL

7.6 Transaction 6 — Management of a property development project

7.6.1. Basis for determining the Annual Caps for Transaction 6

Set out below are the Annual Caps for Transaction 6 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 6 —	RMB47,460,000	RMB15,820,000	RMB63,280,000
Management of a	(equivalent to	(equivalent to	(equivalent to
property development	approximately	approximately	approximately
project	HK\$56,477,000)	HK\$18,826,000)	HK\$75,303,000)

In determining the Annual Caps for Transaction 6 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely that it shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities; (ii) the scale of urban renewal and redevelopment work expected to be carried out; and (iii) the aggregate investment cost to be contributed by the Group to the relevant property development project.

7.6.2. Documents obtained and reviewed for Transaction 6

In connection with Transaction 6, we have obtained, reviewed and examined (i) a schedule setting out the estimated property development management fees payable by the Group to the Chu's Controlled Entities for the three financial years ending 31 December 2023; and (ii) the market rates or price quotations provided by Independent Third Parties for providing similar property development management services.

LETTER FROM PELICAN FINANCIAL

7.6.3. *Our analysis of the Annual Caps for Transaction 6*

The relevant pricing basis under the 2021 Framework Agreement

The fees payable by the Group to the Chu's Controlled Entities and the other terms of this transaction shall be determined with reference to the market rate.

In this regard, we noted that as part of the Group's internal control measures, the Group will continue to ensure that the quotations and terms for each of the engagements under the 2021–2023 Transactions will be conducted on normal commercial terms and comparable to, or better than, those offered by Independent Third Parties. This will be done by the Group first obtaining quotations and terms for similar services from at least two Independent Third Parties for reference before the Group enters into any individual agreement in respect of the 2021–2023 Transactions with the Chu Family's Controlled Entities. Given the implementation of these internal control measures and the fact that they have been effective in ensuring the prices and terms for transactions entered into between the Group and the Chu Family's Controlled Entities were on normal commercial terms or better, we consider the relevant pricing basis for Transaction 6 as fair and reasonable.

The scale of urban renewal and redevelopment work expected to be carried out

It is noted that the Group agrees to appoint the Chu's Controlled Entities to provide services to the Group in relation to the management of a property development project of the Group, which will involve the urban renewal of the Lingshan village, a village located in Guangzhou. The said property development project, which is expected to commence in 2027 but may be further evaluated at a later stage, will require prior relocation of the current residents and redevelopment of Lingshan village.

In this regard, the property development management services to be provided by the Chu's Controlled Entities to the Group include but are not limited to, management of the division of labour, project teams, human resources, financial matters, operational matters, and settlement of costs, as well as the liaison with current residents of the Lingshan village and the payment management of their relocation compensation.

From our discussion with the Company, it is noted that the year-on-year fluctuation of the Annual Caps for Transaction 6 for the three years ending 31 December 2023 is largely due to the fact that the progress of the property development project of the Group, and hence the expected investment cost to be involved, are expected to vary for each of three years ending 31 December 2023. Having considered such reason and the fact that the amount of management fees payable directly correlates with the scale of the project, we concur with the Directors

LETTER FROM PELICAN FINANCIAL

that the Annual Caps for Transaction 6, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

The aggregate investment cost to be contributed by the Group to the relevant property development project

We have reviewed the schedule setting out the estimated property development management fees payable by the Group to the Chu's Controlled Entities for the three financial years ending 31 December 2023, and we noted that the aggregate investment cost to be contributed by the Group to the relevant property development project is approximately RMB5,273.5 million. Given that (i) the Chu's Controlled Entities will charge 3% of the aggregate investment cost in the relevant property development project as property development management fee; and (ii) it is expected that about 30%, 10%, and 40% of the relevant property development project will be completed in each of the three years ending 31 December 2023, it is estimated that the Group will pay the Chu's Controlled Entities property development management fees of approximately RMB47.5 million, RMB15.8 million and RMB63.3 million for each of three years ending 31 December 2023.

In addition, we noted that the prevailing market rates for similar property development management services provided by Independent Third Parties to the Group or those obtained from the public domain are in the region of approximately 2% to 5% of the investment cost in a property development project. Our comparison indicates that the estimated marketing service fees payable by the Group to the Chu's Controlled Entities falls within the market range and are comparable, or better than, those chargeable by Independent Third Parties. Having considered the above, we are of the view that the marketing service fees used in determining the Annual Caps for Transaction 6 are properly estimated.

Also, as the Group and the Chu's Controlled Entities have established long-term business relationship, the Chu's Controlled Entities have secured a solid understanding of the Group's operations and its property projects as well as the expectations and requirements of the Group, which are considered by the Group to be necessary in designing and implementing property development management plans suitable for the Group. As such, the appointment of the Chu's Controlled Entities to provide the Group with property development management services can further boost the overall operating efficiency and cost effectiveness of the Group as a whole.

In light of the above, we are of the view that the fees payable under Transaction 6 and the Annual Caps for Transaction 6 are properly estimated. We are also of the view that Transaction 6 will be entered into on normal commercial terms

LETTER FROM PELICAN FINANCIAL

and that the terms of Transaction 6 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Services to be provided/premises to be leased by the Group to Chu's Controlled Entities pursuant to the 2021 Framework Agreement:

7.7. Transaction 7 — Building design

7.7.1 Basis for determining the Annual Caps for Transaction 7

Set out below are the Annual Caps for Transaction 7 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 7 — Building design	RMB244,220,000 (equivalent to approximately HK\$290,622,000)	RMB200,130,000 (equivalent to approximately HK\$238,155,000)	RMB108,390,000 (equivalent to approximately HK\$128,984,000)

In determining the Annual Caps for Transaction 7 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely that it shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities; (ii) the Directors' estimation of the aggregate sizes and types of the property development projects of the Chu's Controlled Entities for which building design work is proposed to be assigned to the Group based on the Directors' discussion with the Chu's Controlled Entities; and (iii) the terms and scale of the historical transaction and the historical transaction amounts.

7.7.2 Documents obtained and reviewed for Transaction 7

In connection with Transaction 7, we have obtained, reviewed and examined (i) a schedule setting out the estimated building design fees receivable by the Group from the Chu's Controlled Entities for carrying out the building design works for certain property projects of the Chu's Controlled Entities for the three financial years ending 31 December 2023; (ii) the market rates or price quotations provided by Independent Third Parties for providing similar building design services; and (iii) a schedule setting out the historical building design fees received by the Group from the Chu's Controlled Entities during the three financial years ended 31 December 2020.

LETTER FROM PELICAN FINANCIAL

7.7.3 *Our analysis of the Annual Caps for Transaction 7*

In deriving the Annual Caps for Transaction 7, the Group had multiplied the relevant costs for different building design works per square metre with the aggregate gross floor area of the said property development projects.

The relevant pricing basis under the 2021 Framework Agreement

The fees payable by the Chu's Controlled Entities to the Group and the other terms of this transaction (i) shall be determined by the parties with reference to the latest market prices offered by Independent Third Parties for providing similar design services; and (ii) shall conform with the latest standards and guidelines prescribed by the relevant local authority on the fees for providing similar services (if any), including the 《建築設計服務計費指導》(Guide on fees charged for construction design services) issued by the 中國勘察設計協會 (China Engineering and consulting association) in 2015.

To determine whether the various estimated average unit building design fees receivable by the Group from the Chu's Controlled Entities for the three financial years ending 31 December 2023 are on normal commercial terms, we have compared the prevailing market rates for similar building design services provided by Independent Third Parties to the estimated unit building design fees receivable by the Group from the Chu's Controlled Entities for the three financial years ending 31 December 2023. In this regard, we have obtained three samples of building design service contracts, selected on a random sampling basis, made between the Group and the Chu's Controlled Entities during the three financial years ended 31 December 2020 and up to the Latest Practicable Date, and compared that to the then market rates and terms, which include two samples of price quotations and/or contracts each, for similar services offered by Independent Third Parties to the Group during the same period, also selected on a random sampling basis. Based on our discussion with the management and our review of the documents, we noted that the building design fees received by the Group, as well as the estimated unit building design fees chargeable by the Group, are in line with the market rates of various types of building design work. Having considered the above, we are of the view that the unit building design fees used in determining the Annual Caps for Transaction 7 for the three financial years ending 31 December 2023 are properly estimated.

LETTER FROM PELICAN FINANCIAL

The Directors' estimation of the aggregate sizes and types of the property development projects of the Chu's Controlled Entities for which building design work is proposed to be assigned to the Group based on the Directors' discussion with the Chu's Controlled Entities.

We have also reviewed the schedule in respect of the estimated aggregate gross floor areas of property development projects of the Chu's Controlled Entities in Xian, Beijing, Guangzhou, Henan, Shanghai, Tianjin and Chengdu, the building design work of which are expected to be carried out the Group for the three financial years ending 31 December 2023. The estimated aggregate gross floor area of the said property development projects in the abovesaid region is approximately 20,835,437 sq.m. and these projects are expected to be completed in the three years ending 31 December 2023. These property development projects cover residential building, commercial building, public facility, university building and complex.

We have also reviewed the prevailing market rates for similar building design works provided by the Group to Independent Third Parties, which involved 蘇州中海建築設計, 蘇州越城建築設計, 杭州堂朝天意室內設計 (Hangzhou Palace interior design) and 廣州市柏舍裝飾設計, and compared them to the pricing basis adopted by the Group when determining the Annual Caps for Transaction 7. Our comparison indicates that the estimated unit building design fees receivable by the Group from the Chu's Controlled Entities falls within the market range and are comparable, or better than, those chargeable by the Group to Independent Third Parties. Having considered the above, we are of the view that the building design fees used in determining the Annual Caps for Transaction 7 are properly estimated.

The terms and scale of the historical transaction and the historical transaction amounts

We noted that the Annual Caps for Transaction 7 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for the three years ended 31 December 2020. We have inquired the Company regarding such substantial growth in the Annual Caps, and noted that it is mainly due to the fact that the Chu's Controlled Entities expect to demand an increasing amount of the Group's building design services in view of their increasing number of properties to be delivered for the three years ended 31 December 2023. From our discussion with the Company, we noted that the properties under construction by the Chu's Controlled Entities has increased since 2018 and the Chu's Controlled Entities endeavor to further increase its property development projects for the three years ended 31 December 2023.

Having considered such reason and the fact that the progress of each property development project is expected to vary each year, and that the amount of design fees payable directly correlates with the number and scale of construction projects to

LETTER FROM PELICAN FINANCIAL

be involved, we concur with the Directors that the Annual Caps for Transaction 7, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

Also, in view of the good payment records of Chu's Controlled Entities, the provision of more services by the Group under Transaction 7, which is on normal commercial terms or better, would provide an additional and steady source of income to the Group and is in the interests of the Company and the Shareholders as a whole.

In light of the above, we are of the view that the fees receivable under Transaction 7 and the Annual Caps for Transaction 7 are properly estimated. We are also of the view that Transaction 7 will be entered into on normal commercial terms and that the terms of Transaction 7 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

7.8. Transaction 8 — Management of vacant properties

7.8.1. Basis for determining the Annual Caps for Transaction 8

Set out below are the Annual Caps for Transaction 8 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 8 — Management of vacant properties	RMB72,170,000 (equivalent to approximately HK\$85,882,000)	RMB76,550,000 (equivalent to approximately HK\$91,095,000)	RMB85,830,000 (equivalent to approximately HK\$102,138,000)

In determining the Annual Caps for Transaction 8 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely the market price offered by Independent Third Parties for providing similar services; (ii) the expected number of vacant properties, hence the aggregate gross floor area, that the Chu's Controlled Entities will require the services of vacant property management; (iii) the cost to be incurred for the provision of such property management services by the Group; and (iv) the terms and scale of the historical transaction and the historical transaction amounts.

7.8.2. Documents obtained and reviewed for Transaction 8

In connection with Transaction 8, we have obtained, reviewed and examined (i) a schedule setting out the estimated management fees receivable by the Group from the Chu's Controlled Entities for providing management services for vacant properties in regions including the Guangdong province, Zhejiang province, Tianjin, Beijing and

LETTER FROM PELICAN FINANCIAL

Shanghai for the three years ending 31 December 2023; (ii) a schedule setting out the historical management fees received by the Group from the Chu's Controlled Entities for its management services for vacant properties during the three years ended 31 December 2020; (iii) the prevailing market rates for similar management services for vacant properties of similar grades in the nearby regions with reference to the terms offered by Independent Third Parties; (iv) vacant property management fee payments and records on three transactions, selected on a random sampling basis, made between the Group and the Chu's Controlled Entities during the three years ended 31 December 2020 and up to the Latest Practicable Date; and (v) reference materials for setting management fees for vacant properties, including any standards and guidelines stipulated by the relevant government authorities.

7.8.3. Our analysis of the Annual Caps for Transaction 8

In deriving the Annual Caps for Transaction 8, the Group had multiplied its fee for vacant property management services per square metre with the gross floor area of the relevant vacant properties.

The relevant pricing basis under the 2021 Framework Agreement

The fees payable by the Group to the Chu's Controlled Entities and the other terms of this transaction (i) shall be determined by the parties with reference to the latest market prices offered by Independent Third Parties for providing similar services in regions including the Guangdong province, Zhejiang province, Tianjin, Beijing and Shanghai; and (ii) shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities.

In this regard, we have reviewed relevant guidelines and the unit management fee received by the Group for the three years ended 31 December 2020. We have also obtained vacant property management fee payments and records on three transactions, selected on a random sampling basis, made between the Group and the Chu's Controlled Entities during the three years ended 31 December 2020 and up to the Latest Practicable Date and compared that to the then market rates for similar services offered by Independent Third Parties. Based on our review of the documents, we noted that the average unit management fee received by the Group was approximately RMB5.32 per sq.m., which was above the unit management fee charged by Independent Third Parties and reviewed by us of approximately RMB4.43 per sq.m.. As such, the comparison shows that the historical management fees received by the Group from the Chu's Controlled Entities were comparable to, or no less favorable than, such market rates and that the pricing basis adopted in Transaction 8 has been fair and reasonable.

LETTER FROM PELICAN FINANCIAL

The expected number of vacant properties, hence the aggregate gross floor area, that the Chu's Controlled Entities will require the services of vacant property management, and the costs to be incurred for the provision of such property management services by the Group

The Chu's Controlled Entities agree to appoint the Group to manage vacant properties of their property development projects, including the provision of services in relation to the key holding, ongoing maintenance and regular inspection of such vacant properties. From our review of the schedule which sets out the estimated management fees receivable by the Group from the Chu's Controlled Entities for providing management services for vacant properties in regions including the Guangdong province, Zhejiang province, Tianjin, Beijing and Shanghai for the three years ending 31 December 2023, we noted that pursuant Transaction 8, the Group will manage 35 vacant properties that are located in Conghua, Huizhou, Chengdu, Zhujiang, Guangzhou, Xian, Beijing, Shanghai, Foshan, Jiangmen, Shenzhen, Wuhan and Kunshan and in aggregate have a gross floor area of approximately 1,081,881 sq.m. in 2021, 1,139,922 sq.m. in 2022 and 1,235,828 sq.m. in 2023.

We noted that when determining the Annual Caps for Transaction 8, the Group had multiplied its fee for vacant property management services of between RMB1.55 and RMB6.96 per sq.m. with the gross floor area of the relevant vacant properties. In this regard, we have reviewed the prevailing market rates for similar property management services provided by Independent Third Parties or those obtained from the public domain and noted that in general, Independent Third Parties charge between RMB0.78 and RMB4.54 per sq.m. for similar property management services. Our comparison indicates that the estimated vacant property management fees receivable by the Group from the Chu's Controlled Entities falls within the market range and are comparable, or better than, those chargeable by Independent Third Parties. Having considered the above, we are of the view that the management service fees used in determining the Annual Caps for Transaction 8 are properly estimated.

The terms and scale of the historical transaction and the historical transaction amounts

We noted that the Annual Caps for Transaction 8 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for the three years ended 31 December 2020. We have inquired the Company regarding such substantial growth in the Annual Caps, and noted that it is mainly due to the fact that the Group expects an increase in the number of completed property development projects of the Chu's Controlled Entities and hence vacant properties which will require the Group's property management services.

LETTER FROM PELICAN FINANCIAL

In the same vein, the slight increase in the Annual Cap for Transaction 8 for each of the three years ending 31 December 2023 is largely due to the increase in the estimated gross floor area of the vacant properties of Chu's Controlled Entities which will require the Group's property management services. Having consider such reason and the fact that the amount of property management fees payable directly correlates with the number of vacant properties to be involved, we concur with the Directors that the Annual Caps for Transaction 8, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

Also, in view of the good payment records of Chu's Controlled Entities, the provision of more services by the Group under Transaction 8, which is on normal commercial terms or better, would provide an additional and steady source of income to the Group and is in the interests of the Company and the Shareholders as a whole.

In light of the above, we are of the view that the fees receivable under Transaction 8 and the Annual Caps for Transaction 8 are properly estimated. We are also of the view that Transaction 8 will be entered into on normal commercial terms and that the terms of Transaction 8 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

7.9. Transaction 9 — Office lease

7.9.1. Basis for determining the Annual Caps for Transaction 9

Set out below are the Annual Caps for Transaction 9 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 9 — Office lease	RMB87,120,000 (equivalent to approximately HK\$103,673,000)	RMB96,100,000 (equivalent to approximately HK\$114,359,000)	RMB98,300,000 (equivalent to approximately HK\$116,977,000)

In determining the Annual Caps for Transaction 9 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely the prevailing market rents for similar premises in similar locations; (ii) the proposed leased premises identified and the aggregate size thereof; and (iii) the terms and scale of the historical transaction and the historical transaction amounts.

LETTER FROM PELICAN FINANCIAL

7.9.2. Documents obtained and reviewed for Transaction 9

In connection with Transaction 9, we have obtained, reviewed and examined (i) a schedule setting out the location and aggregate size of the relevant premises to be leased by the Group to the Chu's Controlled Entities in Guangzhou, Shanghai and Beijing, and the respective estimated rents payable by the Chu's Controlled Entities to the Group for the relevant premises for three years ending 31 December 2023; (ii) a schedule setting out the historical rents paid by the Chu's Controlled Entities to the Group for commercial premises leased during the three years ended 31 December 2020; and (iii) three sample rental contracts, selected on a random sampling basis, entered into between the Group and the Chu's Controlled Entities for commercial premises owned by the former during the three years ended 31 December 2020 and up to the Latest Practicable Date.

7.9.3. Our analysis of the Annual Caps for Transaction 9

The relevant pricing basis under the 2021 Framework Agreement

The rent payable by the Chu's Controlled Entities to the Group and the other terms of this transaction shall be determined by the parties with reference to the market rents charged by Independent Third Parties for leasing out similar types of properties.

In this regard, we noted that as part of the Group's internal control measures, the Group will continue to ensure that the quotations and terms for each of the leases under the 2021–2023 Transactions will be conducted on normal commercial terms and comparable to, or better than, those offered by Independent Third Parties. This will be done by the Group first obtaining quotations and terms for similar leases from at least two Independent Third Parties for reference before the Group enters into any individual agreement in respect of the 2021–2023 Transactions with the Chu Family's Controlled Entities. Given the implementation of these internal control measures and the fact that they have been effective in ensuring the prices and terms for transactions entered into between the Group and the Chu Family's Controlled Entities were on normal commercial terms or better, we consider the relevant pricing basis for Transaction 9 as fair and reasonable.

We have also reviewed the terms of the three rental contracts, selected on a random sampling basis, made between the Group and the Chu's Controlled Entities during the three years ended 31 December 2020 and up to the Latest Practicable Date and compared the rental rates in such rental contracts to the then market rates or rental rates as listed/quoted by PRC property leasing agents of similar premises. In this regard, we have obtained samples and/or references of fee/commission quotations for leasing out similar types of properties, obtained from the public domain (i.e., per square metre rental rates published by PRC property agents such as 房天下 (Fang.com), 好租 (haozu.com), 中原地產 (Centaline Property Agency), 點點租 (Diandianzu) and Jones Lang Lasalle. Our review shows that the per square

LETTER FROM PELICAN FINANCIAL

metre rental rates paid by the Chu's Controlled Entities to the Group were within the market rate and therefore the comparison shows that the historical rental rates paid by the Chu's Controlled Entities to the Group were comparable to, or no less favorable than, such market rates.

The proposed leased premises identified and the aggregate size thereof

We noted that the Chu's Controlled Entities expect to rent offices in thirteen commercial buildings with an aggregate gross floor area of approximately 35,608 sq.m. in Guangzhou, Shanghai and Beijing for the three years ending 31 December 2023. From our review of the office premises to be leased by the Chu's Controlled Entities, we noted that some of them are already currently being leased by the Chu's Controlled Entities. As such, we are of the view that the size of the offices to be leased by the Group is properly estimated.

The terms and scale of the historical transaction and the historical transaction amounts

We noted that the Annual Caps for Transaction 9 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for the three years ended 31 December 2020. We have inquired the Company regarding such substantial growth in the Annual Caps, and noted that it is mainly due to the fact that the Chu's Controlled Entities have indicated to the Group that its demand for office premises from the Group will increase substantially for the three years ending 31 December 2023.

In this regard, we noted from the Company that the Group expects the Chu's Controlled Entities to lease the same office premises throughout the three years ending 31 December 2023, and hence the rent payable by the Chu's Controlled Entities to the Group for such premises (i.e., the Annual Caps for Transaction 9) are also expected to remain stable throughout each of the three years. Having considered such reason and the fact that the amount of rent payable directly correlates with the location and size of the premises to be involved, we concur with the Directors that the Annual Caps for Transaction 9, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

In light of the above, we are of the view that the rents receivable under Transaction 9 and the Annual Caps for Transaction 9 are properly estimated. We are also of the view that Transaction 9 will be entered into on normal commercial terms and that the terms of Transaction 9 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM PELICAN FINANCIAL

7.10. Transaction 10 — Operational and building management

7.10.1. Basis for determining the Annual Caps for Transaction 10

Set out below are the Annual Caps for Transaction 10 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 10 — Operational and building management	RMB2,191,230,000 (equivalent to approximately HK\$2,607,564,000)	RMB2,020,700,000 (equivalent to approximately HK\$2,404,633,000)	RMB1,491,160,000 (equivalent to approximately HK\$1,774,480,000)

In determining the Annual Caps for Transaction 10, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely the pricing standards of Independent Third Parties for providing similar services in the industry; (ii) the Directors' estimation of the number and size of the property development projects of the Chu's Controlled Entities which require the Group's services based on the Directors' discussion with the Chu's Controlled Entities; (iii) the estimated total construction costs and expenses of the aforesaid property development projects; and (iv) the terms and scale of the historical transaction and the historical transaction amounts.

7.10.2. Documents obtained and reviewed for Transaction 10

In connection with Transaction 10, we have obtained, reviewed and examined (i) a schedule setting out the estimated fees receivable by the Group from the Chu's Controlled Entities for the former's provision of operational and building management services for the three financial years ending 31 December 2023; (ii) the market rates or price quotations provided by the Group to Independent Third Parties for providing similar services, (iii) the number and sizes of the property development projects of the Chu's Controlled Entities which require the Group's services for the three financial years ending 31 December 2023; and (vi) a schedule setting out the historical operational and building management fees received by the Group from the Chu's Controlled Entities during the three financial years ended 31 December 2020.

7.10.3. Our analysis of the Annual Caps for Transaction 10

In deriving the Annual Caps for Transaction 10, the Company has estimated the number of property development projects of the Chu's Controlled Entities which require the Group's services as well as the revenue to be generated by the Chu's Controlled Entities from such projects and the estimated percentage fee chargeable on those projects for each of the three financial years ending 31 December 2023.

LETTER FROM PELICAN FINANCIAL

The relevant pricing basis under the 2021 Framework Agreement

The services fee payable by the Chu's Controlled Entities to the Group and the other terms of this transaction shall be determined by the parties with reference to the pricing standards of Independent Third Parties for providing similar services in the industry.

To determine whether the pricing basis under Transaction 10 are on normal commercial terms, we have compared the pricing criteria determined by the Group for the relevant projects to the prevailing market rates for similar services provided by Independent Third Parties. In this regard, we have obtained two samples of similar property management service contracts, selected on a random sampling basis, made between the Group and the Chu's Controlled Entities during the three years ended 31 December 2020 and up to the Latest Practicable Date and up to the Latest Practicable Date and compared that to the then market rates and terms for similar services offered by the Group to Independent Third Parties during the same period (in this regard, three samples of similar property management service contracts made between the Group and Independent Third Parties were selected on a random sampling basis). Based on our review of the documents, we noted that while the property management fees charged by the Group, which involved predevelopment management, operations management, and information technology systems management, ranged from 2.5% to 5% of the project investment cost, the market rates for similar services ranged from 2% to 6%. Accordingly, we consider that the property management fees received by the Group, as well as the pricing criteria determined by the Group, were in line with the market rates for similar services. Having considered the above, we are of the view that the pricing criteria used in determining the Annual Caps for Transaction 10 are properly estimated.

The Directors' estimation of the number and size of the property development projects of the Chu's Controlled Entities which require the Group's services based on the Directors' discussion with the Chu's Controlled Entities

From our review of the schedule which sets out the estimated fees receivable by the Group from the Chu's Controlled Entities for the former's provision of operational and building management services for the three financial years ending 31 December 2023, we noted that pursuant to Transaction 10, the Group will manage 25 property development projects of the Chu's Controlled Entities and the aggregate floor area of these property development projects which will demand the Group's operational and building management services amounts to approximately 43,430 sq.m., 78,530 sq.m. and 80,510 sq.m. for each of the three financial years ending 31 December 2023.

LETTER FROM PELICAN FINANCIAL

The estimated total construction costs and expenses of the aforesaid property development projects

The estimated total construction costs and expenses of the aforesaid property development projects are approximately RMB2,191,230,000, RMB2,020,700,000 and RMB1,491,160,000 for each of the three years ending 31 December 2023.

The terms and scale of the historical transaction and the historical transaction amounts

We noted that the Annual Caps for Transaction 10 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for the three years ended 31 December 2020. We have inquired the Company regarding such substantial growth in the Annual Caps, and noted that it is mainly due to the fact that the number and scale of property development projects of the Chu's Controlled Entities are expected to increase substantially for the three years ending 31 December 2023, leading to the corresponding increase in the Chu's Controlled Entities' demand for operational and building management services from the Group.

On the other hand, the year-on-year fluctuation of the Annual Caps for Transaction 10 for the three years ending 31 December 2023 mainly represents the fluctuation of the scale and number of the property development projects to be involved in that particular financial year, and hence the scale of services required from the Group. In this regard, we noted from our discussion with the Company that, despite the aggregate floor area of the property development projects of the Chu's Controlled Entities which will demand the Group's operational and building management services is expected to decrease each year after 2021, it is expected that more building management services will be required by the Chu's Controlled Entities during the initial stage of the property development projects in order to create a solid foundation for the latter development of the properties, hence the investment costs of the Chu's Controlled Entities, as well as the Annual Caps, are expected to descend for the three years ending 31 December 2023. Having considered such reason and the fact that the amount of operational and building management fees payable directly correlates with the number and scale of property development projects to be involved, we concur with the Directors that the Annual Caps for Transaction 10, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

Meanwhile, given the good payment records of Chu's Controlled Entities with the Group, the provision of more services by the Group under Transaction 10, which is on normal commercial terms or better, would provide an additional and steady source of income to the Group and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM PELICAN FINANCIAL

In light of the above, we are of the view that the fees receivable under Transaction 10 and the Annual Caps for Transaction 10 are properly estimated. We are also of the view that Transaction 10 will be entered into on normal commercial terms and that the terms of Transaction 10 are fair and reasonable so far as the Independent Shareholders are concerned, and are the interests of the Company and the Shareholders as a whole.

7.11. Transaction 11 — Construction

7.11.1. Basis for determining the Annual Caps for Transaction 11

Set out below are the Annual Caps for Transaction 11 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 11 — Construction	RMB1,025,950,000 (equivalent to approximately HK\$1,220,881,000)	RMB482,540,000 (equivalent to approximately HK\$574,223,000)	RMB153,020,000 (equivalent to approximately HK\$182,094,000)

In determining the Annual Caps for Transaction 11 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely that it shall be in line with the latest market prices charged by Independent Third Parties for providing similar services and shall conform with the latest applicable pricing standards and guidelines prescribed by the relevant governmental authorities; (ii) the approximate aggregate gross floor area of the property development projects of the Chu's Controlled Entities to be carried out by the Group located in Tianjin, Kunshan and Guangdong; (iii) the proportion of the subject construction projects expected to be completed in each of the three financial years ending 31 December 2021; (iv) the scope and scale of works to be required from the Group based on the estimated completion schedule; and (v) the terms and scale of the historical transaction and the historical transaction amounts.

7.11.2. Documents obtained and reviewed for Transaction 11

In connection with Transaction 11, we have obtained, reviewed and examined (i) a schedule setting out the estimated construction fees payable by the Chu's Controlled Entities to the Group for the three financial years ending 31 December 2023; (ii) a schedule setting out the breakdown of the estimated average unit construction cost; and (iii) reference materials for setting prices for construction works, including standards and guidelines stipulated by the relevant government authorities.

LETTER FROM PELICAN FINANCIAL

7.11.3. *Our analysis of the Annual Caps for Transaction 11*

In deriving the Annual Caps for Transaction 11, the Company has multiplied the estimated average unit construction fee chargeable by the Group with the estimated aggregate gross floor areas of property projects of the Chu's Controlled Entities in Tianjin, Kunshan and Guangdong, the construction of which are expected to be performed by the Group for each of the three financial years ending 31 December 2023.

The relevant pricing basis under the 2021 Framework Agreement

The construction fees payable by the Chu's Controlled Entities to the Group and the other terms of this transaction (i) shall be determined by the parties with reference to the latest market prices offered by Independent Third Parties for providing similar services; and (ii) shall conform with the latest stipulated standards and guidelines prescribed by the relevant governmental authorities, such as 建設委員會 (Construction Committee[#]) for the region where the projects are located, including (a) 《建設工程工程量清單計價規範》 (GB50500-2013) (Code of valuation with bill quantity of construction works[#]) published by 中華人民共和國住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development of the PRC[#]) in 2012, (b) 《天津市建築工程預算基價》 (Tianjin city construction project budgeting standard[#]) published by 天津市住房和城鄉建設委員 (Tianjin Housing and Urban-Rural Construction Commission[#]) in 2020, and (c) 《江蘇省建築與裝飾工程計價定額》 (Calculation of fees for construction and renovation projects of the Jiangsu province[#]) published by 江蘇省住房和城鄉建設廳 (Jiangsu Provincial Department of Housing and Urban — Rura l Construction Office[#]) in 2014.

As analyze in the above sub-section on Transaction 1, whilst the estimated unit construction fee for each of the property projects may vary as they are subject to a few factors, the overall effect after averaging them is very close and hence the Company has estimated the average unit construction fee chargeable to the Chu's Controlled Entities by taking the average of the estimated unit fees for each of the property projects and we considered such approach to be reasonable.

In this regard, we have compared the estimated unit construction fee payable by the Chu's Controlled Entities to the Group with the latest standards and guidelines stipulated by the relevant government authorities. We have also obtained the reference materials used by the Group in determining prices for similar construction services. Based on our discussion with the management and our review of the documents, we noted that the estimated unit construction fee chargeable by the Group are in line with the market range for similar construction services and in accordance to the latest standards and guidelines as stipulated by the relevant government authorities. As such, the comparison shows that the estimated construction fees payable by the Chu's Controlled Entities to the Group are

LETTER FROM PELICAN FINANCIAL

comparable to, or no less unfavourable than, the market level of fees for similar services and that the pricing basis adopted in Transaction 11 are fair and reasonable.

In addition, we have obtained two samples of construction service contracts, selected on a random sampling basis, made between the Group and the Chu's Controlled Entities during the three years ended 31 December 2020 and up to the Latest Practicable Date and compared them to the then market rates and terms for similar services offered by the Group to Independent Third Parties during the same period (in this regard, three samples of similar construction service contracts made between the Group and Independent Third Parties were selected on a random sampling basis). Based on our review of the documents, we noted that the unit construction fee received by the Group were in line with the market rates for similar services. Our comparison indicates that the estimated unit construction fee charged by the Group fell within the market range. Having considered the above, we are of the view that the unit construction fee chargeable used in determining the Annual Caps for Transaction 11 is properly estimated.

The approximate aggregate gross floor area of the property development projects of the Chu's Controlled Entities to be carried out by the Group located in Tianjin, Kunshan and Guangdong, the proportion of the subject construction projects expected to be completed in each of the three financial years ending 31 December 2023, and the scope and scale of works to be required from the Group based on the estimated completion schedule.

We have also reviewed the schedule in respect of the estimated aggregate gross floor areas of property projects of the Chu's Controlled Entities in Tianjin, Kunshan and Guangdong, the construction of which are expected to be carried out by the Group for the three financial years ending 31 December 2023. As advised by the Company, the estimated aggregate gross floor areas of property projects of the Chu's Controlled Entities in Tianjin, Kunshan and Guangdong are approximately 970,369 sq.m., 970,369 sq.m. and 360,271 sq.m. in 2021, 2022 and 2023, respectively. Based on our discussion with the Company, we noted that the estimated aggregate gross floor areas of property projects of the Chu's Controlled Entities are provided by the Chu's Controlled Entities based on their construction plans. Accordingly, we are of the view that such estimated aggregate gross floor areas of property development projects of the Chu's Controlled Entities are fair and reasonable and they reflect the Chu's Controlled Entities' need for construction services from the Group for the three financial years ending 31 December 2023.

LETTER FROM PELICAN FINANCIAL

The terms and scale of the historical transaction and the historical transaction amounts

We noted that the Annual Caps for Transaction 11 for the three years ending 31 December 2023 have increased significantly compared to the historical transaction amounts for the three years ended 31 December 2020. We have inquired the Company regarding such substantial growth in the Annual Caps, and noted that it is mainly due to the fact that the number and scale of property development projects of the Chu's Controlled Entities are expected to increase substantially for the three years ending 31 December 2023, leading to the corresponding increase in the Chu's Controlled Entities' demand for construction services from the Group.

From our discussion with the Company, we noted that construction fees are generally payable at phases by the Chu's Controlled Entities according to the completion schedule of a particular project. Hence, the differences in the estimated completion schedules and the estimated aggregate gross floor areas to be completed for each financial year have led to the year-on-year fluctuation of the Annual caps for Transaction 11. In this regard, given that as discussed above, we are of the view that the estimated aggregate gross floor areas of property development projects of the Chu's Controlled Entities are fair and reasonable and they reflect the Chu's Controlled Entities' need for construction services from the Group for the three financial years ending 31 December 2023, we are of the view that in order to meet the Chu's Controlled Entities' demand for such construction works, it is fair and reasonable to set the year-on-year fluctuation of the Annual Caps for Transaction 11.

Meanwhile, given the good payment records of Chu's Controlled Entities with the Group, the provision of more services by the Group under Transaction 11, which is on normal commercial terms or better, would provide an additional and steady source of income to the Group and is in the interests of the Company and the Shareholders as a whole.

In light of the above, we are of the view that the fees receivable under Transaction 11 and the Annual Caps for Transaction 11 are properly estimated. We are also of the view that Transaction 11 will be entered into on normal commercial terms and that the terms of Transaction 11 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM PELICAN FINANCIAL

7.12. Transaction 12 — Refurbishments and renovations

7.12.1. Basis for determining the Annual Caps for Transaction 12

Set out below are the Annual Caps for Transaction 12 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 12 — Refurbishments and renovations	RMB53,420,000 (equivalent to approximately HK\$63,570,000)	RMB37,440,000 (equivalent to approximately HK\$44,554,000)	RMB41,190,000 (equivalent to approximately HK\$49,016,000)

In determining the Annual Caps for Transaction 12 under the 2021 Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the 2021 Framework Agreement, namely the pricing standards of Independent Third Parties for providing similar services in the industry; (ii) the Directors' estimation of the level of demand for the Group's refurbishment and renovation services based on the Directors' discussion with the Chu's Controlled Entities; and (iii) the Directors' estimation of the total number of new apartments to be delivered by the Chu's Controlled Entities.

7.12.2. Documents obtained and reviewed for Transaction 12

In connection with Transaction 12, we have obtained, reviewed and examined (i) a schedule setting out the estimated refurbishment and/or renovation fees payable by the Chu's Controlled Entities to the Group for the three financial years ending 31 December 2023; (ii) a schedule setting out the total number of new apartments to be delivered by the Chu's Controlled Entities throughout 2021 and the projected growth of the same for 2022 and 2023 ; (iii) a schedule setting out the expected number of orders from the Chu's Controlled Entities for the Group's refurbishment and/or renovation services; and (iv) reference materials for setting prices for refurbishment and/or renovation services obtained from Independent Third Parties.

7.12.3. Our analysis of the Annual Caps for Transaction 12

In deriving the Annual Caps for Transaction 12, the Company has multiplied the refurbishment and/or renovation fee chargeable by the Group per apartment, with the estimated number of new apartments to be delivered by the Chu's Controlled Entities for the three financial years ending 31 December 2023.

LETTER FROM PELICAN FINANCIAL

The relevant pricing basis under the 2021 Framework Agreement

The fees payable by the Chu's Controlled Entities to the Group and the other terms of this transaction shall be determined by the parties with reference to the pricing standards of Independent Third Parties for providing similar services in the industry.

In this regard, we noted that as part of the Group's internal control measures, the Group will continue to ensure that the quotations and terms for each of the engagements under the 2021–2023 Transactions will be conducted on normal commercial terms and comparable to, or better than, those offered by Independent Third Parties. This will be done by the Group first obtaining quotations and terms for similar services from at least two Independent Third Parties for reference before the Group enters into any individual agreement in respect of the 2021–2023 Transactions with the Chu Family's Controlled Entities. Given the implementation of these internal control measures and the fact that they have been effective in ensuring the prices and terms for transactions entered into between the Group and the Chu Family's Controlled Entities were on normal commercial terms or better, we consider the relevant pricing basis for Transaction 12 as fair and reasonable.

We have also compared the estimated unit refurbishment and/or renovation fee payable by the Chu's Controlled Entities to the Group for the three financial years ending 31 December 2023 and up to the Latest Practicable Date (with only renovation services to be provided by the Chu's Controlled Entities to the Group in 2022 and 2023), to the current market rates and terms for similar services offered by Independent Third Parties or the Group to Independent Third Parties (in this regard, three samples of similar refurbishment and renovation service contracts made between the Group and Independent Third Parties were selected on a random sampling basis). Based on our review of the documents, we noted that while the unit refurbishment and/or renovation fee charged by the Group ranged from RMB55,000 to RMB65,000 per apartment, the market rates for similar services ranged from RMB50,000 to RMB66,000 per apartment. Accordingly, we consider that the estimated unit refurbishment and/or renovation fee charged by the Group are in line with the market rates for similar services. Having considered the above, we are of the view that the refurbishment and/or renovation service fees chargeable used in determining the Annual Caps for Transaction 12 are properly estimated.

LETTER FROM PELICAN FINANCIAL

The Directors' estimation of the level of demand for the Group's refurbishment and renovation services and the total number of new apartments to be delivered by the Chu's Controlled Entities based on the Directors' discussion with the Chu's Controlled Entities

From our review of the schedule which sets out the total number of new apartments to be delivered by the Chu's Controlled Entities for the three financial years ending 31 December 2023, we noted that the Group expects to provide refurbishment and/or renovation services to 30% of these new apartment units based on its commercial negotiation with the Chu's Controlled Entities. Based on the Chu's Controlled Entities' construction plans, the Group also noted that the new apartment units to be delivered by the Chu's Controlled Entities is expected to increase by about 10% annually in 2022 and 2023. Given that we are not aware of any material factors which may affect the Chu's Controlled Entities' construction plans in the short-term, we are of the view that such estimated number of new apartments are fair and reasonable and they reflect the Chu's Controlled Entities' need for refurbishment and renovation services from the Group for the three financial years ending 31 December 2023.

Meanwhile, we noted that the year-on-year fluctuation of the Annual Cap for Transaction 12 for each of the three years ending 31 December 2023 is largely due to the expected number of property development projects to be involved and the scope of services to be required from the Group, which may vary depending on the expected number of deliveries of property units to their respective buyers. Having consider such reason and the fact that the amount of refurbishment and renovation fees payable directly corelates with the number of property development projects to be involved, we concur with the Directors that the Annual Caps for Transaction 12, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

Meanwhile, given the good payment records of Chu's Controlled Entities with the Group, the provision of more services by the Group under Transaction 12, which is on normal commercial terms or better, would provide an additional and steady source of income to the Group and is in the interests of the Company and the Shareholders as a whole.

In light of the above, we are of the view that the fees receivable under Transaction 12 and the Annual Caps for Transaction 12 are properly estimated. We are also of the view that Transaction 12 will be entered into on normal commercial terms and that the terms of Transaction 12 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM PELICAN FINANCIAL

7.13. Transaction 13 — Smart technology services

7.13.1. Basis for determining the Annual Caps for Transaction 13

Set out below are the Annual Caps for Transaction 13 for each of the three financial years ending 31 December 2023:

	Proposed Annual Caps for the year ending 31 December		
	2021	2022	2023
Transaction 13 — Smart technology services	RMB531,840,000 (equivalent to approximately HK\$632,890,000)	RMB775,530,000 (equivalent to approximately HK\$922,881,000)	RMB1,364,480,000 (equivalent to approximately HK\$1,623,731,000)

As set out in the Board Letter, the Annual Caps for Transaction 13 were determined based on (i) the relevant pricing basis under the 2021 Framework Agreement, namely the pricing standards of Independent Third Parties for providing similar services in the industry; and (ii) the Directors' estimation of the level of demand for the Group's smart technology services for the three years ending 31 December 2023 based on the Directors' discussion with the Chu's Controlled Entities.

7.13.2. Documents obtained and reviewed for Transaction 13

In connection with Transaction 13, we have obtained, reviewed and examined (i) a schedule setting out the estimated smart technology fees payable by the Chu's Controlled Entities to the Group for the three financial years ending 31 December 2023; (ii) a schedule setting out the expected number of orders from the Chu's Controlled Entities for the Group's smart technology services; (iii) three sample smart technology contracts, selected on a random sampling basis, entered into between the Group and Independent Third Parties/its connected parties other than the Chu's Controlled Entities during the three years ended 31 December 2020 and up to the Latest Practicable Date; and (iv) reference materials for setting prices for smart technology services obtained from Independent Third Parties.

7.13.3. Our analysis of the Annual Caps for Transaction 13

In deriving the Annual Caps for Transaction 13, the Company has multiplied the estimated average unit smart technology fee chargeable by the Group with the estimated aggregate gross floor areas of property projects of the Chu's Controlled Entities for each of the three financial years ending 31 December 2023.

LETTER FROM PELICAN FINANCIAL

The relevant pricing basis under the 2021 Framework Agreement

The services fee payable by the Chu's Controlled Entities to the Group and the other terms of this transaction shall be determined by the parties with reference to the pricing standards of Independent Third Parties for providing similar services in the industry.

From our review of the schedule which sets out the estimated smart technology fees payable by the Chu's Controlled Entities to the Group for each of the three financial years ending 31 December 2023, which also sets out the estimated aggregate gross floor areas of property projects to be completed by the Chu's Controlled Entities during the same period, we noted that the Group expects to charge an estimated average unit smart technology fee of between RMB2 and RMB10 per sq.m. In this regard, we have obtained three sample smart technology contracts, selected on a random sampling basis, made between the Group and Independent Third Parties/its connected parties other than the Chu's Controlled Entities during the three years ended 31 December 2020 and up to the Latest Practicable Date, and we noted that the unit smart technology fees charged by the Group has been within the market range of between RMB2 and RMB12 per sq.m.. As such, we consider adopting the same pricing basis in Transaction 13 is fair and reasonable.

In regarding addition, we noted that as part of the Group's internal control measures, the Group will continue to ensure that the quotations and terms for each of the engagements under the 2021–2023 Transactions will be conducted on normal commercial terms and comparable to, or better than, those offered by Independent Third Parties. This will be done by the Group first obtaining quotations and terms for similar services from at least two Independent Third Parties for reference before the Group enters into any individual agreement in respect of the 2021–2023 Transactions with the Chu Family's Controlled Entities. Given the implementation of these internal control measures and the fact that they have been effective in ensuring the prices and terms for transactions entered into between the Group and the Chu Family's Controlled Entities were on normal commercial terms or better, we consider the relevant pricing basis for Transaction 13 as fair and reasonable.

The Directors' estimation of the level of demand for the Group's smart technology services for the three years ending 31 December 2023 based on the Directors' discussion with the Chu's Controlled Entities

Finally, based on our discussion with the Company, we noted that the estimated aggregate gross floor areas of property projects to be completed by the Chu's Controlled Entities for each of the three financial years ending 31 December 2023 were estimated by the Chu's Controlled Entities based on its property development plan during the same period. We understand from the Company that the Chu's Controlled Entities expected the estimated aggregate gross floor areas of

LETTER FROM PELICAN FINANCIAL

its property projects will increase by about 46% and 76% in 2022 and 2023 respectively. Given that we are not aware of any material factors which may affect the Chu's Controlled Entities' property development plan in the short-term, we are of the view that such estimated aggregate gross floor areas are fair and reasonable and they reflect the Chu's Controlled Entities' need for smart technology services from the Group for the three financial years ending 31 December 2023.

Meanwhile, we noted that the year-on-year fluctuation of the Annual Cap for Transaction 13 for each of the three years ending 31 December 2023 is largely due to the expected number and scale of property development projects to be involved in that particular financial year, and hence the scale of smart technology services to be required from the Group. In this regard, we note that the Chu's Controlled Entities have indicated to the Group that the number and scale of their property development projects are expected to increase substantially for the three years ending 31 December 2023, leading to the corresponding increase in the Chu's Controlled Entities' demand for smart technology services from the Group.

Having consider such reason and the fact that the amount of smart technology service fees payable directly corelates with the number and scale of property development projects to be involved, we concur with the Directors that the Annual Caps for Transaction 13, as well as the year-on-year fluctuation thereof, are fair and reasonable so far as the Independent Shareholders are concerned.

Given the good payment records of Chu's Controlled Entities with the Group, the provision of more services by the Group under Transaction 13, which is on normal commercial terms or better, would also provide an additional and steady source of income to the Group and is in the interests of the Company and the Shareholders as a whole.

In light of the above, we are of the view that the fees receivable Transaction 13 and the Annual Caps for Transaction 13 are properly estimated. We are also of the view that Transaction 13 will be entered into on normal commercial terms and that the terms of Transaction 13 are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM PELICAN FINANCIAL

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that the entering into of the 2021 Framework Agreement and the 2021–2023 Transactions (including the Annual Caps) are in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the SGM regarding the 2021 Framework Agreement, the 2021–2023 Transactions and the Annual Caps.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li
Managing Director

For identification purposes only

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 each of the Directors and the chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules were as follows:

The Company — Long position in the Shares

Name of Director	Nature of interest		Approximate percentage of Shares in issue
	Personal	Corporate	
Mr. Au Wai Kin	—	34,500,000 ⁽¹⁾	1.57%
Ms. Chu Kut Yung	1,000,000	1,014,000 ⁽²⁾	0.09%

Notes:

1. Mr. Au Wai Kin held 34,500,000 Shares through Yield Plentiful Incorporated, a company wholly-owned and controlled by him.
2. Ms. Chu Kut Yung held 1,014,000 Shares through Ju Rong Investment, a company wholly-owned and controlled by her.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which

they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save for the 2021 Framework Agreement, no contract, commitment or agreement of significance in relation to the Company's business, in which any of the Directors had a material interest, subsisted as at the Latest Practicable Date.

None of the Directors had any interest, direct or indirect, in any asset which, since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, had been 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 as at the Latest Practicable Date.

Save for Ms. Chu who is a director of Ju Rong Investment and Mr. Au Wai Kin who is a director of Yield Plentiful Incorporated, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. SERVICE AGREEMENTS

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

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. QUALIFICATIONS AND CONSENT OF EXPERT

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

Name	Qualification
Pelican Financial	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Pelican Financial did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Pelican Financial did not have any interest, direct or indirect, in any assets which had since 31 December 2020 being the date to which the latest published audited financial statements of the Group were made up, been 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.

Pelican Financial 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 appear respectively.

6. COMPETING INTERESTS

Save as disclosed above, none of the Directors and his/her respective close associates had an interest in a business apart from the Company's business which competed or was likely to compete, either directly or indirectly, with the Group's business as at the Latest Practicable Date.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents will be available for inspection at the Company's principal office in Hong Kong at Unit 4903–10, 49/F., The Center, 99 Queen's Road Central, Central, Hong Kong from 9:30 a.m. to 5:00 p.m. during the period commencing from 9 June 2021 to 23 June 2021 (both dates inclusive):

- (a) the 2018 Framework Agreement;
- (b) the Supplemental Framework Agreement; and
- (c) the 2021 Framework Agreement.

8. MISCELLANEOUS

- (a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong is at Unit 4903–10, 49/F., The Center, 99 Queen's Road Central, Central, Hong Kong.
- (b) The Hong Kong branch registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited which is situated at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) For determining the entitlement of Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 24 June 2021 to Tuesday, 29 June 2021 (both days inclusive) during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the SGM, all transfer of shares accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services

Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 June 2021.

- (d) The English text of this circular will prevail over the Chinese text in the event of inconsistency.



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

website: <http://www.irasia.com/listco/hk/hopson>

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Hopson Development Holdings Limited (“**Company**” together with its subsidiaries, the “**Group**”) (“**SGM**”) will be held at Gloucester Room, 2/F, Mandarin Oriental, 5 Connaught Road Central, Central, Hong Kong on 29 June 2021 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the framework agreement dated 30 April 2021 entered into between the Company and Mr. Chu Mang Yee, Mr. Chu Yat Hong and Mr. Chu Wai Hong (together with companies which are associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of either Mr. Chu Mang Yee, Mr. Chu Yat Hong and Mr. Chu Wai Hong, the “**Chu Family’s Controlled Entities**”) (“**2021 Framework Agreement**”), and the transactions to be entered into between the Group and Chu Family’s Controlled Entities contemplated thereunder (“**2021–2023 Transactions**”) as set out in the circular of the Company dated 9 June 2021 (the “**Circular**”), a copy of which is tabled at the meeting for identification purpose, be and are hereby approved, confirmed and ratified; and that the maximum aggregate annual transaction amount for the 2021–2023 Transactions collectively under the 2021 Framework Agreement for each of the three financial years ending 31 December 2023 as set out in the Circular be approved; and any one director of the Company as authorised by its board of directors be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things on behalf of the Company as he may in his discretion consider necessary or desirable for the purposes of or in connection with the implementation of the 2021 Framework Agreement and the 2021–2023 Transactions.”

By Order of the Board
Hopson Development Holdings Limited
Chu Kut Yung
Chairman

Hong Kong, 9 June 2021

* *for identification purposes only*

Principal Office:

Unit 4903–10, 49/F.

The Center

99 Queen's Road Central, Central

Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. Any such member who is a holder of two or more shares may appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
- (2) For determining the entitlement of Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 24 June 2021 to Tuesday, 29 June 2021 (both days inclusive) during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the SGM, all transfer of shares accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 June 2021.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or other authority, must be deposited at the Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof.
- (4) To safeguard the health and safety of the shareholders and all attendees at the SGM and to prevent the spread of the coronavirus ("COVID-19"), the following precautionary measures will be implemented at the SGM, without limitation:
 - compulsory body temperature checks will be conducted at the entrance of the venue of the SGM. Any person with a body temperature of 37.4 degrees Celsius or above, or is exhibiting flu-like symptoms, may be denied entry into the venue and may be required to leave the venue but may be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
 - mandatory wearing of surgical face masks at the SGM venue and throughout the SGM (Please note that no masks will be provided at the SGM venue and all attendees should wear their own masks); and
 - no refreshment or souvenirs will be provided at the SGM.

Any person who does not comply with the precautionary measures above or is subject to any Hong Kong Government prescribed quarantine may be denied entry to the venue of the SGM. The Company would like to remind the shareholders and all attendees who will attend the SGM in person to take personal precautions and abide by the requirements of epidemic precaution and control at the venue of the SGM. The Company would also like to remind the shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to vote by filing in and submitting the relevant proxy form of the SGM, and appoint the chairman of the SGM as their proxy to vote on the relevant resolutions as instructed in accordance with the relevant proxy form instead of attending the SGM in person. Subject to the development of the COVID-19 pandemic and any directive(s) that may be further issued by the Hong Kong Government, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as and when appropriate.

- (5) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, the Board comprises eight Directors. The executive Directors are Ms. Chu Kut Yung (Chairman), Mr. Zhang Fan (Co-president), Mr. Au Wai Kin, Mr. Xie Bao Xin and Mr. Bao Wenge; and the independent non-executive Directors are Mr. Tan Leng Cheng, Aaron, Mr. Ching Yu Lung and Mr. IP Wai Lun, William.