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If you have sold or transferred all your shares in China Overseas Property Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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中海物業

CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2669)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE PROVISION OF
PROPERTY MANAGEMENT SERVICES
AND VALUE-ADDED SERVICES
WITH COLI, COGO, CSC AND CSCEC
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**



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

Unless the context requires otherwise, capitalised terms used on this cover page shall have the same meanings as defined in the section headed "Definition" in this circular.

A letter from the Board is set out on pages 7 to 26 of this circular and a letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-44 of this circular.

A notice convening the EGM to be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 20 June 2023 at 11:15 a.m. or immediately after conclusion of the Company's annual general meeting to be held on the same day, whichever is later, is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.copl.com.hk).

Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, your proxy form shall be deemed to be revoked.

30 May 2023

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DEFINITIONS

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

“associate(s)”, “connected person(s)”, “continuing connected transaction(s)”, “controlling shareholder”, “holding company”, “percentage ratios” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“COGO”	China Overseas Grand Oceans Group Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 81)
“COGO Group”	COGO and its subsidiaries from time to time
“COGO Services Agreement”	the framework agreement dated 28 April 2023 entered into between the Company and COGO in respect of the COGO Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive)
“COGO Services Cap(s)”	the maximum aggregate amounts receivable by the Group from COGO Group for the COGO Services Transactions for the relevant year(s)/period(s) under the COGO Services Agreement
“COGO Services Transactions”	the provision of the Services by any member of the Group to any member of COGO Group in respect of the Properties owned or held by COGO Group
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, and a controlling shareholder of the Company, COLI, and CSC
“COHL Group”	COHL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“COLI”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688)

DEFINITIONS

“COLI Group”	COLI and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“COLI Services Agreement”	the framework agreement dated 28 April 2023 entered into between the Company and COLI in respect of the COLI Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive)
“COLI Services Cap(s)”	the maximum aggregate amounts receivable by the Group from COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) for the COLI Services Transactions for the relevant year(s)/period(s) under the COLI Services Agreement
“COLI Services Transaction(s)”	the provision of the Services by any member of the Group to any member of COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) in respect of the Properties owned or held by them
“Company”	China Overseas Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669)
“CSC”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
“CSC Group”	CSC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“CSC Services Agreement”	the framework agreement dated 28 April 2023 entered into between the Company and CSC in respect of the CSC Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive)
“CSC Services Cap(s)”	the maximum aggregate amounts receivable by the Group from CSC Group, the associates of CSC and their respective subsidiaries (if any) for the CSC Services Transactions for the relevant year(s)/period(s) under the CSC Services Agreement

DEFINITIONS

“CSC Services Transactions”	the provision of the Services by any member of the Group to any member of CSC Group, the associates of CSC and their respective subsidiaries (if any) in respect of the Properties owned by them and their Work Sites
“CSCEC”	中國建築集團有限公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of the PRC, and the ultimate holding company of each of the Company, COLI and CSC
“CSCEC Group”	CSCEC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including CSCECL Group and COHL Group) from time to time
“CSCEC Services Agreement”	the framework agreement dated 28 April 2023 entered into between the Company and CSCEC in respect of the CSCEC Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive)
“CSCEC Services Cap(s)”	the maximum aggregate amounts receivable by the Group from CSCEC Group for the CSCEC Services Transactions for the relevant year(s)/period(s) under the CSCEC Services Agreement
“CSCEC Services Transactions”	the provision of the Services by any member of the Group to any member of CSCEC Group in respect of the Properties owned by CSCEC Group
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), a controlling shareholder of the Company and a non-wholly owned subsidiary of CSCEC
“CSCECL Group”	CSCECL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including COHL Group) from time to time
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the entering into of the New Services Agreements, the Services Transactions and the Services Caps
“GFA”	gross floor area

DEFINITIONS

“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, which has been established to make recommendations to the Independent Shareholders in respect of the New Services Agreements, the Services Transactions and the Services Caps
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Services Agreement, the Services Transactions and the Services Caps
“Independent Shareholders”	the Shareholders other than CSCEC and its associates (including COHL)
“Latest Practicable Date”	22 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Mainland China” or “PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“New Services Agreements”	the COLI Services Agreement, the COGO Services Agreement, the CSC Services Agreement and the CSCEC Services Agreement
“Previous COGO Services Agreement”	the framework agreement dated 28 April 2020 entered into between the Company and COGO in respect of the COGO Services Transactions for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 (both dates inclusive)
“Previous COLI Services Agreement”	the framework agreement dated 28 April 2020 entered into between the Company and COLI in respect of the COLI Services Transactions for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 (both dates inclusive)

DEFINITIONS

“Previous CSC Services Agreement”	the framework agreement dated 28 April 2020 entered into between the Company and CSC in respect of the CSC Services Transactions for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 (both dates inclusive)
“Previous CSCEC Services Agreement”	the framework agreement dated 28 April 2020 entered into between the Company and CSCEC in respect of the CSCEC Services Transactions for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 (both dates inclusive)
“Properties”	(a) (in the case of the COLI Services Transactions and the COGO Services Transactions) the property development projects or properties (including residential communities, commercial properties and other properties) in the PRC, Hong Kong, Macau and other locations; and (b) (in the case of the CSC Services Transactions and the CSCEC Services Transactions) the properties (including residential communities, commercial properties and other properties) in the PRC, Hong Kong, Macau and other locations
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	the property management services and value-added services (including engineering, pre-delivery, move-in assistance, delivery inspection, engineering services, quality monitoring and consulting services, as well as gardening, interior fine finishing and vetting of building plans etc.)
“Services Caps”	the COLI Services Caps, the COGO Services Caps, the CSC Services Caps and the CSCEC Services Caps
“Services Transactions”	the COLI Services Transactions, the COGO Services Transactions, the CSC Services Transactions and the CSCEC Services Transactions
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)

DEFINITIONS

“sq. m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Work Site(s)”	the work site(s) in the PRC, Hong Kong and Macau
“%”	per cent.

LETTER FROM THE BOARD



中海物業

CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2669)

Executive Directors:

Mr. Zhang Guiqing (*Chairman*)
Mr. Xiao Junqiang (*Chief Executive Officer*)
Mr. Pang Jinying (*Vice President*)
Mr. Kam Yuk Fai (*Chief Financial Officer*)

Non-executive Directors:

Mr. Ma Fujun
Mr. Guo Lei

Independent non-executive Directors:

Mr. Yung, Wing Ki Samuel
Mr. So, Gregory Kam Leung
Mr. Lim, Wan Fung Bernard Vincent

Registered Office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

Suite 703, 7th Floor
Three Pacific Place
1 Queen's Road East
Hong Kong

30 May 2023

To the Shareholders

Dear Sir/Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE PROVISION OF
PROPERTY MANAGEMENT SERVICES
AND VALUE-ADDED SERVICES
WITH COLI, COGO, CSC AND CSCEC
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 28 April 2023 in respect of the COLI Services Agreement, the COGO Services Agreement, the CSC Services Agreement and the CSCEC Services Agreement entered into between the Company and each of COLI, COGO, CSC and CSCEC respectively on 28 April 2023.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) the particulars of each of the New Services Agreements, the Services Transactions and the Services Caps; (ii) the letter from the Independent Board Committee with its views on the New Services Agreements, the Services Transactions and the Services Caps; and (iii) the letter from Opus Capital, the Independent Financial Adviser, with its advice on the New Services Agreements, the Services Transactions and the Services Caps, as well as to seek the approval of the Independent Shareholders in respect of the New Services Agreements, the Services Transactions and the Services Caps.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

1. COLI Services Transactions

Reference is made to the announcement of the Company dated 28 April 2020 and the circular of the Company dated 2 June 2020 relating to, among other things, the Previous COLI Services Agreement, which was entered into between the Company and COLI in respect of the COLI Services Transactions and will expire on 30 June 2023.

The Directors expect that the Group will continue to participate from time to time in competitive tenders to provide the Services to COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) in respect of the Properties owned or held by them. In this connection, on 28 April 2023, the Company and COLI entered into the COLI Services Agreement in respect of the COLI Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), subject to the COLI Services Caps.

COLI Services Agreement

The principal terms of the COLI Services Agreement are summarised as follows:

Date

28 April 2023

Parties

1. COLI; and
2. the Company.

Duration

Subject to the fulfillment of the conditions precedent to the COLI Services Agreement, the COLI Services Agreement will commence from 1 July 2023 and continue for the period ending on 30 June 2026 (both dates inclusive).

LETTER FROM THE BOARD

Terms

Pursuant to the COLI Services Agreement, any member of the Group and any member of COLI Group may enter into the COLI Services Transactions in accordance with the terms of the COLI Services Agreement in the ordinary and usual course of their respective businesses, on a non-exclusive basis as and when reasonably required, subject to the COLI Services Caps. The Group shall also ensure that all COLI Services Transactions will be entered into with the associates of COLI and their respective subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) on the same basis.

The relevant member of the Group will go through a tender process of COLI Group before being selected and appointed as service provider for provision of the Services. The prices and terms (including but not limited to, where applicable, the term of the contract, the Property concerned, the scope of the Services and the pricing basis and amount of the service fees) of the tenders submitted by the Group to COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) will be subject to standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties. Further details of the said tender submission procedures of the Group are set out in the paragraph headed “PRICING BASIS FOR THE SERVICES TRANSACTIONS” below.

If any contract is granted to any member of the Group as a result of the tender process, Services will be provided to members of COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) in accordance with the terms of the tender/contract and the COLI Services Agreement (which terms shall prevail to the extent of any inconsistency).

Conditions precedent

The obligations in the COLI Services Agreements are conditional upon the following conditions being satisfied on or before 30 June 2023 (or such other date as the parties may agree in writing):

- (a) the Group having obtained the approval of the Independent Shareholders for the entering into of the COLI Services Agreement and the COLI Services Transactions (including the COLI Services Caps) at the EGM; and
- (b) the Company and COLI having complied with all other requirements under the Listing Rules and as may be imposed by the Stock Exchange as a condition to the COLI Services Agreement and the COLI Services Transactions (including the COLI Services Caps), if any.

LETTER FROM THE BOARD

Historical/estimated transaction amounts

The historical transaction amounts received by the Group from COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) for the COLI Services Transactions for each of the two years ended 31 December 2021 and 31 December 2022, as well as the estimated transaction amount so received by the Group for the half year ending 30 June 2023 (“**2023 1H**”) were/is as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the half year ending 30 June 2023
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Historical/estimated transaction amount	1,019.7	1,509.6	1,059.0*
Cap under the Previous COLI Services Agreement	2,093.0	2,616.0	1,633.0
Historical/estimated utilisation rate of the cap	48.7%	57.7%	64.8%

* The estimated transaction amount for 2023 1H is derived from the estimated utilization of cap by reference to year ended 31 December 2022.

COLI Services Caps

The COLI Services Caps for the half year ending 31 December 2023 (“**2023 2H**”), each of the two years ending 31 December 2024 and 31 December 2025 and the half year ending 30 June 2026 (“**2026 1H**”) are as follows:

	For the half year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025	For the half year ending 30 June 2026
COLI Services Caps	HK\$1,229 million	HK\$3,078 million	HK\$4,005 million	HK\$2,719 million

Basis of determination of the COLI Services Caps

The COLI Services Caps were determined with reference to the estimated maximum aggregate amounts receivable by the Group under the COLI Services Agreement, taking into account the historical transaction amounts, the expected demand for the Services with reference to the number of existing and new property projects of COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange), expected expansion of the business of providing the Services, estimated GFA of the Properties to be serviced by the Group which is expected to have a year-on-year (“**YoY**”) growth rate of around 20%, estimated labour costs which is expected to have a YoY growth rate of around 9% and estimated fee rates chargeable by the Group for each sq.m. of the Properties.

LETTER FROM THE BOARD

The YoY growth rates of the historical/estimated transaction amounts and the COLI Services Caps (as determined with reference to the factors set out above) for the period from 1 January 2021 to 2026 1H were/will be maintained in the steady range of approximately 30% to 50%, as shown in the table below:

	FY 2021/ FY 2020	FY 2022/ FY 2021	FY 2023*/ FY 2022	FY 2024/ FY 2023	FY 2025/ FY 2024	FY 2026**/ FY 2025
YoY growth rate	+36.4%	+48.0%	+51.6%	+34.5%	+30.1%	+35.8%

* The numerator is calculated with reference to the estimated transaction amount for 2023 1H *plus* the COLI Services Cap for 2023 2H.

** This figure represents the annualised cap with reference to the COLI Services Cap for 2026 1H.

2. COGO Services Transactions

Reference is made to the announcement of the Company dated 28 April 2020 and the circular of the Company dated 2 June 2020 relating to, among other things, the Previous COGO Services Agreement, which was entered into between the Company and COGO in respect of the COGO Services Transactions and will expire on 30 June 2023.

The Directors expect that the Group will continue to participate from time to time in competitive tenders to provide the Services to COGO Group in respect of the Properties owned or held by COGO Group. In this connection, on 28 April 2023, the Company and COGO entered into the COGO Services Agreement in respect of the COGO Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), subject to the COGO Services Caps.

COGO Services Agreement

The principal terms of the COGO Services Agreement are summarised as follows:

Date

28 April 2023

Parties

1. COGO; and
2. the Company.

LETTER FROM THE BOARD

Duration

Subject to the fulfillment of the conditions precedent to the COGO Services Agreement, the COGO Services Agreement will commence from 1 July 2023 and continue for the period ending on 30 June 2026 (both dates inclusive).

Terms

Pursuant to the COGO Services Agreement, any member of the Group and any member of COGO Group may enter into the COGO Services Transactions in accordance with the terms of the COGO Services Agreement in the ordinary and usual course of their respective businesses, on a non-exclusive basis as and when reasonably required, subject to the COGO Services Caps.

The relevant member of the Group will go through a tender process of COGO Group before being selected and appointed as service provider for provision of the Services. The prices and terms (including but not limited to, where applicable, the term of the contract, the Property concerned, the scope of the Services and the pricing basis and amount of the service fees) of the tenders submitted by the Group to COGO Group will be subject to standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties. Further details of the said tender submission procedures of the Group are set out in the paragraph headed “PRICING BASIS FOR THE SERVICES TRANSACTIONS” below.

If any contract is granted to any member of the Group as a result of the tender process, Services will be provided to members of COGO Group in accordance with the terms of the tender/contract and the COGO Services Agreement (which terms shall prevail to the extent of any inconsistency).

Conditions precedent

The obligations in the COGO Services Agreements are conditional upon the following conditions being satisfied on or before 30 June 2023 (or such other date as the parties may agree in writing):

- (a) the Group having obtained the approval of the Independent Shareholders for the entering into of the COGO Services Agreement and the COGO Services Transactions (including the COGO Services Caps) at the EGM; and
- (b) the Company and COGO having complied with all other requirements under the Listing Rules and as may be imposed by the Stock Exchange as a condition to the COGO Services Agreement and the COGO Services Transactions (including the COGO Services Caps), if any.

LETTER FROM THE BOARD

Historical/estimated transaction amounts

The historical transaction amounts received by the Group from COGO Group for the COGO Services Transactions for each of the two years ended 31 December 2021 and 31 December 2022, as well as the estimated transaction amount so received by the Group for 2023 1H were/is as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the half year ending 30 June 2023
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Historical/estimated transaction amount	281.7	343.2	213.0*
Cap under the Previous COGO Services Agreement	321.0	386.0	224.0
Historical/estimated utilisation rate of the cap	87.8%	88.9%	95.1%

* The estimated transaction amount for 2023 1H is derived from the estimated utilization of cap by reference to year ended 31 December 2022.

COGO Services Caps

The COGO Services Caps for 2023 2H, each of the two years ending 31 December 2024 and 31 December 2025 and 2026 1H are as follows:

	For the half year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025	For the half year ending 30 June 2026
COGO Services Caps	HK\$230 million	HK\$460 million	HK\$470 million	HK\$250 million

Basis of determination of the COGO Services Caps

The COGO Services Caps were determined with reference to the estimated maximum aggregate amounts receivable by the Group under the COGO Services Agreement, taking into account the historical transaction amounts, the expected flattened demand from COGO Group for the Services provided by the Group, estimated GFA of the Properties to be serviced by the Group which is expected to remain largely stable, estimated labour costs which is expected to have a YoY growth rate of around 3% to 5% and estimated fee rates chargeable by the Group for each sq.m. of the Properties.

LETTER FROM THE BOARD

The YoY growth rates of the historical/estimated transaction amounts and the COGO Services Caps (as determined with reference to the factors set out above) for the period from 1 January 2021 to 2026 1H are shown in the table below:

	FY 2021/ FY 2020	FY 2022/ FY 2021	FY 2023*/ FY 2022	FY 2024/ FY 2023	FY 2025/ FY 2024	FY 2026**/ FY 2025
YoY growth rate	+71.4%	+21.9%	+29.1%	+3.8%***	+2.2%***	+6.4%***

* The numerator is calculated with reference to the estimated transaction amount for 2023 1H *plus* the COGO Services Cap for 2023 2H.

** This figure represents the annualised cap with reference to the COGO Services Cap for 2026 1H.

*** The flattened growth rates starting from the year 2024 is due to the expectation that the growth in demand from COGO Group for Services provided by the Group may be limited.

3. CSC Services Transactions

Reference is made to the announcement of the Company dated 28 April 2020 and the circular of the Company dated 2 June 2020 relating to, among other things, the Previous CSC Services Agreement, which was entered into between the Company and CSC in respect of the CSC Services Transactions and will expire on 30 June 2023.

The Directors expect that the Group will continue to participate from time to time in competitive tenders to provide the Services to CSC Group, the associates of CSC and their respective subsidiaries (if any) in respect of the Properties owned by them and their Work Sites. In this connection, on 28 April 2023, the Company and CSC entered into the CSC Services Agreement in respect of the CSC Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), subject to the CSC Services Caps.

CSC Services Agreement

The principal terms of the CSC Services Agreement are summarised as follows:

Date

28 April 2023

Parties

1. CSC; and
2. the Company.

LETTER FROM THE BOARD

Duration

Subject to the fulfillment of the conditions precedent to the CSC Services Agreement, the CSC Services Agreement will commence from 1 July 2023 and continue for the period ending on 30 June 2026 (both dates inclusive).

Terms

Pursuant to the CSC Services Agreement, any member of the Group and any member of CSC Group may enter into the CSC Services Transactions in accordance with the terms of the CSC Services Agreement in the ordinary and usual course of their respective businesses, on a non-exclusive basis as and when reasonably required, subject to the CSC Services Caps. The Group shall also ensure that all CSC Services Transactions will be entered into with the associates of CSC and their respective subsidiaries (if any) on the same basis.

The relevant member of the Group will go through a tender process of CSC Group before being selected and appointed as service provider for provision of the Services. The prices and terms (including but not limited to, where applicable, the term of the contract, the Property and/or Work Site concerned, the scope of the Services and the pricing basis and amount of the service fees) of the tenders submitted by the Group to CSC Group, the associates of CSC and their respective subsidiaries (if any) will be subject to standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties. Further details of the said tender submission procedures of the Group are set out in the paragraph headed “PRICING BASIS FOR THE SERVICES TRANSACTIONS” below.

If any contract is granted to any member of the Group as a result of the tender process, Services will be provided to members of CSC Group, the associates of CSC and their respective subsidiaries (if any) in accordance with the terms of the tender/contract and the CSC Services Agreement (which terms shall prevail to the extent of any inconsistency).

Conditions precedent

The obligations in the CSC Services Agreements are conditional upon the following conditions being satisfied on or before 30 June 2023 (or such other date as the parties may agree in writing):

- (a) the Group having obtained the approval of the Independent Shareholders for the entering into of the CSC Services Agreement and the CSC Services Transactions (including the CSC Services Caps) at the EGM; and
- (b) the Company and CSC having complied with all other requirements under the Listing Rules and as may be imposed by the Stock Exchange as a condition to the CSC Services Agreement and the CSC Services Transactions (including the CSC Services Caps), if any.

LETTER FROM THE BOARD

Historical/estimated transaction amounts

The historical transaction amounts received by the Group from CSC Group, the associates of CSC and their subsidiaries (if any) for the CSC Services Transactions for each of the two years ended 31 December 2021 and 31 December 2022, as well as the estimated transaction amount so received by the Group for 2023 1H were/is as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the half year ending 30 June 2023
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Historical/estimated transaction amount	70.9	107.1	86.0*
Cap under the Previous CSC Services Agreement	255.0	356.0	224.0
Historical/estimated utilisation rate of the cap	27.8%	30.1%	38.4%

* The estimated transaction amount for 2023 1H is derived from the estimated utilization of cap by reference to year ended 31 December 2022.

CSC Services Caps

The CSC Services Caps for 2023 2H, each of the two years ending 31 December 2024 and 31 December 2025 and 2026 1H are as follows:

	For the half year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025	For the half year ending 30 June 2026
CSC Services Caps	HK\$133 million	HK\$308 million	HK\$493 million	HK\$299 million

Basis of determination of the CSC Services Caps

The CSC Services Caps were determined with reference to the estimated maximum aggregate amounts receivable by the Group under the CSC Services Agreement, taking into account the historical transaction amounts, the expected demand for the Services with reference to the number of existing and new property projects of CSC Group, the associates of CSC and their respective subsidiaries (if any), expected expansion of the business of providing the Services (including more Work Sites to be commenced in 2023 2H and beyond which is expected to have a YoY growth rate in the range of around 20% to 50%), estimated GFA of the Properties to be serviced by the Group, estimated labour costs and estimated fee rates chargeable by the Group for each sq.m. of the Properties and the Work Sites.

LETTER FROM THE BOARD

The YoY growth rates of the historical/estimated transaction amounts and the CSC Services Caps (as determined with reference to the factors set out above) for the period from 1 January 2021 to 2026 1H are shown in the table below:

	FY 2021/ FY 2020	FY 2022/ FY 2021	FY 2023*/ FY 2022	FY 2024/ FY 2023	FY 2025/ FY 2024	FY 2026**/ FY 2025
YoY growth rate	+71.1%	+50.9%	+104.6%***	+40.6%	+60.1%	+21.3%

* The numerator is calculated with reference to the estimated transaction amount for 2023 1H *plus* the CSC Services Cap for 2023 2H.

** This figure represents the annualised cap with reference to the CSC Services Cap for 2026 1H.

*** The higher growth rate for the year ending 31 December 2023 is due to the expected expansion of business of providing the Services to CSC Group, the associates of CSC and their respective subsidiaries (if any) due to increase in the number of Work Sites to be managed by the Group in 2023 2H (which may amount to an approximate 82% rise when comparing the number of Work Sites to be managed/managed by the Group in the year ending 31 December 2023 with the year ended 31 December 2022) and beyond.

4. CSCEC Services Transactions

Reference is made to the announcement of the Company dated 28 April 2020 and the circular of the Company dated 2 June 2020 relating to, among other things, the Previous CSCEC Services Agreement, which was entered into between the Company and CSCEC in respect of the CSCEC Services Transactions and will expire on 30 June 2023.

The Directors expect that the Group will continue to participate from time to time in competitive tenders to provide the Services to CSCEC Group in respect of the Properties owned by CSCEC Group. In this connection, on 28 April 2023, the Company and CSCEC entered into the CSCEC Services Agreement in respect of the CSCEC Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), subject to the CSCEC Services Caps.

CSCEC Services Agreement

The principal terms of the CSCEC Services Agreement are summarised as follows:

Date

28 April 2023

Parties

1. CSCEC; and
2. the Company.

LETTER FROM THE BOARD

Duration

Subject to the fulfillment of the condition precedent to the CSCEC Services Agreement, the CSCEC Services Agreement will commence from 1 July 2023 and continue for the period ending on 30 June 2026 (both dates inclusive).

Terms

Pursuant to the CSCEC Services Agreement, any member of the Group and any member of CSCEC Group may enter into the CSCEC Services Transactions in accordance with the terms of the CSCEC Services Agreement in the ordinary and usual course of their respective businesses, on a non-exclusive basis as and when reasonably required, subject to the CSCEC Services Caps.

The relevant member of the Group will go through a tender process of CSCEC Group before being selected and appointed as service provider for provision of the Services. The prices and terms (including but not limited to, where applicable, the term of the contract, the Property concerned, the scope of the Services and the pricing basis and amount of the service fees) of the tenders submitted by the Group to CSCEC Group will be subject to standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties. Further details of the said tender submission procedures of the Group are set out in the paragraph headed “PRICING BASIS FOR THE SERVICES TRANSACTIONS” below.

If any contract is granted to any member of the Group as a result of the tender process, Services will be provided to members of CSCEC Group in accordance with the terms of the tender/contract and the CSCEC Services Agreement (which terms shall prevail to the extent of any inconsistency).

Condition precedent

The obligations in the CSCEC Services Agreements are conditional upon the Company having complied with all requirements under the Listing Rules (including the Company having obtained the approval of the Independent Shareholders for the entering into of the CSCEC Services Agreement and the CSCEC Services Transactions (including the CSCEC Services Caps) at the EGM) and as may be imposed by the Stock Exchange as a condition to the CSCEC Services Agreement and the CSCEC Services Transactions (if any) on or before 30 June 2023 (or such other date as the parties may agree in writing).

LETTER FROM THE BOARD

Historical/estimated transaction amounts

The historical transaction amounts received by the Group from CSCEC Group for the CSCEC Services Transactions for each of the two years ended 31 December 2021 and 31 December 2022, as well as the estimated transaction amount so received by the Group for 2023 1H were/is as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the half year ending 30 June 2023
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Historical/estimated transaction amount	108.7	150.0	99.0*
Cap under the Previous CSCEC Services Agreement	221.4	308.4	168.2
Historical/estimated utilisation rate of the cap	49.1%	48.6%	58.9%

* The estimated transaction amount for 2023 1H is derived from the estimated utilization of cap by reference to year ended 31 December 2022.

CSCEC Services Caps

The CSCEC Services Caps for 2023 2H, each of the two years ending 31 December 2024 and 31 December 2025 and 2026 1H are as follows:

	For the half year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025	For the half year ending 30 June 2026
CSCEC Services Caps	HK\$176 million	HK\$418 million	HK\$598 million	HK\$445 million

Basis of determination of the CSCEC Services Caps

The CSCEC Services Caps were determined with reference to the estimated maximum aggregate amounts receivable by the Group under the CSCEC Services Agreement, taking into account the historical transaction amounts, the expected demand for the Services with reference to the number of existing and new property projects of CSCEC Group, expected expansion of the business of providing the Services (including substantial self-owned commercial buildings to be managed in 2023 2H, the monthly service fees of which are higher and with an expected YoY growth rate of approximately 10% to 15%), estimated GFA of the Properties to be serviced by the Group which is expected to have a YoY growth rate of around 20%, estimated labour costs which is expected to have a YoY growth rate of around 5% and estimated fee rates chargeable by the Group for each sq.m. of the Properties.

LETTER FROM THE BOARD

The YoY growth rates of the historical/estimated transaction amounts and the CSCEC Services Caps (as determined with reference to the factors set out above) for the period from 1 January 2021 to 2026 1H are shown in the table below:

	FY 2021/ FY 2020	FY 2022/ FY 2021	FY 2023*/ FY 2022	FY 2024/ FY 2023	FY 2025/ FY 2024	FY 2026**/ FY 2025
YoY growth rate	+27.2%	+38.0%	+83.3%***	+52.0%	+43.1%	+48.8%

* The numerator is calculated with reference to the estimated transaction amount for 2023 1H *plus* the CSCEC Services Cap for 2023 2H.

** This figure represents the annualised cap with reference to the CSCEC Services Cap for 2026 1H.

*** The higher growth rate for the year ending 31 December 2023 is due to the expected expansion of business of providing the Services to CSCEC Group due to the expected substantial increase in the number of self-owned commercial buildings to be managed by the Group in 2023 2H with higher monthly service fees chargeable (for instance, the service fees chargeable for servicing such buildings in the year ending 31 December 2023 may be approximately 20% higher than those charged in the year ended 31 December 2022).

PAYMENT TERMS FOR THE SERVICES TRANSACTIONS

In respect of the Services Transactions, services fees will be payable in accordance with the payment terms prescribed under the specific tenders/contracts. The Group will generally charge property management fees on a monthly basis for property management services and on a per-transaction basis for valued-added services.

PRICING BASIS FOR THE SERVICES TRANSACTIONS

In respect of the Services Transactions, the price and terms (including but not limited to, where applicable, the term of the contract, the Property and/or Work Site concerned, the scope of the Services and the pricing basis and amount of the service fees) of the tenders submitted by the Group to COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange)), COGO Group, CSC Group (and the associates of CSC and their subsidiaries (if any)) and CSCEC Group will be subject to the standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties, and will ensure that the prices and terms of the tenders submitted by the Group to such persons will be no more favourable than those submitted to independent third parties.

The procedure involves (i) receiving invitation to tender; (ii) initial assessment of tender documents; (iii) preparation of property management proposal, cost estimation and pricing; (iv) preparation for tender report, internal evaluation and approval of the tender report; and (v) tender submission.

LETTER FROM THE BOARD

The internal evaluation and approval of tender will be conducted by the head of the relevant business unit or subsidiary of the Group. All personnel of the Group involved in the evaluation and tender procedure will be independent of COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange)), COGO Group, CSC Group (and the associates of CSC and their subsidiaries (if any)) and CSCEC Group in relation to the Services. In particular:

- (a) for property management services, as part of the project evaluation and tender procedures, where relevant, (i) personnel from various departments will be involved at different stages of the procedures, including the business operation, quality management, finance, legal and market development departments; (ii) in evaluating projects before the submission of tenders, the Company would assess, among other things, the tender invitation documents, the relevant market information, the property management project implementation plan, the associated costs and labour to be employed and the expected profitability; (iii) the pricing guidelines set by the Group requiring (A) costs assessment, which will make references to factors including, among others, the costs of premises and facilities cleaning and maintenance, energy consumption, security management, labour requirement and salaries and tax obligations, etc.; and (B) market comparison with service fees in relation to at least two similar properties (if available) (e.g. with respect to their location and nature of use) in nearby areas that are within the proximity of the relevant Property and/or Work Site; and (iv) a minimum profitability requirement will have to be met for engaging in property management projects (i.e. the estimated revenue must exceed the estimated direct cost); and
- (b) for valued-added services, as part of the project evaluation and tender procedures, where relevant, (i) personnel from various departments will be involved at different stages of the procedures, including the business operation (such as the production department, intelligence and research department, repair and maintenance department and the elevator department), cost management, finance, legal and market development departments and the relevant general managers; (ii) in evaluating projects before the submission of tenders, the Company would assess, among other things, the project particulars, implementation strategy, cost estimation, and the reasonability and feasibility of the proposed quotation; and (iii) a minimum profitability requirement will have to be met for the provision of such services (i.e. the estimated revenue must exceed the estimated direct cost).

LETTER FROM THE BOARD

In summary, the pricing of the Services will be based on (a) the Company's assessment of costs and expenses associated with the provision of the Services, including labour costs, fees payable to contractors and subcontractors, cleaning costs, utilities expenses, tax obligations etc, to be estimated, based on factors including (i) the scope and quality of the Services required; and (ii) the classifications, types and locations of the relevant Properties and/or Work Sites which will affect the positioning of the relevant premises and hence the quality of Services required; and (b) the Group's expected profit margin from the provision of the Services, which shall be on par with market level and at the same time ensure that the fees charged will be competitive. The profit margin is to be determined with reference to factors including: (i) the pricing for at least two comparable properties, projects or work sites (if available) (e.g. with respect to location and nature of use of the property, project or work site (as applicable) in nearby areas that are within the proximity of the relevant Properties and/or Work Sites); (ii) the guidance price on fees as formulated or implemented in accordance with the Notice of the National Development and Reform Commission ("NDRC") on the Proposals of Lifting the Control of Some Service Prices (《國家發展改革委關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (the "NDRC Notice") by local competent pricing authorities of each province, autonomous region and municipality directly under the central government, if any; and (iii) the prevailing market rate, which is determined with reference to the market intelligence (including information on fees charged by the Group's competitors, the positioning of potential client's properties/work sites, etc.) obtained through market research conducted by the market development division of the Group and their interactions with other market participants and industry peers and through the Group's business network and the pricing of the Group's provision of services to independent third parties.

According to the NDRC Notice, which was promulgated by the NDRC and came into effect on 17 December 2014, as for relevant service prices which meet competitive conditions, the competent pricing authorities of each province, autonomous region and municipality directly under the central government shall carry out relevant procedures, and lift price control, including the property service prices of non-public housing. Property management fees for indemnificatory housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management service agreements remain subject to pricing guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. As at the Latest Practicable Date, there was no further update of the NDRC Notice in its website.

Annual review of the aforesaid internal procedures and pricing policies (including the pricing guidelines) will be conducted internally and by the independent non-executive Directors and the Company's auditor to ensure that the above procedures have been complied with.

In view of the above pricing basis and policy, in particular, that the Services Transactions will be subject to standard and systematic tender submission procedures maintained by the Group, and that the pricing of the Services will ensure that the Group will have a profit margin at least on par with market rate and exceeding the estimated costs, the Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of Opus Capital) consider that the pricing in respect of the Services Transactions are on normal commercial terms, fair and reasonable and not more favourable than the terms offered by the Group to independent third parties.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

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

Each of COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange)), COGO Group, CSC Group (and the associates of CSC and their subsidiaries (if any)) and CSCEC Group owned or held property development projects or properties (including residential communities, commercial properties and other properties) and/or work sites in the PRC, Hong Kong, Macau and/or other locations that may require property management services and value-added services provided by the Group from time to time. By entering into each of the New Services Agreements, the Group will be able to continue to maintain and expand its revenue generating sources and thereby generate stable income and maximise its profit.

INFORMATION ON THE PARTIES

The Group is principally engaged in the provision of property management services, value-added services and car parking space trading business.

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

COGO Group is principally engaged in property investment and development, property leasing and investment holding.

CSC Group is principally engaged in construction business, infrastructure investments and prefabricated constructions.

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

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CSCEC is the ultimate holding company of COHL, which is the controlling shareholder of each of the Company, COLI and CSC by virtue of it being interested in approximately 61.18%, 56.09% and 64.81% of their respective issued share capital. COHL also indirectly holds approximately 39.63% of issued share capital of COGO. Therefore, members of each of COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange), COGO Group, CSC Group (and the associates of CSC and their subsidiaries (if any)) and CSCEC Group are connected persons of the Company, and the entering into of each of the New Services Agreements and the Services Transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the New Services Agreements were entered into with parties who are connected with one another within a 12-month period, and were of similar nature, all of the Services Transactions are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the Services Caps in aggregate exceeds 5%, the Services Transactions are subject to annual review, reporting, announcement, circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

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

The Independent Board Committee, comprising Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent, being all the independent non-executive Directors, has been established to make recommendations to the Independent Shareholders in respect of the New Services Agreements, the Services Transactions and the Services Caps. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

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

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve each of the New Services Agreements, the Services Transactions and the Services Caps.

A notice convening the EGM to be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 20 June 2023 at 11:15 a.m. or immediately after conclusion of the Company's annual general meeting to be held on the same day, whichever is later, is set out on pages EGM-1 to EGM-4 of this circular. Ordinary resolutions will be proposed at the EGM for the Independent Shareholders to consider and, if thought fit, approve each of the New Services Agreements, the Services Transactions and the Services Caps.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.copl.com.hk). Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, your proxy form shall be deemed to be revoked.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. As at the Latest Practicable Date, CSCEC and its associates together held 2,011,041,060 Shares, representing approximately 61.18% of the issued share capital of the Company, of which 169,712,309 Shares are held by Silver Lot Development Limited, a direct wholly-owned subsidiary of COHL, and 1,841,328,751 Shares are held by COHL. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC. The aforementioned associates of CSCEC will abstain from voting at the EGM on the resolutions in respect of each of the New Services Agreements, the Services Transactions and the Services Caps.

The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the EGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the EGM.

In order to qualify for attending and voting at the EGM, all share transfer document(s) accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 14 June 2023.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 in this circular which contains its recommendation to the Independent Shareholders in relation to the New Services Agreements, the Services Transactions and the Services Caps.

Your attention is also drawn to the letter from Opus Capital set out on pages IFA-1 to IFA-44 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Services Agreements, the Services Transactions and the Services Caps.

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of Opus Capital) consider that the Services Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the New Services Agreements have been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Services Transactions (including the Services Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the New Services Agreements, the Services Transactions and the Services Caps.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

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



中海物業

CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2669)

30 May 2023

To the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE PROVISION OF
PROPERTY MANAGEMENT SERVICES
AND VALUE-ADDED SERVICES
WITH COLI, COGO, CSC AND CSCEC**

We refer to the circular dated 30 May 2023 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the Services Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the New Services Agreements have been entered into on normal commercial terms after arm’s length negotiations between the parties, and the terms of the Services Transactions (including the Services Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Opus Capital, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Services Agreements, the Services Transactions and the Services Caps.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 26 of the Circular and the text of a letter from Opus Capital, as set out on IFA-1 to IFA-44 of the Circular, both of which provide details of the New Services Agreements, the Services Transactions and the Services Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the New Services Agreements, the Services Transactions and the Services Caps, the advice of Opus Capital, and the relevant information contained in the Letter from the Board, we are of the opinion that the Services Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the New Services Agreements have been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Services Transactions (including the Services Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to each of the New Services Agreements, the Services Transactions and the Services Caps.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of
China Overseas Property Holdings Limited**

Yung, Wing Ki Samuel

Independent

Non-executive Director

So, Gregory Kam Leung

Independent

Non-executive Director

Lim, Wan Fung Bernard Vincent

Independent

Non-executive Director

LETTER FROM OPUS CAPITAL

The following is the full text of the letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders in relation to the New Services Agreements, the Services Transactions and the Services Caps, which has been prepared for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

30 May 2023

*To: the Independent Board Committee and the Independent Shareholders of
China Overseas Property Holdings Limited*

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROVISION OF PROPERTY MANAGEMENT SERVICES AND VALUE-ADDED SERVICES WITH COLI, COGO, CSC AND CSCEC

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the New Services Agreements, the Services Transactions and the Service Caps. Details of the New Services Agreements, the Services Transactions and the Service Caps are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 30 May 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

COLI Services Agreement and the COLI Services Transactions

Reference is made to the announcement of the Company dated 28 April 2020 and the circular of the Company dated 2 June 2020 relating to, among other things, the Previous COLI Services Agreement, which was entered into between the Company and COLI in respect of the COLI Services Transactions and will expire on 30 June 2023. As stated in the Letter from the Board, the Directors expect that the Group will continue to participate from time to time in competitive tenders to provide the Services to COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) in respect of the Properties owned or held by them. In this connection, on 28 April 2023, the Company and COLI entered into the COLI Services Agreement in respect of the COLI Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), subject to the COLI Services Caps.

LETTER FROM OPUS CAPITAL

COGO Services Agreement and the COGO Services Transactions

Reference is made to the announcement of the Company dated 28 April 2020 and the circular of the Company dated 2 June 2020 relating to, among other things, the Previous COGO Services Agreement, which was entered into between the Company and COGO in respect of the COGO Services Transactions and will expire on 30 June 2023. As stated in the Letter from the Board, the Directors expect that the Group will continue to participate from time to time in competitive tenders to provide the Services to COGO Group in respect of the Properties owned or held by COGO Group. In this connection, on 28 April 2023, the Company and COGO entered into the COGO Services Agreement in respect of the COGO Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), subject to the COGO Services Caps.

CSC Services Agreement and the CSC Services Transactions

Reference is made to the announcement of the Company dated 28 April 2020 and the circular of the Company dated 2 June 2020 relating to, among other things, the Previous CSC Services Agreement, which was entered into between the Company and CSC in respect of the CSC Services Transactions and will expire on 30 June 2023. As stated in the Letter from the Board, the Directors expect that the Group will continue to participate from time to time in competitive tenders to provide the Services to CSC Group, the associates of CSC and their respective subsidiaries (if any) in respect of the Properties owned by them and their Work Sites. In this connection, on 28 April 2023, the Company and CSC entered into the CSC Services Agreement in respect of the CSC Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), subject to the CSC Services Caps.

CSCEC Services Agreement and the CSCEC Services Transactions

Reference is made to the announcement of the Company dated 28 April 2020 and the circular of the Company dated 2 June 2020 relating to, among other things, the Previous CSCEC Services Agreement, which was entered into between the Company and CSCEC in respect of the CSCEC Services Transactions and will expire on 30 June 2023. As stated in the Letter from the Board, the Directors expect that the Group will continue to participate from time to time in competitive tenders to provide the Services to CSCEC Group in respect of the Properties owned by CSCEC Group. In this connection, on 28 April 2023, the Company and CSCEC entered into the CSCEC Services Agreement in respect of the CSCEC Services Transactions for a term of three years commencing from 1 July 2023 and ending on 30 June 2026 (both dates inclusive), subject to the CSCEC Services Caps.

LETTER FROM OPUS CAPITAL

As at the Latest Practicable Date, CSCEC is the ultimate holding company of COHL, which is the controlling shareholder of each of the Company, COLI and CSC by virtue of it being interested in approximately 61.18%, 56.09% and 64.81% of their respective issued share capital. COHL also indirectly holds approximately 39.63% of issued share capital of COGO. Therefore, members of each of COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange), COGO Group, CSC Group (and the associates of CSC and their subsidiaries (if any)) and CSCEC Group are connected persons of the Company, and the entering into of each of the New Services Agreements and the Services Transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the New Services Agreements were entered into with parties who are connected with one another within a 12-month period, and were of similar nature, all of the Services Transactions are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the Services Caps in aggregate exceeds 5%, the Services Transactions are subject to annual review, reporting, announcement, circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

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

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve each of the New Services Agreements, the Services Transactions and the Services Caps. Voting at the EGM will be conducted by poll and CSCEC and its associates, together holding 2,011,041,060 Shares representing approximately 61.18% of the issued share capital of the Company, of which 169,712,309 Shares are held by Silver Lot Development Limited, a direct wholly-owned subsidiary of COHL, and 1,841,328,751 Shares are held by COHL. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC. The aforementioned associates of CSCEC will abstain from voting at the EGM on the resolutions in respect of each of the New Services Agreements, the Services Transactions and the Services Caps.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent, has been established by the Company for the purpose of advising the Independent Shareholders on: (i) whether the Services Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the New Services Agreements have been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Services Transactions (including the Services Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how they should vote on the relevant resolutions at the EGM. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM OPUS CAPITAL

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and independent shareholders of the Company on two framework agreements entered into by the Company with each of COLI and COGO dated 5 September 2022 with respect to the acquisition of rights-of-use of car parking spaces, the details of the relevant transactions are set out in the circular of the Company dated 12 October 2022 (the “**Past Appointment**”). The transactions under the Past Appointment are independent of the New Services Agreements and the Services Transactions.

As at the Latest Practicable Date, save for the aforementioned and the current appointment, we did not have any relationship with or interest in the Group, COLI Group, COGO Group, CSC Group, CSCEC Group or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the aforementioned and the current appointment, we have not acted as a financial adviser or an independent financial adviser to the Company. Apart from the normal independent financial advisory fees in connection with the Past Appointments and the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, COLI Group, COGO Group, CSC Group, CSCEC Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

1. the New Services Agreements;
2. the Company’s annual reports for the two years ended 31 December (“**FY**”) 2021 (the “**2021 Annual Report**”) and 2022 (the “**2022 Annual Report**”); and
3. other information as set out in the Circular.

LETTER FROM OPUS CAPITAL

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has 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 Management, which have been provided to us.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects. We also have not considered the taxation implications on the Group as a result of the New Services Agreements and the Services Transactions.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the New Services Agreements and the Services Transactions (including the Services Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

LETTER FROM OPUS CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the New Services Agreements, the Services Transactions and the Services Caps, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in provision of property management services, value-added services and car parking space trading business. The Group started its property management service in Hong Kong in 1986, and now becomes one of the leading property management companies in the PRC, with operations all over Hong Kong and Macau. Since its spin-off from COLI and listed by way of introduction on the Main Board of the Stock Exchange on 23 October 2015, the operating scale of the Group has been growing steadily with the aggregate GFA under its management increased by almost 300% from approximately 82.6 million sq.m. as at 31 December 2015 to approximately 320.3 million sq.m. as at 31 December 2022. During FY2022, the GFA under the Group's management increased by approximately 60.3 million sq.m. or 23.2% as compared with that of FY2021. Of such newly secured GFA under management during FY2022, approximately 55.7% with a contract sum of approximately HK\$3,203.3 million was secured from independent third parties while the rest was mainly attributable to the previous framework agreements entered into with COLI, COGO, CSC and CSCEC.

Set out below is the summary of the Group's audited consolidated income statements and consolidated statements of financial position for FY2021 and FY2022 extracted from the 2022 Annual Report.

Table 1: Summary of consolidated income statements of the Company

	FY2022	FY2021
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(audited)	(audited)
Revenue	12,689.0	9,442.0^{Note}
<i>Property management services</i>	<i>9,448.5</i>	<i>6,610.9</i>
<i>Value-added services</i>	<i>2,991.4</i>	<i>2,600.4</i>
<i>Car parking space trading business</i>	<i>249.1</i>	<i>230.8</i>
Gross profit	2,020.4	1,641.6
Profit before tax	1,678.3	1,317.7
Profit for the year attributable to the Shareholders	1,273.1	983.9

Source: the 2022 Annual Report

Note: There is a difference of HK\$0.1 million in total due to rounding difference.

LETTER FROM OPUS CAPITAL

As discussed in the 2022 Annual Report, revenue of the Group increased by approximately HK\$3,247.0 million or approximately 34.4%, from approximately HK\$9,442.0 million in FY2021 to approximately HK\$12,689.0 million in FY2022 which was mainly attributable to: (i) the advance in GFA under the Group's management dominated by lump-sum basis contracts; (ii) additional revenue brought from the management of community isolation facilities to support anti-epidemic work in Hong Kong; and (iii) business growth on value-added services to both non-residents and residents.

Property management services

Property management services is the Group's core business segment and contributed to most of the Group's revenue for FY2022. The Group's property management portfolio encompasses both residential properties and non-residential properties, such as commercial complexes, office buildings, shopping malls, hotels, industrial parks, logistics parks, aviation, high-speed rail, hospitals, schools, government properties, city services, parks, ports, roads and bridges, bus terminus and other public facilities. Revenue from property management services constituted approximately 74.5% of the Group's total revenue (FY2021: 70.0%) and increased by approximately 42.9% to approximately HK\$9,448.5 million (FY2021: HK\$6,610.9 million). The increase in revenue from property management services was mainly attributable to: (i) the increase in GFA under the Group's management from lump-sum basis contracts; and (ii) additional revenue arisen from Hong Kong community isolation facilities management, which were restrained by the impact of depreciation of RMB during FY2022. The segment gross profit margin of the property management services segment decreased slightly from approximately 14.9% in FY2021 to approximately 13.4% in FY2022 which was mainly due to higher proportion of lump-sum basis contracts upon market expansion in the property management sector, and the cost impact brought about from COVID-19 pandemic prevention and control under the strict cost control measures. After deducting the segment administrative expenses and net impairment of trade and retention receivables, and payments on behalf of property owners for properties managed on a commission basis as well as taking into account of other income, the segment profit of the property management services increased by approximately 29.0% to approximately HK\$1,138.0 million for FY2022 (FY2021: HK\$882.4 million).

Value-added services

The Group's second largest segment in terms of revenue is value-added services. Value-added services have two sub-segments where the larger segment provides the relevant services to non-residents while the smaller segment provides to residents. Value-added services to non-residents sub-segment comprise engineering, vetting of building plans, facilities and equipment evaluation proposals, pre-delivery, move-in assistance, delivery inspection, engineering service quality monitoring and consulting services, etc. for property developers and other property management companies. Value-added services to residents sub-segment, on the other hand, comprise (i) community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance, one-stop shop asset management services to the property owners and rental of self-owned properties); (ii) living service operations (to meet the various needs of residents of the properties, including housing ecology, home improvement, new retail, home services, tourism and leisure, education and training, health and elderly care, automotive services, platform services, etc.); and (iii) commercial service operations.

LETTER FROM OPUS CAPITAL

For FY2022, the proportion of revenue from value-added services segment out of the Group's total revenue increased by approximately 15.0% from approximately HK\$2,600.4 million in FY2021 to approximately HK\$2,991.4 million in FY2022, of which, sub-segment revenue from value-added services to non-residents and value-added services to residents increased by approximately 18.0% and 8.5% to approximately HK\$2,111.3 million (FY2021: HK\$1,789.4 million) and HK\$880.1 million (FY2021: HK\$811.0 million) respectively. Both sub-segments enjoyed increased business volumes and service demands although partly offset by the general downturn of the real estate sector of the PRC and lower occupancy rates during FY2022. During FY2022, the gross profit margin of value-added services to non-residents sub-segment decreased slightly from approximately 17.9% in FY2021 to approximately 16.4% in FY2022, which was mainly due to (i) the establishment of sub-brands and expansion in workforce to actively explore external expanding markets; and (ii) the higher increase in cost on inspection services. On the other hand, the gross profit margin of value-added services to residents sub-segment increased from approximately 33.3% in FY2021 to approximately 38.4% in FY2022, which was attributable to the change in sales mix and the integration of certain value-added services staff to property management projects. After having allowed for sub-segment overheads, the sub-segment profit from value-added services to residents and non-residents increased by approximately 24.5% to HK\$321.1 million (FY2021: HK\$257.9 million) and approximately 24.9% to HK\$245.5 million (FY2021: HK\$196.5 million) respectively.

Car parking space trading business

The car parking space trading business segment of the Group engages in the trading of various types of car parking spaces. This segment seeks to utilise the Group's existing abundance of cash balance and increase the shareholders' value by way of trading of car parking spaces to create greater ease and value to the residents of such properties. During FY2022, the revenue from the car parking space trading business segment increased by approximately 7.9% from approximately HK\$230.8 million in FY2021 to approximately HK\$249.1 million. Total number of car parking spaces sold was 2,392 (FY2021: 2,067), with segment profit increased to HK\$69.1 million, in FY2022 (FY2021: HK\$64.9 million).

As a combination of the above, the profit attributable to the Shareholders increased by approximately HK\$289.2 million or 29.4%, from approximately HK\$983.9 million in FY2021 to approximately HK\$1,273.1 million in FY2022.

LETTER FROM OPUS CAPITAL

Table 2: Summary of consolidated statements of financial position of the Company

	As at 31 December	
	2022	2021
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(audited)	(audited)
Non-current assets	594.1	586.4
<i>Property, plant and equipment</i>	<i>114.0</i>	<i>111.4</i>
<i>Investment properties</i>	<i>209.2</i>	<i>167.1</i>
<i>Intangible assets</i>	<i>114.8</i>	<i>59.4</i>
<i>Other non-current assets</i>	<i>156.1</i>	<i>248.5</i>
Current assets	9,527.3	7,733.3
<i>Inventories</i>	<i>970.8</i>	<i>935.3</i>
<i>Trade and retention receivables</i>	<i>2,139.0</i>	<i>1,387.5</i>
<i>Cash and bank balances</i>	<i>4,691.1</i>	<i>4,283.4</i>
<i>Other current assets</i>	<i>1,726.4</i>	<i>1,127.1</i>
Non-current liabilities	101.6	50.8
Current liabilities	6,356.8	5,216.5
<i>Trade payables</i>	<i>1,517.0</i>	<i>776.5</i>
<i>Other payables and accruals</i>	<i>1,287.1</i>	<i>1,103.2</i>
<i>Temporary receipts from properties managed</i>	<i>1,471.4</i>	<i>1,543.2</i>
<i>Receipts in advance and other deposits</i>	<i>1,627.5</i>	<i>1,500.8</i>
<i>Other current liabilities</i>	<i>453.8</i>	<i>292.8</i>
Equity attributable to the Shareholders	3,611.4	3,000.0

Source: the 2022 Annual Report

As disclosed in the 2022 Annual Report, the Group's non-current assets as at 31 December 2022 mainly consisted of investment properties, intangible assets and property, plant and equipment. The Group's current assets as at 31 December 2022 mainly consisted of cash and bank balances, trade and retention receivables and inventories. As at 31 December 2022, the Group recorded a significant increase in trade and retention receivables from approximately HK\$1,387.5 million as at 31 December 2021 to approximately HK\$2,139.0 million as at 31 December 2022, representing an increase of over 50% which was due to (i) continuing expansion of operating scale but at lower impairment rate on trade and retention receivables of approximately 6.6% (FY2021: 9.0%) for FY2022 due to stringent controls on the age of debts; and (ii) increase in net impairment on commission-based projects of approximately HK\$12.1 million that were vulnerable to uncertain market conditions (FY2021: net reversal of impairment of HK\$6.3 million).

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The Group recorded minimal non-current liabilities as at 31 December 2022 while its current liabilities as at 31 December 2022 were mainly consisted of receipts in advance and other deposits, trade payables, other payables and accruals and temporary receipts from properties managed. As at 31 December 2022, the Group recorded an increase in current liabilities from approximately HK\$5,216.5 million as at 31 December 2021 to approximately HK\$6,356.8 million as at 31 December 2022, representing an increase of approximately 21.9% which was due to the significant increase in trade payables from approximately HK\$776.5 million as at 31 December 2021 to approximately HK\$1,517.0 million as at 31 December 2022, representing an increase of approximately 95.4%.

As a combination of the above, the equity attributable to the Shareholders increased by approximately HK\$611.4 million or 20.4%, from approximately HK\$3,000.0 million as at 31 December 2021 to approximately HK\$3,611.4 million as at 31 December 2022.

2. Background information of the counterparties

COLI Group

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

COGO Group

COGO Group is principally engaged in property investment and development, property leasing and investment holding.

CSC Group

CSC Group is principally engaged in construction business, infrastructure investments and prefabricated constructions.

CSCEC Group

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

LETTER FROM OPUS CAPITAL

3. Outlook for the property management industry of the PRC

In light of the fact that the majority of the Services Transactions is envisaged to take place in servicing the relevant counterparties that operate in the PRC with only limited volume of the Services Transactions to be provided in Hong Kong, Macau and/or other locations, we have therefore focused our review on the property management industry of the PRC.

The property management industry in the PRC has been growing in the past years evidenced by the increase in the GFA under management and number of properties managed by property management companies as a result of nationwide urbanisation and continual growth in per capita disposable income in the PRC. Set out below are: (i) the summary of the urbanisation levels in the PRC from 2017 to 2022; and (ii) the annual per capita disposable income of urban households in the PRC from 2017 to 2022 published by 國家統計局 (The National Bureau of Statistics of China) (the “NBS”):

Table 3: Summary of the urbanisation levels in the PRC from 2017 to 2022

	2017	2018	2019	2020	2021	2022
Total population (in millions)	1,390.1	1,395.4	1,400.1	1,411.8	1,412.6	1,411.8
Urban population (in millions)	813.5	831.4	848.4	902.0	914.3	920.7
Urbanisation rate (%)	58.5%	59.6%	60.6%	63.9%	64.7%	65.2%

Source: the NBS

Table 4: Summary of the annual per capita disposable income of urban households in the PRC from 2017 to 2022

	2017	2018	2019	2020	2021	2022
Annual per capita disposable income of urban households (RMB)	36,396	39,251	42,359	43,834	47,412	49,283

Source: the NBS

As extracted from the NBS, the urbanisation rate of the PRC increased steadily from approximately 58.5% in 2017 to approximately 65.2% in 2022. The per capita disposable income of urban households in the PRC increased from approximately RMB36,396 in 2017 to approximately RMB49,283 in 2022, representing a compound annual growth rate (“CAGR”) of approximately 6.3%.

In addition, according to 中國社會科學院財經戰略研究院 (The National Academy of Economic Strategy of the Chinese Academy of Social Sciences*), a research institute for economic policies in the PRC, the proportion of permanent urban residents of the PRC’s total population is expected to reach 70% by 2035. As the progress of urbanisation and the continuous growth in per capita disposable income of urban households carry on, the supply of commodity residential properties (being residential properties developed for sale) in the PRC has followed a similar trend.

LETTER FROM OPUS CAPITAL

As emphasised at 中國共產黨第二十次全國代表大會 (The 20th National Congress of the Communist Party of China*) in 2022, the PRC Government must strive to realise, safeguard, and advance the fundamental interests of the Chinese people and do everything within its capacity to resolve the most practical problems that are of the greatest and most direct concern to the Chinese people. The increasing trend of urbanisation rate, per capita disposable income of urban households and GFA under construction, coupled with the supportive policy environment in the PRC have increased the demand for better living conditions and high-quality property management services which serve as the underlying drivers for the growth of the property management industry in the PRC.

In light of the above, the future prospects of the property management industry in the PRC appear to be generally positive.

4. Reasons for and benefits of renewal of the continuing connected transactions

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

Each of COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange)), COGO Group, CSC Group (and the associates of CSC and their subsidiaries (if any)) and CSCEC Group owned or held property development projects or properties (including residential communities, commercial properties and other properties) and/or work sites in the PRC, Hong Kong, Macau and/or other locations that may require property management services and value-added services provided by the Group from time to time. By entering into each of the New Services Agreements, the Group will be able to continue to maintain and expand its revenue generating sources and thereby generate stable income and maximise its profit.

As stated in the 2022 Annual Report, the Group's brand image and industry status continued to enhance as it: (i) provided intelligent property management services for the Beijing Winter Olympic Games and Winter Paralympic Games; (ii) obtained multiple certifications from the Hong Kong Institute of Housing; and (iii) awarded tender for providing property management services for the official residence of the Hong Kong Government. For future development, as stated in the 2022 Annual Report, the Group will actively commence market expansion and enhance service product development capabilities. Furthermore, the Group will continue to cultivate the quality and efficiency of basic services in the residential, non-residential and city service under property management contracts, providing diversified community convenience services in order to enhance the quality of value-added services. As such, the entering into of the New Services Agreements, which involve the continual provision of and the expansion of size and scope of property management services and value-added services of existing customers, aligns with the abovementioned future development plan of the Group.

In view of: (i) the positive outlook of the property management industry in the PRC as discussed in the section headed "3. Outlook of the property management industry of the PRC" above; (ii) the growing profitability of the Group's property management services segment and the value-added services segment as discussed in the section headed "1. Background information of the Group" above; and (iii) the future development plan of the Group as discussed in the paragraph above, we concur with the Directors that the entering into of the New Services Agreements and the Services Transactions is in the ordinary and usual course of business of the Group which will enable the Group to continue to maintain and expand its revenue generating sources and thereby generate stable income and maximise its profit, which by and large is in the interests of the Company and the Shareholders as a whole.

LETTER FROM OPUS CAPITAL

5. Principal terms of the New Services Agreements

COLI Services Agreement

The principal terms of the COLI Services Agreement are summarised as below.

Date	:	28 April 2023
Parties	:	(a) COLI; and (b) the Company.
Duration	:	Subject to the fulfillment of the conditions precedent to the COLI Services Agreement, the COLI Services Agreement will commence from 1 July 2023 and continue for the period ending on 30 June 2026 (both dates inclusive).
Terms	:	Pursuant to the COLI Services Agreement, any member of the Group and any member of COLI Group may enter into the COLI Services Transactions in accordance with the terms of the COLI Services Agreement in the ordinary and usual course of their respective businesses, on a non-exclusive basis as and when reasonably required, subject to the COLI Services Caps. The Group shall also ensure that all COLI Services Transactions will be entered into with the associates of COLI and their respective subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) on the same basis.

LETTER FROM OPUS CAPITAL

The relevant member of the Group will go through a tender process of COLI Group before being selected and appointed as service provider for provision of the Services. The prices and terms (including but not limited to, where applicable, the term of the contract, the Property concerned, the scope of the Services and the pricing basis and amount of the service fees) of the tenders submitted by the Group to COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) will be subject to standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties. Further details of the said tender submission procedures of the Group are set out in the paragraph headed “PRICING BASIS FOR THE SERVICES TRANSACTIONS” in the Letter from the Board.

If any contract is granted to any member of the Group as a result of the tender process, Services will be provided to members of COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange) in accordance with the terms of the tender/contract and the COLI Services Agreement (which terms shall prevail to the extent of any inconsistency).

- Conditions precedent** : The obligations in the COLI Services Agreements are conditional upon the following conditions being satisfied on or before 30 June 2023 (or such other date as the parties may agree in writing):
- (a) the Group having obtained the approval of the Independent Shareholders for the entering into of the COLI Services Agreement and the COLI Services Transactions (including the COLI Services Caps) at the EGM; and
 - (b) the Company and COLI having complied with all other requirements under the Listing Rules and as may be imposed by the Stock Exchange as a condition to the COLI Services Agreement and the COLI Services Transactions (including the COLI Services Caps), if any.

LETTER FROM OPUS CAPITAL

COGO Services Agreement

The principal terms of the COGO Services Agreement are summarised as below.

- Date** : 28 April 2023
- Parties** : (a) COGO; and
(b) the Company.
- Duration** : Subject to the fulfillment of the conditions precedent to the COGO Services Agreement, the COGO Services Agreement will commence from 1 July 2023 and continue for the period ending on 30 June 2026 (both dates inclusive).
- Terms** : Pursuant to the COGO Services Agreement, any member of the Group and any member of COGO Group may enter into the COGO Services Transactions in accordance with the terms of the COGO Services Agreement in the ordinary and usual course of their respective businesses, on a non-exclusive basis as and when reasonably required, subject to the COGO Services Caps.

The relevant member of the Group will go through a tender process of COGO Group before being selected and appointed as service provider for provision of the Services. The prices and terms (including but not limited to, where applicable, the term of the contract, the Property concerned, the scope of the Services and the pricing basis and amount of the service fees) of the tenders submitted by the Group to COGO Group will be subject to standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties. Further details of the said tender submission procedures of the Group are set out in the paragraph headed “PRICING BASIS FOR THE SERVICES TRANSACTIONS” in the Letter from the Board.

If any contract is granted to any member of the Group as a result of the tender process, Services will be provided to members of COGO Group in accordance with the terms of the tender/contract and the COGO Services Agreement (which terms shall prevail to the extent of any inconsistency).

LETTER FROM OPUS CAPITAL

Conditions Precedent : The obligations in the COGO Services Agreements are conditional upon the following conditions being satisfied on or before 30 June 2023 (or such other date as the parties may agree in writing):

- (a) the Group having obtained the approval of the Independent Shareholders for the entering into of the COGO Services Agreement and the COGO Services Transactions (including the COGO Services Caps) at the EGM; and
- (b) the Company and COGO having complied with all other requirements under the Listing Rules and as may be imposed by the Stock Exchange as a condition to the COGO Services Agreement and the COGO Services Transactions (including the COGO Services Caps), if any.

CSC Services Agreement

The principal terms of the CSC Services Agreement are summarised as below.

Date : 28 April 2023

Parties : (a) CSC; and
(b) the Company.

Duration : Subject to the fulfillment of the conditions precedent to the CSC Services Agreement, the CSC Services Agreement will commence from 1 July 2023 and continue for the period ending on 30 June 2026 (both dates inclusive).

Terms : Pursuant to the CSC Services Agreement, any member of the Group and any member of CSC Group may enter into the CSC Services Transactions in accordance with the terms of the CSC Services Agreement in the ordinary and usual course of their respective businesses, on a non-exclusive basis as and when reasonably required, subject to the CSC Services Caps. The Group shall also ensure that all CSC Services Transactions will be entered into with the associates of CSC and their respective subsidiaries (if any) on the same basis.

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The relevant member of the Group will go through a tender process of CSC Group before being selected and appointed as service provider for provision of the Services. The prices and terms (including but not limited to, where applicable, the term of the contract, the Property and/or Work Site concerned, the scope of the Services and the pricing basis and amount of the service fees) of the tenders submitted by the Group to CSC Group, the associates of CSC and their respective subsidiaries (if any) will be subject to standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties. Further details of the said tender submission procedures of the Group are set out in the paragraph headed “PRICING BASIS FOR THE SERVICES TRANSACTIONS” in the Letter from the Board.

If any contract is granted to any member of the Group as a result of the tender process, Services will be provided to members of CSC Group, the associates of CSC and their respective subsidiaries (if any) in accordance with the terms of the tender/contract and the CSC Services Agreement (which terms shall prevail to the extent of any inconsistency).

- Conditions Precedent** :
- The obligations in the CSC Services Agreements are conditional upon the following conditions being satisfied on or before 30 June 2023 (or such other date as the parties may agree in writing):
- (a) the Group having obtained the approval of the Independent Shareholders for the entering into of the CSC Services Agreement and the CSC Services Transactions (including the CSC Services Caps) at the EGM; and
 - (b) the Company and CSC having complied with all other requirements under the Listing Rules and as may be imposed by the Stock Exchange as a condition to the CSC Services Agreement and the CSC Services Transactions (including the CSC Services Caps), if any.

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CSCEC Services Agreement

The principal terms of the CSCEC Services Agreement are summarised as below.

- Date** : 28 April 2023
- Parties** : (a) CSCEC; and
(b) the Company.
- Duration** : Subject to the fulfillment of the condition precedent to the CSCEC Services Agreement, the CSCEC Services Agreement will commence from 1 July 2023 and continue for the period ending on 30 June 2026 (both dates inclusive).
- Terms** : Pursuant to the CSCEC Services Agreement, any member of the Group and any member of CSCEC Group may enter into the CSCEC Services Transactions in accordance with the terms of the CSCEC Services Agreement in the ordinary and usual course of their respective businesses, on a non-exclusive basis as and when reasonably required, subject to the CSCEC Services Caps.

The relevant member of the Group will go through a tender process of CSCEC Group before being selected and appointed as service provider for provision of the Services. The prices and terms (including but not limited to, where applicable, the term of the contract, the Property concerned, the scope of the Services and the pricing basis and amount of the service fees) of the tenders submitted by the Group to CSCEC Group will be subject to standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties. Further details of the said tender submission procedures of the Group are set out in the paragraph headed “PRICING BASIS FOR THE SERVICES TRANSACTIONS” in the Letter from the Board.

If any contract is granted to any member of the Group as a result of the tender process, Services will be provided to members of CSCEC Group in accordance with the terms of the tender/contract and the CSCEC Services Agreement (which terms shall prevail to the extent of any inconsistency).

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Condition Precedent : The obligations in the CSCEC Services Agreements are conditional upon the Company having complied with all requirements under the Listing Rules (including the Company having obtained the approval of the Independent Shareholders for the entering into of the CSCEC Services Agreement and the CSCEC Services Transactions (including the CSCEC Services Caps) at the EGM) and as may be imposed by the Stock Exchange as a condition to the CSCEC Services Agreement and the CSCEC Services Transactions (if any) on or before 30 June 2023 (or such other date as the parties may agree in writing).

6. Our analysis on the principal terms of the New Services Agreements (including the Services Caps)

6.1 *Internal control procedures*

As stated in the Letter from the Board, in respect of the Services Transactions, the price and terms (including but not limited to, where applicable, the term of the contract, the Property and/or Work Site concerned, the scope of the Services and the pricing basis and amount of the service fees) of the tenders submitted by the Group to COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange)), COGO Group, CSC Group (and the associates of CSC and their subsidiaries (if any)) and CSCEC Group will be subject to the standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties, and will ensure that the prices and terms of the tenders submitted by the Group to such persons will be no more favourable than those submitted to independent third parties.

The procedure involves (i) receiving invitation to tender; (ii) initial assessment of tender documents; (iii) preparation of property management proposal, cost estimation and pricing; (iv) preparation for tender report, internal evaluation and approval of the tender report; and (v) tender submission (the “**Internal Control Procedures**”).

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The internal evaluation and approval of tender will be conducted by the head of the relevant business unit or subsidiary of the Group. All personnel of the Group involved in the evaluation and tender procedure are independent of COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange)), COGO Group, CSC Group (and the associates of CSC and their subsidiaries (if any)) and CSCEC Group in relation to the Services. In particular:

(a) *Property management services*

As part of the project evaluation and tender procedures, where relevant, (i) personnel from various departments will be involved at different stages of the procedures, including the business operation, quality management, finance, legal and market development departments; (ii) in evaluating projects before the submission of tenders, the Company would assess, among other things, the tender invitation documents, the relevant market information, the property management project implementation plan, the associated costs and labour to be employed and the expected profitability; (iii) the pricing guidelines set by the Group requiring (A) costs assessment, which will make references to factors including, among others, the costs of premises and facilities cleaning and maintenance, energy consumption, security management, labour requirement and salaries and tax obligations, etc.; and (B) market comparison with service fees in relation to at least two similar properties (if available) (e.g. with respect to their location and nature of use) in nearby areas that are within the proximity of the relevant Property and/or Work Site; and (iv) a minimum profitability requirement will have to be met for engaging in property management projects (i.e. the estimated revenue must exceed the estimated direct cost); and

(b) *Valued-added services*

As part of the project evaluation and tender procedures, where relevant, (i) personnel from various departments will be involved at different stages of the procedures, including the business operation (such as the production department, the intelligence and research department, repair and maintenance department and the elevator department), cost management, finance, legal and market development departments and the relevant general managers; (ii) in evaluating projects before the submission of tenders, the Company would assess, among other things, the project particulars, implementation strategy, cost estimation, and the reasonability and feasibility of the proposed quotation; and (iii) a minimum profitability requirement will have to be met for the provision of such services (i.e. the estimated revenue must exceed the estimated direct cost).

Annual review of the aforesaid Internal Control Procedures and pricing policies (including the pricing guidelines) to be discussed in the following sub-section, will be conducted internally and by the independent non-executive Directors and the Company's auditor to ensure that the above procedures have been complied with.

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As part of our due diligence, we have:

- (i) obtained a full contract list for all the new contracts entered into between the Group and COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange), COGO Group, CSC Group (and the associates of CSC and their subsidiaries (if any)) and CSCEC Group (the “**CCT Contract List**”) for the provision of the property management services and value-added services by the Group for FY2021 and FY2022 (the “**Review Period**”), we are of the view that the Review Period has sufficiently covered the majority of the term (i.e. from 1 July 2020 to 30 June 2023) of the Previous COLI Services Agreement, the Previous COGO Services Agreement, the Previous CSC Services Agreement and the Previous CESEC Services Agreement;
- (ii) selected randomly, though with more priority assigned to contracts with larger contract sum, from the CCT Contract List and obtained and reviewed 2 sample records of the provision of property management services by the Group during the Review Period (one contract for each of FY2021 and FY2022) for the new contracts entered into between each of: (i) the Group and COLI Group (the “**COLI PM Samples**”); (ii) the Group and COGO Group (the “**COGO PM Samples**”); (iii) the Group and CSC Group (the “**CSC PM Samples**”); and (iv) the Group and CSCEC Group (the “**CSCEC PM Samples**”) (the COLI PM Samples, the COGO PM Samples, the CSC PM Samples and the CSCEC PM Samples are collectively referred to the “**PM CCT Samples**”) with a total of 8 PM CCT Samples;
- (iii) obtained and reviewed 8 sample records involving the provision of property management services by the Group to independent third parties during the Review Period which were entered into by the Group in the same year during the Review Period (i.e. FY2021 and FY2022) and in same geographical proximity as those of the PM CCT Samples (the “**PM Independent Samples**”);

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- (iv) selected randomly, though with more priority assigned to contracts with larger contract sum, from the CCT Contract List and obtained and reviewed 2 sample records of the provision of value-added services by the Group during the Review Period (one contract for each of FY2021 and FY2022) for the new contracts entered into between each of: (i) the Group and COLI Group (the “**COLI VA Samples**”); (ii) the Group and COGO Group (the “**COGO VA Samples**”); (iii) the Group and CSC Group (the “**CSC VA Samples**”); and (iv) the Group and CSCEC Group (the “**CSCEC VA Samples**”) (the COLI VA Samples, the COGO VA Samples, the CSC VA Samples and the CSCEC VA Samples are collectively referred to the “**VA CCT Samples**”, and together with the PM CCT Samples, are collectively referred to as the “**CCT Samples**”) with a total of 8 VA CCT Samples;
- (v) obtained and reviewed 8 sample records involving the provision of value-added services by the Group to independent third parties during the Review Period which were of a similar nature (i.e. the types of value-added services to be provided such as software upgrade, smart engineering, facilities and equipment digitalisation, etc.) as those of the VA CCT Samples (the “**VA Independent Samples**”, and together with the PM Independent Samples, are collectively referred to as the “**Independent Samples**”);
- (vi) obtained and reviewed the pricing guidelines set by the Group for each of the above sample records which include both contracts entered into with the relevant connected persons and those entered into with independent third parties;
- (vii) obtained and reviewed the minimum profitability requirements of each of the above samples which include both contracts entered into with the relevant connected persons and those entered into with independent third parties; and
- (viii) obtained and reviewed the meeting minutes regarding the results of annual review conducted by the Company’s auditor on the Internal Control Procedures and sample checks of historical continuing connected transactions conducted by the independent non-executive Directors, for the Review Period (the “**Annual Review Records**”).

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We considered our way of applying the selection criteria and the sample sizes of the CCT Samples appropriate on the following bases: (i) the method of randomly selecting samples is a common methodology applied by financial advisory peers; (ii) we have made adequate coverage for most of the Review Period (i.e. FY2021 and FY2022) and both major categories of the Services Transactions (i.e. property management services and value-added services), in addition, for each of the Previous COLI Services Agreement, the Previous COGO Services Agreement, the Previous CSC Services Agreement and the Previous CESEC Services Agreement, we have received 4 sample records (2 for property management contracts and 2 for value-added services contracts covering both FY2021 and FY2022); and (iii) out of all the CCT Samples checked against the corresponding Independent Samples, we have noted no failure to comply with the Internal Control Procedures or the pricing policies hence we did not expand our sample size further.

We are also of the view that the CCT Samples represent an exhaustive list of samples based on the relevant selection criteria, which are comparable to the Services Transactions and are representative, fair and reasonable.

For property management services, we noted from the PM CCT Samples as well as the PM Independent Samples that: (i) prior to the signing of the definitive agreements, the project manager from the quality management department lodged the application of relevant project with the finance department, legal department and market development division; (ii) the heads of finance department, legal department and market development division or the relevant departments of the Group evaluated the relevant projects before the definitive agreements were finally approved by the executive Director or the deputy manager of the relevant members of the Group; (iii) the pricing guidelines set by the Group requiring (a) costs assessment; and (b) market comparison with service fees in relation to similar properties in nearby areas that are within the proximity of the relevant Property and/or Work Site had been taken into account; and (iv) the minimum profitability requirements for engaging in property management projects (i.e. the estimated revenue must exceed the estimated direct cost) had been taken into account and such profitability terms in PM CCT Samples were no less favourable than those in the PM Independent Samples. As such, the internal evaluation and approval procedures adopted for the PM CCT Samples were in line with the Internal Control Procedures and in a manner no different from those adopted in the PM Independent Samples.

For value-added services, we noted from the VA CCT Samples as well as the VA Independent Samples that: (i) prior to the signing of the definitive agreements, the project manager from the production department lodged the application of relevant project with the market development division, finance department and operation department; (ii) the heads of market development division, finance department and operation department or the relevant departments of the Group evaluated the relevant projects before the definitive agreements were finally approved by the executive Director or the deputy manager of the relevant members of the Group; and (iii) the minimum profitability requirement for the provision of such services (i.e. the estimated revenue must exceed the estimated direct cost) had been taken into account and such profitability terms in VA CCT Samples were no less favourable than those in the VA Independent Samples. As such, the internal evaluation and approval procedures adopted for the VA CCT Samples were in line with the Internal Control Procedures and in a manner no different from those adopted in the VA Independent Samples.

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We further noted from the Annual Review Records that: (i) the Company's auditor did not note any material non-compliance to the Internal Control Procedures; and (ii) no non-compliance was noted from the sample checks conducted by the independent non-executive Directors, for the Review Period.

Based on the above, we are of the view that the Internal Control Procedures have been complied with.

6.2 Pricing basis and payment terms

As stated in the Letter from the Board, in summary, the pricing of the Services will be based on (a) the Company's assessment of costs and expenses associated with the provision of the Services, including labour costs, fees payable to contractors and subcontractors, cleaning costs, utilities expenses, tax obligations etc, to be estimated based on factors including (i) the scope and quality of the Services required; and (ii) the classifications, types and locations of the relevant Properties and/or Work Sites which will affect the positioning of the relevant premises and hence the quality of Services required; and (b) the Group's expected profit margin from the provision of the Services, which shall be on par with market level and at the same time ensure that the fees charged will be competitive. The profit margin is to be determined with reference to factors including: (i) the pricing for at least 2 comparable properties, projects or work sites (if available) (e.g. with respect to location and nature of use of the property, project or work site (as applicable) in nearby areas that are within the proximity of the relevant Properties and/or Work Sites); (ii) the guidance price on fees as formulated or implemented in accordance with the Notice of the National Development and Reform Commission (the "NDRC") on the Proposals of Lifting the Control of Some Service Prices (《國家發展改革委關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (the "NDRC Notice") by local competent pricing authorities of each province, autonomous region and municipality directly under the central government, if any; and (iii) the prevailing market rate, which is determined with reference to the market intelligence (including information on fees charged by the Group's competitors, the positioning of potential client's properties/work sites, etc.) obtained through market research conducted by the market development division of the Group and their interactions with other market participants and industry peers and through the Group's business network and the pricing of the Group's provision of services to independent third parties.

According to the NDRC Notice, which was promulgated by the NDRC and came into effect on 17 December 2014, as for relevant service prices which meet competitive conditions, the competent pricing authorities of each province, autonomous region and municipality directly under the central government shall carry out relevant procedures, and lift price control, including the property service prices of non-public housing. Property management fees for indemnificatory housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management service agreements remain subject to pricing guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. As at the Latest Practicable Date, there was no further update of the NDRC Notice in its website.

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For property management services, as part of our work done and from our review of the PM CCT Samples, we note the relevant projects were evaluated under the same procedures as those projects in the PM Independent Samples, such as personnel from various departments were involved at different stages and the relevant pricing guidelines and the minimum profitability requirements had been taken into account. Also as part of our work done, we have compared the relevant documents of the PM CCT Samples and the PM Independent Samples and we further note that the pricing terms of the PM CCT Samples (i) were entered into at a level no less favourable to the Group as compared to that of the corresponding PM Independent Samples; (ii) have a profit margin for the Group which matches or higher than that of the corresponding PM Independent Samples; and (iii) where applicable, have complied with the relevant pricing guidelines.

For value-added services, as part of our work done and from our review of the VA CCT Samples, we note the relevant projects were evaluated under the same procedures as those projects in the VA Independent Samples, such as personnel from various departments were involved at different stages and the relevant minimum profitability requirements had been taken into account. As such, the Group applied the same pricing basis to contracts entered into with each of connected persons and independent third parties. Also as part of our work done, we have compared the relevant documents of the VA CCT Samples and the VA Independent Samples and we further note that the pricing terms of the VA CCT Samples (i) were entered into at a level no less favourable to the Group as compared to that of the corresponding VA Independent Samples; and (ii) have a profit margin for the Group which matches or higher than that of the corresponding VA Independent Samples.

In terms of the payment terms of the Services Transactions, the Group charges the service fees in accordance with the payment terms prescribed under the specific tenders/contracts which is generally on a monthly basis for property management services and on a per-transaction basis for valued-added services. We noted that there is no difference in the payment terms between: (i) the PM CCT Samples and the PM Independent Samples; and (ii) the VA CCT Samples and the VA Independent Samples.

In view of the above, in particular, that (i) the Services Transactions will be subject to standard and systematic tender submission procedures maintained by the Group as part of the Internal Procedures; (ii) the pricing of the Services will ensure that the Group will have a profit margin at least on par with market rate and exceeding the estimated costs; (iii) the pricing of the Services will comply with the relevant pricing guidelines, where applicable; and (iv) based on our review of the historical transactions by way of examining the CCT Samples which carried pricing and payment terms that were no less favourable to the Group as compared to those of the corresponding Independent Samples, we concur with the Management's view that the pricing and payment terms in respect of the Services Transactions are on normal commercial terms, fair and reasonable and not more favourable than the terms offered by the Group to independent third parties.

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6.3 Basis for determining and our assessment of each of the Services Caps

(I) COLI Group

Previous COLI Services Caps

The caps under the Previous COLI Services Agreement (the “**Previous COLI Services Caps**”), the historical transaction amounts paid to the Group by COLI Group for FY2021, FY2022 and the estimated transaction amount paid and to be paid to the Group by COLI Group for the half year ending 30 June 2023 (“**2023 1H**”, together with FY2021 and FY2022 are referred as the “**Historical Period**”) are as follow:

	FY2021 (HK\$)	FY2022 (HK\$)	2023 1H (HK\$)
Historical/estimated transaction amount	1,019.7 million	1,509.6 million	1,059.0 million ^{Note}
Previous COLI Services Caps	2,093 million	2,616 million	1,633 million
Historical/estimated utilisation rate of the cap	48.7%	57.7%	64.8%

Note: The estimated transaction amount for 2023 1H is derived from the estimated utilisation of cap by reference to FY2022.

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COLI Services Caps

The COLI Services Caps for the half year ending 31 December 2023 (“**2023 2H**”), FY2024 and FY2025 and the half year ending 30 June 2026 (“**2026 1H**”, together with 2023 2H, FY2024 and FY2025 are referred as the “**Relevant Period**”) are as follow:

	2023 2H	FY2024	FY2025	2026 1H
	(HK\$)	(HK\$)	(HK\$)	(HK\$)
COLI Services Caps	1,229 million	3,078 million	4,005 million	2,719 million

Note: For the avoidance of doubt, the COLI Services Caps include transactions entered into between the Group and COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange).

Basis of determination of the COLI Services Caps

According to the Management, the COLI Services Caps were determined with reference to the estimated maximum aggregate amounts receivable by the Group under the COLI Services Agreement, taking into account the historical transaction amounts, the expected demand for the Services with reference to the number of existing and new property projects of COLI Group, the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange), expected expansion of the business of providing the Services, estimated GFA of the Properties to be serviced by the Group which is expected to have a year-on-year (“**YoY**”) growth rate of around 20%, estimated labour costs which is expected to have a YoY growth rate of around 9% and estimated fee rates chargeable by the Group for each sq.m. of the Properties.

LETTER FROM OPUS CAPITAL

The YoY growth rates of the historical/estimated transaction amounts and the COLI Services Caps (as determined with reference to the factors set out above) for the period from 1 January 2021 to 2026 1H were/will be maintained in the steady range of approximately 30% to 50%, as shown in the table below:

	FY2021/ FY2020	FY2022/ FY2021	FY2023*/ FY2022	FY2024/ FY2023	FY2025/ FY2024	FY2026**/ FY 2025
YoY growth rate	+36.4%	+48.0%	+51.6%	+34.5%	+30.1%	+35.8%

* The numerator is calculated with reference to the estimated transaction amount for 2023 1H plus the COLI Services Cap for 2023 2H.

** This figure represents the annualised cap with reference to the COLI Services Cap for 2026 1H.

ASSESSMENT

In assessing the fairness and reasonableness of the COLI Services Caps, we have obtained, reviewed and discussed with the Management with respect to the information provided by the Group in respect of the basis of determining the COLI Services Caps.

1. Historical transaction amounts

It was noted that the YoY growth rates of the relevant historical transaction amounts for FY2021 and FY2022 were approximately 36.4% and 48.0% respectively while the CAGR for these two years would be approximately 42.1% (the “**COLI Services Historical Growth**”). The COLI Services Historical Growth is, in our opinion, a key indicator for evaluating the COLI Services Caps during the Relevant Period.

LETTER FROM OPUS CAPITAL

2. The connection between the estimated transaction amount for 2023 1H and the COLI Services Cap for 2023 2H

We are given to understand that the estimated transaction amount for 2023 1H of HK\$1,059 million is derived from the estimated utilisation of cap by reference to FY2022 of approximately 57.7%. With this understanding, should the Previous COLI Services Cap for 2023 1H of HK\$1,633 million be applied the same utilisation rate (i.e. 57.7%) for FY2022, the estimated transaction amount for 2023 1H would have been approximately HK\$942.2 million, an estimate not far from the figure used in the table above for 2023 1H of HK\$1,059 million. In addition to this assessment, we have obtained and reviewed from the Management the historical transaction amount paid to the Group by COLI Group for the three months ended 31 March 2023 (“**2023 1Q**”) of approximately HK\$387.6 million. We noted that should we extrapolate the aforementioned historical transaction amount paid to the Group by COLI Group for 2023 1Q to a full six-month period (i.e. two quarters), the result of which (i.e. HK\$775.2 million) would account for approximately 73.2% of the estimated transaction amount for 2023 1H of HK\$1,059 million.

It is noted that, given the lower than projected utilisation during the Historical Period, the COLI Services Cap for 2023 2H of HK\$1,229 million has been projected by the Management which represents a reduction of HK\$404 million or approximately 24.7% as compared to the Previous COLI Services Cap for 2023 1H of HK\$1,633 million, yet it remains higher than the estimated transaction amount for 2023 1H of HK\$1,059 million. As shown in the table above, the estimated transaction amount for FY2023 (which is the aggregate amount of the estimated transaction amount for 2023 1H plus the COLI Services Cap for 2023 2H) of HK\$2,288 million would represent a YoY growth of approximately 51.6% over the historical transaction amount for FY2021, which was not a significant deviation from the CAGR of the COLI Services Historical Growth of approximately 42.1%, considering the YoY growth rate for FY2022, being the most recent financial year, was already approximately 48.0%. In view of (i) the above small difference between the YoY growth rate for FY2023 and the COLI Services Historical Growth; (ii) the need to allow for possible fluctuations and better-than-expected winning of new tenders; and (iii) the fact that the Management assumed that the Chinese property industry would recover in the post-COVID environment, we are of the view that the COLI Services Cap for 2023 2H of HK\$1,229 million is fair and reasonable.

LETTER FROM OPUS CAPITAL

3. The COLI Services Caps for FY2024, FY2025 and 2026 1H

It is noted that the total amount of the estimated transaction amount for 2023 1H and the COLI Services Cap for 2023 2H is HK\$2,288 million. The COLI Services Cap for FY2024 of HK\$3,078 million represents an increase of approximately HK\$790 million or 34.5% from such amount. The COLI Services Cap for FY2025 of HK\$4,005 million represents an increase of approximately 30.1% from the COLI Services Cap for FY2024. Lastly, the COLI Services Cap for 2026 1H of HK\$2,719.0 million, when annualised, would represent an increase of approximately 35.8% compared to the COLI Services Cap for FY2025. We note that the above YoY growth rates are generally in line with that of the COLI Services Historical Growth.

4. GFA build-up

We have obtained and reviewed from the Management an internal GFA analysis conducted by the Group in respect of the estimation of GFA to be under the management of the Group for COLI Group (and the associates of COLI and their subsidiaries (excluding their respective associate(s) and subsidiaries listed on any stock exchange), COGO Group, CSC Group (and the associates of CSC and their subsidiaries (if any)) and CSCEC Group during the Relevant Period (the “**GFA Analysis**”). From the GFA Analysis, we note that the projected YoY growth rates of the estimated GFA to be under the management of the Group for COLI Group for the Relevant Period are in line with that of the COLI Services Historical Growth.

5. Conclusion

Based on the above assessment, we consider the basis of and the estimated transaction amounts of the COLI Services Caps are fair and reasonable.

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(II) *COGO Group*

Previous COGO Services Caps

The caps under the Previous COGO Services Agreement (the “**Previous COGO Services Caps**”), the historical transaction amounts paid to the Group by COGO Group for FY2021, FY2022 and the estimated transaction amount paid and to be paid to the Group by COGO Group for the Historical Period are as follow:

	FY2021 <i>(HK\$)</i>	FY2022 <i>(HK\$)</i>	2023 1H <i>(HK\$)</i>
Historical/estimated transaction amount	281.7 million	343.2 million	213.0 million ^{Note}
Previous COGO Services Caps	321.0 million	386.0 million	224.0 million
Historical/estimated utilisation rate of the cap	87.8%	88.9%	95.1%

Note: The estimated transaction amount for 2023 1H is derived from the estimated utilisation of cap by reference to FY2022.

COGO Services Caps

The COGO Services Caps for the Relevant Period are as follow:

	2023 2H	FY2024	FY2025	2026 1H
COGO Services Caps	HK\$230 million	HK\$460 million	HK\$470 million	HK\$250 million

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Basis of determination of COGO Services Caps

The COGO Services Caps were determined with reference to the estimated maximum aggregate amounts receivable by the Group under the COGO Services Agreement, taking into account the historical transaction amounts, the expected flattened demand from COGO Group for the Services provided by the Group, estimated GFA of the Properties to be serviced by the Group; which is expected to remain largely stable, estimated labour costs which is expected to have a YoY growth rate of around 3% to 5% and estimated fee rates chargeable by the Group for each sq. m. of the Properties.

The YoY growth rates of the historical/estimated transaction amounts and the COGO Services Caps (as determined with reference to the factors set out above) for the period from 1 January 2021 to 2026 1H are shown in the table below:

	FY2021/ FY2020	FY2022/ FY2021	FY2023*/ FY2022	FY2024/ FY2023	FY2025/ FY2024	FY2026**/ FY2025
YoY growth rate	+71.4%	+21.9%	+29.1%	+3.8%***	+2.2%***	+6.4%***

* The numerator is calculated with reference to the estimated transaction amount for 2023 1H plus the COGO Services Cap for 2023 2H.

** This figure represents the annualised cap with reference to the COGO Services Cap for 2026 1H.

*** The flattened growth rates starting from FY2024 is due to the expectation that the growth in demand from COGO Group for Services provided by the Group may be limited.

ASSESSMENT

In assessing the fairness and reasonableness of the COGO Services Caps, we have obtained, reviewed and discussed with the Management with respect to the information provided by the Group in respect of the basis of determining the COGO Services Caps.

1. Historical transaction amounts

It was noted that the YoY growth rates of the relevant historical transaction amounts for FY2021 and FY2022 were approximately 71.4% and 21.9% respectively while the CAGR for these two years would be approximately 44.5% (the “**COGO Services Historical Growth**”). The COGO Services Historical Growth is, in our opinion, a key indicator for evaluating the COGO Services Caps during the Relevant Period.

LETTER FROM OPUS CAPITAL

2. The connection between the estimated transaction amount for 2023 1H and the COGO Services Cap for 2023 2H

We are given to understand that the estimated transaction amount for 2023 1H of HK\$213 million is derived from the estimated utilisation of cap by reference to FY2022 of approximately 88.9%. With this understanding, should the Previous COGO Services Cap for 2023 1H of HK\$224 million be applied the same utilisation rate (i.e. 88.9%) for FY2022, the estimated transaction amount for 2023 1H would have been approximately HK\$199.1 million, an estimate was within 10% of the figure used in the table above for 2023 1H of HK\$213 million. In addition to this assessment, we have obtained and reviewed from the Management the historical transaction amount paid to the Group by COGO Group for 2023 1Q of approximately HK\$71.4 million. We noted that should we extrapolate the aforementioned historical transaction amount paid to the Group by COGO Group for 2023 1Q to a full six-month period (i.e. two quarters), the result of which (i.e. HK\$142.8 million) would account for approximately 67.0% of the estimated transaction amount for 2023 1H of HK\$213 million.

It is noted that the COGO Services Cap for 2023 2H of HK\$230 million represents a slight increase from both the estimated transaction amount for 2023 1H of HK\$213 million and the Previous COGO Services Cap for 2023 1H of HK\$224 million. Given the high utilisation during the Historical Period, we are of the view that the COGO Services Cap for 2023 2H of HK\$230 million is fair and reasonable.

LETTER FROM OPUS CAPITAL

3. The COGO Services Caps for FY2024, FY2025 and 2026 1H

It is noted that the total amount of the estimated transaction amount for 2023 1H and the COGO Services Cap for 2023 2H is HK\$443 million. The COGO Services Cap for FY2024 of HK\$460 million represents an increase of approximately 3.8% from such amount. The COGO Services Cap for FY2025 of HK\$470 million represents an increase of approximately 2.2% from the COGO Services Cap for FY2024. Lastly, the COGO Services Cap for 2026 1H of HK\$250 million, when annualised, would represent an increase of approximately 6.4% compared to the COGO Services Cap for FY2025. We note that the above YoY growth rates, albeit below that of the COGO Services Historical Growth, were purposefully set by the Management not to follow the COGO Services Historical Growth because unlike COLI, CSC and CSCEC, the Management understood from the management of COGO commercially that the expected demand for the Services will be more restricted and the COGO Services Caps would form the absolute ceiling of the COGO Services Transactions during the Relevant Period. The Management would follow the relevant Internal Control Procedures to ensure that the actual transactions amounts do not exceed the COGO Services Caps during the Relevant Period. Given the above understanding and as demonstrated by the high utilisation rates achieved during the Historical Period and the robust Internal Control Procedures which we have examined in the above section, we consider the COGO Services Caps are set by the Management at a level that is highly achievable by the Group which are fair and reasonable.

4. GFA build-up

As discussed above, we have obtained and reviewed from the Management the GFA Analysis and from the GFA Analysis, we note that the projected YoY growth rates of the estimated GFA to be under the management of the Group for COGO Group for the Relevant Period are in line with that of the COGO Services Historical Growth.

5. Conclusion

Based on the above assessment, we consider that the basis of and the estimated transaction amount of the COGO Services Caps are fair and reasonable.

LETTER FROM OPUS CAPITAL

(III) CSC Group

Previous CSC Services Caps

The caps under the Previous CSC Services Agreement (the “**Previous CSC Services Caps**”), the historical transaction amounts paid to the Group by CSC Group for FY2021, FY2022 and the estimated transaction amount paid and to be paid to the Group by CSC Group for the Historical Period are as follow:

	FY2021 <i>(HK\$)</i>	FY2022 <i>(HK\$)</i>	2023 1H <i>(HK\$)</i>
Historical/estimated transaction amount	70.9 million	107.1 million	86.0 million ^{Note}
Previous CSC Services Caps	255.0 million	356.0 million	224.0 million
Historical/estimated utilisation rate of the cap	27.8%	30.1%	38.4%

Note: The estimated transaction amount for 2023 1H is derived from the estimated utilisation of cap by reference to FY2022.

CSC Services Caps

The CSC Services Caps for the Relevant Period are as follow:

	2023 2H	FY2024	FY2025	2026 1H
CSC Services Caps	HK\$133 million	HK\$308 million	HK\$493 million	HK\$299 million

Note: For avoidance of doubt, the CSC Services Caps include transactions entered into between the Group and CSC Group, the associates of CSC and their respective subsidiaries.

LETTER FROM OPUS CAPITAL

Basis of determination of CSC Services Caps

The CSC Services Caps were determined with reference to the estimated maximum aggregate amounts receivable by the Group under the CSC Services Agreement, taking into account the historical transaction amounts, the expected demand for the Services with reference to the number of existing and new property projects of CSC Group, the associates of CSC and their respective subsidiaries (if any), expected expansion of the business of providing the Services (including more Work Sites to be commenced in 2023 2H and beyond which is expected to have a YoY growth rate in the range of around 20% to 50%), estimated GFA of the Properties to be serviced by the Group, estimated labour costs and estimated fee rates chargeable by the Group for each sq.m. of the Properties and the Work Sites.

The YoY growth rates of the historical/estimated transaction amounts and the CSC Services Caps (as determined with reference to the factors set out above) for the period from 1 January 2021 to 2026 1H are shown in the table below:

	FY2021/ FY2020	FY2022/ FY2021	FY2023*/ FY2022	FY2024/ FY2023	FY2025/ FY2024	FY2026**/ FY2025
YoY growth rate	+71.1%	+50.9%	+104.6%***	+40.6%	+60.1%	+21.3%

* The numerator is calculated with reference to the estimated transaction amount for 2023 1H plus the CSC Services Cap for 2023 2H.

** This figure represents the annualised cap with reference to the CSC Services Cap for 2026 1H.

*** The higher growth rate for FY2023 is due to the expected expansion of business of providing the Services to CSC Group, the associates of CSC and their respective subsidiaries (if any) due to increase in the number of Work Sites to be managed by the Group in 2023 2H (which may amount to an approximate 82% rise when comparing the number of Work Sites to be managed/managed by the Group in FY2023 with FY2022) and beyond.

ASSESSMENT

In assessing the fairness and reasonableness of the CSC Services Caps, we have obtained, reviewed and discussed with the Management with respect to the information provided by the Group in respect of the basis of determining the CSC Services Caps.

LETTER FROM OPUS CAPITAL

1. Historical transaction amounts

It was noted that the YoY growth rates of the relevant historical transaction amounts for FY2021 and FY2022 were approximately 71.1% and 50.9% respectively while the CAGR for these two years would be approximately 60.7% (the “**CSC Services Historical Growth**”). The CSC Services Historical Growth is, in our opinion, a key indicator for evaluating the CSC Services Caps during the Relevant Period.

2. The connection between the estimated transaction amount for 2023 1H and the CSC Services Cap for 2023 2H

We are given to understand that the estimated transaction amount for 2023 1H of HK\$86 million is derived from the estimated utilisation of cap by reference to FY2022 of approximately 30.1%. With this understanding, should the Previous CSC Services Cap for 2023 1H of HK\$224 million be applied the same utilisation rate (i.e. 30.1%) for FY2022, the estimated transaction amount for 2023 1H would have been approximately HK\$67.4 million, an estimate not far from the figure used in the table above for 2023 1H of HK\$86 million. In addition to this assessment, we have obtained and reviewed from the Management the historical transaction amount paid to the Group by CSC Group for 2023 1Q of approximately HK\$33.7 million. We noted that should we extrapolate the aforementioned historical transaction amount paid to the Group by CSC Group for 2023 1Q to a full six-month period (i.e. two quarters), the result of which (i.e. HK\$67.4 million) would account for approximately 78.4% of the estimated transaction amount for 2023 1H of HK\$86 million.

LETTER FROM OPUS CAPITAL

It is noted that, given the lower than projected utilisation during the Historical Period, the CSC Services Cap for 2023 2H of HK\$133 million has been projected by the Management which represents a significant reduction of HK\$91 million or approximately 40.6% as compared to the Previous CSC Services Cap for 2023 1H of HK\$224 million, yet it remains notably higher than the estimated transaction amount for 2023 1H of HK\$86 million. As shown in the table above, the estimated transaction amount for FY2023 (which is the aggregate amount of the estimated transaction amount for 2023 1H plus the CSC Services Cap for 2023 2H) of HK\$219 million would represent a YoY growth of approximately 104.6% over the historical transaction amount for FY2021. As explained by the Management, it was projected that there will be more Work Sites of CSC Group, the associates of CSC and their respective subsidiaries (if any) to be managed by the Group in 2023 2H and beyond. With this in mind, we have obtained and reviewed the CSC Services Caps annual cap calculation worksheet provided by the Management. From the CSC Services Caps calculation worksheet, the Group has identified a pipeline of projects owned by CSC Group, the associates of CSC and their respective subsidiaries (if any) which are currently under tender or to be tendered by the Group. From this calculation worksheet we noted, among others, (i) the name and number of property projects of CSC Group, the associates of CSC and their respective subsidiaries (if any); (ii) the location of the projects, (iii) the service area, in term of sq.m., of each of the projects; (iv) the expected term of the contracts; and (v) the service fee of each of the projects and the relevant allocation of amounts throughout the Relevant Period. We further noted that there will be a notable projected increase in the service demand for property management services and engineering services for the Work Sites located in Hong Kong/Macau of CSC Group, the associates of CSC and their respective subsidiaries (if any) to be managed by the Group from 2023 1H to 2023 2H and throughout the Relevant Period. The relevant incremental amount between 2023 1H and 2023 2H is approximately HK\$33.6 million, all of which had a clearly identifiable named projects associated with the projection. In view of (i) the CSC Services Historical Growth; (ii) the abovementioned notable projected increase in the service demand for property management services and engineering services for the Work Sites located in Hong Kong/Macau of CSC Group, the associates of CSC and their respective subsidiaries (if any) to be managed by the Group from 2023 1H to 2023 2H and throughout the Relevant Period; (iii) the need to allow for possible fluctuations and better-than-expected winning of new tenders; and (iv) the fact that the Management assumed that the Chinese property industry would recover in the post-COVID environment, we are of the view that the CSC Services Cap for 2023 2H of HK\$133 million is fair and reasonable.

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3. The CSC Services Caps for FY2024, FY2025 and 2026 1H

It is noted that the total amount of the estimated transaction amount for 2023 1H and the CSC Services Cap for 2023 2H is HK\$219 million. The CSC Services Cap for FY2024 of HK\$308 million represents an increase of approximately HK\$89 million or 40.6% from such amount. The CSC Services Cap for FY2025 of HK\$493 million represents an increase of approximately 60.1% from the CSC Services Cap for FY2024. Lastly, the CSC Services Cap for 2026 1H of HK\$299 million, when annualised, would represent an increase of approximately 21.3% compared to the CSC Services Cap for FY2025. We note that the above YoY growth rates are generally in line with that of the CSC Services Historical Growth.

4. GFA build-up

As discussed above, we have obtained and reviewed from the Management the GFA Analysis and from the GFA Analysis, we note that the projected YoY growth rates of the estimated GFA to be under the management of the Group for CSC Group for the Relevant Period are in line with that of the CSC Services Historical Growth.

5. Conclusion

Based on the above assessment, we consider that the basis of and the estimated transaction amount of CSC Services Caps are fair and reasonable.

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(IV) CSCEC Group

Previous CSCEC Services Caps

The caps under the Previous CSCEC Services Agreement (the “**Previous CSCEC Services Caps**”), the historical transaction amounts paid to the Group by CSCEC Group for FY2021, FY2022 and the estimated transaction amount paid and to be paid to the Group by CSCEC Group for the Historical Period are as follow:

	FY2021 (HK\$)	FY2022 (HK\$)	2023 1H (HK\$)
Historical/estimated transaction amount	108.7 million	150.0 million	99.0 million ^{Note}
Previous CSCEC Services Caps	221.4 million	308.4 million	168.2 million
Historical/estimated utilisation rate of the cap	49.1%	48.6%	58.9%

Note: The estimated transaction amount for 2023 1H is derived from the estimated utilisation of cap by reference to FY2022.

CSCEC Services Caps

The CSCEC Services Caps for the Relevant Period are as follow:

	2023 2H	FY2024	FY2025	2026 1H
CSCEC Services Caps	HK\$176 million	HK\$418 million	HK\$598 million	HK\$445 million

LETTER FROM OPUS CAPITAL

Basis of determination of CSCEC Services Caps

The CSCEC Services Caps were determined with reference to the estimated maximum aggregate amounts receivable by the Group under the CSCEC Services Agreement, taking into account the historical transaction amounts, the expected demand for the Services with reference to the number of existing and new property projects of CSCEC Group, expected expansion of the business of providing the Services (including substantial self-owned commercial buildings to be managed in 2023 2H, the monthly service fees of which are higher and with an expected YoY growth rate of approximately 10% to 15%), estimated GFA of the Properties to be serviced by the Group which is expected to have a YoY growth rate of around 20%, estimated labour costs which is expected to have a YoY growth rate of around 5% and estimated fee rates chargeable by the Group for each sq.m. of the Properties.

The YoY growth rates of the historical/estimated transaction amounts and the CSCEC Services Caps (as determined with reference to the factors set out above) for the period from 1 January 2021 to 2026 1H are shown in the table below:

	FY2021/ FY2020	FY2022/ FY2021	FY2023*/ FY2022	FY2024/ FY2023	FY2025/ FY2024	FY2026**/ FY2025
YoY growth rate	+27.2%	+38.0%	+83.3%***	+52.0%	+43.1%	+48.8%

* The numerator is calculated with reference to the estimated transaction amount for 2023 1H plus the CSCEC Services Cap for 2023 2H.

** This figure represents the annualised cap with reference to the CSCEC Services Cap for 2026 1H.

*** The higher growth rate for FY2023 is due to the expected expansion of business of providing the Services to CSCEC Group due to the expected substantial increase in the number of self-owned commercial buildings to be managed by the Group in 2023 2H with higher monthly service fees chargeable (for instance, the service fees chargeable for servicing such buildings in FY2023 may be approximately 20% higher than those charged in FY2022).

ASSESSMENT

In assessing the fairness and reasonableness of the CSCEC Services Caps, we have obtained, reviewed and discussed with the Management with respect to the information provided by the Group in respect of the basis of determining the CSCEC Services Caps.

1. Historical transaction amounts

It was noted that the YoY growth rates of the relevant historical transaction amounts for FY2021 and FY2022 were approximately 27.2% and 38.0% respectively while the CAGR for these two years would be approximately 32.5% (the “**CSCEC Services Historical Growth**”). The CSCEC Services Historical Growth is, in our opinion, a key indicator for evaluating the CSCEC Services Caps during the Relevant Period.

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2. The connection between the estimated transaction amount for 2023 1H and the CSCEC Services Cap for 2023 2H

We are given to understand that the estimated transaction amount for 2023 1H of HK\$99 million is derived from the estimated utilisation of cap by reference to FY2022 of approximately 48.6%. With this understanding, should the Previous CSCEC Services Cap for 2023 1H of HK\$168.2 million be applied the same utilisation rate (i.e. 48.6%) for FY2022, the estimated transaction amount for 2023 1H would have been approximately HK\$81.7 million, an estimate not far from the figure used in the table above for 2023 1H of HK\$99 million. In addition to this assessment, we have obtained and reviewed from the Management the historical transaction amount paid to the Group by CSCEC Group for 2023 1Q of approximately HK\$34.3 million. We noted that should we extrapolate the aforementioned historical transaction amount paid to the Group by CSCEC Group for 2023 1Q to a full six-month period (i.e. two quarters), the result of which (i.e. HK\$68.6 million would account for approximately 69.3% of the estimated transaction amount for 2023 1H of HK\$99 million.

It is noted that the CSCEC Services Cap for 2023 2H of HK\$176 million represents an increase from both the estimated transaction amount for 2023 1H of HK\$99 million and the Previous CSCEC Services Cap for 2023 1H of HK\$168.2 million. As shown in the table above, the estimated transaction amount for FY2023 (which is the aggregate amount of the estimated transaction amount for 2023 1H plus the CSCEC Services Cap for 2023 2H) of HK\$275 million would represent a YoY growth of approximately 83.3% over the historical transaction amount for FY2021. As explained by the Management, it was projected that there will be substantial self-owned commercial buildings of CSCEC Group to be managed by the Group in 2023 2H. With this in mind, we have obtained and reviewed the CSCEC Services Caps calculation worksheet provided by the Management. From the CSCEC Services Caps calculation worksheet, the Group has identified a pipeline of projects owned by CSCEC Group which are currently under tender or to be tendered by the Group. From this calculation worksheet we noted, among others, (i) the name and number of property projects of CSCEC Group; (ii) the location of the projects, (iii) the service area, in term of sq.m., of each of the projects; (iv) the expected term of the contracts; and (v) the service fee of each of the projects and the relevant allocation of amounts throughout the Relevant Period. We further noted that the Group have already secured signed contracts which represent approximately 58.3% of the CSCEC Services Cap for 2023 2H there will be a projected increase in the service demand for property management services for self-owned commercial buildings of CSCEC Group to be managed by the Group from 2023 1H to 2023 2H. In view of (i) the CSCEC Services Historical Growth; (ii) the substantial signed contracts secured by the Group from CSCEC Group for 2023 2H; (iii) the abovementioned projected increase in the service demand for property management services for self-owned commercial buildings of CSCEC Group to be managed by the Group from 2023 1H to 2023 2H; (iv) the need to allow for possible

LETTER FROM OPUS CAPITAL

fluctuations and better-than-expected winning of new tenders; and (v) the fact that the Management assumed that the Chinese property industry would recover in the post-COVID environment, we are of the view that the CSCEC Services Cap for 2023 2H of HK\$176 million is fair and reasonable.

3. The CSCEC Services Caps for FY2024, FY2025 and 2026 1H

It is noted that the total amount of the estimated transaction amount for 2023 1H and the CSCEC Services Cap for 2023 2H is HK\$275 million. The CSCEC Services Cap for FY2024 of HK\$418 million represents an increase of approximately HK\$143 million or 52.0% from such amount. The CSCEC Services Cap for FY2025 of HK\$598 million represents an increase of approximately 43.1% from the CSCEC Services Cap for FY2024. Lastly, the CSCEC Services Cap for 2026 1H of HK\$445 million, when annualised, would represent an increase of approximately 48.8% compared to the CSCEC Services Cap for FY2025. We note that the above YoY growth rates are generally in line with that of the CSCEC Services Historical Growth.

4. GFA build-up

As discussed above, we have obtained and reviewed from the Management the GFA Analysis and from the GFA Analysis, we note that the projected YoY growth rates of the estimated GFA to be under the management of the Group for CSCEC Group for the Relevant Period are in line with that of the CSCEC Services Historical Growth.

5. Conclusion

Based on the above assessment, we consider that the basis of and the estimated transaction amount of CSCEC Services Caps are fair and reasonable.

LETTER FROM OPUS CAPITAL

OPINION AND RECOMMENDATION

Having taken into account the above, we are of the view that the Services Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the New Services Agreements have been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Services Transactions (including the Services Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the New Services Agreements, the Services Transactions and the Services Caps.

* *For identification purpose only*

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 15 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

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 and its associated corporation (within the meaning of Part XV of the SFO) which (i) 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 (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company's associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of shares in issue
Zhang Guiqing	CSCECL	Beneficial owner	570,000	0.001% <i>(Note 1)</i>
	COLI	Beneficial owner	20,000	0.0002% <i>(Note 2)</i>
Xiao Junqiang	CSCECL	Beneficial owner	110,000	0.0003% <i>(Note 1)</i>
Pang Jinying	CSCECL	Beneficial owner	218,000	0.0005% <i>(Note 1)</i>
Ma Fujun	CSCECL	Beneficial owner	830,000	0.002% <i>(Note 1)</i>
Guo Lei	COLI	Beneficial owner	1,070,000 <i>(Note 3)</i>	0.0098% <i>(Note 2)</i>

Notes:

1. The percentage represents the number of A shares interested divided by the number of total issued A shares of CSCECL as at the Latest Practicable Date (i.e. 41,934,432,844 shares).
2. The percentage represents the number of shares/underlying shares interested divided by the number of total issued shares of COLI as at the Latest Practicable Date (i.e. 10,944,883,535 shares).
3. Mr. Guo Lei (“**Mr. Guo**”) has personal interests in 1,070,000 share options granted by COLI under its shares option scheme adopted on 29 June 2018, which entitled Mr. Guo to acquire (i) 333,000 COLI shares at an exercise price of HK\$25.85 per share within an exercise period from 29 June 2020 to 28 June 2024 (both days inclusive); and (ii) 737,000 COLI shares at an exercise price of HK\$18.724 per share within an exercise period from 24 November 2022 to 23 November 2026 (both days inclusive).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) 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 (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DIRECTORS’ POSITIONS IN SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Zhang Guiqing	COHL	Director
Ma Fujun	COHL	Director

4. DIRECTORS’ INTERESTS IN CONTRACTS OR ARRANGEMENTS

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which had been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

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

7. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors, proposed Directors or their respective close associates (as if each of them was treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any competing interests in a business which competes or is likely to compete with the business of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published audited accounts of the Company were made up.

9. EXPERT'S CONSENT AND QUALIFICATIONS

- (a) The followings are the qualifications of the expert who has given its opinions and advice which is contained or referred to in this circular:

Name	Qualifications
Opus Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Services Agreements, the Services Transactions and the Services Caps

- (b) As at the Latest Practicable Date, Opus Capital had no shareholding 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.
- (c) Opus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) As at the Latest Practicable Date, Opus Capital did not have any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (e) The letter from Opus Capital is given as of the date of this circular for incorporation herein.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.copl.com.hk) for a period of 14 days from the date of this circular:

- (a) the COLI Services Agreement;
- (b) the COGO Services Agreement;
- (c) the CSC Services Agreement; and
- (d) the CSCEC Services Agreement.

NOTICE OF EGM



中海物業

CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2669)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of China Overseas Property Holdings Limited (the “**Company**”) will be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 20 June 2023 at 11:15 a.m. or immediately after conclusion of the Company’s annual general meeting to be held on the same day, whichever is later, for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (A) (i) the CSCEC Services Agreement (as defined in the circular of the Company dated 30 May 2023 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and is hereby approved, confirmed and ratified;
- (ii) the CSCEC Services Caps (as defined in the Circular) for the period from 1 July 2023 to 31 December 2023, each of the financial years ending 31 December 2024 and 31 December 2025 and the period from 1 January 2026 to 30 June 2026 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the CSCEC Services Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

NOTICE OF EGM

2. **“THAT:**

- (A) (i) the COLI Services Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and is hereby approved, confirmed and ratified;
- (ii) the COLI Services Caps (as defined in the Circular) for the period from 1 July 2023 to 31 December 2023, each of the financial years ending 31 December 2024 and 31 December 2025 and the period from 1 January 2026 to 30 June 2026 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the COLI Services Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

3. **“THAT:**

- (A) (i) the COGO Services Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and is hereby approved, confirmed and ratified;
- (ii) the COGO Services Caps (as defined in the Circular) for the period from 1 July 2023 to 31 December 2023, each of the financial years ending 31 December 2024 and 31 December 2025 and the period from 1 January 2026 to 30 June 2026 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the COGO Services Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

NOTICE OF EGM

4. “**THAT:**

- (A) (i) the CSC Services Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “D” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and is hereby approved, confirmed and ratified;
- (ii) the CSC Services Caps (as defined in the Circular) for the period from 1 July 2023 to 31 December 2023, each of the financial years ending 31 December 2024 and 31 December 2025 and the period from 1 January 2026 to 30 June 2026 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the CSC Services Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

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

Hong Kong, 30 May 2023

*Head Office and Principal Place of
Business in Hong Kong:*
Suite 703, 7/F,
Three Pacific Place
1 Queen’s Road East
Hong Kong

Registered Office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

NOTICE OF EGM

Notes:

1. At the meeting, the Chairman of the meeting will put each of the above resolutions to be voted by way of a poll under article 66 of the Articles of Association of the Company.
2. A member entitled to attend and vote at the meeting (or at any adjournment thereof) is entitled to appoint one or more proxies (who must be an individual) to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
4. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should the member so wish, and in such event, the proxy form shall be deemed to be revoked.
5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. For the purpose of determining shareholders' right to attend and vote at the meeting, the registers of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023 (both days inclusive). In order to qualify for attending and voting at the meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4: 30 p.m. on Wednesday, 14 June 2023.
7. If a Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions after super typhoons" announced by the HKSAR Government is/are in force at or at any time between 9:00 a.m. and 12:00 noon on the date of the meeting, the meeting will be automatically postponed or adjourned. Shareholders should check the Company's website (www.copl.com.hk) for further announcements and updates on the EGM arrangements.

The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.

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