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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance, bank manager, solicitor, certified public accountant or other professional adviser.

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

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合 生 創 展 集 團 有 限 公 司\*

**HOPSON DEVELOPMENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 754)**

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

**REVISION OF ANNUAL CAPS FOR AND  
EXTENSION OF SCOPE OF  
CONTINUING CONNECTED TRANSACTIONS**

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



**PELICAN FINANCIAL**  
百 利 勤 金 融

**Pelican Financial Limited**

A letter from the Board is set out on pages 6 to 25 of this circular. A letter from the Independent Board Committee is set out on pages 26 to 27 of this circular. A letter from Pelican Financial containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 55 of this circular.

A notice convening a special general meeting of the Company (the “SGM”) to be held at Edinburgh Room, 2/F, Mandarin Oriental, 5 Connaught Road Central, Central, Hong Kong, on Thursday, 29 August 2019 at 10:00 a.m. is set out on pages II-1 to II-2 of this circular.

A form of proxy for the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal office of the Company at Suites 3305–3309, 33rd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

\* *for identification purposes only*

12 August 2019

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## DEFINITIONS

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

“2015 Framework Agreement”	the conditional framework agreement dated 22 April 2015 entered into between the Company and Hanjiang in relation to certain continuing connected transactions between the Group and Hanjiang Group which expired on 31 December 2017
“2018 Announcement”	the announcement of the Company dated 26 April 2018 in relation to the 2018 Framework Agreement and the Existing Transactions contemplated thereunder
“2018 Circular”	the circular of the Company dated 25 May 2018 in relation to the 2018 Framework Agreement and the Existing Transactions contemplated thereunder
“2018 Framework Agreement”	the conditional framework agreement dated 26 April 2018 entered into between the Company, Mr. Y.H. Chu and Mr. W.H. Chu in relation to the Existing Transactions
“Annual Caps”	the maximum aggregate annual transaction amount for each of the Existing Transactions and Transaction 12
“associate(s)”	the meaning given to that term in the Listing Rules
“Board”	board of Directors
“Chu’s Controlled Entities”	companies which are associates of either Mr. Y.H. Chu or Mr. W.H. Chu
“Company”	Hopson Development Holdings Limited
“connected person”	the meaning given to that term in the Listing Rules
“controlling shareholder”	the meaning given to that term in the Listing Rules
“Directors”	directors of the Company
“Existing Payable Annual Caps”	the maximum aggregate annual transaction amount payable by the Group for services to be provided by Chu’s Controlled Entities to the Group pursuant to the 2018 Framework Agreement for each of the two financial years ending 31 December 2020

## DEFINITIONS

“Existing Receivable Annual Caps”	the maximum aggregate annual transaction amount receivable by the Group for services to be provided to Chu’s Controlled Entities by the Group pursuant to the 2018 Framework Agreement for each of the two financial years ending 31 December 2020
“Existing Transactions”	collectively Transactions 1 to 11 as described in section A of this circular
“Existing Transactions by Chu’s Controlled Entities”	collectively Transactions 1 to 5 as described in section A of this circular
“Existing Transactions by Group”	collectively Transactions 6 to 11 as described in section A of this circular
“Farrich”	Farrich Investments Limited, a company incorporated in the British Virgin Islands and whose entire issued share capital is owned by Mr. Y.H. Chu, a son of Mr. Chu and a brother of Ms. Chu. It is a holder of 395,246,625 Shares, representing approximately 17.76% of the issued share capital of the Company as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Guangdong Hanjiang”	廣東韓江工程總承包有限公司 (Guangdong Hanjiang Engineering Construction Limited*), a member of the Chu’s Controlled Entities
“Guangdong Hechuang”	廣東合創工程總承包有限公司 (Guangdong Hechuang Engineering Main Contractor Limited*), a wholly-owned subsidiary of the Company
“Guangdong Zhujiang”	廣東珠江工程總承包有限公司 (Guangdong Zhujiang Engineering Main Contractor Limited*), a member of the Chu’s Controlled Entities
“Hanjiang”	廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited*), a connected person of the Company as at the date of the 2015 Framework Agreement, which subsequently undergone restructuring on 14 October 2016

## DEFINITIONS

“Hanjiang Group”	Hanjiang, its subsidiaries, its associated companies and its associates; where relevant members of Hanjiang Group have become members of Chu’s Controlled Entities as a result of the restructuring of Hanjiang on 14 October 2016
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hopson Education Funds”	Hopson Education Charitable Funds Limited, a company incorporated in Hong Kong and whose entire issued share capital is owned by Mr. Chu. It is a holder of 68,640,000 Shares, representing approximately 3.08% of the issued share capital of the Company, as at the Latest Practicable Date
“Independent Board Committee”	an independent committee of the Board comprising Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron and Mr. Ching Yu Lung, all independent non-executive Directors, established to advise the Independent Shareholders in respect of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps
“Independent Shareholders”	Shareholders who are independent of Mr. Y.H. Chu and Mr. W.H. Chu and their respective associates including Sounda, Hopson Education Funds, Farrich, Ju Rong and Ms. Chu
“Independent Third Parties”	persons who are not connected persons of the Company
“Ju Rong”	Ju Rong Investment Holdings Limited, a company incorporated in Hong Kong and whose entire issued share capital is owned by Ms. Chu. It is a holder of 1,014,000 Shares, representing approximately 0.045% of the issued share capital of the Company, as at the Latest Practicable Date
“Latest Practicable Date”	5 August 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Mang Yee, the controlling shareholder of the Company, an executive Director and the Chairman of the Board

## DEFINITIONS

“Mr. Y.H. Chu”	Mr. Chu Yat Hong, the son of Mr. Chu and a brother of Ms. Chu
“Mr. W.H. Chu”	Mr. Chu Wai Hong, the son of Mr. Chu and a brother of Ms. Chu
“Ms. Chu”	Ms. Chu Kut Yung, an executive Director, the Deputy Chairman of the Board and daughter of Mr. Chu
“Pelican Financial”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps
“PRC”	the People’s Republic of China
“Revised Payable Annual Caps”	the maximum aggregate annual transaction amount payable by the Group for services to be provided by Chu’s Controlled Entities to the Group pursuant to the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) for each of the two financial years ending 31 December 2020
“Revised Receivable Annual Caps”	the maximum aggregate annual transaction amount receivable by the Group for services to be provided to Chu’s Controlled Entities by the Group (excluding the Transaction 12 Annual Caps) pursuant to the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) for each of the two financial years ending 31 December 2020
“Revised Total Annual Caps”	the Revised Payable Annual Caps and the Revised Receivable Annual Caps
“Revised Transactions”	collectively Transaction 1, Transaction 5, Transaction 6 and Transaction 11, as described in the section A of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

## DEFINITIONS

“SGM”	a special general meeting of the Company to be convened to approve, among other things, the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps
“Shareholders”	holders of Shares
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands and whose entire issued share capital is owned by Mr. Chu. It is a holder of 1,160,363,809 Shares, representing approximately 52.14% of the issued share capital of the Company as at the Latest Practicable Date
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Framework Agreement”	the conditional supplemental framework agreement entered into between the Company, Mr. Y.H. Chu and Mr. W.H. Chu, which amends and supplements the 2018 Framework Agreement
“Transaction 12”	the appointment of the Group by Chu’s Controlled Entities to provide construction work for certain property development projects of Chu’s Controlled Entities as described in section B of this circular
“Transaction 12 Annual Caps”	the maximum aggregate annual transaction amount receivables by the Group under Transaction 12 for each of the two financial years ending 31 December 2020
“Transactions”	Existing Transactions and Transaction 12

*In this circular, the conversion of RMB into HK\$ has been made at the rate of RMB1.0000: HK\$1.1345. Such conversion rate is included in this circular for indicative purpose only and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.*



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*Executive Directors:*

CHU Mang Yee (*Chairman*)  
CHU Kut Yung (*Deputy Chairman*)  
XI Ronggui (*Chief Executive Officer*)  
AU Wai Kin  
XIE Bao Xin  
BAO Wenge

*Independent Non-executive Directors:*

LEE Tsung Hei, David  
TAN Leng Cheng, Aaron  
CHING Yu Lung

*Principal Office:*

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33rd Floor, Jardine House  
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*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

12 August 2019

*To the Shareholders*

Dear Sir or Madam,

**A. INTRODUCTION**

Reference is made to (i) the 2018 Announcement and the 2018 Circular, both relating to, among other things, the 2018 Framework Agreement and the Existing Transactions contemplated thereunder, and (ii) the announcement of the Company dated 2 July 2019 relating to, among other things, the 2018 Framework Agreement (as supplemented by the Supplemental Framework

\* *for identification purposes only*



## LETTER FROM THE BOARD

Agreement) and the Transactions contemplated thereunder which constituted continuing connected transactions of the Company under the Listing Rules. Details of the 11 Existing Transactions are set out below:

**(1) Services to be provided/premises to be leased by Chu’s Controlled Entities to the Group pursuant to the 2018 Framework Agreement (collectively “Existing Transactions by Chu’s Controlled Entities”):**

***Construction:***

The appointment of Chu’s Controlled Entities by the Group to carry out construction work for certain property development projects of the Group in Guangzhou, Beijing and other Eastern areas of the PRC (“**Transaction 1**”).

***Electrical installation, low voltage system and intelligent building system installation and consultancy service on cost control for construction work:***

The appointment of Chu’s Controlled Entities by the Group to carry out electrical installation and low voltage system and intelligent building system installation for certain property development projects of the Group in Guangzhou, Beijing, Shanghai, Tianjin and other Eastern areas of the PRC and to provide the Group with consultancy service on cost control for its construction work in Guangzhou, Beijing, Shanghai, Tianjin and other Eastern areas of the PRC (“**Transaction 2**”).

***Office lease:***

The lease of certain commercial premises in Guangzhou and Shanghai by Chu’s Controlled Entities to the Group for office use (“**Transaction 3**”).

***Information technology related services:***

The appointment of Chu’s Controlled Entities by the Group to provide services in connection with the maintenance of the intranet and servers of the Group, and to supply information technology or computer system related products and facilities to the Group (“**Transaction 4**”).

***Marketing services:***

The appointment of Chu’s Controlled Entities by the Group to provide property sales service, sales agency service and marketing service for the Group. (“**Transaction 5**”).

## LETTER FROM THE BOARD

**(2) Services to be provided/premises to be leased by the Group to Chu's Controlled Entities pursuant to the 2018 Framework Agreement (collectively "Existing Transactions by Group"):**

***Building design:***

The appointment of the Group by Chu's Controlled Entities to carry out construction and building design works for certain property development projects of the Chu's Controlled Entities in Beijing, Tianjin and Shanghai ("**Transaction 6**").

***Management of vacant properties and delivery of sold property units to purchasers:***

The appointment of the Group by Chu's Controlled Entities to manage certain vacant properties developed by Chu's Controlled Entities and to handle the delivery of sold property units of Chu's Controlled Entities in Guangdong Province, Beijing, Xi'an and Shanghai to purchasers ("**Transaction 7**").

***Heating service:***

The appointment of the Group by Chu's Controlled Entities to provide heating service to certain properties of the Chu's Controlled Entities in Beijing ("**Transaction 8**").

***Hotel management:***

The appointment of the Group by Chu's Controlled Entities to provide hotel management service for certain hotels of the Chu's Controlled Entities located in various cities across the PRC, including but not limited to Guangzhou, Beijing, Shanghai, Shenzhen and Chengdu ("**Transaction 9**").

***Shop and office lease:***

The lease of certain shops and office premises in Guangzhou, Beijing and Shanghai by the Group to the Chu's Controlled Entities ("**Transaction 10**").

***Commercial real estate management:***

The appointment of the Group by Chu's Controlled Entities to provide commercial real estate management service for certain commercial real estate projects of the Chu's Controlled Entities ("**Transaction 11**").

For the reasons set out in this circular below, (i) the Company considers that there is a need and, it is beneficial for the Group, to extend the scope of services to be provided by the Group to Chu's Controlled Entities under the 2018 Framework Agreement to include a new Transaction 12; and (ii) the Company estimates that the respective annual transaction amounts in respect of two out of five Existing Transactions by Chu's Controlled Entities (namely

## LETTER FROM THE BOARD

Transactions 1 and 5) and two out of six Existing Transactions by Group (namely Transactions 6 and 11) for each of the two financial years ending 31 December 2020 will exceed their respective Annual Caps for the relevant periods. Transactions 1, 5, 6 and 11 are collectively referred to as “**Revised Transactions**”.

The Company, Mr. Y.H. Chu and Mr. W.H. Chu entered into the Supplemental Framework Agreement on 2 July 2019, pursuant to which the scope of services to be provided by the Group to Chu’s Controlled Entities under the 2018 Framework Agreement is extended to include the provision of construction work by the Group to the Chu’s Controlled Entities for certain property development projects of Chu’s Controlled Entities (“**Transaction 12**”).

In light of the extension in the scope of services to be provided by the Group to Chu’s Controlled Entities pursuant to the Supplemental Framework Agreement to include a new Transaction 12, and the annual transaction amounts in respect of the Revised Transactions for each of the two financial years ending 31 December 2020 are expected to exceed their respective Annual Caps for the relevant periods, the Directors also propose to (i) revise the Annual Caps in respect of each of the Revised Transactions and (ii) set the proposed Annual Caps for the new Transaction 12 for the two financial years ending 31 December 2020.

As at the Latest Practicable Date, Mr. Y.H. Chu indirectly owned approximately 17.76% of the shares of the Company. Both Mr. Y.H. Chu and Mr. W.H. Chu are the sons of Mr. Chu and the brothers of Ms. Chu. Accordingly, both Mr. Y.H. Chu and Mr. W.H. Chu are connected persons of the Company under the Listing Rules and the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Revised Payable Annual Caps for the year ending 31 December 2020 (being larger than Transaction 12 Annual Caps and the largest among the Revised Total Annual Caps) exceed 5%, the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) and the Transactions constitute non-exempt continuing connected transactions of the Company and are subject to reporting, announcement, circular, independent shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

Accordingly, the Company proposes to seek the Independent Shareholders’ approval of the Supplemental Framework Agreement, Transactions 12, Transaction 12 Annual Caps and the Revised Total Annual Caps for the two financial years ending 31 December 2020 at the SGM. As at the Latest Practicable Date, each of Sounda (a company wholly-owned by Mr. Chu), Hopson Education Funds (a company wholly-owned by Mr. Chu), Farrich (a company wholly-owned by Mr. Y.H. Chu), Ju Rong (a company wholly-owned by Ms. Chu) and Ms. Chu was interested in approximately 52.14%, 3.08%, 17.76%, 0.045% and 0.045% of the issued share capital of the Company, respectively. As at the Latest Practicable Date, each of Mr. Chu, Mr. Y.H. Chu and Ms. Chu controlled or was entitled to exercise control over the

## **LETTER FROM THE BOARD**

voting rights in respect of his/her shares in the aforesaid companies. Each of Sounda, Hopson Education Funds, Farrich, Ju Rong and Ms. Chu will abstain from voting at the SGM and votes of the Independent Shareholders at the SGM will be taken by poll. Such Shareholders collectively had 1,626,264,434 Shares, representing approximately 73.07% of the issued share capital of the Company, as at the Latest Practicable Date.

The Independent Board Committee has been formed to advise the Independent Shareholders and Pelican Financial has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps.

The purpose of this circular is to provide you with information on the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps, the letter from the Independent Board Committee, the letter of advice from Pelican Financial and the notice to convene the SGM.

### **B. THE NEW CONTINUING CONNECTED TRANSACTION**

On 2 July 2019, the Company, Mr. Y.H. Chu and Mr. W.H. Chu entered into the Supplemental Framework Agreement, pursuant to which the scope of services to be provided by the Group to Chu's Controlled Entities under the 2018 Framework Agreement is extended to include the provision of construction work by the Group to the Chu's Controlled Entities for a property development project of Chu's Controlled Entities in Tianjin. Save and except for the extension of the scope of services to be provided by the Group to Chu's Controlled Entities under the 2018 Framework Agreement pursuant to the Supplemental Framework Agreement, all other terms and conditions of the 2018 Framework Agreement shall remain unchanged and continue in full force and effect.

### **C. PRINCIPAL TERMS OF THE SUPPLEMENTAL FRAMEWORK AGREEMENT**

On 2 July 2019, the Company, Mr. Y.H. Chu and Mr. W.H. Chu entered into the Supplemental Framework Agreement, which set out, among other things, the following principal terms:

Date:	2 July 2019
Parties:	(1) the Company (2) Mr. Y.H. Chu (3) Mr. W.H. Chu

## LETTER FROM THE BOARD

Scope of services:	In addition to the six Existing Transactions by Group (namely Transactions 6 to 11), the Company shall procure the relevant member(s) of the Group or their respective sub-contractors to carry out Transaction 12, namely to provide construction work to Chu's Controlled Entities for certain property development projects of Chu's Controlled Entities.
Bases for determining price and other terms:	<p>The construction fees payable by Chu's Controlled Entities to the Group and the other terms for carrying out construction work of the property development projects of Chu's Controlled Entities in the PRC shall be determined by the parties with reference to the terms offered by Independent Third Parties for providing similar services and the latest stipulated standards and guidelines prescribed by 建設委員會 (Construction Committee) of where the project is located, such as 北京市建設工程計價依據 — 預算定額 (Costing Basis of Construction and Installation Works, Beijing Municipal — Base Price Budgeting) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2012 for property projects in Beijing.</p> <p>The above mentioned standards and guidelines provide the respective bases for calculating, among other things, the material price and fees payable to workers. The total payable material price shall be calculated by including, among other things, the respective price for the raw materials consumed, supporting materials and component parts used during the construction process. The total payable material price shall also be calculated with reference to the prevailing market price of the materials and accounts for the costs incurred in its transportation and storage. The total fees payable to workers shall be calculated to take into account factors including, among other things, the position, experience and performance. The final fees payable by Chu's Controlled Entities to the Group shall be calculated based on the applicable bases under the applicable standards and guidelines, and which shall be no less favourable than the terms charged by the Group for providing similar services to the Independent Third Parties.</p>

## LETTER FROM THE BOARD

The Company had engaged an independent engineering project cost consulting firm in the PRC to carry out an independent assessment of the estimated average unit construction fee payable by Chu's Controlled Entities to the Group under Transaction 12. In the assessment, the independent engineering project cost consulting firm compared the estimated average unit construction fee payable by Chu's Controlled Entities to the Group under Transaction 12 with the prevailing market price. The independent engineering project cost consulting firm was of the view that the estimated average unit construction fee payable by Chu's Controlled Entities to the Group under Transaction 12 is in line with the prevailing market rate.

Term:	For a term commencing from the date when it becomes unconditional and ending on 31 December 2020.
Condition precedent:	The Supplemental Framework Agreement is conditional upon the Company having obtained the approval of the Independent Shareholders at a general meeting of the Company.

### D. INTERNAL CONTROL MEASURES

Similar to the Existing Transactions, to ensure that the fees and other terms of the individual agreement in respect of Transaction 12 proposed to be entered into by the Group are fair and reasonable, in line with the terms offered by Independent Third Parties, and are on normal commercial terms or better so far as the Group is concerned, the cost centre of the Group will, before the Group enters into any individual agreement in respect of Transaction 12 with Chu's Controlled Entities, first obtain quotations and terms for providing services of similar level and types from at least two Independent Third Parties for reference. The relevant operational team of the Group will then compare the quotations and terms obtained with the terms of existing agreements entered into by the Group with Independent Third Parties (if any) for similar services. When comparing the quotations and terms obtained against the terms of such existing agreements, the relevant operational team will also take into account the Group's own judgment based on its experience and knowledge of current market conditions and practices and the prevailing market terms. The Group when comparing the quotations and terms obtained from Independent Third Parties will also take into consideration the reputation, and scale of operation of and the qualifications possessed by the Independent Third Parties, to ensure that such Independent Third Parties are comparable to the relevant Chu's Controlled Entities in the provision of the relevant service. Once the operational team is satisfied that the quotation and terms obtained from the aforesaid two Independent Third Parties are at prevailing market price and terms, the relevant operational team of the Group will then review and evaluate the price and terms proposed to be

## LETTER FROM THE BOARD

offered by Chu's Controlled Entities to our Group and compare such price and terms with that obtained from the Independent Third Parties. The head of such operational team will be responsible for approving the individual agreement in respect of the Transaction 12 that the Group enters into with Chu's Controlled Entities in order to ensure that the price and terms of each of the orders in respect of Transaction 12 are on normal commercial terms or better through the above mentioned process.

In addition, the cost centre of the Group will regularly collect and keep the relevant operational team informed of the latest standards and guidelines published by the relevant governmental authorities in the PRC that are relevant to the Transaction 12. The cost centre of the Group will take into account these latest standards and guidelines to ensure that the price and terms offered by Chu's Controlled Entities to our Group, as well as the price and terms for providing services of similar level and types from Independent Third Parties that are used for comparison as mentioned above conform with such standards and guidelines.

The cost centre of the Group will request the relevant operational teams of the Group to report the actual transaction amounts incurred for Transaction 12 on a regular basis. The cost centre of the Group will monitor the aggregate transaction amounts incurred on a regular basis to ensure that the Annual Caps in respect of Transaction 12 are not exceeded. If and when the cost centre of the Group becomes aware of the actual aggregate transaction amount of Transaction 12 will soon exceed its Annual Cap for the relevant financial year, the cost centre will be required to inform the management of the Company and the relevant operational team promptly to ensure that no further transactions in respect of Transaction 12 shall be carried out for the remainder of that financial year.

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

The Directors are of the view that the internal approval procedure and internal control measures adopted by the Group set out above are effective in ensuring that Transaction 12 will not be exceeded and Transaction 12 will be conducted on normal commercial terms or better which are fair and reasonable to the Company and the Shareholders as a whole.

### **E. REVISION OF THE EXISTING PAYABLE ANNUAL CAPS AND THE EXISTING RECEIVABLE ANNUAL CAPS AND THE PROPOSED TRANSACTION 12 ANNUAL CAPS**

#### **(1) Revised/Proposed Annual Caps:**

In light of the extension in the scope of services to be provided by the Group to Chu's Controlled Entities pursuant to the Supplemental Framework Agreement to include a new Transaction 12, and the annual transaction amounts in respect of the Revised Transactions for each of the two financial years ending 31 December 2020 are expected to exceed their

## LETTER FROM THE BOARD

respective Annual Caps for the relevant periods, the Directors propose to (i) revise the Annual Caps in respect of each of the Revised Transactions and (ii) set the proposed Transaction 12 Annual Caps for the two financial years ending 31 December 2020 as follows:

**(i) Fees payable by the Group to Chu's Controlled Entities:**

Transactions	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap
Transaction 1 — Construction	RMB422,388,000 (equivalent to approximately HK\$479,199,000)	RMB1,022,388,000 (equivalent to approximately HK\$1,159,899,000)	RMB449,632,000 (equivalent to approximately HK\$510,108,000)	RMB1,149,632,000 (equivalent to approximately HK\$1,304,258,000)
Transaction 5 — Marketing services	RMB250,065,000 (equivalent to approximately HK\$283,699,000)	RMB799,995,000 (equivalent to approximately HK\$907,594,000)	RMB300,213,000 (equivalent to approximately HK\$340,592,000)	RMB1,000,222,000 (equivalent to approximately HK\$1,134,752,000)

As a result of the revision to the Annual Caps for each of Transactions 1 and 5 for each of the two financial years ending 31 December 2020, it is proposed that the Existing Payable Annual Caps will be increased to the Revised Payable Annual Caps as follows:

	For the financial year ending 31 December			
	2019		2020	
	Existing Payable Annual Cap	Revised Payable Annual Cap	Existing Payable Annual Cap	Revised Payable Annual Cap
	RMB814,533,000 (equivalent to approximately HK\$924,088,000)	RMB1,964,463,000 (equivalent to approximately HK\$2,228,683,000)	RMB903,757,000 (equivalent to approximately HK\$1,025,312,000)	RMB2,303,766,000 (equivalent to approximately HK\$2,613,623,000)



## LETTER FROM THE BOARD

**(ii) Fees receivable by the Group from Chu's Controlled Entities:**

Transactions	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap
Transaction 6 — Building design	RMB39,715,000 (equivalent to approximately HK\$45,057,000)	RMB72,378,000 (equivalent to approximately HK\$82,113,000)	RMB14,017,000 (equivalent to approximately HK\$15,902,000)	RMB55,638,000 (equivalent to approximately HK\$63,121,000)
Transaction 11 — Commercial real estate management	RMB205,433,000 (equivalent to approximately HK\$233,064,000)	RMB314,683,000 (equivalent to approximately HK\$357,008,000)	RMB228,791,000 (equivalent to approximately HK\$259,563,000)	RMB297,351,000 (equivalent to approximately HK\$337,345,000)

As a result of the revision to the Annual Caps for each of Transactions 6 and 11, it is proposed that the Existing Receivable Annual Caps will be increased to the Revised Receivable Annual Caps as follows:

	For the financial year ending 31 December			
	2019		2020	
	Existing Receivable Annual Cap	Revised Receivable Annual Cap	Existing Receivable Annual Cap	Revised Receivable Annual Cap
	RMB323,988,000 (equivalent to approximately HK\$367,564,000)	RMB465,901,000 (equivalent to approximately HK\$528,565,000)	RMB326,840,000 (equivalent to approximately HK\$370,800,000)	RMB437,021,000 (equivalent to approximately HK\$495,800,000)

Save for the revisions of the Annual Caps in respect of Transactions 1, 5, 6 and 11 for each of the two financial years ending 31 December 2020, the Directors confirm that Annual Caps in respect of the other Existing Transactions for each of the two financial years ending 31 December 2020 as disclosed in the 2018 Announcement and the 2018 Circular remain unchanged.

## LETTER FROM THE BOARD

**(iii) Fees receivable by the Group from Chu's Controlled Entities under Transaction 12:**

Transactions	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Proposed Annual Cap	Existing Annual Cap	Proposed Annual Cap
Transaction 12 — Construction	N/A	RMB200,000,000 (equivalent to approximately HK\$226,900,000)	N/A	RMB250,000,000 (equivalent to approximately HK\$283,625,000)

**(2) Bases**

Set out below are the bases upon which the revised Annual Caps in respect of each of the Revised Transactions and the proposed Transaction 12 Annual Caps are estimated:

*Transaction 1:*

The relevant revised Annual Caps were assessed based on the same bases as disclosed in the 2018 Announcement and the 2018 Circular. The estimated increase in the Annual Caps for each of the two financial years ending 31 December 2020 was determined based on the increase in the Group's demands for Chu's Controlled Entities to carry out construction work for two of its existing projects in Kunshan and Taicang, Jiangsu Province. The Directors estimate that the aggregate gross floor area to be completed for the said property projects in Kunshan and Taicang, Jiangsu Province will be approximately 333,000 sq.m. in 2019 and 389,000 sq.m. in 2020. Such sharp increase in demands arose as a result of one of the Company's subsidiaries, a cross-region contractor which principally engages in the provision of constructions services, was unable to complete the requisite filing procedure with the real estate development authority in Jiangsu Province in accordance with the applicable laws and regulations in order to be eligible to carry out the construction works for the Group's property projects in Kunshan and Taicang, Jiangsu Province. To avoid any delay to the Group's development plan, the Group has a need to engage a qualified construction company, and which has completed the requisite filing procedure with the real estate development authority in Jiangsu Province such as Chu's Controlled Entities, to carry out the construction work for the said property projects. As a result, the Directors estimate that the aggregate gross floor area of the Group's properties, the construction of which are expected to be carried out by Chu's Controlled Entities, will be increased from approximately 235,000 sq.m. to 568,000 sq.m. in 2019 and from approximately 250,000 sq.m. to 639,000 sq.m. in 2020. Please refer to paragraph H of this circular below for the reasons for engaging Chu's Controlled Entities to carry out the required construction work.

## LETTER FROM THE BOARD

### *Transaction 5:*

The relevant revised Annual Caps were assessed based on the same bases as disclosed in the 2018 Announcement and the 2018 Circular. The estimated increase in the Annual Caps for each of the two financial years ending 31 December 2020 was determined with reference to the estimated increase in scope and extent of services required by the Group based on its revised sales strategy since early 2019 to substantially increase its marketing efforts with an aim to achieve higher sales and enhance its cost efficiency. The audited contracted sales of the Group for the year ended 31 December 2018 was approximately RMB14,975 million. For the six months ended 30 June 2019, the unaudited contracted sales of the Group was approximately RMB10,369 million, representing an increase of 66.3% as compared to approximately RMB6,235 million in the same period of 2018. The Group expects that its full-year contracted sales target for 2019 will be increased by approximately the same extent or even more as compared to that for the full year of 2018, and the Group expects to achieve further contracted sales growth in 2020. Therefore, the estimated increase in the Annual Caps for each of the two financial years ending 31 December 2020 was determined based on such expected increase in the contracted sales of the Group. Please refer to paragraph H of this circular below for the reasons for increasing the extent of its engagement of Chu's Controlled Entities to provide marketing services.

### *Transaction 6:*

The relevant revised Annual Caps were assessed based on the same bases as disclosed in the 2018 Announcement and the 2018 Circular. The Group is given to understand that, in order to cope with the expansion of the business operations of Chu's Controlled Entities, the demands from Chu's Controlled Entities for construction and building design works will increase for the two financial years ending 31 December 2020. The Group is given to understand further that Chu's Controlled Entities will be seeking to obtain more services from the Group to cope with their increased demands, in light of the long term relationship between the Group and the Chu's Controlled Entities. Therefore, the estimated increase in the Annual Caps for each of the two financial years ending 31 December 2020 was determined based on such expected increase in demands from Chu's Controlled Entities for the Group's construction and building design works. The Directors estimate that the aggregate sizes of the building projects of Chu's Controlled Entities for which require our provision of construction and building design works will be increased from approximately 722,000 sq.m. to 2,277,000 sq.m. in 2019 and from approximately 255,000 sq.m. to 1,764,000 sq.m. in 2020. Please refer to paragraph H of this circular below for the reasons for the Group to provide increased construction and building design works to Chu's Controlled Entities.

## LETTER FROM THE BOARD

### *Transaction 11:*

The relevant revised Annual Caps were assessed based on the same bases as disclosed in the 2018 Announcement and the 2018 Circular. The Group is given to understand that due to the change in Chu's Controlled Entities' business model in the operation of their commercial real estate projects by reducing the input of their own resources and utilising more of the services to be provided by third parties, as such the Chu's Controlled Entities' demands of the commercial real estate management services will continue to rise. The Group is given to understand further that Chu's Controlled Entities will be seeking to obtain more services from the Group to cope with their increased demands, in light of the long term relationship between the Group and the Chu's Controlled Entities. Indeed, since early 2019, Chu's Controlled Entities have been increasing their demand of the Group's management services for more of the commercial real estate projects of the Chu's Controlled Entities. Therefore, the estimated increase in the Annual Caps for each of the two financial years ending 31 December 2020 was determined with reference to the estimated increase in scope and extent of services required by Chu's Controlled Entities for the Group's provision of commercial real estate management services in each of the projects. Nonetheless, as the Group is given to understand that the construction phase of certain commercial real estate projects of Chu's Controlled Entities which contribute significant portion of the fees receivable by the Group from individual transactions under Transaction 11 will have been completed by the end of 2019, the estimated increase in the Annual Caps for the year ending 31 December 2020 is lower than that for the year ending 31 December 2019. Please refer to paragraph H of this circular below for the reasons for the Group to provide increased commercial real estate management services to Chu's Controlled Entities.

### *Transaction 12 (new):*

The need for such transaction arose as a result of a member of the Chu's Controlled Entities, a cross-region contractor which principally engages in the provision of constructions services, was unable to complete the requisite filing procedure with the real estate development authority in Tianjin in accordance with the applicable laws and regulations in order to be eligible to carry out construction work for one of its existing property projects in Tianjin. To avoid any delay to Chu's Controlled Entities' development plan, Chu's Controlled Entities has a need to engage a qualified construction company, and which has completed the requisite filing procedure with the real estate development authority in Tianjin such as the Group, to carry out the construction work for the said property project. Please refer to paragraph H of this circular below for the reasons for the Group to carry out the required construction work for Chu's Controlled Entities.

The relevant Annual Caps were assessed based on (i) the relevant pricing basis under the Supplemental Framework Agreement; (ii) the Directors' estimation of the aggregate gross floor area to be completed for the said property project in Tianjin, being

## LETTER FROM THE BOARD

approximately 83,000 sq.m. in 2019 and 104,000 sq.m. in 2020, the construction of which is expected to be carried out by the Group; and (iii) the historical data relating to the Group carrying out construction work for the Chu's Controlled Entities.

### *Principal Assumption*

The principal assumption of the Directors in determining the Annual Caps for each of the Revised Transactions and Transaction 12 is that, for the duration of the two years ending 31 December 2020, the property market in the PRC will enjoy steady growth and there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the Group. Having considered the bases upon which the Annual Caps are estimated and the principal assumption adopted as discussed above, the Directors are of the view that the Transaction 12 Annual Caps and the Revised Total Annual Caps under the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## F. HISTORICAL TRANSACTION AMOUNTS OF THE REVISED TRANSACTIONS

Set out below are the existing Annual Caps and the actual transaction amounts of the Revised Transactions under the 2018 Framework Agreement, which had also been carried out between the Group and Hanjiang Group under the 2015 Framework Agreement, for the three financial years ended 31 December 2018:

Transactions	Year ended 31 December 2016		Year ended 31 December 2017		Year ended 31 December 2018	
	Annual caps	Approximate transaction amount	Annual caps	Approximate transaction amount	Annual caps	Approximate transaction amount
Transaction 1 — Construction	RMB430,017,000 (equivalent to approximately HK\$487,854,000)	RMB343,616,000 (equivalent to approximately HK\$389,832,000)	RMB415,985,000 (equivalent to approximately HK\$471,935,000)	RMB78,136,000 (equivalent to approximately HK\$88,645,000)	RMB483,493,000 (equivalent to approximately HK\$548,523,000)	RMB73,856,000 (equivalent to approximately HK\$83,790,000)
Transaction 5 — Marketing services	N/A	N/A	N/A	N/A	RMB200,440,000 (equivalent to approximately HK\$227,399,000)	RMB200,360,000 (equivalent to approximately HK\$227,308,000)
Transaction 6 — Building design	RMB7,009,000 (equivalent to approximately HK\$7,952,000)	RMB86,000 (equivalent to approximately HK\$98,000)	RMB6,742,000 (equivalent to approximately HK\$7,649,000)	RMB110,000 (equivalent to approximately HK\$125,000)	RMB40,820,000 (equivalent to approximately HK\$46,310,000)	RMB25,960,000 (equivalent to approximately HK\$29,452,000)
Transaction 11 — Commercial real estate management	N/A	N/A	N/A	N/A	RMB153,901,000 (equivalent to approximately HK\$174,601,000)	RMB41,348,000 (equivalent to approximately HK\$46,909,000)

## LETTER FROM THE BOARD

The Directors confirm that for the period commencing from 1 January 2019 and up to the Latest Practicable Date: (i) the actual transaction amounts in respect of each of the Revised Transactions have not exceeded their respective Annual Caps for the financial year ending 31 December 2019; (ii) the actual aggregate transaction amounts in respect of Existing Transactions by Chu's Controlled Entities have not exceeded the Existing Payable Annual Caps for the financial year ending 31 December 2019; and (iii) the actual aggregate transaction amounts in respect of Existing Transactions by Group have not exceeded the Existing Receivable Annual Caps for the financial year ending 31 December 2019.

### G. INFORMATION OF THE GROUP AND CHU'S CONTROLLED ENTITIES

The Group is principally engaged in the development of residential properties in the PRC. The Group is also involved in property investment, hotel operations and property management. The Transactions will be carried out in the Group's ordinary and usual course of business.

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

A member of Chu's Controlled Entities, namely, Guangdong Hanjiang, is classified as 房屋建築工程總承包壹級 (Property Construction First Class Main Contractor) by the relevant government authority in the PRC. First class main contractors are qualified to undertake larger scale projects than non-first class contractors. Guangdong Hanjiang offers a comprehensive range of services, employing over 350 industry experts, of which 100 are mid to senior level. Another member of Chu's Controlled Entities, namely, Guangdong Zhujiang is classified as 建築工程施工總承包壹級 (Construction First Class Main Contractor) by the relevant government authority in the PRC. Both Guangdong Hanjiang and Guangdong Zhujiang have obtained the ISO 9000 certification for their quality management system, managing and controlling the quality, constructions, safety and costs of their construction projects with modern management methods. Both Guangdong Hanjiang and Guangdong Zhujiang are reputable contractors in the industry, each has a proven track record and possesses the relevant technical capabilities and expertise in handling a wide range of construction projects. Furthermore, Guangdong Zhujiang has completed the filing procedure with the real estate development authority in Jiangsu Province and is therefore eligible to undertake construction works in Jiangsu Province.

The Group has conducted market research and is of the view that the pricing offered by Chu's Controlled Entities are highly competitive.

## LETTER FROM THE BOARD

### H. REASONS FOR, AND BENEFITS OF, REVISING THE ANNUAL CAPS FOR REVISED TRANSACTIONS AND ENTERING INTO THE SUPPLEMENTAL FRAMEWORK AGREEMENT

According to 江蘇省省外建築施工企業核驗備案管理辦法 (Management Rules for Qualification Verification and Filing of Construction Enterprises to Carry Construction Works in Jiangsu Province) promulgated and implemented by 江蘇省住房和城鄉建設廳 (Jiangsu Provincial Department of Housing and Urban-Rural Development), a cross-region contractor is required to complete a filing procedure in accordance with the applicable laws and regulations with the real estate development authority in Jiangsu Province before it is eligible to carry out construction work in Jiangsu Province. The Group has existing property projects in Kunshan and Taicang, Jiangsu Province, the construction of which commenced in early 2019. The Group planned to carry out the construction work for such property projects through one of its subsidiaries, a cross-region contractor which principally engages in the provision of constructions services. And it was the Group's business plan to commence the relevant construction work for the said property projects in early 2019. However, the Group was unable to complete the requisite filing with the real estate development authority in Jiangsu Province in order to be eligible to carry out construction work for its property projects in Kunshan and Taicang, Jiangsu Province. Meanwhile, Guangdong Zhujiang, a member of Chu's Controlled Entities, which meets the qualification requirements of our Group, has successfully completed the requisite filing with the real estate development authority in Jiangsu Province and is therefore eligible to undertake construction work in Jiangsu Province. To avoid any delay to the Group's development plan, the Group has a need to engage a qualified construction company, and which has completed the requisite filing procedure with the real estate development authority in Jiangsu Province such as Chu's Controlled Entities, to carry out the construction work for the said property projects. As disclosed in the 2018 Announcement and the 2018 Circular, the Group has been transacting with the Chu's Controlled Entities since 2003. Over the years, the Group and the Chu's Controlled Entities have built up a close and good working relationship. Given the proven track record, qualification, expertise, reputation, experience and highly competitive pricing of the Chu's Controlled Entities, and the fact that Guangdong Zhujiang has completed the requisite filing procedures for the purposes of carrying out construction work in Jiangsu Province, the Group is of the view that it is in the interests of the Company and the Shareholders as a whole to increase its engagement of Chu's Controlled Entities for the provision of services under Transaction 1, in particular for the Group's existing property projects in Kunshan and Taicang, Jiangsu Province.

As set out in paragraph E of this circular above, the Group's unaudited contracted sales for the six months ended 30 June 2019 increased by approximately 66.3% as compared to that for the same period in 2018. The Group expects its full-year contracted sales for 2019 will be increased by approximately the same extent or even more as compared to that for the full year of 2018, and the Group expects to achieve further contracted sales growth in 2020. Since early 2019, the Group has revised its sales strategy to substantially increase its marketing efforts with an aim to achieve higher sales and enhance its cost efficiency. In view of the rapid development in the internet world and the prevalent use of smart phones, the Group recognises the impact and effectiveness of online marketing. The Group plans to utilise more marketing services from the Chu's Controlled Entities,



## LETTER FROM THE BOARD

particularly their online platform which promotes and expedites transactions facilitated by individual sales agents. The Directors consider that marketing through a well-established online platform is an effective and less costly means of marketing in achieving higher sales. Furthermore, as such online platform facilitates transactions conducted through individual sales agents, as opposed to the traditional corporate sales agents, the relevant agency fees to be incurred by the Group would be significantly reduced. Through our long term and stable cooperation with Chu's Controlled Entities, the Company believes that Chu's Controlled Entities have secured a solid understanding of the Group's operations and its property projects as well as the expectations and requirements of the Group, which are considered by the Group to be necessary in designing and implementing a marketing plan suitable for the Group. Given Chu's Controlled Entities' proven track record, qualification, expertise, reputation, experience and highly competitive pricing, the Group is of the view that it is in the interests of the Company and the Shareholders as a whole to increase its engagement of Chu's Controlled Entities for the provision of services under Transaction 5.

During the Group's cooperation with Chu's Controlled Entities, the Group is given to understand that, while the actual transaction amounts incurred for the financial year ended 31 December 2018 were within the relevant Annual Caps, Chu's Controlled Entities' expected demands for the Group's building design services and commercial real estate management services for the two financial years ending 2020 will be much higher than the demands estimated by the Company when the 2018 Framework Agreement was first entered into. Indeed, since early 2019, Chu's Controlled Entities have been increasing their demand of the Group's management services for more of the commercial real estate projects of the Chu's Controlled Entities. The Directors believe that the expected increase in demands from Chu's Controlled Entities under Transaction 6 is principally to cope with the expansion of their business operations whereas the expected increase in demands under Transaction 11 is principally due to the change in Chu's Controlled Entities' business model in the operation of their commercial real estate projects by reducing the input of their own resources and utilising more of the services to be provided by third parties, as such the Chu's Controlled Entities' demands of the commercial real estate management services will continue to rise. In view of the good payment records of Chu's Controlled Entities, the Group considers that the provision of more services under Transaction 6 and Transaction 11, which are on normal commercial terms or better, would provide additional steady income source to the Group and are in the interests of the Company and its shareholders as a whole.

According to 2017年進津建築企業信息登記辦理指南 (2017 Regulations for Information Reporting of Construction Work Enterprises which Plan to Operate in Tianjin) promulgated and implemented by 天津市住房和城鄉建設委員會 (Tianjin Municipal Commission of Housing and Rural and Urban Construction), a cross-region contractor is required to complete a filing procedure in accordance with the applicable laws and regulations with the real estate development authority in Tianjin before it is eligible to carry out construction work in Tianjin. Chu's Controlled Entities have an existing property project in Tianjin, the construction of which commenced in early 2019. Chu's Controlled Entities planned to carry out the construction works for such property project through one of its members, a cross-region contractor which principally engages in the provision of constructions services. And it was Chu's Controlled Entities' business plan to commence the



## LETTER FROM THE BOARD

relevant construction work for the said property project in early 2019. However, such member of Chu's Controlled Entities was unable to complete the requisite filing procedure with the real estate development authority in Tianjin. Meanwhile, Guangdong Hechuang, a subsidiary of the Company, has successfully completed the requisite filing procedure with the real estate development authority in Tianjin and is therefore eligible to undertake construction work in Tianjin. To avoid any delay to Chu's Controlled Entities' development plan, Chu's Controlled Entities has a need to engage a qualified construction company, and which has completed the requisite filing procedure with the real estate development authority in Tianjin such as the Group, to carry out the construction work for the said property project. In view of the good payment records of the Chu's Controlled Entities, the Group considers Chu's Controlled Entities' appointment of the Group for the provision of services under Transaction 12, which are on normal commercial terms or better, would generate a steady income source to the Group and are in the interests of the Company and its shareholders as a whole.

For the above reasons, the Board (i) expects that the respective existing Annual Caps in respect of Transactions 1 and 5 for the two financial years ending 31 December 2020 will not be sufficient to meet the business needs of the Group; (ii) expects that the transaction amounts that correspond to the expected demands from Chu's Controlled Entities for our services under Transactions 6 and 11 for the two financial years ending 31 December 2020 will exceed the respective existing Annual Caps for the relevant periods; and (iii) considers that there is a real demand from Chu's Controlled Entities for our services under Transaction 12 for the two financial years ending 31 December 2020 which we consider is in the interest of the of the Company and its shareholders as a whole. Accordingly, the Company decided to revise the Existing Payable Annual Caps and the Existing Receivable Annual Caps for the two financial years ending 31 December 2020, and enter into the Supplemental Framework Agreement.

The Directors consider that the Transactions will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms or better so far as the Group is concerned. The Directors, having considered the bases and principles for determining the pricing and other terms of the individual contracts or agreements for the Transactions, consider the terms of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps to be fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

### **I. LISTING RULES IMPLICATIONS**

Both Mr. Y.H. Chu and Mr. W.H. Chu are the sons of Mr. Chu and the brothers of Ms. Chu. In addition, as at the Latest Practicable Date, Mr. Y.H. Chu also indirectly owned approximately 17.76% of the shares of the Company. Accordingly, both Mr. Y.H. Chu and Mr. W.H. Chu are connected persons of the Company under the Listing Rules and the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## **LETTER FROM THE BOARD**

Pursuant to Rule 14A.54 of the Listing Rules, the Company must re-comply with the announcement and shareholders' approval requirements where the Existing Payable Annual Caps and/or the Existing Receivable Annual Caps will be exceeded or there is a material change to the terms of the 2018 Framework Agreement.

As one or more of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Revised Payable Annual Caps for the year ending 31 December 2020 (being larger than Transaction 12 Annual Caps and the largest among the Revised Total Annual Caps) exceed 5%, the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) and the Transactions constitute non-exempt continuing connected transactions of the Company and are subject to reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company proposes to seek the Independent Shareholders' approval of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps for the two financial years ending 31 December 2020 at the SGM. Each of Sounda, Hopson Education Funds, Farrich, Ju Rong and Ms. Chu will abstain from voting at the SGM.

Since the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) and the Transactions constitute continuing connected transactions for the Company due to the connection between Mr. Y.H. Chu and Mr. W.H. Chu and each of Mr. Chu and Ms. Chu, each of Mr. Chu and Ms. Chu abstained from voting on the resolutions of the Board approving the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement), the Transactions, Transaction 12 Annual Caps and the Revised Total Annual Caps.

### **J. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps.

Pelican Financial, an independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps.

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on pages 26 to 27 of this circular and the advice letter from Pelican Financial to the Independent Board Committee and the Independent Shareholders set out on pages 28 to 55 of this circular.

## LETTER FROM THE BOARD

### **K. SGM**

A notice convening the SGM is set out in Appendix II to this circular. At the SGM, resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps.

A form of proxy for the SGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal office of the Company at Suites 3305-3309, 33rd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### **L. RECOMMENDATION**

The Directors consider that the Supplemental Framework Agreement and Transaction 12 are on normal commercial terms or better so far as the Group is concerned and terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and Transaction 12 Annual Caps and Revised Total Annual Caps are also fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions at the SGM. Your attention is drawn to the letter from the Independent Board Committee set out on pages 26 to 27 of this circular and the letter from Pelican Financial set out on pages 28 to 55 of this circular.

### **M. GENERAL INFORMATION**

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

By Order of the Board  
**Hopson Development Holdings Limited**  
**Chu Mang Yee**  
*Chairman*



合生創展集團有限公司\*

**HOPSON DEVELOPMENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 754)**

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

*To the Independent Shareholders*

12 August 2019

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS FOR AND  
EXTENSION OF SCOPE OF  
CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

We refer to the circular dated 12 August 2019 issued by the Company (“**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings defined in the Circular unless the context requires otherwise.

The Independent Board Committee comprising Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron and Mr. Ching Yu Lung has been established to advise you in respect of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps, details of which are set out in the Circular. Pelican Financial has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps.

**RECOMMENDATION**

We wish to draw your attention to the Letter from the Board as set out on pages 6 to 25 of the Circular and the letter from Pelican Financial which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps as set out on pages 28 to 55 of the Circular.

\* *for identification purposes only*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taken into account the advice of Pelican Financial and the principal factors and reasons considered by Pelican Financial, we consider that the Supplemental Framework Agreement and Transaction 12 are on normal commercial terms or better so far as the Group is concerned and are in the ordinary and usual course of business of the Group and the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions proposed at the SGM to approve the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps.

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

**Lee Tsung Hei, David**  
*Independent non-executive*  
*Director*

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

**Ching Yu Lung**  
*Independent non-executive*  
*Director*

## LETTER FROM PELICAN FINANCIAL

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



### PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38–40 Leighton Road, Causeway Bay, Hong Kong

12 August 2019

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

Dear Sirs,

## REVISION OF ANNUAL CAPS FOR AND EXTENSION OF SCOPE OF CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 12 August 2019 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

With reference to the reasons set out in the Board Letter, (i) the Company considers that there is a need and, it is beneficial for the Group, to extend the scope of services to be provided by the Group to Chu’s Controlled Entities under the 2018 Framework Agreement to include a new Transaction 12; and (ii) the Company estimates that the respective annual transaction amounts in respect of two out of the five Existing Transactions by Chu’s Controlled Entities to the Group and two out of the six Existing Transactions by Group to Chu’s Controlled Entities for each of the two financial years ending 31 December 2020 will exceed their respective Annual Caps for the relevant periods (collectively referred to as “**Revised Transactions**”).

On 2 July 2019, the Company, Mr. Y.H. Chu and Mr. W.H. Chu entered into the Supplemental Framework Agreement, pursuant to which the scope of services to be provided by the Group to Chu’s Controlled Entities under the 2018 Framework Agreement is extended to include

## LETTER FROM PELICAN FINANCIAL

Transaction 12, namely the provision of construction work by the Group to the Chu's Controlled Entities. Save and except for the extension of the scope of services to be provided by the Group to Chu's Controlled Entities pursuant to the Supplemental Framework Agreement, all other terms and conditions under the 2018 Framework Agreement remain unchanged and continue to be in full force and effect.

Both Mr. Y.H. Chu and Mr. W.H. Chu are the sons of Mr. Chu and the brothers of Ms. Chu. In addition, as at the date of this Circular, Mr. Y.H. Chu also indirectly owned approximately 17.76% of the shares of the Company. Accordingly, both Mr. Y.H. Chu and Mr. W.H. Chu are connected persons of the Company under the Listing Rules, and the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company must re-comply with the announcement and shareholders' approval requirements where the Existing Payable Annual Caps and/or the Existing Receivable Annual Caps will be exceeded or there is a material change to the terms of the 2018 Framework Agreement.

Furthermore, as one or more of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Revised Payable Annual Caps for the year ending 31 December 2020 (being larger than Transaction 12 Annual Caps and the largest among the Revised Total Annual Caps) exceed 5%, the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) and the Transactions constitute non-exempt continuing connected transactions of the Company and are subject to reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Board currently comprises six executive Directors and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron, and Mr. Ching Yu Lung, has been established to advise the Independent Shareholders the terms of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

We are not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates and also there is no relationship or interest with the Company or any other parties that could reasonably be regarded as relevant to our independence to act as independent financial adviser to the Company and therefore we considered that we are suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, other than our role as independent financial adviser to the Company regarding its continuing connected transactions on the 2018 Framework Agreement as disclosed in the 2018 Circular, there was no other engagement between the Company and us. Apart

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from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps for the two years ending 31 December 2020 are carried out in the ordinary and usual course of business of the Group and are on normal commercial terms; (ii) whether the terms of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps for the two years ending 31 December 2020 are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps.

### **BASIS OF OUR OPINION**

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

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



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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps, we have considered the following principal factors and reasons:

#### 1. Background of the Revised Transactions and Transaction 12

As set out in the Board Letter, (i) the Company considers that there is a need and, it is beneficial for the Group, to extend the scope of services to be provided by the Group to Chu's Controlled Entities under the 2018 Framework Agreement to include a new Transaction 12; and (ii) the Company estimates that the respective annual transaction amounts in respect of two out of five Existing Transactions by Chu's Controlled Entities (namely Transactions 1 and 5) and two out of six Existing Transactions by Group (namely Transactions 6 and 11) for each of the two financial years ending 31 December 2020 will exceed their respective Annual Caps for the relevant periods. Transactions 1, 5, 6 and 11 are collectively referred to as "**Revised Transactions**". Set out below is a summary description of the four Revised Transactions and Transaction 12:

(a) *Services to be provided by the Chu's Controlled Entities to the Group pursuant to the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement):*

*Construction ("Transaction 1")*

The appointment of the Chu's Controlled Entities by the Group to carry out construction work for certain property development projects of the Group in Guangzhou, Beijing and other Eastern areas of the PRC.

*Marketing services ("Transaction 5")*

The appointment of the Chu's Controlled Entities by the Group to provide property sales service, sales agency service and marketing service for the Group.

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- (b) *Services to be provided by the Group to the Chu's Controlled Entities pursuant to the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement):*

*Building design ("Transaction 6")*

The appointment of the Group by the Chu's Controlled Entities to carry out construction and building design works for certain property development projects of the Chu's Controlled Entities in Beijing, Tianjin and Shanghai.

*Commercial real estate management ("Transaction 11")*

The appointment of the Group by Chu's Controlled Entities to provide commercial real estate management service for certain commercial real estate projects of the Chu's Controlled Entities.

*Construction ("Transaction 12")*

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

## 2. Principal terms of the Supplemental Framework Agreement

As set out in the Supplemental Framework Agreement, (i) the scope of services to be provided by the Group to Chu's Controlled Entities under the 2018 Framework Agreement is extended to include Transaction 12, namely the provision of construction work by the Group to Chu's Controlled Entities for certain property development projects of Chu's Controlled Entities. Save as that, all other terms and conditions of the 2018 Framework Agreement shall remain unchanged and continue in full force and effect.

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

In respect of each of the Revised Transactions and Transaction 12, each of the Company, Mr. Y.H. Chu and Mr. W.H. Chu will procure the relevant members of the Group and the Chu's Controlled Entities to enter into sales/purchase agreements and/or service contracts (refer to as "**engagement(s)**" or "**sales contract(s)**" in general hereinafter where appropriate). The sales contracts will contain specific terms which are consistent with the terms set forth in the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement). In general, the terms of the sales contracts in respect of the Revised Transactions and Transaction 12 must be fair and reasonable so far as the Group is concerned and each sales contract that the Group and the Chu's Controlled Entities will enter into must pass through the Group's internal approval procedures (please refer to the sub-section headed "Internal Control Measures" below for more details on the Group's internal approval procedures) in order to ensure that each of the sales contract for the Revised Transactions and Transaction 12 will be conducted on normal commercial terms or better than those offered by Independent Third Parties so far as the Group is concerned.

**3. Internal Control Measures**

Similar to the Existing Transactions, to ensure that the fees and other terms of the individual agreements in respect of the Transactions proposed to be entered into by the Group are fair and reasonable and are on normal commercial terms or better, the Group has adopted the following internal approval measures:

- The cost centre of the Group will, before the Group enters into any individual agreement in respect of the Transactions with the Chu's Controlled Entities, first obtain quotations and other key terms for providing services of similar level and types from at least two Independent Third Parties for reference. The relevant operational team of the Group will then review and evaluate the terms proposed to be offered to/by Chu's Controlled Entities by/to our Group and compare such terms with that obtained from the Independent Third Parties. The head of such operational team will be responsible for approving the individual agreement in respect of the Transactions that the Group enters into with Chu's Controlled Entities in order to ensure that each of the engagements in respect of the Transactions will be conducted on normal commercial terms or better so far as the Group is concerned.
- The cost centre of the Group will also regularly collect and keep the relevant operational team informed of the latest standards and guidelines published by the relevant governmental authorities in the PRC that are relevant to the Transactions. The cost centre of the Group will take into account these latest standards and guidelines to ensure that the price and terms offered to/by the Chu's Controlled Entities by/to the Group, as well as the price and terms for providing services of similar level and types from Independent Third Parties that are used for comparison as mentioned above, conform with such standards and guidelines.
- The cost centre of the Group will request the relevant operational teams of the Group to report the actual transaction amounts incurred for each of the Transactions on a regular basis. The cost centre of the Group will monitor the aggregate transaction amounts incurred on a regular basis to ensure that the Annual Caps in respect of each of the Transactions are not exceeded. If and when the cost centre of the Group becomes aware that the actual aggregate transaction amount of any Transaction will soon exceed its annual cap for the relevant financial year, the cost centre of the Group will be required to inform the management of the Company and the relevant operational team promptly to ensure that no further transactions in respect of that particular Transaction shall be carried out for the remainder of that financial year.

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In considering whether the internal control measures adopted by the Group as set out above are adequate and effective, we have walked through the internal control systems with two of the Revised Transactions, namely Transaction 6 and Transaction 11, under the 2018 Framework Agreement and obtained relevant supporting documents including, amongst others, relevant quotations from Independent Third Parties, the approvals from the relevant operational team heads, the relevant standards and guidelines published by the relevant governmental authorities in the PRC and maintained by the cost centre and records of the actual transaction amounts incurred. We noted that the quotations are from sizeable Independent Third Parties and the price and terms adopted in these quotations are in line with the latest standards and guidelines published by the relevant governmental authorities in the PRC. Based on our review of the information and the examination of the internal control system, we are satisfied that the internal control measures have been properly maintained by the Group and that the Revised Transactions have been conducted on normal commercial terms, or better than, the relevant market rates.

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

In light of the above, we are of the view that the internal control measures are adequate and effective in ensuring the Transactions to continue be conducted on normal commercial terms or better and that the relevant Annual Caps will not be exceeded. We are also of the view that the internal control measures adopted by the Group are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

#### **4. Background information of the Group and the Chu's Controlled Entities and the reasons for, and benefits of, revising the Annual Caps for the Revised Transactions and entering into the Supplemental Framework Agreement**

##### **(a) *Background information of the Group***

The Group is principally engaged in the development of residential properties in the mainland China. The Group is also involved in property investment, hotel operations and property management. Its property development business covers various cities in the PRC including but are not limited to Guangzhou, Beijing, Shanghai, Tianjin and Huizhou.

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Set out below is a summary of the financial information of the Group for the two financial years ended 31 December 2018 as extracted from the Annual Report.

	<b>For the financial year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
<i>Revenue</i>		
— Sales of properties	9,433,038	11,125,122
— Property management income	1,136,282	936,085
— Income from hotel operations	432,157	408,269
— Rental income		
— Investment properties	2,002,784	1,127,631
— Others	<u>289,271</u>	<u>226,839</u>
<b>Total Revenue</b>	<b><u>13,293,532</u></b>	<b><u>13,823,946</u></b>
<b>Gross profit</b>	<b><u>6,527,936</u></b>	<b><u>5,085,471</u></b>
<b>Profit for the year</b>	<b><u>5,822,599</u></b>	<b><u>5,811,820</u></b>

Total revenue of the Group for the financial years ended 31 December 2017 and 2018 amounted to approximately HK\$13,823.9 million and HK\$13,293.5 million respectively, of which 80.5% and 71.0% was generated from the sales of properties. As set out in the Annual Report, the PRC government was adamant about the development concept of “properties are for accommodation, not for speculation”, and adhered to implementing different policies according to the specific situations of different cities and giving category-based guidance under regulation and control. Heavy emphasis was, therefore, placed on “stability” for real estate market in 2018. In view of the PRC real estate market development in 2018, the Group actively promoted the development and sales of residential products to improve the demand for properties in the Beijing-Tianjin-Hebei Region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, thereby accelerating the cash inflow in response to the regional development policy vigorously implemented by the PRC government. In addition to accomplishing the strategic industrial diversification, the Group gradually increased its investment in its infrastructure businesses, aiming to improve product quality and enhance customer loyalty. Apart from optimising its potential of rental income, the Group endeavoured to grasp the opportunity created by the higher demand for high-end services in the domestic market and continually enhance its property management services, and strove to expand

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brand business of high-end lifestyle brand “MAHÁ” and elderly care brand “Lerom Watermark” to promote its strategy on the balanced development of light and heavy assets.

Looking forward, it is expected that in 2019 the Group will tap into its land reserve advantages in the Beijing-Tianjin-Hebei Region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, and strive to promote its brand and customer services to further drive the growth of its residential properties, commercial properties, property management and infrastructure investments. Moreover, it is anticipated that the Group will continue to diversify its businesses to promote and explore value chain-related industries, and continue its innovation, promotion and improvement works on a number of quality brands, products and services, building its solid foundation for the long-term sustainable development.

### **(b) *Background information of the Chu’s Controlled Entities***

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

A member of Chu’s Controlled Entities, namely, Guangdong Hanjiang, is classified as 房屋建築工程總承包壹級 (Property Construction First Class Main Contractor) by the relevant government authority in the PRC. First class main contractors are qualified to undertake larger scale projects than non-first class contractors. Guangdong Hanjiang offers a comprehensive range of services, employing over 350 industry experts, of which 100 are mid to senior level. Another member of Chu’s Controlled Entities, namely, Guangdong Zhujiang is classified as 建築工程施工總承包壹級 (Construction First Class Main Contractor) by the relevant government authority in the PRC. Both Guangdong Hanjiang and Guangdong Zhujiang have obtained the ISO 9000 certification for their quality management system, managing and controlling the quality, constructions, safety and costs of their construction projects with modern management methods. Both Guangdong Hanjiang and Guangdong Zhujiang are reputable contractors in the industry, each has a proven track record and possesses the relevant technical capabilities and expertise in handling a wide range of construction projects. Furthermore, Guangdong Zhujiang has completed the filing procedure with the real estate development authority in Jiangsu Province and is therefore eligible to undertake construction works in Jiangsu Province.

We understand that the Group has been transacting with the Chu’s Controlled Entities and they have also maintained good payment records for the services provided. We also noted that the Group has conducted market research and is of the view that the pricing offered by Chu’s Controlled Entities is highly competitive.

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***(c) The reasons for, and benefits of, revising the Annual Caps for the Revised Transactions and entering into the Supplemental Framework Agreement***

As set out in the section titled “Reasons for, and benefits of, revising the Annual Caps for Revised Transactions and entering into the Supplemental Framework Agreement” in the Circular, the Board (i) expects that the respective existing Annual Caps in respect of Transaction 1 and 5 for the two financial years ending 31 December 2020 will not be sufficient to meet the business needs of the Group; (ii) expects that the transaction amounts that correspond to the expected demands from Chu’s Controlled Entities for the Group’s services under Transaction 6 and 11 for the two financial years ending 31 December 2020 will exceed the respective existing Annual Caps for the relevant periods; and (iii) considers that there is a real demand from Chu’s Controlled Entities for the Group’s services under Transaction 12 for the two financial years ending 31 December 2020. Accordingly, the Group decided to (i) revise the Annual Caps in respect of each of the Revised Transactions and (ii) enter into the Supplemental Framework Agreement to extend the scope of services to be provided by the Group to Chu’s Controlled Entities in respect of Transaction 12 and set the proposed Transaction 12 Annual Caps for the two financial years ending 31 December 2020. All of the Transactions are recurrent, regular and continuing in nature between the Group and the Chu’s Controlled Entities.

The entering into the Supplemental Framework Agreement pursuant to the 2018 Framework Agreement will continue to provide a single basis on which the Company will comply with the reporting, announcement, circular and independent shareholders’ approval requirements under the Listing Rules, thereby reducing the Company’s administration burden and costs for complying with such requirements in relation to the execution of the separate agreement for each of the engagements under each of the Transactions.

As set out in the same section of the Circular, over the years the Group and the Chu’s Controlled Entities have built up a close and good working relationship. Given the proven track record, qualification, expertise, reputation, experience and highly competitive pricing of the Chu’s Controlled Entities, the Group is of the view that it is in the interests of the Company and the Shareholders as a whole to increase its engagement of Chu’s Controlled Entities for the provision of services under Transaction 1 and Transaction 5. Meanwhile, in view of the good payment records of Chu’s Controlled Entities, the Group considers that (a) the provision of more services by the Group under Transaction 6 and Transaction 11, and (b) the Chu’s Controlled Entities’ appointment of the Group for the provision of services under Transaction 12, which are on normal commercial terms or better, would provide an additional and steady source of income to the Group and are in the interests of the Company and its shareholders as a whole.



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Having considered (i) the long-term established business relationship between the Group and the Chu's Controlled Entities; (ii) the proven track record, qualification, expertise, reputation, experience and highly competitive pricing of the Chu's Controlled Entities; and (iii) the good payment records of the Chu's Controlled Entities with the Group, we are of the view that entering into the Supplemental Framework Agreement with the Chu's Controlled Entities will provide an efficient and effective means for the Group to carry out certain of its business activities and we are of view that the Transactions will be carried out in the ordinary and usual course of business and that the terms of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### 5. Revision of the Existing Payable Annual Caps and the Existing Receivable Annual Caps and the Proposed Transaction 12 Annual Caps and bases for determining the respective Annual Caps

#### (a) Existing Annual Caps and actual transaction amounts of the Revised Transactions

Set out below are the existing Annual Caps and the actual transaction amounts of the Revised Transactions under the 2018 Framework Agreement, which had also been carried out between the Group and Hanjiang Group under the 2015 Framework Agreement, for the three financial years ended 31 December 2018:

Transactions	Year ended 31 December 2016		Year ended 31 December 2017		Year ended 31 December 2018	
	Annual Caps	Approximate transaction amount	Annual Caps	Approximate transaction amount	Annual Caps	Approximate transaction amount
Transaction 1 — Construction	RMB430,017,000 (equivalent to approximately HK\$487,854,000)	RMB343,616,000 (equivalent to approximately HK\$389,832,000)	RMB415,985,000 (equivalent to approximately HK\$471,935,000)	RMB78,136,000 (equivalent to approximately HK\$88,645,000)	RMB483,493,000 (equivalent to approximately HK\$548,523,000)	RMB73,856,000 (equivalent to approximately HK\$83,790,000)
Transaction 5 — Marketing services	N/A	N/A	N/A	N/A	RMB200,440,000 (equivalent to approximately HK\$227,399,000)	RMB200,360,000 (equivalent to approximately HK\$227,308,000)
Transaction 6 — Building design	RMB7,009,000 (equivalent to approximately HK\$7,952,000)	RMB86,000 (equivalent to approximately HK\$98,000)	RMB6,742,000 (equivalent to approximately HK\$7,649,000)	RMB110,000 (equivalent to approximately HK\$125,000)	RMB40,820,000 (equivalent to approximately HK\$46,310,000)	RMB25,960,000 (equivalent to approximately HK\$29,452,000)
Transaction 11 — Commercial real estate management	N/A	N/A	N/A	N/A	RMB153,901,000 (equivalent to approximately HK\$174,601,000)	RMB41,348,000 (equivalent to approximately HK\$46,909,000)



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**(b) Revised/proposed Annual Caps of the Revised Transactions and Transaction 12**

Set out below are the revised Annual Caps of the Revised Transactions and the proposed Transaction 12 Annual Caps for each of the two financial years ending 31 December 2020:

*A. Fees payable by the Group to Chu's Controlled Entities:*

Transactions	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap
Transaction 1	RMB422,388,000	RMB1,022,388,000	RMB449,632,000	RMB1,149,632,000
— Construction	(equivalent to approximately HK\$479,199,000)	(equivalent to approximately HK\$1,159,899,000)	(equivalent to approximately HK\$510,108,000)	(equivalent to approximately HK\$1,304,258,000)
Transaction 5	RMB250,065,000	RMB799,995,000	RMB300,213,000	RMB1,000,222,000
— Marketing services	(equivalent to approximately HK\$283,699,000)	(equivalent to approximately HK\$907,594,000)	(equivalent to approximately HK\$340,592,000)	(equivalent to approximately HK\$1,134,752,000)

As a result of the revision to the Annual Caps for each of Transactions 1 and 5 for each of the two financial years ending 31 December 2020, it is proposed that the Existing Payable Annual Caps will be increased to the Revised Payable Annual Caps as follows:

	For the financial year ending 31 December			
	2019		2020	
	Existing Payable Annual Cap	Revised Payable Annual Cap	Existing Payable Annual Cap	Revised Payable Annual Cap
Total:	RMB814,533,000 (equivalent to approximately HK\$924,088,000)	RMB1,964,463,000 (equivalent to approximately HK\$2,228,683,000)	RMB903,757,000 (equivalent to approximately HK\$1,025,312,000)	RMB2,303,766,000 (equivalent to approximately HK\$2,613,623,000)

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### B. Fees receivable by the Group from Chu's Controlled Entities:

Transactions	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap
Transaction 6	RMB39,715,000	RMB72,378,000	RMB14,017,000	RMB55,638,000
— Building design	(equivalent to approximately HK\$45,057,000)	(equivalent to approximately HK\$82,113,000)	(equivalent to approximately HK\$15,902,000)	(equivalent to approximately HK\$63,121,000)
Transaction 11	RMB205,433,000	RMB314,683,000	RMB228,791,000	RMB297,351,000
— Commercial real estate management	(equivalent to approximately HK\$233,064,000)	(equivalent to approximately HK\$357,008,000)	(equivalent to approximately HK\$259,563,000)	(equivalent to approximately HK\$337,345,000)

As a result of the revision to the Annual Caps for each of Transaction 6 and 11, it is proposed that the Existing Receivable Annual Caps will be increased to the Revised Receivable Annual Caps as follows:

	For the financial year ending 31 December			
	2019		2020	
	Existing Receivable Annual Cap	Revised Receivable Annual Cap	Existing Receivable Annual Cap	Revised Receivable Annual Cap
Total:	RMB323,988,000 (equivalent to approximately HK\$367,564,000)	RMB465,901,000 (equivalent to approximately HK\$528,565,000)	RMB326,840,000 (equivalent to approximately HK\$370,800,000)	RMB437,021,000 (equivalent to approximately HK\$495,800,000)

### C. Fees receivable by the Group from Chu's Controlled Entities under Transaction 12:

Transactions	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Proposed Annual Cap	Existing Annual Cap	Proposed Annual Cap
Transaction 12	N/A	RMB200,000,000	N/A	RMB250,000,000
— Construction		(equivalent to approximately HK\$226,900,000)		(equivalent to approximately HK\$283,625,000)

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(c) *Bases for determining the respective revised/proposed Annual Caps*

*Services to be provided by the Chu's Controlled Entities to the Group pursuant to the 2018 Framework Agreement and the Supplemental Framework Agreement:*

*Transaction 1 — Construction*

Basis for determining the revised Annual Caps under Transaction 1

Set out below are the existing and revised Annual Caps for Transaction 1 for each of the two financial years ending 31 December 2020:

	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap
<b>Transaction 1</b>	RMB422,388,000	RMB1,022,388,000	RMB449,632,000	RMB1,149,632,000
<b>— Construction</b>	(equivalent to approximately HK\$479,199,000)	(equivalent to approximately HK\$1,159,899,000)	(equivalent to approximately HK\$510,108,000)	(equivalent to approximately HK\$1,304,258,000)

In determining the revised Annual Caps for Transaction 1, the Group has taken into account (i) the relevant pricing basis disclosed in the 2018 Circular; (ii) the estimated increase in the Group's demands for Chu's Controlled Entities to carry out construction work for two of its existing projects in Kunshan and Taicang, Jiangsu Province; and (iii) the estimated increase in the aggregate gross floor area of the said Group's property projects in Kunshan and Taicang, Jiangsu Province, the construction of which are expected to be carried out by Chu's Controlled Entities, from approximately 235,000 sq.m. to 568,000 sq.m. in 2019 and from approximately 250,000 sq.m. to 639,000 sq.m. in 2020.

Documents obtained and reviewed for Transaction 1

In connection with Transaction 1, we have obtained, reviewed and examined (i) a schedule setting out the information on the estimated construction fee payable by the Group to the Chu's Controlled Entities for the two financial years ending 31 December 2020; (ii) a schedule setting out information on the breakdown of estimated average unit construction fee; (iii) a schedule setting out the information on the historical construction fees paid by the Group to the Chu's Controlled Entities during the two financial years ended 31 December 2018; (iv) information on the average unit construction cost estimated by an engineering project cost consulting firm in the PRC (the "**Consulting Firm**") for previous construction projects for the two financial years ended 31 December 2020; and (v) reference materials for setting prices for different construction materials and services, including the standards and guidelines stipulated by the relevant government authorities.

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### Our analysis of the revised Annual Caps for Transaction 1

In deriving the revised Annual Caps for Transaction 1, the Company has multiplied the estimated average unit construction fee payable with the estimated aggregate gross floor areas for the property projects of the Group in Kunshan and Taicang, Jiangsu Province, the construction of which are probably to be performed by the Chu's Controlled Entities for each of the two financial years ending 31 December 2020.

### The estimated average unit construction fee payable

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

According to the management, the average estimated unit construction fee payable by the Group is approximately RMB1,800 per sq.m., which is within the range of the average unit construction cost of approximately RMB1,800 to RMB2,000 per sq.m. as provided by the Consulting Firm. As stated in the 2018 Circular, for our due diligence purpose, we have discussed with the Consulting Firm on the works they have performed. We have also enquired its qualifications, expertise and independence to the Group and have reviewed its engagement, including its scope of work. We were not aware of any irregularities during our interview with the Consulting Firm or in our review of the work. In particular, we note that the Consulting Firm has business license to carry out construction cost assessment business in the PRC and it also possesses grade A qualification to carry out project costing consultation in the PRC with 工程造價諮詢企業甲級資質證書 (Engineering Project Cost Consultancy Grade A Qualification Certificate).

In addition, for the Group's existing property projects in Kunshan and Taicang, Jiangsu Province, of which the construction works would likely be performed by the Chu's Controlled Entities for each of the two financial years ending 31 December 2020, the estimated unit construction fee for different construction materials and services payable by the Group are also in line with the market range of fees for similar construction materials and services according to 江蘇省建築與裝飾工程計價定額(2014年) (Jiangsu Provincial Construction and Decoration Engineering Pricing Table (2014)), which is the latest version of pricing table published by the 江蘇省住房和城鄉建設廳 (Jiangsu Provincial Department of Housing and Urban Rural Development).

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### The estimated aggregate gross floor areas for the property projects of the Group

Furthermore, we have also reviewed the schedule in respect of the estimated aggregate gross floor areas for the property projects of the Group in Kunshan and Taicang, Jiangsu Province, the construction of which are expected to be carried out by the Chu's Controlled Entities for the two financial years ending 31 December 2020. As advised by the Company, the estimated aggregate gross floor areas for the property projects of the Group are determined in accordance with the Group's property development schedule in the forthcoming years. In our review of the estimated aggregate gross floor areas for the said property project in Kunshan and Taicang, Jiangsu Province, which has an aggregate gross floor areas of approximately 333,000 sq.m. in 2019 and 389,000 sq.m. in 2020, we noted that such projects are consistent with the property project development plan of the Group as included in the Annual Report. As such, having reviewed the schedule and discussed with the management of the Company basis of the preparation, we are of the view that such estimated aggregate gross floor areas are consistent with the Group's property project development plan requiring the services of the Chu's Controlled Entities from 2019 to 2020.

Also, as the Group and the Chu's Controlled Entities have established long-term business relationship and the construction services provided by the Chu's Controlled Entities have been satisfactory, the continuing appointment of the Chu's Controlled Entities to provide the Group with construction services can further boost the overall operating efficiency and cost effectiveness of the Group as a whole.

In light of the above, we are of the view that Transaction 1 and the terms thereto are on normal commercial terms or better and the revised Annual Caps for Transaction 1 are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

## LETTER FROM PELICAN FINANCIAL

### *Transaction 5 — Marketing services*

#### Basis for determining the revised Annual Caps under Transaction 5

Set out below are the existing and revised Annual Caps for Transaction 5 for each of the two financial years ending 31 December 2020:

	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap
<b>Transaction 5</b>	RMB250,065,000	RMB799,995,000	RMB300,213,000	RMB1,000,222,000
<b>— Marketing services</b>	(equivalent to approximately HK\$283,699,000)	(equivalent to approximately HK\$907,594,000)	(equivalent to approximately HK\$340,592,000)	(equivalent to approximately HK\$1,134,752,000)

In determining the revised Annual Caps for Transaction 5, the Group has taken into account (i) the relevant pricing basis disclosed in the 2018 Circular; and (ii) the estimated increase in scope and extent of services required by the Group based on its revised sales strategy since early 2019 to substantially increase its marketing efforts with an aim to achieve higher sales and enhance its cost efficiency.

#### Documents obtained and reviewed for Transaction 5

In connection with Transaction 5, we have obtained, reviewed and examined (i) a schedule setting out the information on the estimated marketing service fees payable by the Group to the Chu's Controlled Entities for marketing services for the two financial years ending 31 December 2020; (ii) a schedule setting out the information on the historical marketing service fees paid by the Group to the Chu's Controlled Entities during the two financial years ended 31 December 2018; and (iii) information on the market rates or price quotations provided by Independent Third Parties for providing similar marketing services.

#### Our analysis of the revised Annual Caps for Transaction 5

In deriving the revised Annual Caps for Transaction 5, the Company has estimated the marketing service fees payable for the two financial years ending 31 December 2020 based on its internal estimation.

As advised by the Company, the estimated fees for marketing services may vary as they are subject to the nature of marketing services to be provided by the Chu's Controlled Entities to the Group based on the Group's plans. In this regard, we noted from the management that, since early 2019, the Group has revised its sales strategy to substantially increase its marketing efforts with an aim to achieve higher sales and enhance its cost efficiency, and the Group plans to utilise more

## LETTER FROM PELICAN FINANCIAL

marketing services from the Chu's Controlled Entities, particularly their online platform which promotes and expedites transactions facilitated by individual sales agents. It is estimated that the average marketing service fees/commission would be in the region of approximately 1% to 3% of sales generated from projects in first-tier cities, and up to 12% of sales from projects in outer suburbs, second and/or third tier cities. To determine whether such estimated marketing service fees/commissions for the two financial years ending 31 December 2020 are on normal commercial terms, we have compared the estimated marketing service fees/commissions to the prevailing market rates for similar marketing services provided by Independent Third Parties to the Group. In this regard, we have obtained two samples and/or references of fee/commission quotations for similar marketing services, selected on a random sampling basis, offered by Independent Third Parties to the Group or obtained from the public domain (i.e. commission rates published by PRC property agents such as 鏈家地產 (Lianjia Property) and 我愛我家 (5i5j)) during the three years ended 31 December 2018 and up to the Latest Practicable Date. Based on our discussion with the management and our review of the documents, we noted that the prevailing market rates for similar marketing services provided by Independent Third Parties to the Group or those obtained from the public domain are in the region of approximately 1% to 4% of sales generated from projects in first-tier cities, and also up to 12% of sales from projects in outer suburbs, second and/or third tier cities. Our comparison indicates that the estimated marketing service fees/commissions payable by the Group to the Chu's Controlled Entities falls within the market range and are comparable, or better than, those chargeable by Independent Third Parties. Having considered the above, we are of the view that the estimated marketing service fees/commissions used in determining the revised Annual Caps of Transaction 5 for the two financial years ending 31 December 2020 are properly estimated.

We also noted that the revised Annual Caps for Transaction 5 represent a significant increment from the existing Annual Cap for the year ended 31 December 2019 and that the year-on-year increment between the revised Annual Caps for the two years ending 31 December 2020 is relatively significant which are due to the expected increases in the contracted sales growth for the two years ending 31 December 2020. As disclosed in the Circular, the audited contracted sales of the Group for the year ended 31 December 2018 was approximately RMB14,975 million. For the six months ended 30 June 2019, the unaudited contracted sales of the Group was approximately RMB10,369 million, representing an increase of 66.3% as compared to approximately RMB6,235 million in the same period of 2018. The Group expects that its full-year contracted sales target for 2019 will be increased by approximately the same extent or even more as compared to that for the full year of 2018, and the Group expects to achieve further contracted sales growth in 2020. Therefore, the estimated increase in the Annual Caps for each of the two financial years ending 31 December 2020 was determined based on such expected increase in the contracted sales of the Group.

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We have also enquired the nature and description of the relevant marketing services to be rendered by the Chu's Controlled Entities for the two financial years ending 31 December 2020 in addition to those proposed to be rendered under the 2018 Framework Agreement. As advised by the Company, the additional marketing services that are to be carried out by the Chu's Controlled Entities for the two financial years ending 31 December 2020 are mostly determined in accordance with the estimated increase in scope and extent of services required by the Group based on its revised sales strategy since early 2019, particularly that related to sales to be facilitated on the Chu's Controlled Entities' online platform. If the revised sales strategy progresses as anticipated by the Group and the expected contracted sales is to be expedited by close to 35,000 individual sales agents on the Chu's Controlled Entities' online platform and by teams of field representatives formed and trained by the Chu's Controlled Entities to market and support the sales of the Group's various property projects nationwide, it is reasonable to expect that the Group would require the amounts of marketing services provided by the Chu's Controlled Entities under the revised Annual Caps for Transaction 5.

Meanwhile, as the Group expects that it would take some time for the two parties to assess and determine the ways to best utilise the Chu's Controlled Entities's online platform and other resources, therefore, it is expected that the contracted sales generated through these new marketing channels of the Chu's Controlled Entities will increase significantly from 2019 to 2020.

We also concurred with the management that, if the Group sets a relatively conservative or lower level of revised Annual Caps for Transaction 5 and in the event if the Group's revised sales strategy progresses as anticipated and the amount of marketing services to be demanded by the Group becomes higher than expected, before proceeding on such marketing engagement with the Chu's Controlled Entities, the Group would need to prepare the relevant documentations for obtaining clearance from the Stock Exchange and approvals from Independent Shareholders as required under Rule 14A.76(2)(a) which may significantly hinder the Group's development and business performance. In light of the above, we are of the view that the basis and assumptions in formulating the revised Annual Caps for Transaction 5, as well as the significant increment of the revised Annual Caps for Transaction 5 compared to the existing Annual Caps for the year ended 31 December 2019 and the year-on-year increment between the revised Annual Caps for the two years ending 31 December 2020, are fair and reasonable.

Also, as the Group and the Chu's Controlled Entities have established long-term business relationship, the Chu's Controlled Entities have secured a solid understanding of the Group's operations and its property projects as well as the expectations and requirements of the Group, which are considered by the Group to be necessary in designing and implementing a marketing plan suitable for the



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Group. As such, the continual appointment of the Chu's Controlled Entities to provide the Group with marketing services can further boost the overall operating efficiency and enhance cost effectiveness of the Group as a whole.

In light of the above, we are of the view that Transaction 5 and the terms thereto are on normal commercial terms or better and the revised Annual Caps for Transaction 5 are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

*Services to be provided by the Group to the Chu's Controlled Entities pursuant to the 2018 Framework Agreement and the Supplemental Framework Agreement:*

### *Transaction 6 — Building design*

#### Basis for determining the Annual Caps under Transaction 6

Set out below are the existing and revised Annual Caps for Transaction 6 for each of the two financial years ending 31 December 2020:

	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap
<b>Transaction 6</b>	RMB39,715,000	RMB72,378,000	RMB14,017,000	RMB55,638,000
<b>— Building design</b>	(equivalent to approximately HK\$45,057,000)	(equivalent to approximately HK\$82,113,000)	(equivalent to approximately HK\$15,902,000)	(equivalent to approximately HK\$63,121,000)

In determining the revised Annual Caps for Transaction 6, the Group has taken into account (i) the relevant pricing basis disclosed in the 2018 Circular; (ii) the expected increase in demands from Chu's Controlled Entities for the Group's construction and building design works with reference to the rise of their actual demand since the second half of 2018; and (iii) the estimated increase in the aggregate sizes of the building projects of the Chu's Controlled Entities for which require the Group's construction and building design works from approximately 722,000 sq.m. to 2,277,000 sq.m. in 2019 and from approximately 255,000 sq.m. to 1,764,000 sq.m. in 2020.

#### Documents obtained and reviewed for Transaction 6

In connection with Transaction 6, we have obtained, reviewed and examined (i) a schedule setting out the information on the estimated building design fees receivable by the Group from the Chu's Controlled Entities for carrying out the building design works for certain property projects of the Chu's Controlled Entities for the two financial years ending 31 December 2020; (ii) information on the

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market rates or price quotations provided by Independent Third Parties for providing similar building design services and (iii) a schedule setting out the information on the historical building design fees received by the Group from the Chu's Controlled Entities during the two financial years ended 31 December 2018.

### Our analysis of the revised Annual Caps for Transaction 6

In deriving the revised Annual Caps for Transaction 6, the Company has multiplied the estimated average unit building design fees for various building works and the volume of building design works to be provided to the Chu's Controlled Entities for the two financial years ending 31 December 2020.

### The estimated average unit building design fees

To determine whether the various estimated average unit building design fees receivable by the Group from the Chu's Controlled Entities for the two financial years ending 31 December 2020 are on normal commercial terms, we have compared the information on the prevailing market rates for similar building design services provided by Independent Third Parties to the estimated unit building design fees receivable by the Group from the Chu's Controlled Entities for the two financial years ending 31 December 2020. In this regard, we have obtained three samples of building design service contracts, selected on a random sampling basis, made between the Group and the Chu's Controlled Entities during the three years ended 31 December 2018 and up to the Latest Practicable Date, and compared that to the information on the then market rates and terms, which include two samples of price quotations and/or contracts each, for similar building design services offered by Independent Third Parties to the Group during the same period, also selected on a random sampling basis. Based on our discussion with the management and our review of the documents, we noted that the building design fees received by the Group, as well as the estimated unit building design fees chargeable by the Group, are in line with the market rates of various types of building design work. Having considered the above, we are of the view that the estimated unit building design fees used in determining the revised Annual Caps of Transaction 6 for the two financial years ending 31 December 2020 are properly estimated.

### The volume of building design work

Furthermore, we have also reviewed the volume of building design work for the Chu's Controlled Entities that are to be carried out by the Group for the two financial years ending 31 December 2020. This is estimated based on the Group's anticipation of the demand for the building design works of the Group by the Chu's Controlled Entities. We noted that the anticipated increase in demand for the building design works of the Group from the Chu's Controlled Entities was based on the business expansion of and upcoming projects by the Chu's Controlled Entities, which will have an aggregate volume of approximately 2,277,000 sq.m. in

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2019 and 1,764,000 sq.m. in 2020, and about three times and seven times higher than the aggregate volume of approximately 722,000 sq.m. in 2019 and 255,000 sq.m. in 2020 as disclosed in the 2018 Circular, respectively. Given the significant increase in the aggregate volume of building design works expected to be carried out by the Group, we are of the view that it is reasonable for the Group to set the revised Annual Caps for Transaction 6 at the proposed level to align with such anticipated growth in demand in the coming years. In light of the above, we are of the view that the basis and assumptions in formulating the revised Annual Caps for Transaction 6 are fair and reasonable.

Also, in view of the good payment records of Chu's Controlled Entities, the provision of more services by the Group under Transaction 6, which is on normal commercial terms or better, would provide an additional and steady source of income to the Group and is in the interests of the Company and its shareholders as a whole.

In light of the above, we are of the view that Transaction 6 and the terms thereto are on normal commercial terms or better and the revised Annual Caps for Transaction 6 are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### *Transaction 11 — Commercial real estate management*

#### Basis for determining and discussion of the revised Annual Caps under Transaction 11

Set out below are the existing and revised Annual Caps for Transaction 11 for each of the two financial years ending 31 December 2020:

	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Revised Annual Cap	Existing Annual Cap	Revised Annual Cap
<b>Transaction 11</b>	RMB205,433,000	RMB314,683,000	RMB228,791,000	RMB297,351,000
<b>— Commercial</b>	(equivalent to	(equivalent to	(equivalent to	(equivalent to
<b>real estate</b>	approximately	approximately	approximately	approximately
<b>management</b>	HK\$233,064,000)	HK\$357,008,000)	HK\$259,563,000)	HK\$337,345,000)

In determining the revised Annual Caps for Transaction 11, the Group has taken into account (i) the relevant pricing basis disclosed in the 2018 Circular; and (ii) the expected increase in demands from Chu's Controlled Entities for the Group's provision of commercial real estate management services due to the change in Chu's Controlled Entities business model in the operation of their commercial real estate projects by reducing the input of their own resources and utilizing more of the services to be provided by third parties.

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### Documents obtained and reviewed for Transaction 11

In connection with Transaction 11, we have obtained, reviewed and examined (i) a schedule setting out the information on the estimated fees receivable by the Group from the Chu's Controlled Entities for providing commercial real estate management services; (ii) information on the market rates or price quotations provided by the Group to the Independent Third Parties for providing similar commercial real estate management services, (iii) the number and sizes of the commercial real estate projects of the Chu's Controlled Entities which require the Group's services for the two financial years ending 31 December 2020; and (iv) a schedule setting out the information on the historical commercial real estate management service fees received by the Group from the Chu's Controlled Entities during the two financial years ended 31 December 2018.

### Our analysis of the revised Annual Caps for Transaction 11

In deriving the revised Annual Caps for Transaction 11, the Company has estimated the number of commercial real estate projects of Chu's Controlled Entities which require the Group's services as well as the revenue to be generated by Chu's Controlled Entities from such projects and the estimated percentage fee chargeable on those projects for each of the two financial years ending 31 December 2020.

### The estimated percentage fee chargeable

To determine whether the percentage fee chargeable by the Group for the two financial years ending 31 December 2020 are on normal commercial terms, we have compared the estimated percentage fee chargeable by the Group at 5% of the construction costs of the relevant projects to the information on the prevailing market rates for provision of similar commercial real estate management services by Independent Third Parties. In this regard, we have obtained two samples of commercial real estate management service contracts, selected on a random sampling basis, made between the Group and the Chu's Controlled Entities during the three years ended 31 December 2018 and up to the Latest Practicable Date and compared that to the information on the then market rates and terms for similar commercial real estate management services offered by the Group to Independent Third Parties during the same period (in this regard, three samples of commercial real estate management service contracts made between the Group and Independent Third Parties were selected on a random sampling basis). Based on our review of the documents, we noted that the commercial real estate management fees received by the Group, as well as the estimated percentage fee chargeable by the Group, are in line with the market rates for similar commercial real estate management services. Our comparison indicates that the estimated percentage fee chargeable by the Group falls within the market range. Having considered the above, we are of the

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view that the percentage fee chargeable used in determining the proposed revised Annual Caps of Transaction 11 for the two financial years ending 31 December 2020 are properly estimated.

### The number of commercial real estate projects

Furthermore, we have also reviewed the schedule of the number and size of the commercial real estate projects of the Chu's Controlled Entities which will require the Group's services for the two financial years ending 31 December 2020, which was estimated based on the Group's knowledge of the Chu's Controlled Entities' commercial real estate projects. Based on the scope and extent of the relevant projects, we are of view that the expected increase in demand for commercial real estate management services provided by the Chu's Controlled Entities is reasonably estimated. Meanwhile, as the construction phase of certain commercial real estate projects of Chu's controlled entities, which contribute to a significant portion of the fees receivable by the Group from each of the transactions under Transaction 11, will have been completed by the end of 2019, we are of the view that it is reasonable to set the revised Annual Cap for Transaction 11 for 2020 to be slightly lower than that for 2019 to match with the actual completion. As such, we are of the view that the basis and assumptions in formulating the revised Annual Caps and the year-on-year fluctuation for the two years ending 31 December 2020 for Transaction 11 are fair and reasonable.

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

In light of the above, we are of the view that Transaction 11 and the terms thereto are on normal commercial terms or better and the revised Annual Caps for Transaction 11 are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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### *Transaction 12 — Construction*

#### Basis for determining price and other terms under Transaction 12

As set out in the Supplemental Framework Agreement, the construction fees payable by Chu's Controlled Entities to the Group and the other terms for carrying out construction work of the property development projects of Chu's Controlled Entities in the PRC shall be determined by the parties with reference to the terms offered by Independent Third Parties for providing similar services and the latest stipulated standards and guidelines prescribed by 建設委員會 (Construction Committee) of where the project is located, such as 北京市建設工程計價依據 — 預算定額 (Costing Basis of Construction and Installation Works, Beijing Municipal — Base Price Budgeting) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2012 for property projects in Beijing.

#### Basis for determining the Transaction 12 Annual Caps

Set out below are the proposed Transaction 12 Annual Caps for each of the two financial years ending 31 December 2020:

	For the financial year ending 31 December			
	2019		2020	
	Existing Annual Cap	Proposed Annual Cap	Existing Annual Cap	Proposed Annual Cap
<b>Transaction 12</b> — <b>Construction</b>	N/A	RMB200,000,000 (equivalent to approximately HK\$226,900,000)	N/A	RMB250,000,000 (equivalent to approximately HK\$283,625,000)

In determining the proposed Transaction 12 Annual Caps under the Supplemental Framework Agreement, the Group has taken into account (i) the relevant pricing basis under the Supplemental Framework Agreement; (ii) the Directors' estimation of the aggregate gross floor area to be completed for the said property project in Tianjin, being approximately 83,000 sq.m. in 2019 and 104,000 sq.m. in 2020, the construction of which is expected to be carried out by the Group; and (iii) the historical data relating to the Group carrying out construction work for the Chu's Controlled Entities.

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### Documents obtained and reviewed for Transaction 12

In connection with Transaction 12, we have obtained, reviewed and examined (i) a schedule setting out the information on the estimated construction fees payable by the Chu's Controlled Entities to the Group for the two financial years ending 31 December 2020; (ii) a schedule setting out the information on the breakdown of the estimated average unit construction cost; and (iii) reference materials for setting prices for construction works, including the aforementioned standards and guidelines stipulated by the relevant government authorities.

### Our analysis of the pricing basis for Transaction 12

In deriving the pricing basis for Transaction 12, the Company has considered the terms offered by Independent Third Parties for providing similar services and the latest standards and guidelines stipulated by the relevant government authorities. In this regard, we have compared the estimated unit construction fee for different construction materials and services payable by the Chu's Controlled Entities to the Group with the latest standards and guidelines stipulated by the relevant government authorities. In this regard, we have obtained the reference materials used by the Group for determining prices for the relevant construction works, in particularly the aforementioned 北京市建設工程計價依據—預算定額 (Costing Basis of Construction and Installation Works, Beijing Municipal — Base Price Budgeting) published by 北京市建設委員會 (Construction Committee of Beijing Municipal). Based on our discussion with the management and our review of the documents, we noted that the estimated unit construction fee for different construction materials and services chargeable by the Group are in line with the market range of fees for similar construction materials and services according to the latest standards and guidelines stipulated by the relevant government authorities. As such, the comparison shows that the estimated construction fees payable by the Chu's Controlled Entities to the Group would be comparable to, or no less unfavourable than, the market level of fees for similar services and that the pricing basis adopted in the Supplemental Framework Agreement is fair and reasonable.

### Our analysis of the proposed Transaction 12 Annual Caps

In deriving the proposed Transaction 12 Annual Caps, the Company has multiplied the estimated average unit construction fee chargeable by the Group with the estimated aggregate gross floor areas for the property projects of the Chu's Controlled Entities in Tianjin, the construction of which are expected to be performed by the Group for each of the two financial years ending 31 December 2020.

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### The estimated average unit construction fee chargeable

As mentioned in the section titled “Our analysis of the revised Annual Caps for Transaction 1”, whilst the estimated unit construction fee for each of the property projects may vary as they are subject to a few factors, the overall effect after averaging them would be very close and hence the Company has estimated the average unit construction fee chargeable to the Chu’s Controlled Entities by taking the average of the estimated unit fees for each of the property projects and which we considered to be reasonable.

According to the management, the average estimated unit construction fee payable by the Group is approximately RMB2,400 per sq.m., which is within the market range of fees for similar construction materials and services in Tianjin and in accordance with the latest standards and guidelines stipulated by the relevant government authorities as discussed in the previous section. Having considered the above, we are of the view that the average estimated unit construction fee used in determining the proposed Transaction 12 Annual Caps for the two financial years ending 31 December 2020 are properly estimated.

### The estimated aggregate gross floor areas for the property projects of the Chu’s Controlled Entities in Tianjin

Furthermore, we have also reviewed the schedule in respect of the estimated aggregate gross floor areas for the property projects of the Chu’s Controlled Entities in Tianjin, the construction of which are expected to be carried out by the Group for the two financial years ending 31 December 2020. As advised by the Company, the estimated aggregate gross floor areas for the property projects of the Chu’s Controlled Entities in Tianjin are approximately 83,000 sq.m. in 2019 and 104,000 sq.m. in 2020, respectively. Based on our discussion with the management and our review of the documents, we are of the view that such estimated aggregate gross floor areas are consistent with the anticipated amount of the Group’s construction services to be demanded by the Chu’s Controlled Entities in 2019 and 2020.

Also, as the Group and the Chu’s Controlled Entities have established long-term business relationship and in light of the good payment records of the Chu’s Controlled Entities, the appointment of the Group to provide the construction services to Chu’s Controlled Entities can generate an additional and steady source of income to the Group.

In light of the above, we are of the view that Transaction 12 and the terms thereto are on normal commercial terms or better and the fees payable by the Chu’s Controlled Entities to the Group thereunder as well as the proposed Transaction 12 Annual Caps are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.



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### RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that (i) the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps are carried out in the ordinary and usual course of business of the Group and are on normal commercial terms or better; and (ii) the terms of the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the SGM to approve the Supplemental Framework Agreement, Transaction 12, Transaction 12 Annual Caps and the Revised Total Annual Caps.

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

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

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of the Directors and the chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules were as follows:

### **The Company — Long position in the Shares**

Name of Director	Nature of interest		Approximate percentage of Shares in issue
	Personal	Corporate	
Mr. Chu	—	1,229,003,809 <sup>(1)</sup>	55.22%
Mr. Au Wai Kin	—	34,500,000 <sup>(2)</sup>	1.55%
Ms. Chu	1,000,000	1,014,000 <sup>(3)</sup>	0.09%

#### *Notes:*

1. Mr. Chu held 1,160,363,809 Shares through Sounda and 68,640,000 through Hopson Education Funds.
2. Mr. Au Wai Kin held 34,500,000 Shares through a company wholly-owned and controlled by him.
3. Ms. Chu held 1,014,000 Shares through Ju Rong.

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

Save for the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement), no contract, commitment or agreement of significance in relation to the Company's business, in which any of the Directors had a material interest, subsisted as at the Latest Practicable Date.

None of the Directors had any interest, direct or indirect, in any asset which, since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group as at the Latest Practicable Date.

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

### **3. SERVICE AGREEMENTS**

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

### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

### **5. QUALIFICATIONS AND CONSENT OF EXPERT**

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

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

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

As at the Latest Practicable Date, Pelican Financial did not have any interest, direct or indirect, in any assets which had since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Pelican Financial has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.

## **6. COMPETING INTERESTS**

Mr. Lee Tsung Hei, David, an independent non-executive Director, is a director of various companies which are engaged in the property development and property investment business. Mr. Lee is also the Chairman of the Investment Committee of a fund which is engaged in the property development and property investment business.

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

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copy of the following documents will be available for inspection at the Company's principal office in Hong Kong at Suites 3305-3309, 33rd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong from 9:30 a.m. to 5:00 p.m. during the period commencing from 12 August 2019 to 26 August 2019 (both dates inclusive):

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

## **8. MISCELLANEOUS**

- (a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong is at Suites 3305–3309, 33rd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (b) The Hong Kong branch registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited which is situated at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (c) For determining the entitlement of Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 26 August 2019 to Thursday, 29 August 2019 (both days inclusive) during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the SGM, all transfer of shares accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 August 2019.
- (d) The English text of this circular will prevail over the Chinese text in the event of inconsistency.



合 生 創 展 集 團 有 限 公 司\*

**HOPSON DEVELOPMENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 754)**

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

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of Hopson Development Holdings Limited (“**Company**” together with its subsidiaries, the “**Group**”) will be held at Edinburgh Room, 2/F, Mandarin Oriental, 5 Connaught Road Central, Central, Hong Kong, on Thursday, 29 August 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolutions:

### ORDINARY RESOLUTIONS

1. **“THAT** the supplemental framework agreement dated 2 July 2019 entered into between the Company and Mr. Y.H. Chu and Mr. W.H. Chu (together with companies which are associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of either Mr. Y.H. Chu or Mr. W.H. Chu, the “**Chu’s Controlled Entities**”) (“**Supplemental Framework Agreement**”), and the transactions to be entered into between the Group and the Chu’s Controlled Entities contemplated thereunder (“**Transaction 12**”) as set out in the circular of the Company dated 12 August 2019 (the “**Circular**”), a copy of which is tabled at the meeting for identification purpose, be and are hereby approved, confirmed and ratified; and that the maximum aggregate annual transaction amount for Transaction 12 for each of the two financial years ending 31 December 2020 as set out in the Circular be approved; and any one director of the Company as authorised by its board of directors be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things on behalf of the Company as he may in his discretion consider necessary or desirable for the purposes of or in connection with the implementation of the Supplemental Framework Agreement and Transaction 12.”

\* *for identification purposes only*

2. “**THAT** the Revised Total Annual Caps (as defined in the Circular) under the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) for each of the two financial years ending 31 December 2020 as set out in the Circular be and are hereby approved; and any one director of the Company as authorised by its board of directors be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things on behalf of the Company as he may in his discretion consider necessary or desirable for the purposes of or in connection with the Existing Transactions (as defined in the Circular).”

By Order of the Board  
**Hopson Development Holdings Limited**  
**Chu Mang Yee**  
*Chairman*

Hong Kong, 12 August 2019

*Principal Office:*

Suites 3305–3309  
33rd Floor, Jardine house  
1 Connaught Place, Central  
Hong Kong

*Notes:*

- (1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. Any such member who is a holder of two or more shares may appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
- (2) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or other authority, must be deposited at the principal office of the Company at Suites 3305-3309, 33rd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof.
- (3) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

*As at the date of this notice, the Board comprises nine Directors. The Executive Directors are Mr. Chu Mang Yee (Chairman), Ms. Chu Kut Yung (Deputy Chairman), Mr. Xi Ronggui (Chief Executive Officer), Mr. Au Wai Kin, Mr. Xie Bao Xin and Mr. Bao Wenge; and the independent non-executive Directors are Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron and Mr. Ching Yu Lung.*

\* *For identification purposes only*