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CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2669)

MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

THE ACQUISITION

On 20 October 2017, the Purchaser, a wholly owned subsidiary of the Company, and the Sellers, wholly owned subsidiaries of COLI, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Sellers conditionally agreed to sell the entire equity interests of the Target Company for a consideration of RMB190.0 million (equivalent to approximately HK\$223.5 million). The Target Group is principally engaged in property management businesses in Mainland China.

CONTINUING CONNECTED TRANSACTIONS

COLI Services

On 20 October 2017, COLI and the Company entered into the COLI Target Services Agreement in relation to the Services to be provided by the Target Group to COLI Group after the Acquisition.

On 20 October 2017, COLI and the Company entered into the COLI Prevailing Services Agreement to increase the caps for the transactions under the Previous COLI Services Agreements and renew the transactions thereunder.

COGO Services

On 20 October 2017, COGO and the Company entered into the COGO Target Services Agreement in relation to the Services to be provided by the Target Group to COGO Group for the New Projects after the Acquisition.

On 20 October 2017, COGO and the Company entered into the COGO Prevailing Services Agreement to increase the caps for and expand the scope for the transactions for the Prevailing Projects under the Previous COGO Services Agreement and renew the

transactions thereunder.

LISTING RULES IMPLICATIONS

CSCEC is the ultimate holding company of the Company. COHL, a non-wholly owned subsidiary of CSCEC, is the controlling shareholder of each of COLI and the Company. Therefore, members of COLI Group are connected persons of the Company and the Acquisition constitutes a connected transaction for the Company.

As the highest applicable percentage ratio for the Company in respect of the Acquisition is 25% or more but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As members of COLI Group are connected persons of the Company, the transactions under the (i) COLI Target Services Agreement and (ii) COLI Prevailing Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

COGO is an associate of COLI, which is in turn a subsidiary of COHL, the controlling shareholder of the Company. Therefore, members of COGO Group are connected persons of the Company, and transactions under the (i) COGO Target Services Agreement and (ii) COGO Prevailing Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Services Caps, when aggregated with the CSCEC Services Caps and CSC Services Caps, are 5% or more on an annual basis, the Services Agreements are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

A circular containing, amongst others, further information on the Sale and Purchase Agreement, the Services Agreements and the Services Caps, the recommendation from the Independent Board Committee, the advice and recommendation from the Independent Financial Adviser, and a notice to convene the EGM will be despatched to the Shareholders on or before 24 November 2017 as the Company expects additional time will be required to prepare and finalise all information in the circular.

Shareholders and potential investors of the Company should note that the Acquisition is subject to a number of conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company.

THE ACQUISITION

On 20 October 2017, the Purchaser, a wholly owned subsidiary of the Company, and the Sellers, wholly owned subsidiaries of COLI, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Sellers conditionally agreed to sell the entire equity interests of the Target Company for a consideration of RMB190.0

million (equivalent to approximately HK\$223.5 million). The Target Group is principally engaged in property management businesses in Mainland China.

THE SALE AND PURCHASE AGREEMENT

Date

20 October 2017

Parties

- (a) the Purchaser, as buyer of the Target Equity;
- (b) Seller A, as seller of 95% of the Target Equity; and
- (c) Seller B, as seller of 5% of the Target Equity.

Subject Matter

The Target Equity, representing the entire equity interests of the Target Company.

Consideration

The Consideration under the Sale and Purchase Agreement shall be in the total amount of RMB190.0 million (equivalent to approximately HK\$223.5 million), of which RMB180.5 million (equivalent to approximately HK\$212.4 million) shall be paid to Seller A and RMB9.5 million (equivalent to approximately HK\$11.2 million) shall be paid to Seller B.

The Consideration was determined after arm's length negotiations between the Purchaser and the Sellers having taking into account, amongst other things, (i) the Acquisition will broaden the Group's market coverage, thus capturing additional market share on property management market in Mainland China; (ii) the Target Group's proven track record to provide reliable and quality property management service as evident by its ability to obtain First Grade Qualification Certificate in Property Management (物業服務企業一級資質), being one of the highest standards for the provision of property management services in Mainland China; (iii) the existing property management contract portfolio with around 120 properties under the Target Group's management which will generate a steady stream of income; (iv) the prospective synergy effect to both the Group and the Target Group would achieve after the Acquisition; as well as (v) the promising future business prospects of the property management market in Mainland China.

The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment

The Consideration shall be payable in RMB in cash according to the following schedule:

- (a) RMB152.0 million (equivalent to approximately HK\$178.8 million), representing 80% of the Consideration, of which RMB144.4 million (equivalent to approximately

HK\$169.9 million) shall be paid to Seller A and RMB7.6 million (equivalent to approximately HK\$8.9 million) shall be paid to Seller B, within 3 days from the date of Completion; and

- (b) RMB38.0 million (equivalent to approximately HK\$44.7 million), representing 20% of the Consideration, of which RMB36.1 million (equivalent to approximately HK\$42.5 million) shall be paid to Seller A and RMB1.9 million (equivalent to approximately HK\$2.2 million) shall be paid to Seller B, within 15 working days from either (i) the date of registration of change of shareholders of the Target Company with the Industry and Commerce Administration Authority or (ii) the date on which the Target Group agrees with the Sellers' related parties on the settlement of the amounts/loans due to/from the Sellers' related parties, whichever is later.

Conditions

Completion is subject to the following conditions being satisfied (or waived) on or before the Longstop Date:

- (a) the Acquisition having been approved by the shareholders of the Target Company at a shareholders' meeting;
- (b) the Sale and Purchase Agreement and the Acquisition having been approved by the Sellers in accordance with the Sellers' internal procedures;
- (c) the Sale and Purchase Agreement and the Acquisition having been approved by the Purchaser in accordance with the Purchaser's internal procedures;
- (d) the undertakings and warranties given by the Purchaser being true, accurate, complete and do not contain any omissions that may be materially misleading;
- (e) the undertakings and warranties given by the Sellers being true, accurate, complete and do not contain any omissions that may be materially misleading;
- (f) the Company having satisfied all its obligations in accordance with the requirements of the Listing Rules (including obtaining Independent Shareholders' approval for the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM); and
- (g) all necessary approvals, consent, authorisations, registration and filings with regards to the Acquisition from the government, securities regulatory authorities or institutions as required by the laws of Mainland China (including relevant approvals and filings for transfer of state-owned assets) having been obtained and remaining valid.

Conditions (a), (b) and (e) above may be waived by the Purchaser and conditions (c) and (d) above may be waived by the Sellers. Conditions (f) and (g) above may not be waived.

Completion

The Sellers undertake to the Purchaser to submit a written application for the change of shareholders of the Target Company with the Industry and Commerce Administration Authority within 3 working days from the date of fulfillment (or waiver, if applicable) of all

the conditions precedent of the Sale and Purchase Agreement.

Completion shall take place upon the acceptance of such written application or on such other date as may be agreed by the parties in writing.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

Other Arrangements

Entrusted Management Agreement

The Purchaser and the Sellers agree that the Entrusted Management Agreement entered into between the Company and HRL in respect of the provision of entrusted management services to the COLI Group by the Group for certain entrusted companies (including the Target Group) shall be terminated within 3 working days from the Completion and the Sellers shall procure HRL to pay to the Company all unpaid entrusted management fees incurred during the relevant period within 30 days from termination of the Entrusted Management Agreement.

Settlement of Loans

The Sellers shall procure the Target Group to agree with the Sellers' related parties on the settlement of the amounts/loans due to/from the Sellers' related parties within 90 days from the date of the Sale and Purchase Agreement.

INFORMATION ON TARGET GROUP

The Target Group is principally engaged in property management businesses in Mainland China with operations in Beijing, Tianjin, Changsha, Shenzhen, Guangzhou, Huizhou, Shantou, Qingdao, Suzhou, Zhongshan, Foshan, Dongguan, Chengdu, Chongqing, Dalian, Haikou, Huangshan, Lushan, Sanya and Zhuhai.

The unaudited consolidated net assets of the Target Group based on the latest financial information of the Target Group as at 31 July 2017 were approximately RMB56.6 million (equivalent to approximately HK\$66.6 million).

Based on the latest financial information of the Target Group, the unaudited net profits (before taxation) of the Target Group for the years ended 31 December 2016 and 31 December 2015 were approximately RMB10.7 million (equivalent to approximately HK\$12.5 million) and RMB29.0 million (equivalent to approximately HK\$34.1 million), respectively. The unaudited net profits (after taxation) of the Target Group for the years ended 31 December 2016 and 31 December 2015 were approximately RMB6.8 million (equivalent to approximately HK\$8.0 million) and RMB20.2 million (equivalent to approximately HK\$23.8 million), respectively.

The original investment cost and acquisition cost of the Target Group by COLI Group was approximately RMB66.5 million (equivalent to approximately HK\$78.2 million).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is one of the leading property management companies in Mainland China with operations also covering Hong Kong and Macau and is principally engaged in property management services and value-added services.

The Target Group is engaged in the property management and related services in Mainland China and is currently providing property management services to around 120 properties located across 20 cities.

The Acquisition would provide a good opportunity for the Group to expand its business presence and operating scales in Mainland China, and to enable the Group to tap into the immense potential spending powers of the residential communities and strengthen its position and competitiveness as one of the leading property management companies in the Mainland China.

The Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) consider that the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

COLI Services

The Target Group has been providing the Services to COLI Group from time to time and it is expected that the Target Group will continue to provide the Services to COLI Group in Mainland China after the Acquisition. Upon Completion, the Target Group will become subsidiaries of the Group and the provision of the Services to COLI Group in Mainland China will constitute continuing connected transactions for the Company. On 20 October 2017, COLI and the Company entered into the COLI Target Services Agreement in relation to the Services to be provided by the Target Group to COLI Group in Mainland China after the Acquisition.

Reference is also made to the listing document of the Company dated 14 October 2015 and the announcement of the Company dated 30 June 2016 in relation to (among others) the continuing connected transactions between COLI Group and the Group regarding provision of property management services and engineering services by the Group to COLI Group under the Previous COLI Services Agreements. The Directors expect that the Group will continue to participate in competitive tender to provide the Services to COLI Group, and it is expected that apart from the Services to be provided by the Target Group to COLI Group in Mainland China after the Acquisition, there will be an increase in such transactions between COLI Group and the Group under the Previous COLI Services Agreements. On 20 October 2017, COLI and the Company entered into the COLI Prevailing Services Agreement to increase the caps for the transactions under the Previous COLI Services Agreements and renew the transactions thereunder.

COLI Target Services Agreement

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

Date

20 October 2017

Parties

1. COLI
2. the Company

Duration

Subject to the fulfillment of the conditions precedent to the COLI Target Services Agreement on or before 31 December 2017 (or such other date as the parties may agree in writing), the COLI Target Services Agreement will commence on 1 January 2018 and end on 30 June 2020.

Terms

Pursuant to the COLI Target Services Agreement, any member of the Target Group upon Completion and as a result of the Acquisition may provide the Services to COLI Group in Mainland China subject to the COLI Target Services Caps.

The Target Group will go through a tender process before being selected and appointed as service provider for the provision of Services to COLI Group. The price and terms (including the pricing basis) of the Target Group's tenders submitted to COLI Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Target Group to COLI Group are no more favourable than those submitted to independent third parties.

Further details of the standard and systematic tender submission procedure of the Target Group is set out in the paragraph headed "Pricing Basis" below.

Conditions Precedent

The COLI Target Services Agreement (together with the COLI Target Services Caps) are conditional upon (i) the Completion; and (ii) the passing of the resolution by the Independent Shareholders at the EGM approving the COLI Target Services Agreement and the COLI Target Services Caps.

For the avoidance of doubt, the COLI Prevailing Services Agreement and the COLI Target Services Agreement are not inter-conditional upon each other.

Historical Transaction Amount

The historical amount paid to the Target Group by COLI Group for Services provided in Mainland China for the year ended 31 December 2016 and the seven months ended 31 July 2017 were as follows:

	For the year ended 31 December 2016	For the seven months ended 31 July 2017
Historical transaction amount	RMB111,637,000 (equivalent to approximately HK\$131,341,000)	RMB37,752,000 (equivalent to approximately HK\$44,415,000)

Caps

The COLI Target Services Caps for the two years ending 31 December 2018 and 2019 and the period commencing on 1 January 2020 and ending on 30 June 2020 are as follows:

	For the year ending 31 December 2018	For the year ending 31 December 2019	For the period commencing on 1 January 2020 and ending on 30 June 2020
COLI Target Services Caps	HK\$48,000,000	HK\$51,100,000	HK\$19,800,000

Basis of determination of Caps

The COLI Target Services Cap of HK\$48.0 million for the year ending 31 December 2018 is calculated with reference to (i) the historical transaction amount received by the Target Group from COLI Group; (ii) expected demand for property management services with reference to the estimated gross floor area (“GFA”) to be developed by COLI Group and under the Target Group’s management; (iii) the proportion of property management service contracts that are mainly under lump sum basis; and (iv) an estimated general inflation rate of 9%, mainly attributable to the expected increase in labour cost in Mainland China. The estimated GFA under management to be received in 2018 is approximately 859,000 sq.m..

The COLI Target Services Cap of HK\$51.1 million for the year ending 31 December 2019 is projected to increase 6.5% against COLI Target Services Cap for 2018 with reference to (i) the GFA to be developed by COLI Group under the Target Group’s management; and (ii) an estimated general inflation rate of 9%, mainly attributable to the expected increase in labour cost in Mainland China. The GFA under management to be received is approximately 901,000 sq.m., representing an increase of 4.9% in 2019 as compared with 2018.

The COLI Target Services Cap of HK\$19.8 million for the six months ending 30 June 2020 is projected with reference to GFA to be developed by COLI Group under the Target Group’s management. The GFA under management to be received in first half of 2020 is expected to be approximately 250,000 sq.m..

COLI Prevailing Services Agreement

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

Date

20 October 2017

Parties

1. COLI
2. the Company

Duration

Subject to the fulfillment of the conditions precedent to the COLI Prevailing Services Agreement on or before 31 December 2017 (or such other date as the parties may agree in writing), the COLI Prevailing Services Agreement will commence on 1 January 2018 and end on 30 June 2020.

Terms

Pursuant to the COLI Prevailing Services Agreement, any member of the Group (except the Target Group) may provide the Services to COLI Group in Mainland China, Hong Kong, Macau and other locations, subject to the COLI Prevailing Services Caps.

The Group will go through a tender process before being selected and appointed as service provider for the provision of Services to COLI Group. The price and terms (including the pricing basis) of the Group's tenders submitted to COLI Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to COLI Group are no more favourable than those submitted to independent third parties.

Further details of the standard and systematic tender submission procedure of the Group is set out in the paragraph headed "Pricing Basis" below.

COLI and the Company agreed to terminate the Previous COLI Services Agreements upon the taking effect of the COLI Prevailing Services Agreement. In the event that the COLI Prevailing Services Agreement does not become effective, the Previous COLI Services Agreements will remain in full force and binding on COLI and the Company.

Conditions Precedent

The COLI Prevailing Services Agreement (together with the COLI Prevailing Services Caps) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the COLI Prevailing Services Agreement and the COLI Prevailing Services Caps.

For the avoidance of doubt, the COLI Prevailing Services Agreement and the COLI Target Services Agreement are not inter-conditional upon each other.

Previous Caps

The previous caps under the Previous COLI Services Agreements as disclosed in the listing document of the Company dated 14 October 2015 and the announcement of the Company dated 30 June 2016 for the period between 1 June 2015 and 31 December 2015, the year ended 31 December 2016 and the year ending 31 December 2017 were as follows:

	For the period between 1 June 2015 and 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
For property management services	HK\$264,400,000	HK\$402,363,000	HK\$457,541,000
For engineering services	HK\$25,500,000	HK\$29,800,000	HK\$31,600,000

Historical Transaction Amount

The historical amount paid to the Group by COLI Group for Services provided in Mainland China, Hong Kong, Macau and other locations for the three years ended 31 December 2016 and the half year ended 30 June 2017 were as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	For the half year ended 30 June 2017
Historical transaction amount	HK\$322,520,000	HK\$380,313,000	HK\$306,702,000	HK\$101,833,000

Caps

The COLI Prevailing Services Caps for the two years ending 31 December 2018 and 2019 and the period commencing on 1 January 2020 and ending on 30 June 2020 are as follows:

	For the year ending 31 December 2018	For the year ending 31 December 2019	For the period commencing on 1 January 2020 and ending on 30 June 2020
COLI Prevailing Services Caps	HK\$634,300,000	HK\$725,200,000	HK\$420,700,000

Basis of determination of Caps

The COLI Prevailing Services Cap of HK\$634.3 million for the year ending 31 December 2018 is calculated with reference to (i) expected demand for property management services with reference to the estimated GFA of new property projects expected to be developed by COLI; (ii) new direct contractual arrangement for commercial properties; (iii) increasing demand for engineering service including Hong Kong and Macau; and (iv) an estimated general inflation of 9%, mainly attributable to the expected increase in labour cost in Mainland China.

The COLI Prevailing Services Cap for 2018 is expected to increase around 29.7% against the aggregated caps for the provision of Services in 2017 of HK\$489.1 million. The GFA under management to be received by the Group is expected to be approximately 7,999,000 sq.m., representing an increase by 9.6% in 2018 as compared with 2017's estimate of 7,297,000 sq.m..

The COLI Prevailing Services Cap for the year ending 31 December 2019 is projected to increase 14.3% against COLI Prevailing Services Cap for 2018 based on increase in demand and estimated general inflation rate of 9%, mainly attributable to the expected increase in labour cost in Mainland China. The GFA under management to be received by the Group is approximately 11,471,000 sq.m., representing an increase of 43.4% in 2019 as compared with 2018's estimate of 7,999,000 sq.m..

The COLI Prevailing Services Cap of HK\$420.7 million for the six months ending 30 June 2020 is projected with reference to GFA to be developed by COLI Group and estimated general inflation rate of 9%, mainly attributable to the expected increase in labour cost in Mainland China. The GFA under management to be received in the first half of 2020 is approximately 8,199,000 sq.m..

COGO Services

The Target Group has been providing the Services to COGO Group from time to time for the New Projects and it is expected that the Target Group will continue to provide the Services to COGO Group for the New Projects after the Acquisition. Upon Completion, the Target Group will become subsidiaries of the Group and the provision of the Services to COGO Group will constitute continuing connected transactions for the Company. On 20 October 2017, COGO and the Company entered into the COGO Target Services Agreement in relation to the Services to be provided by the Target Group to COGO Group for the New Projects after the Acquisition.

Reference is also made to the listing document of the Company dated 14 October 2015 in relation to (among others) the continuing connected transactions between COGO Group and the Group regarding provision of property management services by the Group to COGO Group under the Previous COGO Services Agreement. The Directors expect that the Group will continue to participate in competitive tender to provide property management services to COGO Group, and it is expected that apart from the Services to be provided by the Group to COGO Group for the New Projects, there will be an increase in the Services between COGO Group and the Group for the Prevailing Projects. On 20 October 2017, COGO and the Company entered into the COGO Prevailing Services Agreement to increase the caps and expand the scope for the transactions for the Prevailing Projects under the Previous COGO Services Agreement and renew the transactions thereunder.

COGO Target Services Agreement

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

Date

20 October 2017

Parties

1. COGO
2. the Company

Duration

Subject to the fulfillment of the conditions precedent to the COGO Target Services Agreement on or before 31 December 2017 (or such other date as the parties may agree in writing), the COGO Target Services Agreement will commence on 1 January 2018 and end on 30 June 2020.

Terms

Pursuant to the COGO Target Services Agreement, any member of the Target Group upon Completion may provide the Services to COGO Group for the New Projects, subject to the COGO Target Services Caps.

The Target Group will go through a tender process before being selected and appointed as service provider for the provision of Services to COGO Group. The price and terms (including the pricing basis) of the Target Group's tenders submitted to COGO Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Target Group to COGO Group are no more favourable than those submitted to independent third parties.

Further details of the standard and systematic tender submission procedure of the Group is set out in the paragraph headed "Pricing Basis" below.

Conditions Precedent

The COGO Target Services Agreement (together with the COGO Target Services Caps) are conditional upon (i) the Completion and (ii) the passing of the resolution by the Independent Shareholders at the EGM approving the COGO Target Services Agreement and the COGO Target Services Caps.

For the avoidance of doubt, the COGO Prevailing Services Agreement and the COGO Target Services Agreement are not inter-conditional upon each other.

Historical Transaction Amount

The historical amount paid to the Target Group by COGO Group for Services provided for the

New Projects for the seven months ended 31 July 2017 were as follows:

	For the seven months ended 31 July 2017
Historical transaction amount	RMB6,724,000 (equivalent to approximately HK\$7,911,000)

Caps

The COGO Target Services Caps for the two years ending 31 December 2018 and 2019 and the period commencing on 1 January 2020 and ending on 30 June 2020 are as follows:

	For the year ending 31 December 2018	For the year ending 31 December 2019	For the period commencing on 1 January 2020 and ending on 30 June 2020
COGO Target Services Caps	HK\$47,800,000	HK\$45,900,000	HK\$25,800,000

Basis of determination of Caps

The COGO Target Services Cap of HK\$47.8 million for the year ending 31 December 2018 is calculated with reference to (i) the historical transaction amounts received by the Target Group from COGO Group; (ii) expected demand for property management services with reference to the estimated GFA to be developed by COGO Group and under the Target Group's management; (iii) the proportion of property management service contracts that are mainly under lump sum basis; and (iv) an estimated general inflation of 5%, mainly attributable to the expected increase in labour cost in third tier cities in Mainland China. The estimated GFA under management to be received in 2018 is approximately 839,000 sq.m..

The COGO Target Services Cap of HK\$45.9 million for the year ending 31 December 2019 is projected to decrease 4.0% against COGO Target Services Cap for 2018 with reference to (i) the GFA to be developed by COGO Group under the Target Group's management; and (ii) an estimated general inflation rate of 5%, mainly attributable to the expected increase in labour cost in third tier cities in Mainland China. The GFA under management to be received is approximately 649,000 sq.m., representing a decrease of 22.6% in 2019 as compared with 2018.

The COGO Target Services Cap of HK\$25.8 million for the six months ending 30 June 2020 is projected with reference to GFA to be developed by COGO Group under the Target Group's management. The GFA under management to be received is expected to be approximately 334,000 sq.m..

COGO Prevailing Services Agreement

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

Date

20 October 2017

Parties

1. COGO
2. the Company

Duration

Subject to the fulfillment of the conditions precedent to the COGO Prevailing Services Agreement on or before 31 December 2017 (or such other date as the parties may agree in writing), the COGO Prevailing Services Agreement will commence on 1 January 2018 and end on 30 June 2020.

Terms

Pursuant to the COGO Prevailing Services Agreement, any member of the Group may provide the Services to COGO Group for the Prevailing Projects, subject to the COGO Prevailing Services Caps.

The Group will go through a tender process before being selected and appointed as service provider for the provision of Services to COGO Group. The price and terms (including the pricing basis) of the Group's tenders submitted to COGO Group are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to COGO Group are no more favourable than those submitted to independent third parties.

Further details of the standard and systematic tender submission procedure of the Group is set out in the paragraph headed "Pricing Basis" below.

COGO and the Company agreed to terminate the Previous COGO Services Agreement upon the taking effect of the COGO Prevailing Services Agreement. In the event that the COGO Prevailing Services Agreement does not become effective, the Previous COGO Services Agreement will remain in full force and binding on COGO and the Company.

Conditions Precedent

The COGO Prevailing Services Agreement (together with the COGO Prevailing Services Caps) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the COGO Prevailing Services Agreement and the COGO Prevailing Services Caps.

For the avoidance of doubt, the COGO Prevailing Services Agreement and the COGO Target Services Agreement are not inter-conditional upon each other.

Previous Caps

The previous caps under the Previous COGO Services Agreement as disclosed in the listing document of the Company dated 14 October 2015 for the period between 1 June 2015 and 31 December 2015, the year ended 31 December 2016 and the year ending 31 December 2017 were as follows:

	For the period between 1 June 2015 and 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
For property management services	RMB30,000,000 (equivalent to approximately HK\$35,295,000)	RMB50,000,000 (equivalent to approximately HK\$58,825,000)	RMB60,000,000 (equivalent to approximately HK\$70,590,000)

Historical Transaction Amount

The historical amount paid to the Group by COGO Group for Services provided for the Prevailing Projects for the three years ended 31 December 2016 and the half year ended 30 June 2017 were as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	For the half year ended 30 June 2017
Historical transaction amount	RMB5,042,000 (equivalent to approximately HK\$5,932,000)	RMB41,152,000 (equivalent to approximately HK\$48,415,000)	RMB36,602,000 (equivalent to approximately HK\$43,062,000)	RMB14,192,000 (equivalent to approximately HK\$16,697,000)

Caps

The COGO Prevailing Services Caps for the two years ending 31 December 2018 and 2019 and the period commencing on 1 January 2020 and ending on 30 June 2020 are as follows:

	For the year ending 31 December 2018	For the year ending 31 December 2019	For the period commencing on 1 January 2020 and ending on 30 June 2020
COGO Prevailing Services Caps	HK\$115,600,000	HK\$96,500,000	HK\$57,900,000

Basis of determination of Caps

The COGO Prevailing Services Cap of HK\$115.6 million for the year ending 31 December

2018 is calculated with reference to (i) expected demand for property management services with reference to the estimated GFA of new property projects expected to be developed by COGO; (ii) expected increase demand for engineering service in Mainland China and Hong Kong; and (iii) an estimated general inflation of 5%, mainly attributable to the expected increase in labour cost in third tier cities in Mainland China.

The COGO Prevailing Services Cap for 2018 is expected to increase around 63.7% against the cap in 2017 of RMB60.0 million (equivalent to approximately HK\$70.6 million). The GFA under management to be received by the Group is expected to be approximately 2,878,000 sq.m., representing an increase by 16.6% in 2018 as compared with 2017's estimate of 2,468,000 sq.m..

The COGO Prevailing Services Cap for the year ending 31 December 2019 is projected to decrease 16.5% against COGO Prevailing Service Cap for 2018 based on GFA to be developed by COGO Group and estimated general inflation rate of 5%, mainly attributable to the expected increase in labour cost in third tier cities in Mainland China. The GFA under management to be received by the Group is approximately 2,441,000 sq.m., representing a decrease of 15.2% in 2019 as compared with 2018's estimate of 2,878,000 sq.m..

The COGO Prevailing Service Cap of HK\$57.9 million for the six months ending 30 June 2020 is projected with reference to GFA to be developed by COGO Group and estimated general inflation rate of 5%, mainly attributable to the expected increase in labour cost in third tier cities in Mainland China. The GFA under management to be received in the first half of 2020 is approximately 1,753,000 sq.m..

Payment Terms

In respect of the Services Transactions, the Group charges property management fees on a monthly basis for property management services and on a per-transaction basis for engineering services and on such payment terms prescribed under the terms of the specific tender or contract.

Pricing Basis

In respect of the Services Transactions, the price and terms (including the pricing basis) of the Group (including the Target Group)'s tenders submitted to COLI Group and COGO Group are subject to the standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties.

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

The internal evaluation and approval of tender will be conducted by the head of the relevant business unit or subsidiary of the Group (including the Target Group). In particular:

- (a) for property management services, as part of the project evaluation and tender procedure, where relevant, (i) personnel from various departments are involved at different stages of the procedures, including the business operation, quality management and market development departments; (ii) in evaluating projects before the submission of tenders, the

Company would assess, among other things, the tender invitation document, the relevant market information, the property management project implementation plan, the associated costs and labour to be employed and the expected profitability; (iii) the pricing guidelines set by the Group involve (a) costs assessment, which makes references to factors including, among others, the costs of premises and facilities cleaning and maintenance, energy consumption, security management, labour requirement and salaries and tax obligations, etc.; and (b) market comparison with similar properties in nearby areas; and (iv) there is a minimum profitability requirement for engaging in property management projects; and

- (b) for engineering services, as part of the project evaluation and tender procedures, where relevant, (i) personnel from various departments are involved at different stages of the procedures, including the business operation (such as the intelligence and research department, repair and maintenance department and the elevator department), cost management department, market departments and the relevant general manager; (ii) in evaluating projects before the submission of tenders, the Company would assess, among other things, the project particulars, implementation strategy, cost estimation, and the reasonability and feasibility of the proposed quotation; and (iii) there is a minimum profitability requirement for the provision of engineering services.

The pricing of the Group (including the Target Group)'s property management services and engineering services is based on a number of factors, including (i) estimated expenses, based on factors including the scope and quality of the services required; (ii) the classifications, types and locations of the properties, projects or work sites; (iii) the pricing for comparable properties, projects or work sites; (iv) the local government's guidance price on fees, if any; and (v) the prevailing market rate.

Annual review of the aforesaid internal procedures and pricing policies will be conducted internally and by the independent non-executive Directors to ensure the above procedures have been complied with.

In view of the above pricing basis and policy, the Directors (including the independent non-executive Directors) consider that the pricing in respect of the Services Transactions are on normal commercial terms, fair and reasonable and not more favourable than the terms offered by the Group to independent third parties.

Reasons of and Benefits for the Continuing Connected Transactions

The Group is one of the leading property management companies in the Mainland China with operations also covering Hong Kong and Macau and is principally engaged in property management services and value-added services.

Each of COLI Group and COGO Group owned or held residential communities, commercial properties and other projects in the Mainland China, Hong Kong, Macau and other locations that may require property management services and engineering services provided by the Group (including the Target Group) from time to time. By entering into each of the Services Agreements, the Group will be able to maintain and expand its revenue generating sources and thereby generate stable income and maximise its profit.

The Directors (other than the independent non-executive Directors whose opinion will be

provided after reviewing the advice of the Independent Financial Adviser) consider that the Services Agreements, their respective terms and the Services Transactions (including each of the Services Caps) are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group is one of the leading property management companies in Mainland China with operations also covering Hong Kong and Macau and is principally engaged in property management services and value-added services.

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

COGO Group is principally engaged in real estate development and investment in Mainland China.

LISTING RULES IMPLICATIONS

CSCEC is the ultimate holding company of the Company. COHL, a non-wholly owned subsidiary of CSCEC, is the controlling shareholder of each of COLI and the Company. Therefore, members of COLI Group are connected persons of the Company and the Acquisition constitutes a connected transaction for the Company.

As the highest applicable percentage ratio for the Company in respect of the Acquisition is 25% or more but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As members of COLI Group are connected persons of the Company, the transactions under the (i) COLI Target Services Agreement and (ii) COLI Prevailing Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

COGO is an associate of COLI, which is in turn a subsidiary of COHL, the controlling shareholder of the Company. Therefore, members of COGO Group are connected persons of the Company, and transactions under the (i) COGO Target Services Agreement and (ii) COGO Prevailing Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Services Caps, when aggregated with the CSCEC Services Caps and CSC Services Caps, are 5% or more on an annual basis, the Services Agreements are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As none of the Directors has any material interest in the Sale and Purchase Agreement and the Services Agreements, none of them is required to abstain from voting on the resolutions passed by the Board approving the aforesaid agreements and the transactions contemplated thereunder.

The Independent Board Committee, comprising Mr. Lim Wan Fung, Bernard Vincent, Mr. Suen Kwok Lam and Mr. Yung Wing Ki, Samuel, all being independent non-executive Directors, has been established to advise the Sale and Purchase Agreement, the Services Agreements and the Services Caps.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement, the Services Agreements and the Services Caps.

The EGM will be convened, among others, for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement, the Services Agreements and the Services Caps. CSCEC and its associates, together holding 2,011,041,060 Shares of the Company, representing approximately 61.18% interest in the Company will abstain from voting at the EGM on the resolutions in respect of the Sale and Purchase Agreement, the Services Agreements and the Services Caps.

A circular containing, amongst others, further information on the Sale and Purchase Agreement, the Services Agreements and the Services Caps, the recommendation from the Independent Board Committee, the advice and recommendation from the Independent Financial Adviser, and a notice to convene the EGM will be despatched to the Shareholders on or before 24 November 2017 as the Company expects additional time will be required to prepare and finalise all information in the circular.

Shareholders and potential investors of the Company should note that the Acquisition is subject to a number of conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Equity and the transactions contemplated under the Sale and Purchase Agreement
“associate(s)”, “connected person(s)”, “controlling shareholder(s)”, “percentage ratio(s)”, “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“COGO”	China Overseas Grand Oceans Group Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 81)

“COGO Group”	COGO and its subsidiaries from time to time
“COGO Prevailing Services Agreement”	the framework agreement dated 20 October 2017 entered into between COGO and the Company in respect of the Group’s provision of Services to COGO Group for the Prevailing Projects
“COGO Prevailing Services Caps”	the maximum total amount payable for the Services by COGO Group to the Target Group for the Prevailing Projects for each year/period under the COGO Prevailing Services Agreement
“COGO Target Services Agreement”	the framework agreement dated 20 October 2017 entered into between COGO and the Company in respect of the Group’s provision of Services to COGO Group for the New Projects upon Completion and as a result of the Acquisition
“COGO Target Services Caps”	the maximum total amount payable for the Services by COGO Group to the Group for the New Projects for each year/period under the COGO Target Services Agreement
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, and the controlling shareholder of the Company
“COHL Group”	COHL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“COLI”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688)
“COLI Group”	COLI and its subsidiaries from time to time
“COLI Prevailing Services Agreement”	the framework agreement dated 20 October 2017 entered into between COLI and the Company in respect of the Group (except the Target Group)’s provision of Services to COLI Group in Mainland China, Hong Kong, Macau and other locations
“COLI Prevailing Services Caps”	the maximum total amount payable for the Services by COLI Group to the Group (except the Target Group) in Mainland China, Hong Kong, Macau and other locations for each year/period under the COLI Prevailing Services Agreement
“COLI Target Services Agreement”	the framework agreement dated 20 October 2017 entered into between COLI and the Company in respect of the Target Group’s provision of Services to COLI Group in Mainland China upon Completion and as a result of the Acquisition

“COLI Target Services Caps”	the maximum total amount payable for the Services by COLI Group to the Target Group in Mainland China for each year/period under the COLI Target Services Agreement
“Company”	China Overseas Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669)
“Completion”	completion of the sale and purchase of the Target Equity in accordance with the terms of the Sale and Purchase Agreement, as more particularly described under the paragraph “Completion” in this announcement
“Consideration”	the consideration payable by the Purchaser to the Sellers pursuant to the Sale and Purchase Agreement, as more particularly described under the paragraph “Consideration” in this announcement
“CSC”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
“CSC Group”	CSC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“CSC Services Caps”	the maximum total amount payable for property management services, engineering services and security services by CSC Group to the Group for each year/period under the framework agreement dated 7 August 2017 entered into between CSC and the Company in respect of the Group’s provision of property management services, engineering services and security services to CSC Group, details of which are set out in the announcement of the Company dated 7 August 2017 and the circular of the Company dated 30 August 2017
“CSCEC”	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of Mainland China, being the ultimate holding company of the Company
“CSCEC Group”	CSCEC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including CSCECL Group and COHL Group) from time to time
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a company established in Mainland China whose shares are listed on the Shanghai Stock Exchange (stock code: 601668) and a controlling shareholder

	of the Company. CSCECL is a non wholly-owned subsidiary of CSCEC
“CSCECL Group”	CSCECL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including COHL Group) from time to time
“CSCEC Services Caps”	the maximum total amount payable for property management services and engineering services by CSCEC Group to the Group for each year/period under the framework agreement dated 7 August 2017 entered into between CSCEC and the Company in respect of the Group’s provision of property management services and engineering services to CSCEC Group, details of which are set out in the announcement of the Company dated 7 August 2017 and the circular of the Company dated 30 August 2017
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held, among others, for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement, the Services Agreements and the Services Caps
“Entrusted Management Agreement”	the entrusted management agreement dated 18 October 2016 entered into between the Company and HRL in respect of the provision of entrusted management services to COLI Group by the Group, as supplemented by a supplemental agreement dated 13 September 2017 entered into between the Company and HRL, details of which are set out in the announcements of the Company dated 18 October 2016 and 13 September 2017
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HRL”	Hainan Ruler Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of COLI
“Independent Board Committee”	an independent committee of the Board comprising Mr. Lim Wan Fung, Bernard Vincent, Mr. Suen Kwok Lam and Mr. Yung Wing Ki, Samuel, all being independent non-executive Directors, advising the Independent Shareholders in respect of the Sale and Purchase Agreement, the Services Agreements and the Services Caps

“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 and Type 6 regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement, the Services Agreements and the Services Caps
“Independent Shareholders”	shareholders of the Company, other than CSCEC and its associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	31 December 2017 or such other date as the parties to the Sale and Purchase Agreement may agree in writing
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Mainland China”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“New Projects”	certain property development projects in several emerging third tier cities in Mainland China which COGO Group acquired from COLI Group in December 2016 and which are currently not managed by any member of the Group
“Prevailing Projects”	property development projects in Mainland China, Hong Kong, Macau and other locations (excluding the New Projects)
“Previous COGO Services Agreement”	the framework agreement entered into between COGO and the Company on 1 June 2015 in respect of the provision of property management services to COGO Group by the Group
“Previous COLI Services Agreements”	(i) the framework agreement entered into between COLI and the Company on 9 October 2015 in respect of the provision of property management services to COLI Group by the Group and the supplemental agreement in relation thereto dated 30 June 2016; and (ii) the framework agreement entered into between COLI and the Company on 9 October 2015 in respect of the provision of engineering services to COLI Group by the Group
“Purchaser”	中海物業管理有限公司, a company incorporated in Mainland China with limited liability and a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the People’s Republic of China

“Sale and Purchase Agreement”	the sale and purchase agreement dated 20 October 2017 entered into between the Sellers and the Purchaser in relation to the sale and purchase of the Target Equity
“Seller A”	中信房地產集團有限公司 (CITIC Real Estate Group Company Limited), a company incorporated in Mainland China with limited liability and a wholly owned subsidiary of COLI
“Seller B”	北京中信房地產有限公司 (Beijing CITIC Real Estate Company Limited), a company incorporated in Mainland China with limited liability and a wholly owned subsidiary of COLI
“Sellers”	Seller A and Seller B
“Services”	property management services and engineering services including automation projects, specialised engineering, and repair and maintenance and upgrade projects of equipment and machinery to residential communities, commercial properties and other properties
“Services Agreements”	the COLI Target Services Agreement, the COLI Prevailing Services Agreement, the COGO Target Services Agreement and the COGO Prevailing Services Agreement
“Services Caps”	the COLI Target Services Caps, the COLI Prevailing Services Caps, the COGO Target Services Caps and the COGO Prevailing Services Caps
“Services Transactions”	the transactions contemplated under the Services Agreements
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	中信物業服務有限公司, a company established in Mainland China with limited liability, the equity interests of which are owned as to 95% by Seller A and 5% by Seller B respectively prior to Completion
“Target Equity”	the entire equity interests of the Target Company

“Target Group” the Target Company and its subsidiaries

“%” per cent.

In this announcement, RMB has been converted to HK\$ at the rate of RMB1 = HK\$1.1765 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

By order of the Board of
China Overseas Property Holdings Limited
Yan Jianguo
Chairman and Non-executive Director

Hong Kong, 20 October 2017

As at the date of this announcement, the Board comprises eight Directors, of which one is Non-executive Director, namely Mr. Yan Jianguo (Chairman); four are Executive Directors, namely Ms. Wang Qi (Vice Chairman and Chief Executive Officer), Mr. Luo Xiao (Vice President), Mr. Shi Yong (Vice President) and Mr. Kam Yuk Fai (Deputy Chief Financial Officer); and three are Independent Non-executive Directors, namely Mr. Lim Wan Fung, Bernard Vincent, Mr. Suen Kwok Lam and Mr. Yung Wing Ki, Samuel.