

11TH FLOOR 8 WYNDHAM STREET CENTRAL

HONG KONG

24 May 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs.

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENGINEERING CONSTRUCTION RELATED SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

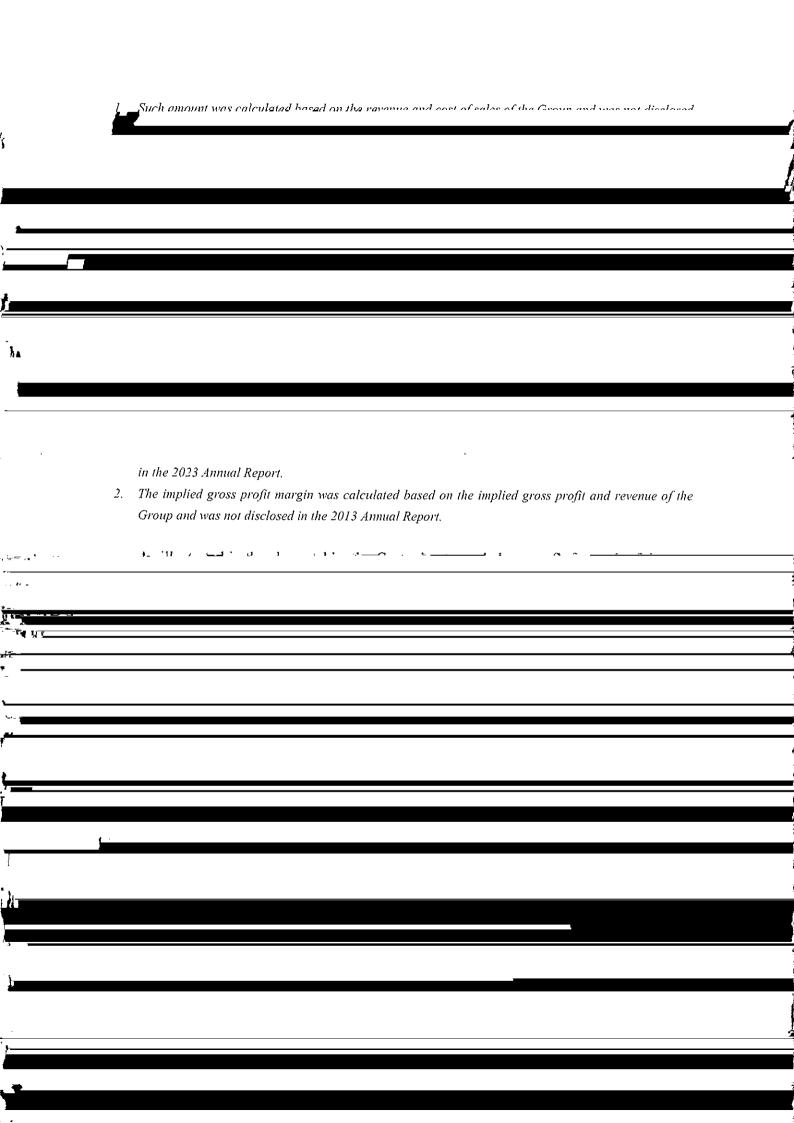
We refer to our engagement as the independent financial adviser to the Independent Board Committee in respect of the terms of the Engineering Construction Related Services Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "Letter from the Board") contained in a circular of the services under the Engineering Construction Related Services Framework Agreement constitutes continuing connected transaction under Chapter 14A of the Listing Rules. Mr. Chan Ngai Sang Kenny, being all the independent non-executive Directors, has been formed to advice the Independent Chambel James of the Wheelers the Tradinaction Carataration

BASIS OF OUR OPINION

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PRINCIPAL FACTORS AND REASONS CONSIDERED

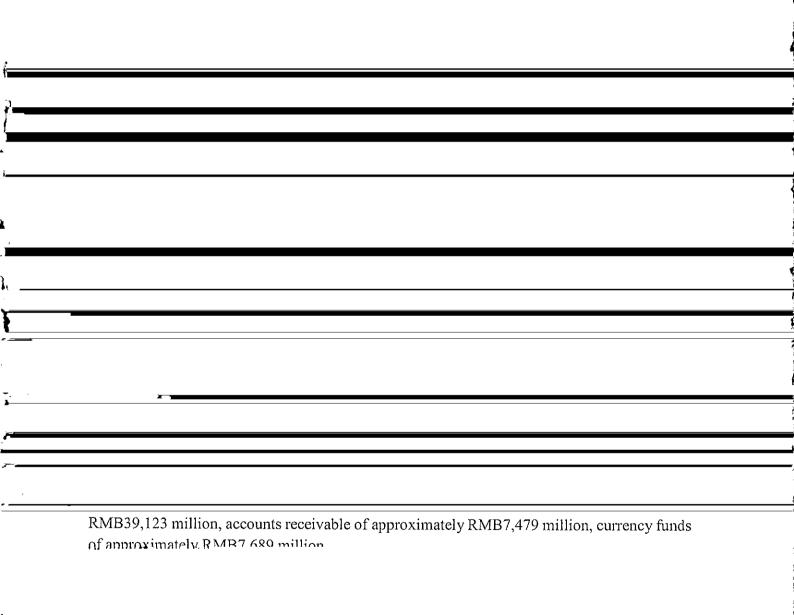
Framework Agreement and the respective transactions contemplated thereunder, we have considered the following principal factors and reasons: 1. Information of the Group Principal business As stated in the 2023 Append Downs the Cours is a larging and state are set as a set of the course of the	n arriving at our opinion for the Engineering Construction Related Services.
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As	at	31	December	2023

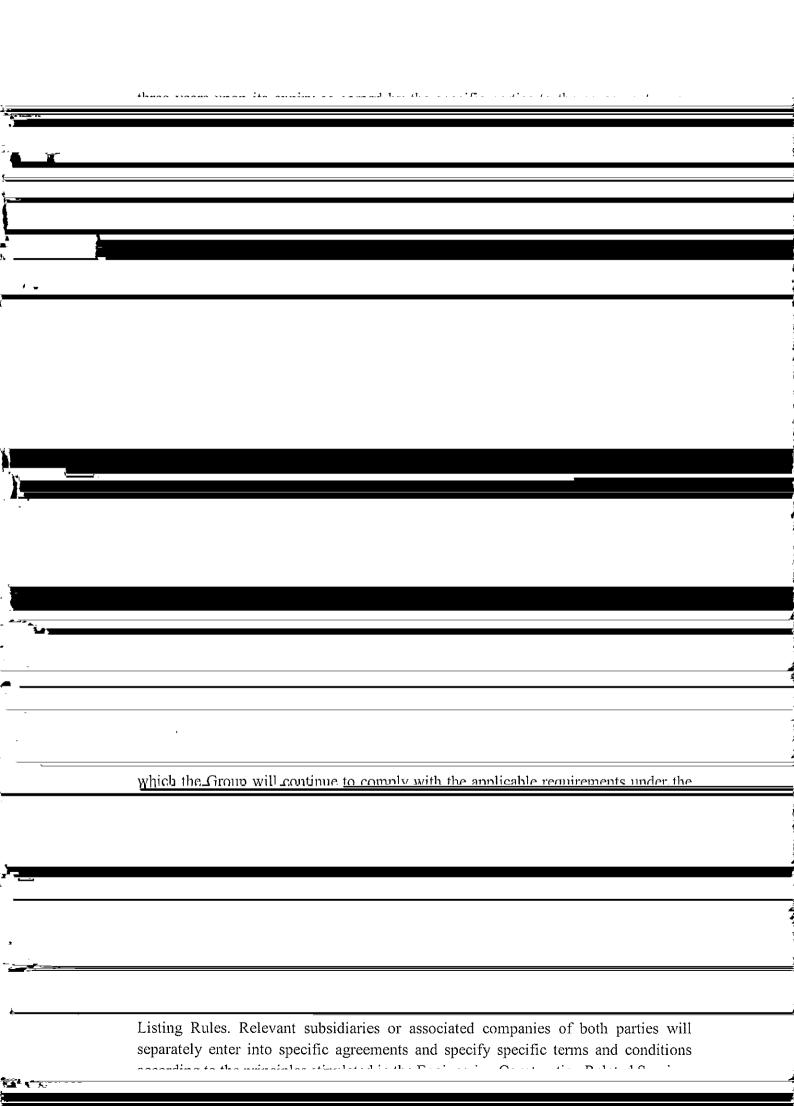
RMB' milTotal assets64,886Total liabilities58,658Net assets6,228

The Group recorded total assets of approximately RMB64,886 million as at 31 December 2023 and approximately 90% of which were current assets. As at 31 December 2023, the current assets of the Group principally constrained against assets of approximately 2023.



The Group recorded total liabilities of approximately RMB58,658 million as at 31 December 2023 and over 95% of which were current liabilities. As at 31 December 2023, the current liabilities of the Group principally comprised trade payable of approximately

1	Zhongming Zhiye and its associates were on normal commercial terms and comparable to the terms offered to third parties. Meanwhile as stated above and according to the 2023 Annual
	Report, the decrease in profit recorded was attributable to the increase in credit impairment
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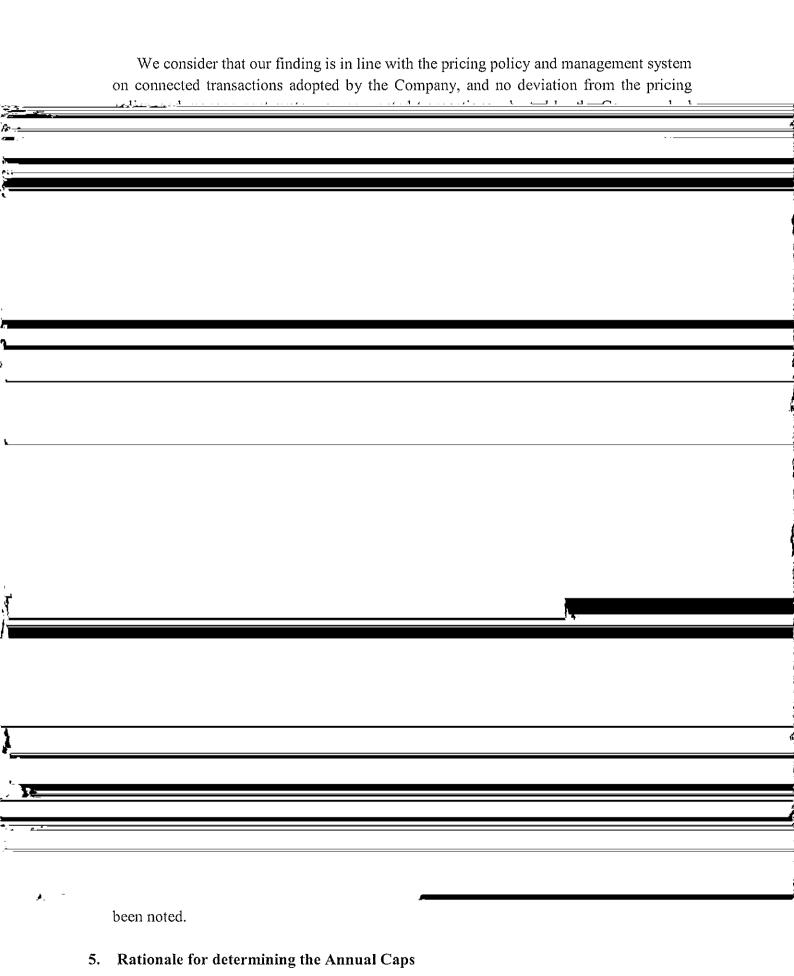
	As at the Latest Practicable Date, to the best knowledge of the Directors, there is no government pricing policy applicable to the engineering construction related services and if any pricing or guiding price of governmental authority is applicable to
	the relevant transactions in the future, the parties to the Engineering Construction Related Services Framework Agreement will first implement such pricing or guiding
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	The Company has established a clear set of contract standards and terms to ensure that	
- 1	all framework agreements meet those standards as a minimum. Such standards are	
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	consistent with best practices in the market and take into account the Company's risk tolerance and husiness needs:	
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•	When considering the Construction and Related Services provided by the Group to the above-mentioned connected persons, the finance management department of the Company will continue to regularly study the prevailing market conditions and practices on a semi-annual basis and refer to the pricing and terms of similar
· <u>}</u>	
<u>.</u> .	transactions concluded between the Group and Independent Third Parties to ensure that the nricing and terms provided by the above-mentioned connected persons through the
	
e disktoracjo	bidding process or mutual commercial negotiation (as the case may be) are fair and
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	gross profit margin was determined taking into account a number of factors including the						
	gross profit margin of comparable transactions with Independent Third Parties. According						
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The table below sets out the historical transaction amounts between the Group and Zhongming Zhiye and its associates in respect of the transactions contemplated under the Engineering Construction Service Framework Agreement and the Construction Auxiliary

	Note: The annual cap of the construction services under the Construction Auxiliary Service Framework						
	Agreement for the year ending 31 December 2024 was RMR? million and the utilisation rate for the three						
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	months ended 31 March 2024 was annualised based on the actual transaction amount for the three months						
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	Proposed Annual Caps						
	For the year ending 31 December						
	2025 2026 2027						

As stated in the Letter from the Board, the Annual Caps have been determined mainly with reference to: (i) the engineering construction related services fees previously paid to the Group by Zhongming Zhiye and its affiliated real estate companies; (ii) expected project contract amount and construction progress; (iii) the number of projects currently available to the Group that requires engineering construction related services; and (iv) newly-added

Construction and Related Services

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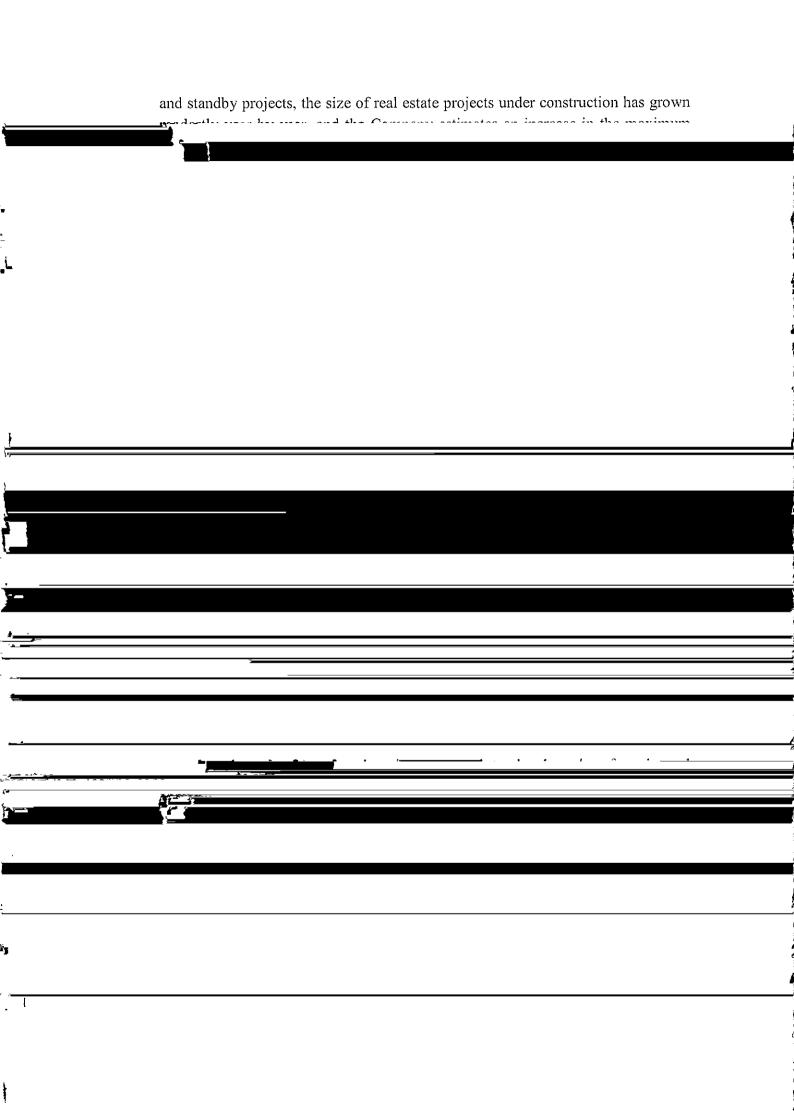
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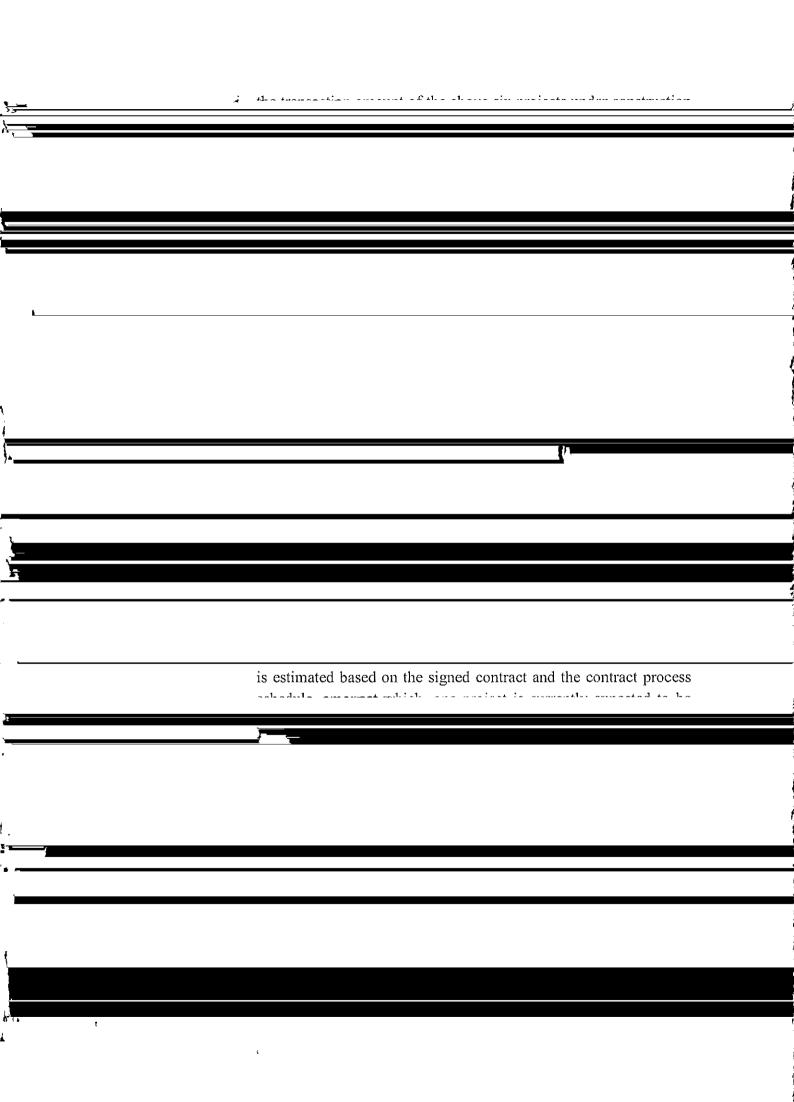
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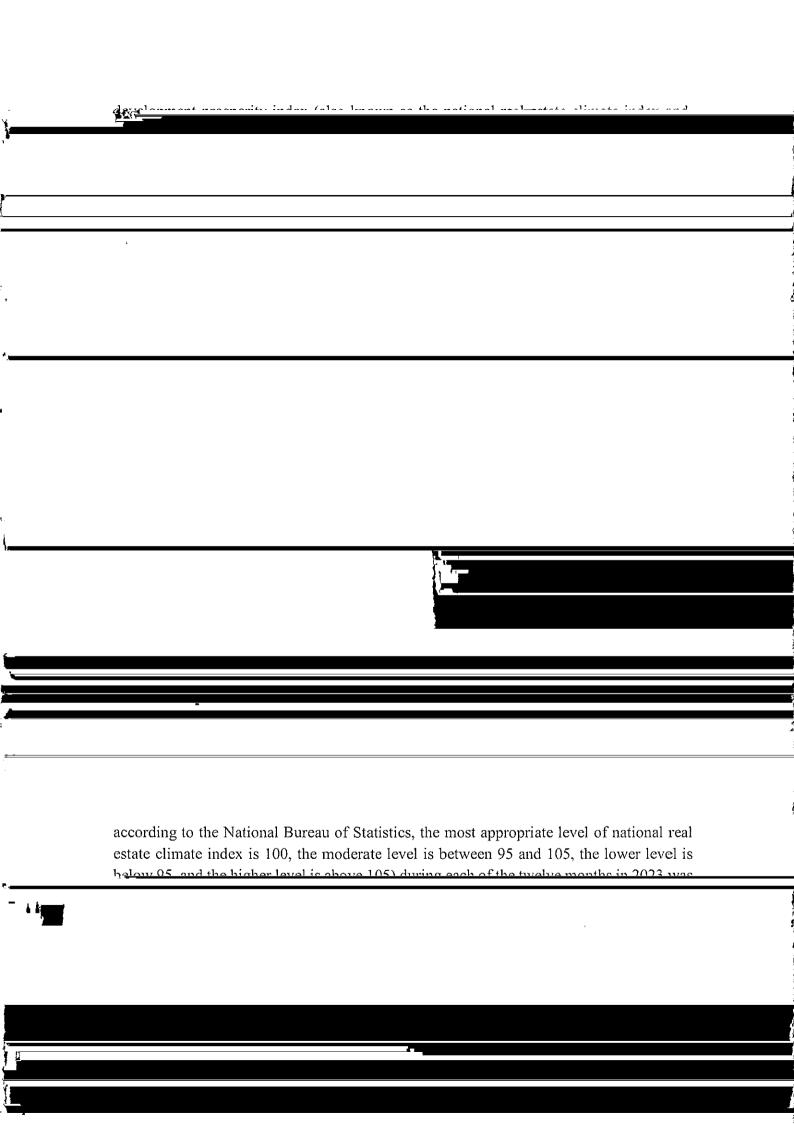
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		ated in the Letter from the Board, the Annual Caps are principally attributable to
	the provi	ision of engineering construction related services. We have discussed with the
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		y and understand that the projected transaction amounts for the Construction and Services are determined by the Company based on the following principal factors:
	(i)	in respect of the existing agreements entered into by the Group with Zhongming
	(1)	Zhiye and its associates, the total contract value of such relevant agreements
		and the Company's estimation on the fee schedule based on the expected project
		progress over the duration of the Engineering Construction Related Services
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	(ii)	in respect of the prospective agreements expected to be entered into by the
		Group with Zhongming Zhiye and its associates in the three years ending 31 December 2027, the projected total contract value and the projected project
		December 2027, the projected total contract value and the projected project



projects of Zhongming Zhiye and its affiliated real estate companies; (v) as stated above, construction development may span over years and will be affected by a number of factors; (vi) the Annual Caps for the respective years only represented less than 2% of the total		Zhongming Zhiye and its affiliated real estate companies; (iv) during the two years ended
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RECOMMENDATION

Having considered the factors and analyses above, we consider that (i) the engineering	
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