

11<sup>TH</sup> 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

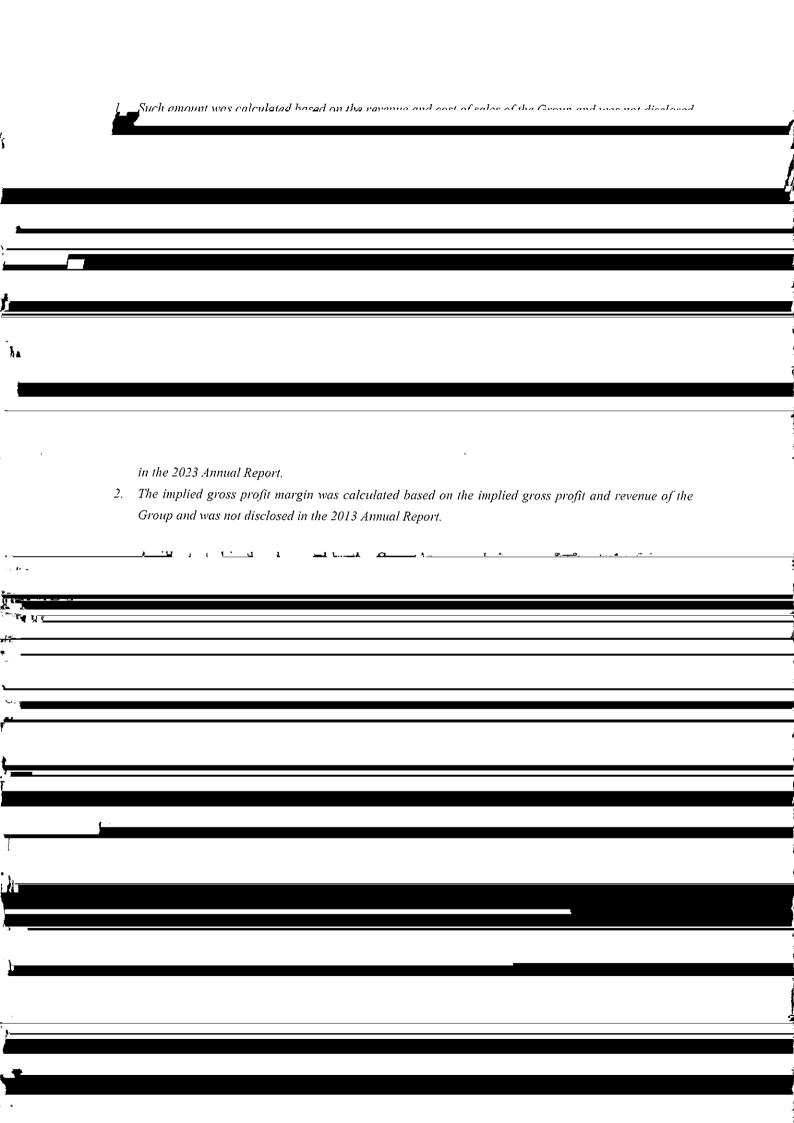
services under the Engineering Construction Related Services Framework Agreement constitutes continuing connected transaction under Chapter 14A of the Listing Rules. Mr. Chan Ngai Sang Kenny, being all the independent non-executive Directors, has been

#### BASIS OF OUR OPINION

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## PRINCIPAL FACTORS AND REASONS CONSIDERED

	In agriving at our opinion for the Engineering Construction Related Services
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	Framework Agreement and the respective transactions contemplated thereunder, we have considered the following principal factors and reasons:
	1. Information of the Group
	Principal business
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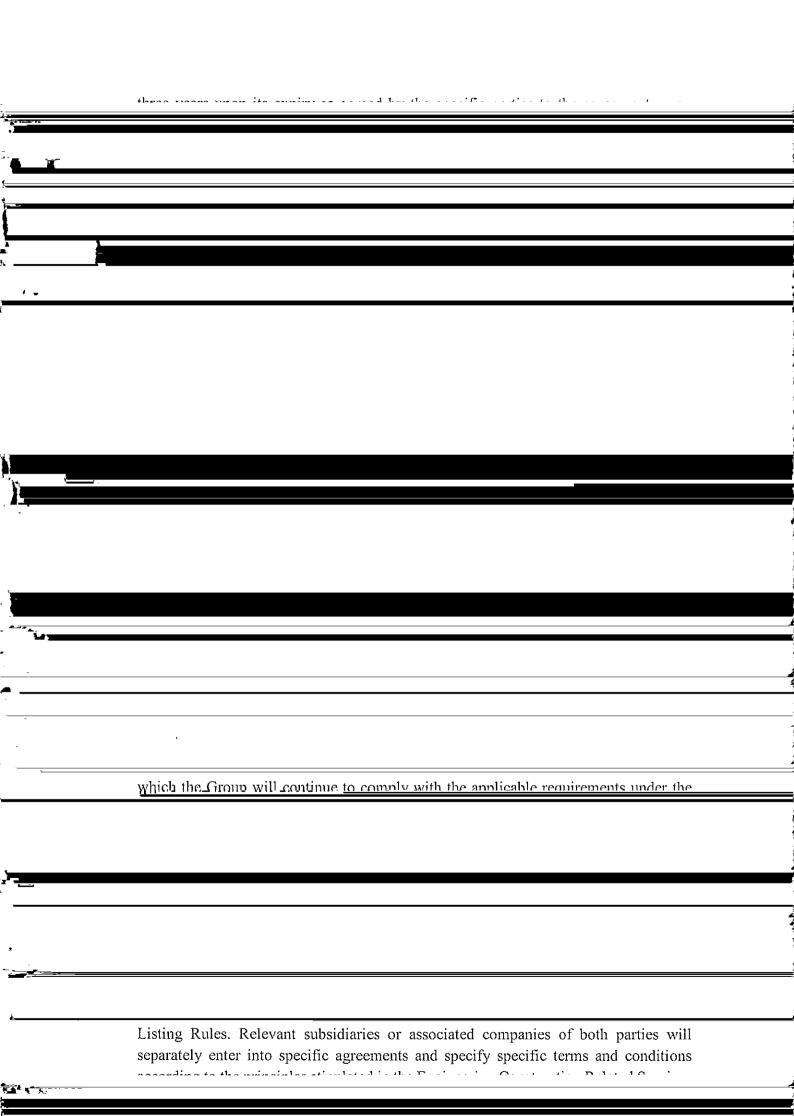


Acat	21	December	2023

	RMB' mil
Total assets	64,886
Total liabilities	58.658
Net assets	6.228

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 comparised contract assets of the Group principally comparised contract assets.
DMD20 122 million accounts marriaghly of the Country of the DMD7 470 Million accounts marriaghly of the Country
RMB39,123 million, accounts receivable of approximately RMB7,479 million, currency funds of approximately RMB7 689 million
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	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 Appual
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· .	Report, the decrease in profit recorded was attributable to the increase in credit impairment
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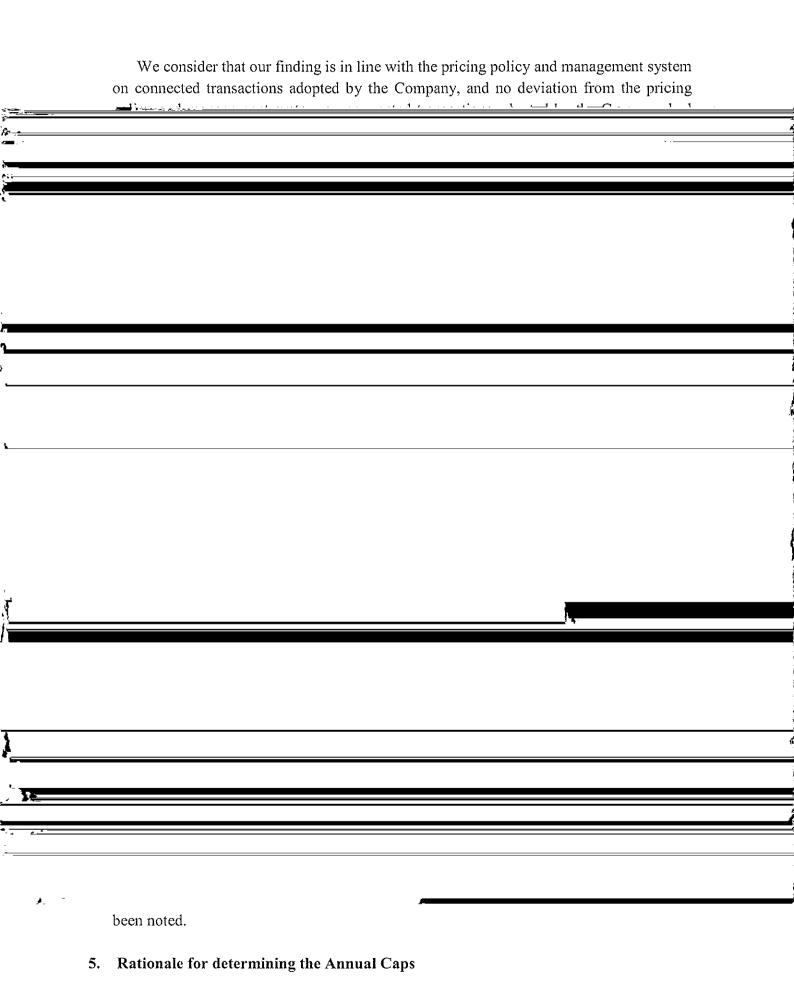


As at the Latest Practicable Date, to the best knowledge of the Directors, there is no government pricing policy applicable to the engineering construction related services and if any pricing or miding price of governmental authority is applicable to the relevant transactions in the future, the parties to the Engineering Construction Related Services Framework Agreement will first implement such pricing or guiding price of the governmental authority. In order to ensure that the fees charged by the Group for the provision of engineering construction related services are fair and reasonable and in line with the market practice, the Group will consider the fair prices of the same or similar engineering construction related services provided by Independent Third Parties on normal commercial terms in the ordinary course of

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•	The Company has established a clear set of contract standards and terms to ensure that	
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	consistent with best practices in the market and take into account the Company's risk	
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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
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	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
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THE TABLE CO.	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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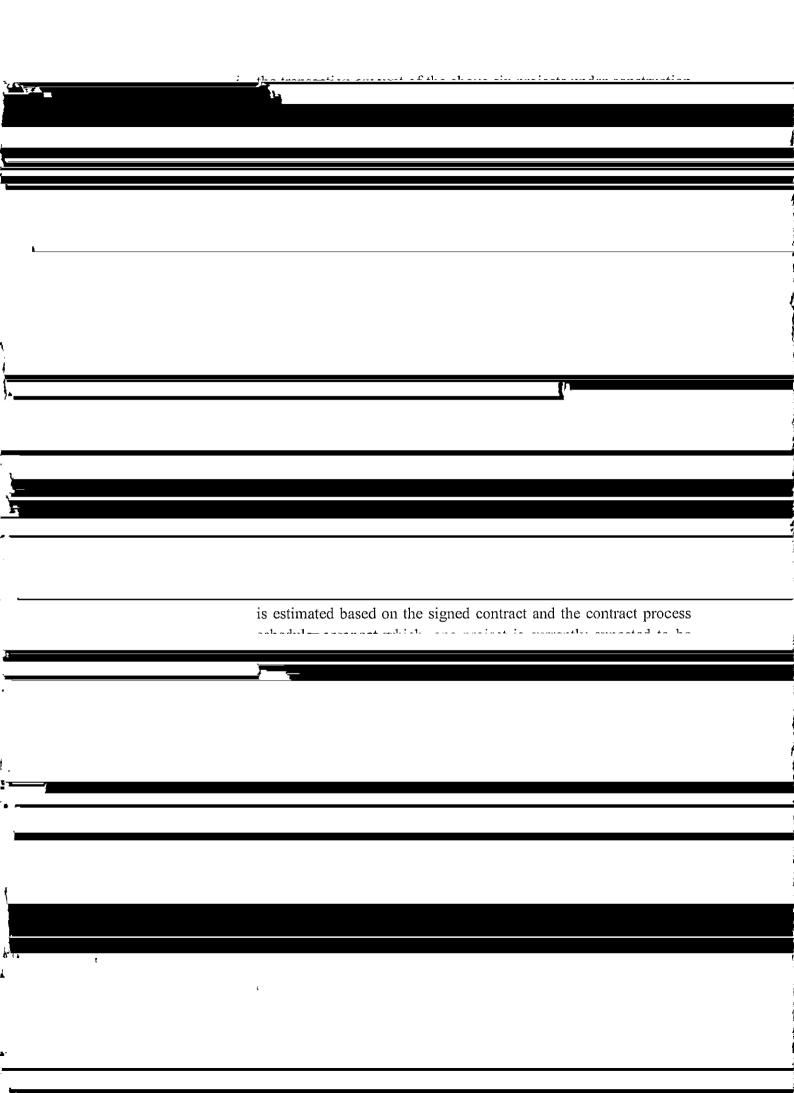
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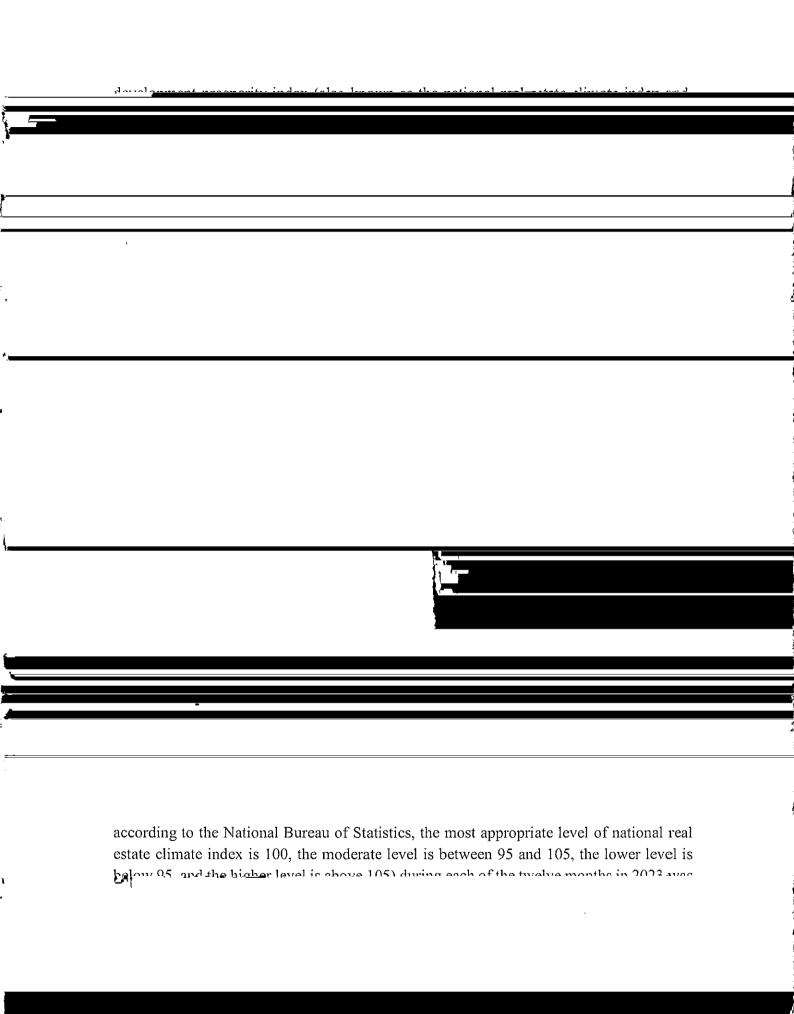
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	and standby projects, the size of real estate projects under construction has grown
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the provi	sion of engineering construction related services. We have discussed with the
= '	y and understand that 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 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
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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 approximation.		Zhongming Zhiye and its affiliated real estate companies; (iv) during the two years ended
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		31 December 2023 the Group has derived revenue from alouse construction and the desertion
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### RECOMMENDATION

	Having considered the factors and analyses above, we consider that (i) the engineering	
	construction related services under the Engineering Construction Related Services Framework	
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