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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Central China Real Estate Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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建業地產股份有限公司*

Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0832)

CONTINUING CONNECTED TRANSACTIONS

- (1) PROPOSED RENEWAL OF THE REAL ESTATE AGENCY SERVICES
FRAMEWORK AGREEMENT;
(2) PROPOSED RENEWAL OF THE MEMBERSHIP MAINTENANCE
AND MANAGEMENT SERVICES FRAMEWORK AGREEMENT;
(3) PROPOSED RENEWAL OF THE STRATEGIC COOPERATION
FRAMEWORK AGREEMENT; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
溢博資本有限公司

Capitalised terms used in this cover page have the same meanings of those defined in this circular.

The letter from the Board is set out on pages 9 to 28 of this circular. A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreements and the transactions contemplated thereunder, is set out on pages 31 to 62 of this circular.

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should the Shareholders so wish.

As set out in the section headed "Arrangements for the EGM" of this circular, the EGM will be a hybrid meeting. The Company strongly encourages Shareholders to exercise their rights to attend and vote at the EGM by electronic facilities.

20 January 2023

* for identification purpose only

PRECAUTIONARY MEASURES FOR THE EGM

Please see pages 1 to 3 of this circular for precautionary measures being taken to prevent and control the spread of the novel coronavirus at the EGM, including:

- compulsory body temperature checks and health declarations
- compulsory wearing of surgical face masks (please bring your own mask)
- no refreshment will be served
- no souvenirs will be distributed

Any person who does not comply with the above precautionary measures may be denied entry into the EGM venue. The Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the EGM at all times, and reminds the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM or to attend and vote at the EGM electronically as an alternative to attending the EGM in person.

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ARRANGEMENTS FOR THE EGM

In view of the ongoing novel coronavirus epidemic and recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect the Shareholders, staff and other stakeholders who attend the EGM from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the EGM at all times, and to maintain a safe distance between seats (please bring your own mask);
- (iii) no refreshment will be served at the EGM;
- (iv) no souvenirs will be distributed at the EGM; and
- (v) Any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic.

Any person who does not comply with above requirements may be denied entry into the EGM venue or be required to leave the EGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of other attendees at the EGM. In our case, denied entry to the EGM venue also means that person will not be allowed to attend the EGM.

In the interest of all stakeholders' health and safety and in accordance with recent guidelines for prevention and control of the spread of novel coronavirus, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may complete the proxy forms and appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM or to attend and vote at the EGM electronically instead of attending the EGM in person.

The proxy forms were despatched to the Shareholders together with this circular, and can otherwise be downloaded from the websites of the Company at <http://www.jianye.com.cn/> or the Stock Exchange at <https://www.hkexnews.hk/> If you are not a registered Shareholder (i.e. if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

ARRANGEMENTS FOR THE EGM

The Company does not in any way wish to diminish the opportunity available to Shareholders to exercise their rights and to vote. For the health and safety of EGM attendees, the Company would be adapting the arrangements for the EGM to minimise attendance in person, while still enabling Shareholders to vote and ask questions. Details of such arrangements are set out below.

ATTENDING THE EGM BY MEANS OF ELECTRONIC FACILITIES

The EGM will be a hybrid meeting. The Company strongly encourages Shareholders to attend, participate and vote at the EGM through online access by visiting the website – <http://meetings.computershare.com/CCRE2023EGM> (the “**Online Platform**”). Shareholders participating in the EGM using the Online Platform will also be counted towards the quorum and they will be able to cast their vote and submit questions through the Online Platform.

The Online Platform permits a “split vote” on a resolution, in other words, a Shareholder casting his/her/its votes through the Online Platform does not have to vote all of his/her/its shares in the same way (“**For**” or “**Against**”). In the case of a proxy, he/she can vote such number of shares in respect of which he/she has been appointed as a proxy. Votes cast through the Online Platform are irrevocable once the voting session at the EGM ends.

The Online Platform will be open for registered Shareholders and non-registered Shareholders (see below for login details and arrangements) to log in approximately 30 minutes prior to the commencement of the EGM and can be accessed from any location with internet connection by a smart phone, tablet device or computer. Shareholders should allow ample time to check into the Online Platform to complete the related procedures. Please refer to the Online User Guide for the EGM at <http://www.jianye.com.cn/> for assistance.

Login details for registered Shareholders

Details regarding the EGM arrangements including login details to access the Online Platform are included in the Company’s notification letter to registered Shareholders sent together with this circular.

Login details for non-registered Shareholders

Non-registered Shareholders who wish to attend, participate and vote at the EGM using the Online Platform should:

- (1) contact and instruct their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (together, the “**Intermediary**”) to appoint themselves as proxy or corporate representative to attend the EGM; and
- (2) provide their email address to their Intermediary before the time limit required by the relevant Intermediary.

ARRANGEMENTS FOR THE EGM

Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, to the email address of the non-registered Shareholders provided by the Intermediary. Any non-registered Shareholder who has provided an email address through the relevant Intermediary for this purpose but has not received the login details by email by 12:00 noon on 12 February 2023 should reach out to the Hong Kong branch share registrar of the Company for assistance. Without the login details, non-registered Shareholders will not be able to participate and vote using the Online Platform. Non-registered Shareholders should therefore give clear and specific instructions to their Intermediary in respect of both (1) and (2) above.

Login details for proxies or corporate representatives

Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, to the email address of the proxies provided to it in the relevant proxy forms.

Registered and non-registered Shareholders should note that only one device is allowed in respect of each set of login details. Please also keep the login details in safe custody for use at the EGM and do not disclose them to anyone else. Neither the Company nor its agents assume any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for voting or otherwise.

If you have any questions relating to the EGM, please contact the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, via the following:

Address : 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Website : www.computershare.com/hk/contact
Telephone : +852 2862 8555
Fax : +852 2865 0990

DEFINITIONS

In this circular and the appendices to it, the following expressions have the following meanings unless the context requires otherwise:

“2019 Membership Maintenance and Management Services Framework Agreement”	the membership maintenance and management services framework agreement dated 29 March 2019 entered between the Company and CCNL, the details of which are set out in the announcement dated 29 March 2019 (and as supplemented by a supplemental membership maintenance and management services framework agreement dated 30 October 2020, the details of which are set out in the announcement of the Company dated 30 October 2020)
“2019 Real Estate Agency Services Framework Agreement”	the real estate agency services framework agreement dated 24 June 2019 entered between the Company and CCNL, the details of which are set out in the announcement of the Company dated 24 June 2019 (and as supplemented by a supplemental real estate agency services framework agreement dated 30 October 2020, the details of which are set out in the announcement of the Company dated 30 October 2020)
“2019 Strategic Cooperation Framework Agreement”	the strategic cooperation framework agreement dated 30 December 2019 entered between the Company and DIT Manufacture, the details of which are set out in the announcement of the Company dated 30 December 2019
“2022 Membership Maintenance and Management Services Framework Agreement”	the membership maintenance and management services framework agreement dated 9 December 2022 entered between the Company and CCNL, pursuant to which CCNL Group agreed to provide Membership Maintenance and Management Services to the Group commencing from the Effective Date to 31 December 2025
“2022 Real Estate Agency Services Framework Agreement”	the real estate agency services framework agreement dated 9 December 2022 entered into between Company and CCNL, pursuant to which CCNL Group agreed to provide Real Estate Agency Services to the Group commencing from the Effective Date to 31 December 2025
“2022 Strategic Cooperation Framework Agreement”	the framework agreement entered into by the Company and CCNL on 9 December 2022 in relation to the provision of engineering services and gardening and design Services to the Group by DIT Manufacture from the Effective Date to 31 December 2025

DEFINITIONS

“Agreed Services”	services (including engineering design, general traditional prefabricated construction, and gardening, decorating and general labour for the proposed development projects) provided by DIT Manufacture to the Group, as set out in the 2022 Strategic Cooperation Framework Agreement
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors of the Company
“CCNL”	Central China New Life Limited, a company incorporated under the laws of the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 9983), and a connected person of the Company
“CCNL Group”	CCNL and its subsidiaries
“Company”	Central China Real Estate Limited (建業地產股份有限公司*), an exempted company established under the laws of the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 832)
“connected person(s)”	has the meaning given to it under the Listing Rules
“controlling shareholder”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“DIT Manufacture”	Drawin Intelligent Manufacture Technology Industry Group Limited* (築友智造科技產業集團有限公司), a company incorporated in the PRC with limited liability and a connected person of the Company
“Effective Date”	being the date on which the conditions precedent of the respective Framework Agreements are fulfilled
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and if thought fit, pass resolutions to approve the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder

DEFINITIONS

“Engineering Services”	services (including engineering design, general contracting of construction, supply of concrete prefabricated parts, and supply and installation of decoration board for the proposed development projects) provided by DIT Manufacture to the Group, as set out in the 2019 Strategic Cooperation Framework Agreement
“Framework Agreements”	means the 2022 Membership Maintenance and Management Services Framework Agreement, the 2022 Real Estate Agency Services Framework Agreement and the 2022 Strategic Cooperation Framework Agreement
“FY2020”	the year ended 31 December 2020
“FY2021”	the year ended 31 December 2021
“FY2022”	the year ended 31 December 2022
“FY2023”	the year ending 31 December 2023
“FY2024”	the year ending 31 December 2024
“FY2025”	the year ending 31 December 2025
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the Independent Board Committee established by the Company, comprising all the independent non-executive Directors, namely Mr. Cheung Shek Lun, Mr. Xin Luo Lin and Dr. Sun Yuyang, to advise the Independent Shareholders on the Framework Agreements (including the proposed annual caps) and the transactions contemplated thereunder
“Independent Financial Adviser”	Rainbow Capital (HK) Limited
“Independent Shareholders”	all Shareholders other than the Shareholders with a material interest in the Framework Agreements and the transactions contemplated thereunder

DEFINITIONS

“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, entities other than the connected persons of the Company as defined under the Listing Rules
“Latest Practicable Date”	16 January 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Membership Maintenance and Management Services”	the membership maintenance and management services provided or to be provided by CCNL Group to the Group in respect of various residential communities, as well as large scale event organisation and planning services provided for the Group
“Mr. Wu”	Mr. Wu Po Sum, the chairman, an executive Director and a controlling shareholder of the Company, and owns more than 30% of the shareholding interests in CCNL as at the Latest Practicable Date
“party(ies)”	the Company, CCNL Group and DIT Manufacture (as applicable)
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Real Estate Agency Services”	the real estate agency services in respect of the first-hand property sales as well as the related preparation services (such as consulting services, marketing services, promotion services, etc.) provided or to be provided by CCNL Group to the Group pursuant to the 2022 Real Estate Agency Services Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Shares”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* *for identification purpose only*

LETTER FROM THE BOARD



建業地產股份有限公司 *

Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0832)

Executive Director:

Mr. Wu Po Sum (*Chairman*)

Non-Executive Directors:

Ms. Wu Wallis (alias Li Hua)

Mr. Deng Gaoqiang

Mr. Shi Song

Independent Non-Executive Directors:

Mr. Cheung Shek Lun

Mr. Xin Luo Lin

Dr. Sun Yuyang

Registered Office:

Cricket Square Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Principal place of business in Hong Kong:

Room 7701B-7702A, 77th Floor

International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

20 January 2023

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

- (1) PROPOSED RENEWAL OF THE REAL ESTATE AGENCY SERVICES FRAMEWORK AGREEMENT;**
- (2) PROPOSED RENEWAL OF THE MEMBERSHIP MAINTENANCE AND MANAGEMENT SERVICES FRAMEWORK AGREEMENT;**
- (3) PROPOSED RENEWAL OF THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT; AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

Proposed Renewal of the Real Estate Agency Services Agreement

Reference is made to the announcements of the Company dated 24 June 2019 and 30 October 2020 in relation to the Company entering into the 2019 Real Estate Agency Services Framework Agreement and its supplemental agreement in 2020. The Company entered into the 2022 Real Estate Agency Services Framework Agreement with CCNL on 9 December 2022 (after trading hours) to replace and renew the 2019 Real Estate Agency Services Framework Agreement and its supplemental agreement in 2020, the service scope of which will also cover the Real Estate Agency Services contemplated under the 2019 Real Estate Agency Services Framework Agreement and its supplemental agreement in 2020. Pursuant to the 2022 Real Estate Agency Services Framework Agreement, the Company has agreed to procure, and CCNL has agreed to provide, the Real Estate Agency Services.

Proposed Renewal of the Membership Maintenance and Management Services Framework Agreement

Reference is made to the announcements of the Company dated 29 March 2019 and 30 October 2020 in relation to the Company entering into the 2019 Membership Maintenance and Management Services Framework Agreement and its supplemental agreement in 2020. The Company entered into the 2022 Membership Maintenance and Management Services Framework Agreement with CCNL on 9 December 2022 (after trading hours) to replace and renew the 2019 Membership Maintenance and Management Services Framework Agreement and its supplemental agreement in 2020, the service scope of which will also cover the Membership Maintenance and Management Services contemplated under the 2019 Membership Maintenance and Management Services Framework Agreement and its supplemental agreement in 2020. Pursuant to the 2022 Membership Maintenance and Management Services Framework Agreement, the Company has agreed to procure, and CCNL has agreed to provide, the Membership Maintenance and Management Services.

Proposed Renewal of the Strategic Cooperation Agreement

Reference is made to the announcements of the Company dated 30 December 2019, 13 December 2019 and 13 November 2019, in relation to the Company entering into 2019 Strategic Cooperation Framework Agreement with DIT Manufacture, pursuant to which the Company agreed to procure, and DIT Manufacture agreed to provide the Engineering Services. The Company entered into the 2022 Strategic Cooperation Framework Agreement with DIT Manufacture on 9 December 2022 (after trading hours) to renew the 2019 Strategic Cooperation Framework Agreement, the service scope of which will also mostly cover the Engineering Services contemplated under the 2019 Strategic Cooperation Framework Agreement. Pursuant to the 2022 Real Estate Agency Services Framework Agreement, the Company has agreed to procure, and DIT Manufacture has agreed to provide Agreed Services.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details in relation to the terms of the Framework Agreements (including their respective proposed annual caps thereunder) and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Framework Agreements (including the proposed annual caps thereunder); (iii) a letter from the Independent Financial Adviser containing its advice in respect of the Framework Agreements (including the proposed annual caps); and (iv) a notice convening the EGM and the relevant proxy form, as well as any other information required to be disclosed under the Listing Rules.

2. RENEWAL OF THE REAL ESTATE AGENCY SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 24 June 2019 and 30 October 2020 in relation to the entering into the 2019 Real Estate Agency Services Framework Agreement and its supplemental agreement in 2020. The Company entered into the 2022 Real Estate Agency Services Framework Agreement with CCNL on 9 December 2022 (after trading hours) to replace and renew the 2019 Real Estate Agency Services Framework Agreement and its supplemental agreement in 2020, the service scope of which will also cover the Real Estate Agency Services contemplated under the 2019 Real Estate Agency Services Framework Agreement. Pursuant to the 2022 Real Estate Agency Services Framework Agreement, the Company has agreed to procure, and CCNL has agreed to provide, the Real Estate Agency Services.

The principal terms of the 2022 Real Estate Agency Framework Services Agreement are set out as follows:

Date	:	9 December 2022 (after trading hours)
Parties	:	The Company (as service user); and CCNL (as service provider)
Term	:	From the Effective Date to 31 December 2025

LETTER FROM THE BOARD

- Service scope and service fee : Pursuant to the 2022 Real Estate Agency Services Framework Agreement, CCNL Group shall provide Real Estate Agency Services to the Group and receive a commission based on the transaction amounts of the property sales as service fee. The commission rate to be charged by the CCNL Group shall be adjusted to the range of 0.8% to 6.0% based on the transaction amounts of the property sales as service fee which is in line with the historic commissions rates for such services offered by the CCNL Group. The commission rate applicable to each property project will be set out in separate agreements to be entered into from time to time between the Company and the CCNL Group under the 2022 Real Estate Agency Services Framework Agreement. The commission rate applicable to each property project will be determined with reference to a number of factors, including but not limited to:
- a. Overall real estate market environment: Factors such as market environment fluctuations, price changes, and changes in the mode of sales.
 - b. Project location: If it is anticipated that a particular project may be difficult to sell due to geographical limitations, the fees payable will be adjusted upward in accordance with the difficulty in relation to the specific situation.
 - c. Difficulties of marketing: If the market environment is expecting more fluctuation at the time of a particular marketing event and sales are expected to be more difficult, fees might increase proportionally to cover for any additional expenses and effort expected to be required to generate sales.
 - d. Terms for a specific engagement: Fees payable may be adjusted to reflect the commercial terms of an engagement (e.g. whether CCNL is engaged on an exclusive or non-exclusive basis for a specific project, with exclusive engagement charging on a lower rate).

LETTER FROM THE BOARD

Given that the commission rates charged under the 2022 Real Estate Agency Services Framework Agreement will be determined with reference to the factors above and to the particularity of the individual projects to ensure fairness and reasonableness which can differ significantly based on the location and commercial terms of a specific engagement and the prevailing market conditions at the time of the engagement, the Directors consider that the the commission rates charged under the 2022 Real Estate Agency Services Framework Agreement are fair and reasonable.

- Annual caps : The annual cap of the 2022 Real Estate Agency Services Framework Agreement for FY2023, FY2024 and FY2025 will each be RMB350.0 million.
- Conditions Precedent : The Company shall obtain approval regarding 2022 Real Estate Agency Services Framework Agreement and the transactions contemplated thereunder from Independent Shareholders at the EGM of the Company and the independent shareholders of CCNL at its extraordinary general meeting before the agreements formally takes effect.

3. RENEWAL OF THE MEMBERSHIP MAINTENANCE AND MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcements of the Company dated 29 March 2019 and 30 October 2020 in relation to the Company entering into the 2019 Membership Maintenance and Management Services Framework Agreement and its supplemental agreement in 2020. The Company entered into the 2022 Membership Maintenance and Management Services Framework agreement with CCNL on 9 December 2022 (after trading hours) to replace and renew the 2019 Membership Maintenance and Management Services Framework Agreement and its supplemental agreement in 2020, the service scope of which will also cover the Membership Maintenance and Management Services contemplated under the 2019 Membership Maintenance and Management Services Framework Agreement and its supplemental agreement in 2020. Pursuant to the 2022 Membership Maintenance and Management Services Framework Agreement, the Company has agreed to procure, and CCNL has agreed to provide, the Membership Maintenance and Management Services.

LETTER FROM THE BOARD

The principal terms of the 2022 Membership Maintenance and Management Services Framework Agreement are set out as follows:

- Date : 9 December 2022 (after trading hours)
- Parties : The Company (as service user); and
CCNL (as service provider)
- Term : From the Effective Date to 31 December 2025
- Service scope and service fees : CCNL Group shall provide the Membership Maintenance and Management Services to the Group. The parties shall enter into separate agreements for detailed service scope in respect of various Membership Maintenance and Management Services as and when necessary. The Membership Maintenance and Management Services are provided to the residents of the residential property projects developed and proposed to be developed by the Group, who are or will be the members of various residential communities.

The service fees for regular services for members are RMB3,000 per member per annum. The service fees is primarily determined based on expected labour and operation costs to be incurred by the CCNL Group and factoring in a reasonable profit margin of between 30% to 40%. The profit margin of 30% to 40% is determined by CCNL Group with reference to their gross profit margin required for provision of community value-added services after taking into account their expected labour and operation costs to be incurred. Nevertheless, the Company will obtain at least two other quotations from Independent Third Parties for similar services before entering into separate agreements for Membership Maintenance and Management Services so as to ensure the price quoted by CCNL is no less favourable than other third party service providers. The Company will monitor the market rates for employee salary engaged in similar services as well as the general profit margins for similar services when assessing the service fees to be charged.

LETTER FROM THE BOARD

Having considered that the service fees under the 2022 Membership Maintenance and Management Services Framework Agreement will be determined with reference to the factors above and current and estimated number of members, the Company considers the service fees under the 2022 Membership Maintenance and Management Services Framework Agreement are fair and reasonable.

- Annual caps : The annual cap of the 2022 Membership Maintenance and Management Services Framework Agreement for FY2023, FY2024 and FY2025 will each be RMB100.0 million.
- Conditions Precedent : The Company shall obtain approval regarding 2022 Membership Maintenance and Management Services Framework Agreement and the transactions contemplated thereunder from Independent Shareholders at the EGM before the agreements formally takes effect.

4. RENEWAL OF THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

Reference is made to the announcements of the Company dated 30 December 2019, 13 December 2019 and 13 November 2019, in relation to the Company entering into 2019 Strategic Cooperation Framework Agreement with DIT Manufacture, pursuant to which the Company agreed to procure, and DIT Manufacture agreed to provide the Engineering Services. The Company entered into the 2022 Strategic Cooperation Framework Agreement with DIT Manufacture on 9 December 2022 (after trading hours) to renew the 2019 Strategic Cooperation Framework Agreement, the service scope of which will also mostly cover the Engineering Services contemplated under the 2019 Strategic Cooperation Framework Agreement. Pursuant to the 2022 Strategic Cooperation Framework Agreement, the Company has agreed to procure, and DIT Manufacture has agreed to provide Agreed Services.

The principal terms of the 2022 Strategic Cooperation Framework Agreement are set out as follows:

- Date : 9 December 2022 (after trading hours)
- Parties : The Company (as service user); and
DIT Manufacture (as service provider)
- Term : From the Effective Date to 31 December 2025

LETTER FROM THE BOARD

- Service Scope : Pursuant to the 2022 Strategic Cooperation Framework Agreement, DIT Manufacture and the members of its group, with the premise that the cost is reasonable and in compliance with laws and regulations, will provide services (including general contracting of construction, gardening, design and decorating, and general labour for the proposed real estate projects) to the Group. The Company and DIT Manufacture shall enter into separate agreements for detailed services scope in respect of various Agreed Services as and when necessary.
- Annual caps : The annual cap of the 2022 Strategic Cooperation Framework Agreement for FY2023, FY2024 and FY2025 shall be RMB4.0 billion, RMB5.0 billion and RMB6.0 billion respectively.
- Conditions Precedent : The Company shall obtain approval regarding the 2022 Strategic Cooperation Framework Agreement and the transactions contemplated thereunder from Independent Shareholders at the EGM before the agreements formally takes effect.

SERVICES INTRODUCTION, PAYMENT TERMS AND PRICING POLICY

Services Scope and Introduction

Payment Terms

Pricing Policy *(note)*

Engineering design (i.e., engineering consultancy services i.e. (integrated design, research and development, consultancy and promotion) for the whole industrial chain of buildings)

20% of the total contract price shall be paid in advance within 30 days after signing the contract, and the subsequent payment shall be paid according to the actual progress of the project, and the payment ratio after the construction blueprint is submitted shall not be less than 60% of the contract price

Benchmark against the average design price of the industry, with reference to first-tier domestic real estate companies with similar projects, and the general industry condition

LETTER FROM THE BOARD

Services Scope and Introduction	Payment Terms	Pricing Policy (<i>note</i>)
General traditional construction (i.e., building, installation project construction and the procurement and supply of raw material and equipment)	Project progress payment shall be made on the basis of 80% of the monthly completed output value before the completion and inspection and acceptance of the project; 85% of the corresponding contract price shall be made after the completion and qualification verification of the project; 90% of the completed output value shall be made after the transfer of houses to owners; 97% of the project settlement price shall be made after the completion of the settlement. 3% of the remaining settlement price shall be reserved as retention fund and returned in accordance with the return arrangement in respect of the retention fund stipulated in the warranty agreement	Based on the types of project buildings (house, low-rise apartment, multi-storey apartment, underground car parks etc., with the basic price ranged from RMB1,450 to RMB3,200 per sq.m.) per saleable area, depending on the types of the project buildings, buildings with a higher costs will be charged a higher price, and adjusted with reference to the total number of stories and height, and complexity of the project buildings (adjusted with a rate ranged from -8% to 8%, taller buildings usually incur a lower cost)
Prefabricated construction (i.e., building and construction)	20% of the consideration under the underlying master contract for the supply service of concrete prefabricated parts is to be paid as prepayment. The remainder shall be paid according to the progress of the project as stipulated in the payment terms of the general traditional construction described above	Based on the assembly ratio (of 50%, being the proportion of prefabricated components used in the primary structure, enclosure and internal walls and pipelines of a construction), on the basis of the general traditional construction pricing policy mentioned above which differ depending on the type of the building and adjusted by complexity of the project, the price difference shall not exceed RMB500 per sq.m., and specific calculations shall be made on a case-by-case basis
Gardening, decorating and general labour	To be negotiated on a case-by-case basis, and is generally expected to be paid either in stages based on the work progression or upon completion of a specific work order for smaller engagements in accordance with DIT Manufacture's standard payment terms	To follow DIT Manufacture's standard pricing for such services, which is determined with reference to the prevailing market price, and the historical price between the Group and DIT Manufacture, and to be subject to discounts to be negotiated and agreed between the parties based on the specific nature and quantity of services requested, and is expected to range between 5% to 10%

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Note: The basic unit prices or price range set out above are agreed by the parties on arm length's negotiation and the Company has sought for quotations from at least two Independent Third Party service providers for providing respective comparable services or products in order to ensure that such basic prices are fair and reasonable and no less favourable to the Company than those available from Independent Third Parties.

The Company will continue to consider the above factors under the pricing policy on a case-by-case basis depending on the specific services required under the Agreed Service. Given the above, the Company considers the pricing basis of the Agreed Service be fair and reasonable.

5. PROPOSED ANNUAL CAPS AND BASIS FOR DETERMINATION

The following table sets forth the annual caps under the 2022 Real Estate Agency Services Framework Agreement, the 2022 Membership Maintenance and Management Services Framework Agreement, and the 2022 Strategic Cooperation Framework Agreement:

	Annual Caps for		
	FY2023	FY2024	FY2025
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
2022 Real Estate Agency Services Framework Agreement	350	350	350
2022 Membership Maintenance and Management Services Framework Agreement	100	100	100
2022 Strategic Cooperation Framework Agreement	4,000	5,000	6,000

In considering the proposed annual caps of the 2022 Real Estate Agency Services Framework Agreement, the Directors have taken into account following factors:

- the historical transaction amounts and volume of Real Estate Agency Services used by the Company and its subsidiaries in previous years, and customised service scope required under most property projects;
- the anticipated lower demand in the estimated transaction amounts for Real Estate Agency Services for FY2023, FY2024 and FY2025, calculated by multiplying the commission rate (ranging from 0.8% to 6.0%) by the relevant estimated aggregate real estate sales amount for FY2023, FY2024 and FY2025 respectively, including the Group and its associates, for all the existing agreements in respect of Real Estate Agency Services entered into as of 31 October 2022; and
- the Group's demand for CCNL Group's Real Estate Agency Services which are mainly attributable to the Group's expected sales of property projects that will be launched for sale.

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In considering the annual caps of 2022 Real Estate Agency Services Framework Agreement, the Directors have taken into account the following factors: (a) the historical transaction amounts and volume of Real Estate Agency Services used by the Company and its subsidiaries in previous years, and customized service scope required under most property projects; (b) the anticipated demand in the estimated transaction amounts for Real Estate Agency Services for FY2023, FY2024 and FY2025, calculated by multiplying the commission rate (ranging from 0.8% to 6.0%) by the relevant estimated aggregate real estate sales amount for FY2023, FY2024 and FY2025, respectively, including the Group and its associates, for all the existing agreements in respect of Real Estate Agency Services entered into as of 31 October 2022; and (c) the Group's demand for CCNL Group's Real Estate Agency Services mainly attributable to the Group's expected sales of property projects that will be launched for sale.

The Directors have considered the list of existing agreements in respect of Real Estate Agency Services entered or to be entered into by the Group, and noted that based on the expected real estate sales amount and the commission rate ranging from 0.8% to 6.0%, the expected transaction amount for Real Estate Agency Services will be amounted to approximately RMB315.0 million, RMB317.9 million and RMB346.5 million for FY2023, FY2024 and FY2025, respectively, which represented approximately 90.0%, 90.8% and 99.0% of the proposed annual caps for FY2023, FY2024 and FY2025, respectively. The commission rate of the expected transaction amount for Real Estate Agency Services is determined by considering the historical commission rates and included a slight buffer. The historical commission fee paid by the Group ranged from 0.7% to 2.7%, 0.8% to 6.0% and 0.5% to 4.7% for FY2020, FY2021 and the nine months ended 30 September 2022, respectively. Hence, the expected commission rate for the Real Estate Agency Services is within the range of the historical commission rate.

In considering the annual caps of the 2022 Membership Maintenance and Management Services Framework Agreement, the Directors have taken into account the following factors; (a) the number of the Group's existing and upcoming real estate projects, the number of members within relevant residential communities and the need of related service; and (b) the historical transaction amounts of Membership Maintenance and Management Services provided by CCNL Group. In view of the number of real estate projects of the Company and the expected number of members, the Directors currently expected that the Group will require a relatively stable amount of Membership Maintenance and Management Services from CCNL during the term of 2022 Membership Maintenance and Management Services Framework Agreement.

The Directors are cautiously optimistic on the real estate market in the PRC and the Group's business development in the coming years. As driven by the pick-up in progress for those delayed projects and the expected increase in real estate project as the market recovers, the number of properties to be completed is also expected to increase and thereby drive the number of members in those residential communities. In FY2024 and FY2025, in light of the existing and upcoming real estate projects of the Group, the Directors had applied a prudent growth rate of 5% and 1% respectively on the number of members. Based on the above calculation, the expected transaction amount for Membership Maintenance and Management Services will be amounted to

LETTER FROM THE BOARD

approximately RMB93.4 million, RMB98.1 million and RMB99.1 million for FY2023, FY2024 and FY2025, respectively, which represented approximately 93.4%, 98.1% and 99.0% of the proposed annual caps for FY2023, FY2024 and FY2025, respectively.

In considering the annual caps of 2022 Strategic Cooperation Framework Agreement, the Directors have taken into account a number of factors, including the number, progress, size, design, configuration, positioning, the nature of the demand for the respective services scope of the Agreed Services, the historic utilization and overall planning of the Group's existing real estate projects and those projects to be developed in 2023, 2024 and 2025.

The Directors have considered the business development plan and relevant engineering services requirement of the Group. The real estate projects of the Group has been delayed during the past two years and the Group has been accumulating real estate contracts since 2022. On the other hand, as mentioned above, the Directors are cautiously optimistic about the real estate market in the PRC and the Group's business development in the coming years. As disclosed in the Group's interim report for the six months ended 30 June 2022, on 21 July 2022, Henan Railway Construction & Investment Group Co., Ltd. (河南省鐵路建設投資集團有限公司), a state-owned company wholly owned by the Henan Provincial People's government, completed the acquisition of the shareholdings in the Company and became the second largest shareholder of the Company. The Directors expect the investment from a state-owned company will enhance the Company's credibility and provide strong support for the operation of the Group. As the two parties integrate their brands, industries and resources advantages, the Directors expect that the Group would achieve synergistic integration and complementary advantage, and thereby improve its business operation. In addition, on 23 November 2022, the People's Bank of China and the China Banking and Insurance Regulatory Commission jointly a statement to financial institutions on the support of healthy and stable development of the real estate market. The notice contains 16-point rescue plan to support the real estate market on financial terms, such as the prolongment of the loan repayment period of real estate companies as well as individual, encourage financing of real estate projects and the relevant asset management products. It is expected that these measures shall ease the real estate developers' liquidity pressures and allow the real estate market to gradually recover its growth momentum. Based on the above, the Directors expect that as the real estate market recovers, the Group would have significantly higher requirement for the Agreed Services as compared to FY2021 and FY2022.

Given the above, the Directors consider the annual caps under the 2022 Real Estate Agency Services Framework Agreement, the 2022 Membership Maintenance and Management Services Framework Agreement, and the 2022 Strategic Cooperation Framework Agreement to be fair and reasonable.

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6. HISTORICAL TRANSACTION AMOUNTS

The following table sets out the historical transaction amounts of the previous Real Estate Agency Services, and Membership Maintenance and Management Services under the previous Real Estate Agency Services Framework Agreements and Membership Maintenance and Management Services Framework Agreements; and the previous services provided by DIT Manufacture under the previous Strategic Cooperation Agreements, and their historical annual cap and utilization rate cap, respectively:

	FY2020 <i>(RMB million)</i>	FY2021 <i>(RMB million)</i>	FY2022 <i>(RMB million)</i>
Real Estate Agency Services			
Historical annual cap	440	450	465
			For the nine months ended 30 September 2022
	(Audited)	(Audited)	(Unaudited)
Actual transaction amount	336.1	255.1	123.6
Utilization rate	76.4%	56.7%	35.4% ¹
Membership Maintenance and Management Services			
Historical annual cap	100	155	230
			For the nine months ended 30 September 2022
	(Audited)	(Audited)	(Unaudited)
Actual transaction amount	86.9	47.3	70.8
Utilization rate	86.9%	30.5%	41.0% ¹
Agreed Services			
Historical Annual Cap	3,000	5,000	8,000
			For the nine months ended 30 September 2022
	(Audited)	(Audited)	(Unaudited)
Actual transaction amount	377.0	1,047.6	783.8
Utilization rate	12.6%	21.0%	13.0% ¹

Note (1): The utilization rate for the nine months ended 30 September 2022 has been calculated by dividing the unaudited transaction amount by a pro-rata annual cap for the year and is set out for indicative purposes only.

LETTER FROM THE BOARD

As illustrated in the table above, the actual transaction amount of the Agreed Services increased from approximately RMB377.0 million for FY2020 to approximately RMB1,047.6 million for FY2021 and the utilization rate has also increased from approximately 12.6% for FY2020 to approximately 21.0% for FY2021. For the nine months ended 30 September 2022, the actual transaction amount of the Agreed Services was approximately RMB783.8 million, and would be amounted to approximately RMB1,045.1 million when annualized with a utilization rate of approximately 13.1%. The low utilization rate was mainly due to the postponement and delay in progress of the real estate projects and the sluggish real estate market, which were resulted from the COVID-19 pandemic and the government lockdown measures from time to time, as well as the government policies on the real estate market including the three red lines guidance.

The actual transaction amount of the Real Estate Agency Services decreased from approximately RMB336.1 million for FY2020 to approximately RMB255.1 million for FY2021 and the utilization rate has also decreased from approximately 76.4% for FY2020 to approximately 56.7% for FY2021. For the nine months ended 30 September 2022, the actual transaction amount of the Real Estate Agency Services was approximately RMB123.6 million, and would be amounted to approximately RMB164.8 million when annualized with a utilization rate of 35.4%. Due to the delay in completion of the real estate projects and the sluggish real estate market as mentioned above, the property sales had also been accordingly delayed, which resulted in the low utilization rate of the annual caps.

The actual transaction amount of the Membership Maintenance and Management Services decreased from approximately RMB86.9 million for FY2020 to approximately RMB47.3 million for FY2021 and the utilization rate has also decreased from approximately 86.9% for FY2020 to approximately 30.5% for FY2021. For the nine months ended 30 September 2022, the actual transaction amount of the Membership Maintenance and Management Services was approximately RMB70.8 million, and would be amounted to approximately RMB94.4 million when annualized with a utilization rate of 41.0%. Due to the delay and decrease in sales of property as mentioned above, the number of members within the relevant residential communities were lower than expected.

The utilization rate for the historic continuing connected transaction has been relatively low as a result of the Group's business and operations having been impacted by a number of factors over the past three years including the social mobility restrictions brought about by resurgence of COVID-19 in China (including in Henan province), as well as a general negative downturn of the PRC real estate market and market sentiment since late 2019. These factors have combined to result in a lowered level of operations and delay of the Group's development plans (resulting in decreased needs for services from the CCNL Group and DIT Group under the relevant framework agreements).

When determining the annual cap, the Group has taken into account the relatively low historic transaction amount and has therefore lowered the proposed annual cap under the Framework Agreements (as compared to the relevant preceding agreements). However, the Group

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also considered that factors including (i) the scaling back of COVID-19 restrictive measures in China which will facilitate in-person and on-site activities; (ii) the general recovery trend of the real estate market in the PRC; (iii) increased confidence in the Group resulting from the Group's introduction of state-owned strategic investor in the second half of 2022 will also provide upward drive and growth for the Group in the upcoming years during the term of the Framework Agreements.

The Directors confirm that, from FY2020 to the date of this announcement, the transaction amounts between the Company and its subsidiaries and CCNL Group and DIT Manufacture under each of the corresponding Framework Agreements are all within their respective annual caps for the respective year/period.

7. REASONS FOR AND BENEFITS OF RENEWING THE FRAMEWORK AGREEMENTS

In relation to the 2022 Real Estate Agency Services Framework Agreement, the Group expects the number of property projects for sale from FY2023 to FY2025 will remain relatively stable, requiring service providers to provide relevant Real Estate Agency Service to enable the Group to integrate resources to develop its own principal businesses. The services to be provided to the Group by the CCNL Group under the previous Real Estate Agency Services Framework Agreements have been on no less favourable terms as compared with the services provided by Independent Third Parties, taking into account the track record of satisfactory services provided, service quality, price (including the reasons for revising the service fee as set out above), understanding of the business needs and operational requirements of the Group, and familiarity with the projects of the Group.

In relation to the 2022 Membership Maintenance and Management Services Framework Agreement, since CCNL Group is principally engaged in providing comprehensive property management services in Henan Province, the PRC, and also various ancillary services in association therewith, including but not limited to membership operation, membership maintenance and management services, large-scale event organisation and planning services. The Group is required to source suppliers to provide the membership maintenance and management services involved for the residential communities of the residential property projects developed and proposed to be developed by the Group. The entering into of the Membership Maintenance and Management Services Framework Agreement was in the ordinary and usual course of business of the Group.

The Group has been dedicated to providing superior products and promoting the overall progress of the society. It currently plans to transform and upgrade from the traditional construction industry to the high-tech manufacturing industry through the development of prefabricated buildings, seeking improvement in many aspects such as product quality and production efficiency. With the use of prefabricated buildings, construction waste can be decreased, construction water and revolving materials can be saved, and on-site labour and

LETTER FROM THE BOARD

construction period can be reduced, so that buildings can be completed in higher quality with shortened construction period and lowered cost. Accordingly, the Group needs to seek suppliers to provide relevant engineering services. The 2022 Strategic Cooperation Framework Agreement was entered into in the ordinary and usual course of business of the Group.

The Board (excluding Mr. Wu who was required to abstain from voting on the relevant Board resolutions, but including the independent non-executive Directors) is of the view that the terms and conditions 2022 Real Estate Agency Services Framework Agreement, the 2022 Membership Maintenance and Management Services Framework Agreement and the 2022 Strategic Cooperation Framework Agreement have been negotiated on an arms' length basis and are on normal commercial terms, that the services thereunder are and will continue to be conducted in the ordinary and usual course of business of the Group and on arms' length basis, that the terms, annual caps and the transactions contemplated under 2022 Real Estate Agency Services Framework Agreement, the 2022 Membership Maintenance and Management Services Framework Agreement and the 2022 Strategic Cooperation Framework Agreement are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

8. DIRECTORS' INTERESTS IN THE CONTINUING CONNECTED TRANSACTIONS

As CCNL is indirectly owned as to more than 30% by Mr. Wu, Mr. Wu is deemed to be interested in the transactions contemplated under the 2022 Real Estate Agency Services Framework Agreement and the 2022 Membership Maintenance and Management Services Framework Agreement due to his interest in CCNL, and therefore has abstained from voting on the relevant Board resolutions. Save for the above, none of the Directors has a material interest in the above matters and is required to abstain from voting on the relevant Board resolutions.

DIT Manufacture is indirectly owned as to more than 30% by Mr. Wu. Mr. Wu is regarded as being interested in the transactions contemplated under the 2022 Strategic Cooperation Framework Agreement due to his interest in DIT Manufacture and therefore has abstained from voting on the Board resolution approving the said agreement and the annual caps. Save for the above, none of the Directors has any material interest in any of the transactions contemplated under the 2022 Strategic Cooperation Framework Agreement and is required to abstain from voting on the relevant Board resolution.

9. CONDITIONS PRECEDENT

The Company shall obtain approval from its Independent Shareholders at the EGM regarding each of the Framework Agreements and the transactions contemplated thereunder before each of the Framework Agreements become effective.

LETTER FROM THE BOARD

10. INTERNAL MONITORING PROCEDURES

To ensure the aforesaid transactions are carried out in a fair and reasonable manner and in accordance with their terms under the abovementioned agreements, the Company has adopted the following internal control measures:

- (a) before entering into of individual agreement for each project, the relevant departments of the Group will obtain quotations from at least two Independent Third Party service providers for comparable services in order to determine the prevailing market rates and will submit such quotations and individual agreement to the Group's finance department for approval;
- (b) the Group's finance department will continuously inspect and regularly collect and evaluate the pricing principles, transaction terms and actual transaction amounts under the abovementioned agreements to ensure that the transactions thereunder are conducted on normal commercial terms or on terms no less favourable than those available from Independent Third Parties and that the total transaction amount will not exceed the proposed annual caps;
- (c) during the term of the abovementioned agreements, if there is a likelihood that the proposed annual caps may be exceeded, the finance department of the Company will report the matter to the Company's senior management, who shall negotiate with CCNL and DIT Manufacture (as the case might be) to take remedial actions immediately, including the suspension of transactions. The Company shall renegotiate with CCNL and DIT Manufacture (as the case might be) to revise such annual caps and re-comply with all relevant laws and regulations and the Listing Rules (where applicable, the announcement requirement and the Independent Shareholders' approval requirement); and
- (d) the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and transaction amount to ensure it is within the proposed annual caps under the abovementioned agreements.

11. INFORMATION ON THE PARTIES

The Group is principally engaged in real estate development and sales in Henan Province, the PRC.

CCNL Group is principally engaged in (i) provision of property management services and related value-added services; (ii) provision of lifestyle services; and (iii) provision of commercial property management and consultation services in the PRC.

LETTER FROM THE BOARD

DIT Manufacture is an operator specializing in providing integrated solutions for intelligent buildings and an innovative high-tech enterprise engaging in the ecological chain construction of intelligent buildings. DIT Manufacture is the controlling shareholder of DIT Group Limited (“**DIT Group**”, a company incorporated under the laws of Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 726)), and for the avoidance of doubt, the services provided under the 2022 Strategic Cooperation Framework Agreement will not include any services provided by DIT Group.

12. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CCNL and DIT Manufacture are each indirectly owned as to more than 30% by Mr. Wu. Mr. Wu is a controlling Shareholder and a connected person of the Company. Accordingly, each of CCNL and DIT Manufacture are associates of Mr. Wu and thus a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

The transactions contemplated under each of the Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps of each of the Framework Agreements are over 5%, the transactions contemplated under the Framework Agreements are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Independent Board Committee has been established to consider and advise the Independent Shareholders as to whether the terms of the Framework Agreements, the transactions contemplated thereunder, and its annual cap for each of the three years are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the general meeting. The Independent Financial Adviser has been appointed to advise the independent board committee and the Independent Shareholders in this respect.

13. INDEPENDENT BOARD COMMITTEE

In compliance with the Listing Rules, the Independent Board Committee has been established to consider the terms of the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolutions to be proposed at the EGM for approving the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder, after taking into account the recommendation of the Independent Financial Adviser. In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder. The text of the letter from the Independent Board Committee is set out on pages 29 to 30 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 31 to 62 of this circular.

LETTER FROM THE BOARD

14. THE EGM

The EGM of the Company will be held at 7701B-7702A, Level 77, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on 13 February 2023 at 3:00 p.m., during which resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, pass resolutions to approve the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands. In order to comply with the Listing Rules, all votes at the EGM will be taken by poll and the Company will announce the poll results after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Shareholders with a material interest in the 2022 Real Estate Agency Services Framework Agreement, the 2022 Membership Maintenance and Management Services Framework Agreement, and the 2022 Strategic Cooperation Framework Agreement and the transactions contemplated thereunder are required to abstain from voting on the relevant resolution(s) at the EGM. As at the Latest Practicable Date, Mr. Wu (through Joy Bright Investments Limited, a company directly wholly-owned by him) held 1,272,734,299 Shares, representing approximately 41.72% of the share capital of the Company. Mr. Wu and Joy Bright Investments Limited control or are entitled to exercise control over the voting right in respect of their Shares. CCNL Group is indirectly owned as to more than 30% by Mr. Wu. Mr. Wu is regarded as being interested in the transactions contemplated under the 2022 Real Estate Agency Services Framework Agreement and the 2022 Membership Maintenance and Management Services Framework Agreement due to his interests in CCNL Group. Therefore, Mr. Wu (through Joy Bright Investments Limited) will abstain from voting on the relevant resolutions at the EGM. DIT Manufacture is indirectly owned as to more than 30% by Mr. Wu. Mr. Wu is regarded as being interested in the transactions contemplated under the 2022 Strategic Cooperation Framework Agreement due to his interest in DIT Manufacture and therefore has abstained from voting on the Board resolution approving the said agreement and the annual caps. Save as disclosed, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the resolutions to be proposed in respect of the aforesaid matters.

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not the Independent Shareholders are able to attend the EGM, the Independent Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Independent Shareholders from attending and voting in person at the EGM or any adjournment thereof should the Independent Shareholders so wish.

LETTER FROM THE BOARD

15. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM to be held on Monday, 13 February 2023, the register of members of the Company will be closed from Wednesday, 8 February 2023 to Monday, 13 February 2023 (both days inclusive), during which period no transfer of shares in the Company can be registered. In order to qualify for attending the EGM, all properly completed share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 7 February 2023.

16. RECOMMENDATION

The Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular after considering the advice from the Independent Financial Adviser, but excluding Mr. Wu, our executive Director), are of the view that the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder have been entered into on normal commercial terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board (including the Independent Board Committee, but excluding Mr. Wu, our executive Director) recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder.

17. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 29 to 30 of this circular which contains its recommendation to the Shareholders as to voting at the EGM in relation to the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder; and (ii) the letter from the Independent Financial Adviser as set out on pages 31 to 62 of this circular which contains its advice to the Independent Board Committee and the Shareholders in relation to the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder.

Your attention is also drawn to the general information set out in the appendix to this circular.

Yours faithfully,
By order of the Board of
Central China Real Estate Limited
Wu Po Sum
Chairman



建業地產股份有限公司 *

Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0832)

20 January 2023

To the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

- (1) PROPOSED RENEWAL OF THE REAL ESTATE AGENCY SERVICES
FRAMEWORK AGREEMENT;**
**(2) PROPOSED RENEWAL OF THE MEMBERSHIP MAINTENANCE
AND MANAGEMENT SERVICES FRAMEWORK AGREEMENT;**
**(3) PROPOSED RENEWAL OF THE STRATEGIC COOPERATION
FRAMEWORK AGREEMENT; AND**
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

We refer to the circular of the Company dated 20 January 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

* for identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on the terms of the 2022 Real Estate Agency Services Framework Agreement, the 2022 Membership Maintenance and Management Services Framework Agreement and the 2022 Strategic Cooperation Framework Agreement, the transactions contemplated and the proposed annual caps thereunder. The appointment of Rainbow Capital (HK) Limited as the Independent Financial Adviser to advise you and us in this regard has been approved by us. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving at such advice, are set out on pages 31 to 62 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and other information set out in the appendix thereto.

RECOMMENDATION

Having considered the terms of each of the 2022 Real Estate Agency Services Framework Agreement, the 2022 Membership Maintenance and Management Services Framework Agreement and the 2022 Strategic Cooperation Framework Agreement, the transactions contemplated and the proposed annual caps thereunder, and taking into account the independent advice of the Independent Financial Adviser, in particular the principal factors, reasons and recommendation as set out in its letter, as well as the relevant information contained in the letter from the Board, we are of the opinion that the 2022 Real Estate Agency Services Framework Agreement, the 2022 Membership Maintenance and Management Services Framework Agreement and the 2022 Strategic Cooperation Framework Agreement, the transactions contemplated and the proposed annual caps thereunder have been entered into on normal commercial terms that are fair and reasonable, are entered into and to be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2022 Real Estate Agency Services Framework Agreement, the 2022 Membership Maintenance and Management Services Framework Agreement and the 2022 Strategic Cooperation Framework Agreement, the transactions contemplated and the proposed annual caps thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Cheung Shek Lun

Dr. Sun Yuyang

Mr. Xin Luo Lin

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

20 January 2023

To the Independent Board Committee and the Independent Shareholders

Central China Real Estate Limited
Room 7701B-7702A,
77th Floor, International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) RENEWAL OF THE STRATEGIC COOPERATION FRAMEWORK
AGREEMENT;
(2) RENEWAL OF THE REAL ESTATE AGENCY SERVICES
FRAMEWORK AGREEMENT; AND
(3) RENEWAL OF THE MEMBERSHIP MAINTENANCE
AND MANAGEMENT SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2022 Strategic Cooperation Framework Agreement, the 2022 Real Estate Agency Services Framework Agreement and the 2022 Membership Maintenance and Management Services Framework Agreement (the “**Agreements**”) and the transactions contemplated thereunder (the “**Transactions**”), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 20 January 2023 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Company entered into the 2022 Strategic Cooperation Framework Agreement with DIT Manufacture on 9 December 2022 to renew the 2019 Strategic Cooperation Framework Agreement which expired on 31 December 2022. Pursuant to the 2022 Strategic Cooperation Framework Agreement, the Company has agreed to procure, and DIT Manufacture has agreed to provide the Agreed Services for a term from the Effective Date to 31 December 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company entered into the 2022 Real Estate Agency Services Framework Agreement with CCNL on 9 December 2022 to replace and renew the 2019 Real Estate Agency Services Framework Agreement and its supplemental agreement in 2020, which expired on 31 December 2022. Pursuant to the 2022 Real Estate Agency Services Framework Agreement, the Company has agreed to procure, and CCNL has agreed to provide, the Real Estate Agency Services for a term from the Effective Date to 31 December 2025.

The Company entered into the 2022 Membership Maintenance and Management Services Framework agreement with CCNL on 9 December 2022 to replace and renew the 2019 Membership Maintenance and Management Services Framework Agreement and its supplemental agreement in 2020, which expired on 31 December 2022. Pursuant to the 2022 Membership Maintenance and Management Services Framework Agreement, the Company has agreed to procure, and CCNL has agreed to provide, the Membership Maintenance and Management Services for a term from the Effective Date to 31 December 2025.

As at the Latest Practicable Date, DIT Manufacture is indirectly wholly-owned by Mr. Wu and CCNL is indirectly owned as to more than 30% by Mr. Wu. Since Mr. Wu is a controlling Shareholder and a connected person of the Company, DIT Manufacture and CCNL are associates of Mr. Wu and thus connected persons of the Company under Rule 14A.07(4) of the Listing Rules. The Transactions contemplated under the Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under the Listing Rules in respect of the Annual Caps are over 5%, the Transactions contemplated under the Agreements are subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Wu is regarded as being interested in the Transactions contemplated under the Agreements, he and his associates will be required to abstain from voting on the relevant resolutions to be proposed at the EGM in relation to the Transactions contemplated under the Agreements.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Cheung Shek Lun, Mr. Xin Luo Lin and Dr. Sun Yuyang, has been formed to advise the Independent Shareholders in respect of the terms of the Agreements. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, DIT Manufacture, CCNL and Mr. Wu that could reasonably be regarded as relevant to our independence. In the past two years, there was no engagement between the Group, DIT Manufacture, CCNL or Mr. Wu and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Agreements. Accordingly, we are independent from the Company pursuant to the requirements under Rule 13.84 and therefore are qualified to give independent advice in respect of the Agreements and the Transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Agreements, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Agreements

(i) *The Group*

The Company is an investment holding company. The Group is principally engaged in real estate development and sales in Henan Province, the PRC.

Set out below are certain financial information of the Group for the six months ended 30 June 2021 and 2022 (“**6M2021**” and “**6M2022**”, respectively) and the years ended 31 December 2020 and 2021 (“**FY2020**” and “**FY2021**”, respectively) as extracted from the interim report of the Company for 6M2022 (the “**2022 Interim Report**”) and the annual report of the Company for FY2021 (the “**2021 Annual Report**”), respectively.

	6M2022	6M2021	FY2021	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	7,300,552	20,356,906	41,958,757	43,304,417
Gross profit	553,955	3,637,804	6,810,642	8,596,044
(Loss)/Profit for the period/year	(5,941,484)	1,025,213	1,252,985	2,101,561

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June 2022	As at 31 December 2021	As at 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	21,958,233	24,595,632	19,216,496
Property, plant and equipment	8,471,032	7,801,961	7,232,353
Interests in joint ventures	7,332,286	9,504,297	5,480,835
Investment property	3,711,801	5,074,100	4,080,100
Intangible assets and goodwill	1,091,258	1,110,223	1,045,660
Current assets	123,824,416	121,211,020	144,684,281
Inventories and other contract costs	95,051,718	87,784,245	89,430,850
Deposits and prepayments	12,879,414	14,183,252	17,583,158
Trade and other receivables	5,548,762	5,703,023	5,160,062
Cash and cash equivalents	3,622,412	5,901,642	22,618,964
Restricted bank deposits	2,885,414	3,946,166	6,707,913
Current liabilities	123,376,136	115,840,123	130,638,558
Contract liabilities	59,263,303	52,361,021	63,298,581
Trade and other payables	51,622,988	54,740,364	50,728,425
Senior notes	5,354,493	3,160,096	7,201,463
Bank loans	3,341,460	2,399,050	3,612,904
Other loans	2,420,400	1,201,760	1,443,900
Corporate bonds	–	–	2,999,970
Non-current liabilities	16,296,572	17,223,208	18,680,184
Senior notes	10,972,022	12,308,542	12,994,360
Bank loans	3,551,778	2,550,565	1,888,125
Other loans	150,000	320,000	1,163,000
Equity attributable to Shareholders	3,324,547	9,342,377	11,376,654
Net gearing ratio (Note)	315.6%	94.6%	13.6%

Note: Calculated by net borrowings divided by total equity

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revenue of the Group decreased by approximately 3.1% from approximately RMB43.3 billion for FY2020 to approximately RMB42.0 billion for FY2021. According to the 2021 Annual Report, such decrease was mainly due to (a) the decline in the overall market demand in Henan real estate market throughout the year as a result of the COVID-19 epidemic, the flooding and the macro-control of the industry, which resulted in a decrease in the gross floor area recognised; and (b) the spin-off of project management services provided by the Group for light asset projects on 31 May 2021. Gross profit of the Group decreased by approximately 20.8% to approximately RMB6.8 billion for FY2021 from approximately RMB8.6 billion for FY2020, and gross profit margin also decreased from 19.9% for FY2020 to 16.2% for FY2021. The decrease in gross profit margin was principally resulted from (a) the Group adopted a destocking strategy in some cities in 2021 to stimulate sales and thus narrowed the range of overall sales markup; and (b) property projects sold at discount during the outbreak of the epidemic in 2020 were delivered and recognized in 2021. As affected by the decrease in revenue and gross profit margin, profit for the year decreased from approximately RMB2.1 billion for FY2020 to RMB1.3 billion for FY2021.

Revenue of the Group decreased by approximately 64.1% from approximately RMB20.3 billion for 6M2021 to approximately RMB7.3 billion for 6M2022. According to the 2022 Interim Report, such decrease was primarily due to (a) the decline in sales as a result of the continuing downturn of the real estate industry; and (b) the decline in delivery and decrease in revenue recognised during the period as the COVID-19 epidemic caused delays in construction progress. Gross profit of the Group decreased by approximately 84.8% to approximately RMB0.6 billion for 6M2022 from approximately RMB3.6 billion for 6M2021, while gross profit margin decreased from 17.9 for 6M2021 to 7.6% for 6M2022, which was mainly due to (a) properties sold at discounts in 2021 were delivered and recognised during 6M2022; and (b) the further implementation of a focused destocking policy which resulted in a decrease in the average selling price. The Group recorded a loss of approximately RMB6.0 billion for 6M2022 as compared to the profit of approximately RMB1.0 billion for 6M2021, mainly due to (a) the decrease in gross profit; and (b) other net loss of approximately RMB2.6 billion for 6M2021, which primarily comprised the increase in inventory write-down of approximately RMB1.5 billion.

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The overall financial position of the Group in 2021 and 2022 was adversely affected by the downturn of the real estate industry resulted from the COVID-19 epidemic. Current assets decreased from approximately RMB144.7 billion as at 31 December 2020 to approximately RMB121.2 billion as at 31 December 2021 and remained stable at RMB123.8 billion as at 30 June 2022. On the other hand, the liquidity position of the Group continued to deteriorated in 2022, among which cash and cash equivalents decreased from approximately RMB22.6 billion as at 31 December 2020 to approximately RMB5.9 billion as at 31 December 2021 and further decreased to approximately RMB3.6 billion as at 30 June 2022, and restricted bank deposits decreased from approximately RMB6.7 billion as at 31 December 2020 to approximately RMB3.9 billion as at 31 December 2021 and further decreased to approximately RMB2.9 billion as at 30 June 2022.

Current liabilities decreased from approximately RMB130.6 billion as at 31 December 2020 to approximately RMB115.8 billion as at 31 December 2021 and increased to approximately RMB123.4 billion as at 30 June 2022, which mainly comprised trade and other payables of approximately RMB51.6 billion and contract liabilities of approximately RMB59.2 billion as at 30 June 2022. The Group had non-current liabilities of approximately RMB16.3 billion as at 30 June 2022, which mainly comprised senior notes of approximately RMB11.0 billion.

Net borrowings increased to approximately RMB19.3 billion as at 30 June 2022 from approximately RMB12.1 billion as at 31 December 2021 as a result of the increase in total borrowings and the decrease in total cash, with a high net gearing ratio of approximately 315.6% as at 30 June 2022. Total equity attributable to Shareholders decreased to approximately RMB3.3 billion as at 30 June 2022 from approximately RMB9.3 billion as at 31 December 2021.

As a result of the downturn of the real estate industry in 2021 and 2022 resulted from the COVID-19 epidemic, both the financial performance and financial position of the Group has been adversely affected. Nevertheless, since September 2022, the PRC central government and various ministries have continuously provided signals to maintain stability, with the central bank lowering quotas and interest rates and putting forward “two safeguards” for the real estate market, the management of the Group expect that marginal improvement in the credit environment and the financing environment for property enterprises will gradually improve.

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(ii) DIT Manufacture and CCNL Group

DIT Manufacture is an operator specializing in providing integrated solutions for intelligent buildings and an innovative high-tech enterprise engaging in the ecological chain construction of intelligent buildings. DIT Manufacture is the controlling shareholder of DIT Group, whose shares are listed on the Main Board of the Stock Exchange (stock code:726).

CCNL Group is principally engaged in (i) provision of property management services and related value-added services; (ii) provision of lifestyle services; and (iii) provision of commercial property management and consultation services in the PRC.

(iii) Reasons for and benefits of entering into the Agreements

The Group is principally engaged in real estate development and sales in Henan Province, the PRC. The Group generally hire contractors for the construction and development of the Group's properties. As the Group is dedicated to provide superior products, the Group also seek suppliers to provide the relevant required services, including but not limited to the design work to design various aspects of the projects, including master planning, architectural design, landscape design and decoration design. As disclosed in the Letter from the Board, the Group plans to transform and upgrade from the traditional construction industry to the high-tech manufacturing industry through the development of prefabricated buildings, seeking improvement in many aspects such as product quality and production efficiency. With the use of prefabricated buildings, construction waste can be decreased, construction water and revolving materials can be saved, and on-site labour and construction period can be reduced, so that buildings can be completed in higher quality with shortened construction period and lowered cost. Accordingly, the Group needs to seek suppliers to provide the relevant engineering services (including engineering design, general traditional construction, prefabricated construction, and gardening, decorating and general labour for the proposed development projects). Since DIT Manufacture has been providing the relevant engineering services under the 2019 Strategic Cooperation Framework Agreement and the Group expects to continue to require such services, the Group entered into the 2022 Strategic Cooperation Framework Agreement with DIT Manufacture such that DIT Manufacture would be able to continue to provide the Agreed Services to the Group.

In relation to the 2022 Real Estate Agency Services Framework Agreement, the Group expects the number of property projects for sale from FY2023 to FY2025 will remain relatively stable, requiring service providers to provide relevant Real Estate Agency Service stably to enable the Group to integrate resources to develop its own principal businesses.

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In relation to the 2022 Membership Maintenance and Management Services Framework Agreement, since CCNL Group is principally engaged in providing comprehensive property management services in Henan Province, the PRC, and also various ancillary services in association therewith, including but not limited to membership operation, membership maintenance and management services, large-scale event organisation and planning services. The Group is required to source suppliers to provide the membership maintenance and management services involved for the residential communities of the residential property projects developed and proposed to be developed by the Group.

Based on the above, we concur with the Directors that the services under the Agreements are required by the Group to facilitate its operations. Since DIT Manufacture and CCNL Group had been providing the Engineering Services, the Real Estate Agency Services and the Membership Maintenance and Management Services to the Group respectively under the existing agreements, DIT Manufacture and CCNL Group have become familiar with the Group's needs and the consistency of service provision will also benefits the Group. Hence, we consider that the entering into of the Agreements and the Transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

2. The Agreements

Details of the terms of the Agreements are set out in the Letter from the Board, which are summarised as follows:

(i) 2022 Strategic Cooperation Framework Agreement

Parties	:	the Company (as service user); and DIT Manufacture (as service provider)
Term	:	From the Effective Date to 31 December 2025
Service Scope	:	Pursuant to the 2022 Strategic Cooperation Framework Agreement, DIT Manufacture and the members of its group, with the premise that the cost is reasonable and in compliance with laws and regulations, will provide services (including general contracting of construction, gardening, design and decorating, and general labour for the proposed real estate projects) to the Group. The Company and DIT Manufacture shall enter into separate agreements for detailed services scope in respect of various Agreed Services as and when necessary.

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Pricing Policy : **1. Engineering design**

Benchmark against the average design price of the industry, with reference to first-tier domestic real estate companies with similar projects, and the general industry condition

2. General traditional construction

Based on the type of the project buildings (house, low-rise apartment, multi-storey apartment, underground carparks etc, with the basic price ranged from RMB1,450 to RMB3,200 per sq.m.) per saleable area, depending on the types of the project buildings, buildings with a higher costs will be charged a higher price, and adjusted with reference to the total number of stories and height, and complexity of the project buildings (adjusted with a rate ranged from -8% to 8%, taller buildings usually incur a lower cost)

3. Prefabricated construction

Based on the assembly ratio (of 50%, being the proportion of prefabricated components used in the primary structure, enclosure and internal walls and pipelines of a construction), on the basis of the general traditional construction pricing policy mentioned above which differ depending on the type of the building and adjusted by complexity of the project, the price difference shall not exceed RMB500 per sq.m., and specific calculations shall be made on a case-by-case basis

4. Gardening, decorating and general labour

To follow DIT Manufacture's standard pricing for such services, which is determined with reference to the prevailing market price, and the historical price between the Group and DIT Manufacture, and to be subject to discounts to be negotiated and agreed between the parties based on the specific nature and quantity of services requested, and is expected to range between approximately 5% to 10%

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Payment Terms : **1. Engineering design**

20% of the total contract price shall be paid in advance within 30 days after signing the contract, and the subsequent payment shall be paid according to the actual progress of the project, and the payment ratio after the construction blueprint is submitted shall not be less than 60% of the contract price

2. General traditional construction

Project progress payment shall be made on the basis of 80% of the monthly completed output value before the completion and inspection and acceptance of the project; 85% of the corresponding contract price shall be made after the completion and qualification verification of the project; 90% of the completed output value shall be made after the transfer of houses to owners; 97% of the project settlement price shall be made after the completion of the settlement. 3% of the remaining settlement price shall be reserved as retention fund and returned in accordance with the return arrangement in respect of the retention fund stipulated in the warranty agreements between the Parties

3. Prefabricated construction

20% of the consideration under the underlying master contract for the supply service of concrete prefabricated parts is to be paid as prepayment. The remainder shall be paid according to the progress of the project as stipulated in the payment terms of the general traditional construction described above

4. Gardening, decorating and general labour

To be negotiated on a case-by-case basis, and is generally expected to be paid either in stages based on the work progression or upon completion of a specific work order for smaller engagements in accordance with DIT Manufacture's standard payment terms.

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As stated in the Letter from the Board, the basic unit prices or price range set out above are agreed by the parties on arm length's negotiation and the Company has sought for quotations from at least two Independent Third Party service providers for providing respective comparable services or products in order to ensure that such basic prices are fair and reasonable and no less favourable to the Company than those available from Independent Third Parties.

The types of the Agreed Services are categorised into (i) engineering design; (ii) general traditional construction; (iii) prefabricated construction; and (iv) gardening, decorating and general labour. As advised by the management of the Group, DIT Manufacture only provided general traditional construction service to the Group during 2020 to 2022 and prefabricated construction service and gardening, decorating and general labour services were newly included under the 2022 Strategic Cooperation Framework Agreement.

In assessing the reasonableness and fairness of the pricing policy for general traditional construction service, we have obtained and reviewed (i) the Group's list of approved suppliers, which is subject to periodic review and update by the management of the Group and currently consists of both connected parties and Independent Third Parties; and (ii) the quotations of three projects during 2020 to 2022 for general traditional construction service, including one quotation from DIT Manufacture and two quotations from Independent Third Parties for each project (a total of 9 quotations), and the Group's evaluation records of supplier quotations. We noted the procedures of awarding projects to DIT Manufacture were consistent with the Group's internal control measures and the service fees charged by DIT Manufacture were no less favourable than those available from Independent Third Parties. Further, as advised by the management of the Group, saved for underground car parks, the prices charged by DIT Manufacture for general traditional construction services for house, low-rise apartment and multi-storey apartment are generally lower than RMB2,000 per sq.m. and within the range of RMB1,400 per sq.m. to RMB1,700 per sq.m. in 2022, while the price charged for underground car parks ranged from RMB2,400 to RMB3,200 per sq.m. Accordingly, the historical price charged by DIT Manufacture were generally consistent with the existing pricing policy for the general traditional construction service. Based on the review of the documents as stated above and that the existing pricing policy is in line with the historical price under the 2019 Strategic Cooperation Framework Agreement, we consider the pricing policy of the for general traditional construction service to be fair and reasonable.

In respect of the prefabricated construction service, based on the pricing policy, the price difference with the general traditional construction service will not exceed RMB500 per sq.m. based on the assembly ratio. We have obtained and reviewed the Consumption Quota of Prefabricated Construction Engineering (装配式建筑工程消耗量定额) implemented by Ministry of Housing and Urban-Rural Development of the PRC in March 2017 and noted the reference costs of prefabricated construction are RMB2,205 per sq.m. and RMB2,478 per sq.m. for concrete small high-rise residential and high-rise residential with assembly ratio of 50%, respectively, which are generally

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higher than costs of traditional construction, with the additional costs mainly attributable to the higher material cost and transportation cost. As stated above, saved for underground carparks, the prices charged by DIT Manufacture for general traditional construction services for house, low-rise apartment and multi-storey apartment are generally lower than RMB2,000 per sq.m. and within the range of RMB1,400 per sq.m. to RMB1,700 per sq.m. in 2022. The national cost reference of prefabricated construction is hence higher than the prices charged by DIT Manufacture for general traditional construction services by around RMB800 per sq.m. According to the pricing policy, the price difference between the general traditional construction service and the prefabricated construction service shall not exceed RMB500 per sq.m., which is lower than the price difference between the national cost reference and the historical cost of around RMB800 per sq.m. Given that the costs of prefabricated construction are generally higher than costs of traditional construction, the lower price difference is hence more favourable to the Company. In light of that the pricing policy for general traditional construction service being fair and reasonable and the price difference limit of RMB500 sq.m. is favourable to the Company, we consider the pricing policy of the prefabricated construction service is fair and reasonable.

In respect of the engineering design services, we understand from the Company that they will benchmark the design price against Vanke, Sunac, China Overseas, Longfor and other first-tier domestic real estate companies. In this regard, we have obtained and reviewed the design fee management measures of the Group, which stipulates that the total design fee shall not exceed the target cost whereas the unit price of design fee shall not exceed the price limit. To determine the price limit, the Group has from time to time conducted market research on the design prices that those first-tier domestic real estate companies pay to design companies for engineering design services as the industry generally made reference to those prices as the market price and the price limit shall not materially higher than the price paid by those first-tier domestic real estate companies. As advised by the management of the Group, the Group closely monitors the prevailing market prices to ensure the price limits for comparable projects are comparable to the prevailing market prices and will made reference to such prices when obtaining quotations for design services.

In respect of the gardening, decorating and general labour service, the Group would also research and make reference to the price paid by other first-tier domestic real estate companies for the prevailing market price of similar services as the industry generally made reference to those prices as the market price. Furthermore, we have obtained and reviewed three agreements in respect of gardening and decorating services entered into between the Group and Independent Third Party service providers in 2021 and 2022 which were selected on a random basis, and we noted that the price used for estimating the gardening service to be provided by DIT Manufacture of RMB550 per sq.m. is lower than the price offered by the Independent Third Party service providers of approximately RMB600 per sq.m., and the price used for estimating the decorating service to be provided by DIT Manufacture of RMB1,400

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per sq.m. is within the range of the price offered by the Independent Third Party service providers which ranged from approximately RMB800 per sq.m. to RMB4,700 per sq.m. depending on the types of decorating service. Although there were no similar general labour service agreement entered into between the Group and Independent Third Party service provider, given that the gardening, decorating and general labour service will be determined under the same pricing policy under the 2022 Strategic Cooperation Framework Agreement, being the prevailing per sq.m. market price for the service in the real estate industry, and that the pricing policy of the gardening and decorating service are fair and reasonable, we consider the pricing policy of the engineering design services and the gardening, decorating and general labour service to be fair and reasonable.

Having considered that the Group had been effectively implemented its internal control measures for general traditional construction service under the 2019 Strategic Cooperation Framework Agreement and that the Group will obtain quotations from at least two Independent Third Party service providers for providing respective comparable services or products, we concur with the Directors that the services fee to be charged by DIT Manufacture for each of the engineering design, prefabricated construction and gardening, decorating and general labour services will be no less favourable to the Company than those available from Independent Third Parties. As such, we consider the pricing basis of each type of the Agreed Services under the 2022 Strategic Cooperation Framework Agreement to be fair and reasonable. In respect of the payment terms of the Agreed Services, we noted that the payment are generally to be made in stages based on the work progression. As advised by the management of the Group, such payment terms are in line with the general practice in the industry. Further, as the Group would inspect and assess the work progress prior to payment in accordance with its internal control measure, we concur with the Directors that the payment terms of the Agreed Services are also fair and reasonable.

(ii) 2022 Real Estate Agency Services Framework Agreement

Parties : the Company (as service user); and
CCNL (as service provider)

Term : From the Effective Date to 31 December 2025

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Service Scope and Service Fee : Pursuant to the 2022 Real Estate Agency Services Framework Agreement, CCNL Group shall provide Real Estate Agency Services to the Group and receive a commission based on the transaction amounts of the property sales as service fee. The commission rate to be charged by the CCNL Group shall be adjusted to the range of 0.8% to 6.0% based on the transaction amounts of the property sales as service fee which is in line with the historic commissions rates for such services offered by the CCNL Group.

The commission rate applicable to each property project will be set out in separate agreements to be entered into from time to time between the Company and CCNL under the 2022 Real Estate Agency Services Framework Agreement. The commission rate applicable to each property project will be determined with reference to a number of factors, including but not limited to:

- a. Overall real estate market environment: Factors such as market environment fluctuations, price changes, and changes in the mode of sales.
- b. Project location: If it is anticipated that a particular project may be difficult to sell due to geographical limitations, the fees payable will be adjusted upward in accordance with the difficulty in relation to the specific situation.
- c. Difficulties of marketing: If the market environment is expecting more fluctuation at the time of a particular marketing event and sales are expected to be more difficult, fees might increase proportionally to cover for any additional expenses and effort expected to be required to generate sales.
- d. Terms for a specific engagement: Fees payable may be adjusted to reflect the commercial terms of an engagement (e.g. whether CCNL is engaged on an exclusive or non-exclusive basis for a specific project, with exclusive engagement charging on a lower rate).

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We noted the pricing policy of the 2022 Real Estate Agency Services Framework Agreement is consistent with the pricing policy applied under the supplemental agreement of the 2019 Real Estate Agency Services Framework Agreement. In assessing the reasonableness and fairness of the commission range of 0.8% to 6.0% (the “**Commission Range**”), we have obtained and reviewed (i) the existing agreements of the top ten projects which are expected to incur the largest amount of commissions during the period from 2023 to 2025 entered into between the Group and CCNL Group under the 2019 Real Estate Agency Services Framework Agreement and its supplement agreement, and noted that the commission rates of these top ten projects are 5%; and (ii) the agreement entered into between the Group and the only Independent Third Party service provider from 2020 to 2022, which had commission rate of 1.4% to 2.6%. Based on the above, the commission rates under these sample agreements fall within the Commission Range and the Commission Range does not materially deviate from the commission rates under the sample agreements. Further, as advised by the management of the Group, to assess the commission rate charged by service providers, the Group had conducted market research on the sales agency fee of properties in Henan developed by other real estate developers from time to time. We have obtained and reviewed the research conducted by the Company in 2020 and updated in 2022, which contained a summary of 392 sales agency agreements for properties in Henan that were effective since 2020 up to July 2022, and we noted those real estate developers either adopted a fixed amount, varying rates of commission or fixed rate of commission for real estate agency service according to the situation of the properties, with the commission rate ranged from approximately 0.7% to 6.5%. Hence, the Commission Range is generally in line with the market with the lower end of the Commission Range being slightly higher to act as buffer to cater for any increase in commission rate. We have also, based on our search on the website of the Stock Exchange on a best effort basis, identified an exhaustive list of companies engaged in property management services which conducted continuing connected transaction in relation to similar real estate agency service with the detailed commission rate disclosed in the announcements or prospectus (the “**Comparable Transactions**”) during the period from 2020 to the Last Trading Day, being an approximate three years period prior to the date of the 2022 Real Estate Agency Services Framework Agreement to illustrate the recent market practice. The following table sets out the details of the Comparable Transactions:

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Date of announcement/ prospectus	Company name (stock code)	Pricing policy
3 November 2022	Binjiang Service Group Co. Ltd. (3316.HK)	The services fees shall be a commission rate of 0.1% to 2% of the total contract value for the projects designated.
25 February 2022	Jinmao Property Services Co., Limited (816.HK)	The commission is calculated at a fixed percentage of the sales price of the relevant properties. The estimated commission rate is approximately 3% for the two years ending 31 December 2023.
23 December 2021	CIFI Ever Sunshine Services Group Limited (1995.HK)	A fixed-rate commission calculated as a percentage of sale price of the relevant residential properties and/or car parking spaces. The commission rate to be charged to the services under each specific agreement shall be no more than 10%.
29 June 2021	Dexin Services Group Limited (2215.HK)	The service fees are calculated at a commission rate of approximately 4.5% of the sales proceeds of the serviced apartments sold.
29 June 2021	Kangqiao Service Group Limited (2205.HK)	The commission rate shall be calculated based on the prevailing market commission rate within 1%-8% for the first-hand properties.
4 December 2020	Country Garden Services Holdings Company Limited (6098.HK)	Sales agency fee = contract prices of the sales of the subject property units × 4%
9 November 2020	Sunac Services Holdings Limited (1516.HK)	A fixed-rate commission calculated as a percentage to the sale price of the relevant properties for tourism and vacation projects. The historical commission rate is approximately 3% for the three years ended 31 December 2019.

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As shown in the table above, the commission rate of the Comparable Transactions ranged from 0.1% to 10%. Although the lower end of the Commission Range is higher than the Comparable Transactions, we consider that the Commission Range is also generally in line with the market range of commission rate as the Company included buffer to cater for any increase in commission rate from time to time. As such, we consider the Commission Range under the 2022 Real Estate Agency Services Framework Agreement is fair and reasonable.

(iii) 2022 Membership Maintenance and Management Services Framework Agreement

Parties	:	the Company (as service user); and CCNL (as service provider)
Term	:	From the Effective Date to 31 December 2025
Service Scope and service fees	:	CCNL Group shall provide the Membership Maintenance and Management Services to the Group. The parties shall enter into separate agreements for detailed service scope in respect of various Membership Maintenance and Management Services as and when necessary. The Membership Maintenance and Management Services are provided to the residents of the residential property projects developed and proposed to be developed by the Group, who are or will be the members of various residential communities.

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The service fees for regular services for members are RMB3,000 per member per annum. The service fees are primarily determined based on expected labour and operation costs to be incurred by the CCNL Group and factoring in a reasonable profit margin of approximately between 30% to 40%. The profit margin of 30% to 40% is determined by CCNL Group with reference to their gross profit margin required for provision of community value-added services after taking into account their expected labour and operation costs to be incurred. Nevertheless, the Company will look for obtain at least two other quotations from Independent Third Parties for similar services before entering into separate agreements for Membership Maintenance and Management Services so as to ensure the price quoted by CCNL is no less favourable than other third party service providers. The Company will monitor the market rates for employee salary engaged in similar services as well as the general profit margins for similar services when assessing the service fees to be charged.

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The service fees for regular services for members decreased from RMB4,500 per member per annum under 2019 Membership Maintenance and Management Services Framework Agreement to RMB3,000 per member per annum under 2022 Membership Maintenance and Management Services Framework Agreement. As advised the management of the Group, the decrease in member service fees was due to contraction of the real estate market in the PRC which generally drove down the price in member service fees. Save for the decrease in member service fees, there are no material changes in the terms of the 2022 Membership Maintenance and Management Services Framework Agreement as compared to the 2019 Membership Maintenance and Management Services Framework Agreement and its supplemental agreement. We have obtained and reviewed the Group's calculation of the service fees for the Membership Maintenance and Management Services, including the expected labour and operation costs to be incurred by the CCNL Group and factoring in a gross profit margin of approximately 33.6%. In this relation, we have reviewed the annual reports of CCNL for the years ended 31 December 2020 and 2021, and we noted that CCNL Group's overall gross profit margins for community value-added services were approximately 33.6% and 35.9% for the year ended 31 December 2020 and 2021, respectively. As such, the gross profit margin of the service fees for the Membership Maintenance and Management Services were in line with the services fees offered to other customers of CCNL Group. In addition, since labour cost is the principal cost component under the Membership Maintenance and Management Services and the properties of the Group were primarily located in Henan, we had further researched and assessed on the salary level under the calculations of the Group for the Membership Maintenance and Management Services as compared to the average salary level in Henan, in particular the sector which the Membership Maintenance and Management Services under, being the private and leasing and business service sector. According to data released by the Henan Provincial Bureau of Statistics, in 2021, the average annual salary of an urban employee in the private sector and leasing and business services sector in Henan were approximately RMB48,117 and RMB49,634, respectively, representing a monthly salary of approximately RMB4,010 and RMB4,136 per month. We noted that the Group adopted the monthly salary of RMB5,000 per month in the calculation, which is slightly higher and generally comparable to the average salary in the private sector and the leasing and business services sector in Henan. As advised by the management of the Group, the higher estimated salary level was due to the properties of the Group that would require the Membership Maintenance and Management Services were primarily located in Zhengzhou, which is a first-tier city which generally has higher salary level than the other lower tier cities and they include a buffer to cater for salary increase in coming years. Based on above, we consider the service fees under the 2022 Membership Maintenance and Management Services Framework Agreement are fair and reasonable.

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3. Pricing basis and internal control measures

To ensure the Transactions are carried out in a fair and reasonable manner and in accordance with their terms under the Agreements, the Company has adopted the following internal control measures:

- (i) before entering into of individual agreement for each project, the relevant departments of the Group will obtain quotations from at least two Independent Third Party service providers for comparable services in order to determine the prevailing market rates and will submit such quotations and individual agreement to the Group's finance department for approval;
- (ii) the Group's finance department will continuously inspect and regularly collect and evaluate the pricing principles, transaction terms and actual transaction amounts under the abovementioned agreements to ensure that the transactions thereunder are conducted on normal commercial terms or on terms no less favourable than those available from Independent Third Parties and that the total transaction amount will not exceed the proposed annual caps;
- (iii) during the term of the Agreements, if there is a likelihood that the proposed annual caps may be exceeded, the finance department of the Company will report the matter to the Company's senior management, who shall negotiate with DIT Manufacture or CCNL to take remedial actions immediately, including the suspension of transactions. The Company shall renegotiate with DIT Manufacture or CCNL to revise such annual caps and re-comply with all relevant laws and regulations and the Listing Rules (where applicable, the announcement requirement and the independent Shareholders' approval requirement); and
- (iv) the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and transaction amount to ensure it is within the proposed annual caps under the abovementioned agreements.

In assessing whether the above internal control procedures are put in place and effectively implemented, we have obtained and reviewed the Group's internal control policies, which sets out, among others, the procedures to ensure the price obtained by the Group to be fair and reasonable, such as the assessment on quality and creditability of suppliers, estimation of costs, cost references, obtaining and assessment of quotations and approval process. Based on the internal control policies, the Group will obtain quotations from Independent Third Parties unless such quotations were not possible to be obtained. In this regard, we were advised by the management of the Group that the Group did not receive similar Membership Maintenance and Management Services from Independent Third Parties since the services provided by CCNL Group was tailored to the Group. The Group has established a membership club for the high-net-worth clients who are owners of the

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high-end series of the properties of the Group, in which the Group would provide specialized services to retain such clients, and CCNL Group would provide such services under the Membership Maintenance and Management Services.

To assess whether the internal controls would be effective, we have assessed the calculation to the costs for the Membership Maintenance and Management Services, and noted that the estimated salary level in the calculation is comparable to the average province level, which were detailed in “2. The Agreements – (iii) 2022 Membership Maintenance and Management Services Framework Agreement” above. In respect of the general traditional construction and the real estate agency services, we have obtained and reviewed the quotations and agreements obtained by the Group from the Independent Third Parties for similar services to be provided under the 2022 Strategic Cooperation Framework Agreement and the 2022 Real Estate Agency Services Agreement. We noted that the services fees charged to the Company by DIT Manufacture or CCNL Group were not less favourable than the prices offered by the Independent Third Parties. In addition, the Group will also ensure the price will not deviate from the prevailing market prices by monitoring the design fee paid by the first-tier domestic real estate companies as well as agency commission rate charged by the other real estate developers in Henan province. In this relation, we have obtained the market research conducted by the Company on the design prices paid by those first-tier domestic real estate companies. Based on our review of the historical transactions entered under the 2019 Strategic Cooperation Framework Agreement, 2019 Real Estate Agency Services Framework Agreement and 2019 Membership Maintenance and Management Services Framework Agreement and their respective supplemental agreements together with our assessment and work done on the pricing policy as detailed in the above section headed “2. The Agreements” above, we consider that the internal control procedures have been implemented efficiently for the services provided by DIT Manufacture or CCNL Group from 2020 to 2022. As such, we consider the Group’s internal controls had been implemented and would be effective for the Transactions.

Based on the factors above, we concur with the Directors that the Company has sufficient internal control and procedures to ensure that any service fees to be agreed pursuant to the Agreements will be on normal commercial terms and no less favourable to the Company than those available from independent third parties.

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4. The Annual Caps

(i) Review of historical figures

Set out below are the historical transaction amounts and the historical annual caps of the services under the Agreements:

	FY2020 <i>(RMB 'million)</i>	FY2021 <i>(RMB 'million)</i>	FY2022 <i>(RMB 'million)</i>
Agreed Services			
Historical annual cap <i>(A)</i>	3,000	5,000	8,000 783.8 (for the nine months ended 30 September 2022)
Actual transaction amount <i>(B)</i>	377.0	1,047.6	
Utilisation rate <i>(B/A)</i>	12.6%	21.0%	9.8%
Real Estate Agency Services			
Historical annual cap <i>(A)</i>	440	450	465 123.6 (for the nine months ended 30 September 2022)
Actual transaction amount <i>(B)</i>	336.1	255.1	
Utilisation rate <i>(B/A)</i>	76.4%	56.7%	26.6%
Membership Maintenance and Management Services			
Historical annual cap <i>(A)</i>	100	155	230 70.8 (for the nine months ended 30 September 2022)
Actual transaction amount <i>(B)</i>	86.9	47.3	
Utilisation rate <i>(B/A)</i>	86.9%	30.5%	30.8%

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As illustrated in the table above, the actual transaction amount of the Agreed Services increased from approximately RMB377.0 million for FY2020 to approximately RMB1,047.6 million for FY2021 and the utilization rate has also increased from approximately 12.6% for FY2020 to approximately 21.0% for FY2021. For the nine months ended 30 September 2022, the actual transaction amount of the Agreed Services was approximately RMB783.8 million, and would be amounted to approximately RMB1,045.1 million when annualised with an utilisation rate of approximately 13.1%. As advised by the management of the Group, the low utilisation rate was mainly due to the postponement and delay in progress of the real estate projects and the sluggish real estate market, which were resulted from the COVID-19 pandemic and the government lockdown measures from time to time, as well as the government policies on the real estate market including the three red lines guidance.

The actual transaction amount of the Real Estate Agency Services decreased from approximately RMB336.1 million for FY2020 to approximately RMB255.1 million for FY2021 and the utilization rate has also decreased from approximately 76.4% for FY2020 to approximately 56.7% for FY2021. For the nine months ended 30 September 2022, the actual transaction amount of the Real Estate Agency Services was approximately RMB123.6 million, and would be amounted to approximately RMB164.8 million when annualised with an utilisation rate of 35.4%. As advised by the management of the Group, due to the delay in completion of the real estate project and the sluggish real estate market as mentioned above, the property sales had also been accordingly delayed, which caused the low utilisation rate of the annual caps.

The actual transaction amount of the Membership Maintenance and Management Services decreased from approximately RMB86.9 million for FY2020 to approximately RMB47.3 million for FY2021 and the utilization rate has also decreased from approximately 86.9% for FY2020 to approximately 30.5% for FY2021. For the nine months ended 30 September 2022, the actual transaction amount of the Membership Maintenance and Management Services was approximately RMB70.8 million, and would be amounted to approximately RMB94.4 million when annualised with an utilisation rate of 41.0%. As advised by the management of the Group, due to the delay and decrease in sales of property as mentioned above, the number of members within the relevant residential communities were lower than expected.

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The utilisation rate for the historic continuing connected transaction has been relatively low as a result of the Group's business and operations having been impacted by a number of factors over the past three years including the social mobility restrictions brought about by resurgence of COVID-19 in China (including in Henan province), as well as a general negative downturn of the PRC real estate market and market sentiment since late 2019. These factors have combined to result in a lowered level of operations and delay of the Group's development plans (resulting in decreased needs for services from the CCNL Group and DIT Group under the relevant framework agreements).

When determining the annual caps, the Group has taken into account the relatively low historic transaction amount and has therefore lowered the proposed annual cap under the Framework Agreements (as compared to the relevant preceding agreements). However, the Group also considered that factors including (i) the scaling back of COVID-19 restrictive measures in China which will facilitate in-person and on-site activities; (ii) the general recovery trend of the property industry in the PRC; and (iii) increased confidence in the Group resulting from the Group's introduction of state-owned strategic investor in the second half of 2022 will also provide upward drive and growth for the Group in the upcoming years during the term of the Framework Agreements.

(ii) Assessment of the Annual Caps

Set out below are the proposed Annual Caps of the Agreements:

	FY2023	FY2024	FY2025
	<i>(RMB 'million)</i>	<i>(RMB 'million)</i>	<i>(RMB 'million)</i>
2022 Strategic Cooperation Framework Agreement	4,000	5,000	6,000
2022 Real Estate Agency Services Framework Agreement	350	350	350
2022 Membership Maintenance and Management Services Framework Agreement	100	100	100

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According to statistics from National Bureau of Statistics, from January 2022 to November 2022, the sales area of commercial housing in the PRC was 1,212.5 million square meters, representing a year-on-year decrease of 23.3%, of which the sales area of residential buildings decreased by 26.2%. The sales amount of commercial housing in the PRC was RMB11,864.8 billion, representing a year-on-year decrease of 26.6%, of which the sales amount of residential buildings decreased by 28.4%. The contraction of the real estate market in the PRC is in line with the low utilisation rate of each of the Agreed Services, Real Estate Agency Services and Membership Maintenance and Management Services for the nine months ended 30 September 2022. According to the report of “2022 Summary & 2023 Outlook of China’s Real Estate Market” issued by China Index Academy, an independent industry consultant, the recovery of the macro economy and the situation of epidemic are still key factors affecting the pace of the recovery of the PRC real estate market in 2023. Based on China Index Academy’s estimation, the sales area and average price of commercial housing in the PRC in 2023 are expected to increase by approximately 1.2% and 0.3%, respectively, taking into account, among others, the relaxation of regulatory policies on the real estate market in the end of 2022. Given the above and in view of the recent relaxation of the lockdown policies relating to the pandemic, we concur with the Directors that the real estate market in the PRC is expected to recover in 2023 and the utilisation rate of each of the Agreed Services, Real Estate Agency Services and Membership Maintenance and Management Services is expected to rise in line with the recovery of the real estate market in 2023.

The proposed Annual Caps of 2022 Strategic Cooperation Framework Agreement were determined taking into account a number of factors, including the number, progress, size, design, configuration, positioning, the nature of the demand for the respective services scope of the Agreed Services, the historic utilization and overall planning of the Group’s existing real estate projects and those projects to be developed in 2023, 2024 and 2025.

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In assessing the reasonableness of the proposed Annual Caps under the 2022 Strategic Cooperation Framework Agreement, we have obtained and reviewed the business development plan and relevant engineering services requirement of the Group and noted that the Annual Caps are primarily based on the estimated gross floor area of properties of the Group that would require the Agreed Services, a summary of which is set out below:

	FY2023	FY2024	FY2025
	<i>(million</i>	<i>(million</i>	<i>(million</i>
	<i>sq.m.)</i>	<i>sq.m.)</i>	<i>sq.m.)</i>
General traditional construction, prefabricated construction and engineering design	1.8	2.5	3.0
Gardening	0.52	0.69	1.03
Decorating	0.234	0.325	0.39
General labour	3.5	4.3	4.3

We had discussed and understood from the management of the Group that the estimated gross floor area of properties of the Group that would require the Agreed Services was determined after taking into consideration of factors including, among others, contracts signed but not completed in 2022 and the expected property development projects of the Group to be launched during 2023 to 2025. As set out in the 2022 Interim Report, as at 30 June 2022, the Group had 192 projects under development with a total gross floor area of approximately 32.26 million sq.m. and land reserves with a total gross floor area of approximately 56.21 million sq.m. As advised by the management of the Group, the Group plans to develop most of these projects and land reserves during 2023 to 2025. Hence, the Company would require significant amount of the Agreed Services for the development of these projects and land reserves. On this basis, we consider the estimated gross floor area of properties of the Group that would require the Agreed Services to be reasonable.

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As advised by the management of the Group, the real estate projects of the Group have been delayed during the past two years and the Group has been accumulating real estate contracts since 2022. On the other hand, the Group is cautiously optimistic about the real estate market in the PRC and the Group's business development in the coming years. As disclosed in the 2022 Interim Report, on 21 July 2022, Henan Railway Construction & Investment Group Co., Ltd. (河南省鐵路建設投資集團有限公司), a state-owned company wholly owned by the Henan Provincial People's Government, completed the acquisition of the shareholdings in the Company and became the second largest shareholder of the Company. The Directors expects the investment from a state-owned company will enhance the Company's credibility and provide strong support for the operation of the Group. As the two parties integrate their brands, industries and resources advantages, the Directors expect that the Group would achieve synergistic integration and complementary advantage, and thereby improve its business operation. In addition, on 23 November 2022, the People's Bank of China and the China Banking and Insurance Regulatory Commission jointly issued a statement to financial institutions on the support of healthy and stable development of the real estate market. The notice contains 16-point rescue plan to support the real estate market on financial terms, such as the prolongment of the loan repayment period of real estate companies as well as individual, encourage financing of real estate projects and the relevant asset management products. It is expected that these measures shall ease the real estate developers' liquidity pressures and allow the real estate market to gradually recover its growth momentum. Based on the above, the Group expect that as the real estate market recovers, the Group would have significantly higher requirement for the Agreed Services as compared to FY2021 and FY2022.

The proposed Annual Caps of 2022 Real Estate Agency Services Framework Agreement were determined taking into account the following factors: (a) the historical transaction amounts and volume of Real Estate Agency Services used by the Company and its subsidiaries in previous years, and customised service scope required under most property projects; (b) the anticipated demand in the estimated transaction amounts for Real Estate Agency Services for FY2023, FY2024 and FY2025, calculated by multiplying the commission rate (ranging from 0.8% to 6.0%) by the relevant estimated aggregate real estate sales amount for FY2023, FY2024 and FY2025, respectively, including the Group and its associates, for all the existing agreements in respect of Real Estate Agency Services entered into as of 31 October 2022; and (c) the Group's demand for CCNL Group's Real Estate Agency Services mainly attributable to the Group's expected sales of property projects that will be launched for sale.

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In assessing the reasonableness of the proposed Annual Caps under the 2022 Real Estate Agency Services Framework Agreement, we have obtained and reviewed the list of existing agreements in respect of Real Estate Agency Services entered or to be entered into by the Group and CCNL Group, and noted that based on the expected real estate sales amount and the commission rate ranging from 0.8% to 6.0%, the expected transaction amount for Real Estate Agency Services will be amounted to approximately RMB315.0 million, RMB317.9 million and RMB346.5 million for FY2023, FY2024 and FY2025, respectively, which represented approximately 90.0%, 90.8% and 99.0% of the proposed Annual Caps for FY2023, FY2024 and FY2025, respectively. We have also obtained and reviewed the existing agreements entered into between the Group and CCNL Group during 2020 to 2022 of top ten projects which are expected to incur the largest transaction amount for Real Estate Agency Services from 2023 to 2025 (the “**Sample Agreements**”). We noted that the commission rates under all of the Sample Agreements are 5%. As advised by the management of the Group, the commission rate of the expected transaction amount for Real Estate Agency Services is determined by considering the historical commission rates and included a slight buffer on the commission rate to cater for any increase in commission rate required. In this regard, we have obtained and reviewed the historical commission fee paid by the Group and the corresponding transaction amounts of the property sales and noted the actual commission rate ranged from 0.7% to 2.7%, 0.8% to 6.0% and 0.5% to 4.7% for FY2020, FY2021 and the nine months ended 30 September 2022, respectively. We noted that the Group recorded commission rate of 0.7% in FY2020 and 0.5% during the nine months ended 30 September 2022, which were lower than the low ends of the expected commission rate of 0.8% under the calculations for the Annual Caps under the 2022 Real Estate Agency Services Framework Agreement. Nevertheless, as the commission rate are determined with reference to factors including, among others, market environment fluctuations, difficulties in marketing and terms for specific engagement, we concur with the Directors it is prudent for the Company to factor in a slight buffer of around 0.2% in estimating the commission rate. Hence, although the expected commission rate for the Real Estate Agency Services is higher than the low end of the range of the historical commission rate under the 2019 Real Estate Agency Services Framework Agreement, we consider such range of the expected commission rate for the Real Estate Agency Services to be fair and reasonable.

The proposed Annual Caps of the 2022 Membership Maintenance and Management Services Framework Agreement were determined taking into account the following factors: (a) the number of the Group’s existing and upcoming real estate projects, the number of members within relevant residential communities and the need of related service; and (b) the historical transaction amounts of Membership Maintenance and Management Services provided by CCNL Group. In view of the number of real estate projects of the Company and the expected number of members, the Directors expected that the Group will require a relatively stable amount of Membership Maintenance and Management Services from CCNL during the term of 2022 Membership Maintenance and Management Services Framework Agreement.

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In assessing the reasonableness of the proposed Annual Caps under the 2022 Membership Maintenance and Management Services Framework Agreement, we have obtained and reviewed the calculations for the Annual Caps, including the existing number of members for the Membership Maintenance and Management Services. As at 30 October 2022, the existing number of members for the Membership Maintenance and Management Services was 33,000. The Directors had prudently estimated the number of members for the Membership Maintenance and Management Services would remain constant in 2023 and adopted the same number of 33,000 to estimate the number of members in FY2023. As mentioned above, the Directors are cautiously optimistic on the real estate market in the PRC and the Group's business development in the coming years. As driven by the pick up in progress for those delayed projects and the expected increase in real estate project as the market recover, the number of properties to be completed is also expected to increase and thereby drive the number of members in those residential communities. In FY2024 and FY2025, in light of the existing and upcoming real estate projects of the Group, the Directors had applied a prudent growth rate of 5% and 1% respectively on the number of members. Based on the above estimation of number of members and the proposed service fees of RMB3,000 per member per annum, the expected transaction amount for Membership Maintenance and Management Services will be amounted to approximately RMB93.4 million, RMB98.1 million and RMB99.1 million for FY2023, FY2024 and FY2025, respectively, which represented approximately 93.4%, 98.1% and 99.0% of the proposed Annual Caps for FY2023, FY2024 and FY2025, respectively.

Generally speaking, in our opinion, it is in the interests of the Group and the Independent Shareholders to determine the proposed Annual Caps to be as accommodating to the Group's development plan as possible (within reason). Provided that the terms for the Transactions are fair and reasonable and the conduct of the Transactions are subject to annual review by the independent non-executive Directors and auditors of the Company (as discussed below) as required under the Listing Rules, the Group would have flexibility in conducting its businesses utilising the necessary services as required if the proposed Annual Caps are tailored to future development plan of the Group. In assessing the reasonableness of the proposed Annual Caps, we have discussed with the management of the Group the factors taken into account as stated above in this section, which we consider reasonable. Based on the above analysis, we are of the view that the proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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5. Reporting requirements and conditions of the continuing connected transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Transactions are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the Transactions and confirm in the annual report and accounts that the Transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms or better; and
 - (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the Transaction involves the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the Transactions; and
 - (d) have exceeded the Annual Caps;
- (iii) the Company must allow, and ensure that the counter-parties to the Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (ii); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures are in place to monitor the conduct of the Transactions and assist in safeguarding the interests of the Independent Shareholders.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the Agreements and the Transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group; (ii) the terms of the Agreements (including the Annual Caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Agreements and the Annual Caps.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.

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 and its Subsidiaries. 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.

DISCLOSURE OF INTERESTS**(a) Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Shares

Name of Director or chief executive	Capacity and nature of interest	Number of share options held	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital ⁽³⁾
Mr. Wu Po Sum ⁽¹⁾	Interest in a controlled corporation	–	1,272,734,299 ¹	41.88%
Ms. Wu Wallis (alias Li Hua) ⁽²⁾	Interest of spouse	–	14,744,000	0.49%
Mr. Xin Luo Lin	Beneficial owner	–	400,000	0.01%

Notes:

- (1) Such Shares are registered in the name and are beneficially owned by Joy Bright Investments Limited (“**Joy Bright**”), a company wholly-owned by Mr. Wu Po Sum. Accordingly, he is deemed to be interested in such Shares by virtue of the SFO.
- (2) The 14,744,000 Shares are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua), therefore Ms. Wu Wallis (alias Li Hua) is deemed to be interested in her spouse’s share options and Shares for the purposes of the SFO.
- (4) The approximate percentage of the interest in the Company’s issued share capital is based on a total of 3,039,126,090 Shares of the Company in issue as at the Latest Practicable Date.

(ii) Long position in the shares of the Company’s associated corporation

Name of Director or chief executive	Name of associated corporation	Capacity and nature of interest	Number of share options held	Number of Shares held	Approximate percentage of the interest in the Company’s issued share capital ⁽³⁾
Mr. Wu Po Sum ⁽¹⁾	Central China Management Company Limited (“CCMGT”)	Interest in a controlled corporation	–	2,065,631,867	62.79%
Ms. Wu Wallis (alias Li Hua)	CCMGT	Interest of spouse	–	10,200,000	0.31%
Mr. Xin Luo Lin	CCMGT	Beneficial owner	–	400,000	0.01%

Notes:

- (1) Such shares are beneficially owned by Enjoy Start Limited, a company wholly-owned by Mr. Wu Po Sum. Accordingly, he is deemed to be interested in such shares by virtue of the SFO.
- (2) Such shares are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua). Accordingly, Ms. Wu Wallis (alias Li Hua) is deemed to be interested such shares by virtue of the SFO.
- (3) The approximate percentage of the interest in CCMGT’s issued share capital is based on a total of 3,289,706,120 shares of CCMGT in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders who have an interest and/or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as in known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Director or chief executive	Capacity and nature of interest	Number of share options held	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital ⁽¹⁾
Joy Bright ⁽¹⁾	Beneficial owner	–	1,272,734,299 ⁽²⁾	41.88%

Notes:

- (1) The approximate percentage of the interest in the Company's issued share capital is based on a total of 3,039,126,090 Shares of the Company in issue as at the Latest Practicable Date.
- (2) Such Shares are registered in the name and are beneficially owned by Joy Bright Investments Limited ("**Joy Bright**"), a company wholly-owned by Mr. Wu Po Sum. Accordingly, he is deemed to be interested in such Shares by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other person who had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTOR'S INTERESTS**(a) Interests in contract or arrangement**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 30 June 2022, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in competing business

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling Shareholder).

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

EXPERT AND CONSENT

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

Name	Qualification
Rainbow Capital (HK) Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

The above expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which it appears. The above experts has further confirmed that as at the Latest Practicable Date, it was not interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. It is not interested in any assets which have been, since 30 June 2022 (being the date to which the Company's latest audited financial statements were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in the financial or trading position of the Group since 30 June 2022, being the date to which the latest published audited financial statements of the Group were made up.

GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Room 7701B-7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk/>) and the Company (<http://www.jianye.com.cn/>) for a period of 14 days from the date of this circular:

- (a) the 2022 Real Estate Agency Services Framework Agreement;
- (b) the 2022 Membership Maintenance and Management Framework Agreement;
- (c) the 2022 Strategic Cooperation Agreement;
- (d) the letter from the Board as set out in this circular;
- (e) the letter from the Independent Board Committee as set out in this circular;
- (f) the letter from the Independent Financial Adviser as set out in this circular;
- (g) the written consent from the expert as referred to in the sub-section headed “Expert and Consent” in this Appendix; and
- (h) this circular.

NOTICE OF EGM



建業地產股份有限公司 *

Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0832)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of the shareholders of Central China Real Estate Limited (the “**Company**”) will be held at 7701B-7702A, Level 77, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on 13 February 2023 at 3:00 p.m. for the following purposes. Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the circular of the Company dated 20 January 2023 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. To approve the entering into of the 2022 Real Estate Agency Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder as set out in the Circular and to authorise any one Director to do all such acts and things and execute all such documents in connection with the 2022 Real Estate Agency Services Framework Agreement.
2. To approve the entering into of the 2022 Membership Maintenance and Management Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder as set out in the Circular and to authorise any one Director to do all such acts and things and execute all such documents in connection with the 2022 Membership Maintenance and Management Services Framework Agreement.

* For identification purpose only

NOTICE OF EGM

3. To approve the entering into of the 2022 Strategic Cooperation Framework Agreement, the transactions contemplated and the proposed annual caps thereunder as set out in the Circular and to authorise any one Director to do all such acts and things and execute all such documents in connection with the 2022 Strategic Cooperation Framework Agreement.

By order of the Board
Central China Real Estate Limited
Wu Po Sum
Executive Director

Hong Kong, 20 January 2023

As at the date of this announcement, the Board comprises seven Directors, of which Mr. Wu Po Sum is an executive Director, Ms. Wu Wallis (alias Li Hua), Mr. Deng Gaoqiang and Mr. Shi Song are non-executive Directors, Mr. Cheung Shek Lun, Mr. Xin Luo Lin and Dr. Sun Yuyang are independent non-executive Directors.

Notes:

- (a) The register of members of the Company will be closed from Wednesday, 8 February 2023 to Monday, 13 February 2023 (both days inclusive), during which period no transfer of shares in the Company can be registered. In order to qualify for attending the EGM, all properly completed share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 7 February 2023.
- (b) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a shareholder of the Company. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting.
- (c) Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof if he/she so desires and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
- (d) Where there are joint registered holders of any share(s), any one of such persons may vote at the meeting, either through online platform or by proxy, in respect of such share(s) as if he/she is solely entitled to, but if more than one of such joint holders be present at the meeting through online platform that only one device is allowed per login or by proxy.