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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, 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 proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the 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  
ENGINEERING SERVICES STRATEGIC COOPERATION  
FRAMEWORK AGREEMENT;  
RE-ELECTION OF DIRECTORS; AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**紅日資本有限公司**

**RED SUN CAPITAL LIMITED**

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A letter from the Board is set out on pages 4 to 18 of this Circular.

A letter from the Independent Board Committee is set out on pages 19 to 20 of this Circular.

A letter from Red Sun Capital Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and Independent Shareholders is set out on pages 21 to 41 of this Circular.

A notice convening the EGM to be held at 7701B-7702A, Level 77, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Friday, 6 March 2020 at 3:30 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)).

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Hong Kong, 19 February 2020

\* For identification purpose only

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	18
<b>Letter from the Independent Financial Adviser</b> .....	20
<b>Appendix – General Information</b> .....	App-1
<b>Notice of Extraordinary General Meeting</b> .....	EGM-1

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## DEFINITIONS

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

“2019 Engineering Services Strategic Cooperation Framework Agreement”	the framework agreement entered into between the Company and Drawin Intelligent Manufacture on 13 November 2019 for the provision of the Engineering Services by Drawin Intelligent Manufacture to the Group for the two months ended 31 December 2019
“Acquisition”	the acquisition of Drawin Intelligent Manufacture by Mr. Wu through Henan Hongdao
“Announcements”	the announcements of the Company (i) dated 13 November 2019 and 13 December 2019 in relation to, among other things, the 2019 Engineering Services Strategic Cooperation Framework Agreement; and (ii) 30 December 2019, 23 January 2020 and 14 February 2020 in relation to, among other things, the Engineering Services Strategic Cooperation Framework Agreement
“associate(s)”	has the meaning given to it under the Listing Rules
“Bank”	Zhengzhou Branch of Shanghai Pudong Development Bank Co., Ltd.* (上海浦東發展銀行股份有限公司鄭州分行)
“Board”	the board of Directors of the Company
“CCRE China”	Central China Real Estate Group (China) Company Limited* (建業住宅集團(中國)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“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
“connected person(s)”	has the meaning given to it under the Listing Rules
“controlling shareholder(s)”	has the meaning given to it under the Listing Rules
“Corporate Guarantee”	the corporate guarantee provided by CCRE China to the Bank for Henan Hongdao pursuant to the Corporate Guarantee Agreement, details of which are set out in the announcement of the Company dated 24 December 2019
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“Drawin Group”	Drawin Intelligent Manufacture and its subsidiaries
“Drawin Intelligent 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
“EGM”	the extraordinary general meeting of the Company to be held to consider the resolutions to approve Engineering Services Strategic Cooperation Framework Agreement by the Independent Shareholders and the re-election of Directors by the Shareholders, the notice of which is set out on pages EGM-1 to EGM-2 of this circular
“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 Drawin Intelligent Manufacture to the Group, as set out in the Engineering Services Strategic Cooperation Framework Agreement
“Engineering Services Strategic Cooperation Framework Agreement”	the framework agreement entered into between the Company and Drawin Intelligent Manufacture on 30 December 2019 for the provision of the Engineering Services by Drawin Intelligent Manufacture to the Group
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Henan Hondao”	Henan Hongdao Business Information Consultancy Co., Ltd.* (河南弘道商務信息諮詢有限公司), a company established in the PRC with limited liability, which is indirectly wholly-owned by Mr. Wu, and the indirect sole shareholder of Drawin Intelligent Manufacture
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, namely Mr. Cheung Shek Lun, Mr. Xin Luo Lin and Dr. Sun Yuyang, formed to advise the Independent Shareholders as to the Engineering Services Strategic Cooperation Framework Agreement and the transaction contemplated thereunder

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## DEFINITIONS

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“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Engineering Services Strategic Cooperation Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Wu and his associates
“Latest Practicable Date”	17 February 2020, 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
“Loan”	a five-year loan facility with the principal amount of RMB500 million at the annual interest rate of 6.5% which the Bank agreed to grant to Henan Hongdao pursuant to a loan agreement, details of which are set out in the announcement of the Company dated 24 December 2019
“Mr. Wu”	Mr. Wu Po Sum, the Chairman, an executive Director and a controlling shareholder of the Company and as at the Latest Practicable Date indirectly owns 100% equity interest in Drawin Intelligent Manufacture
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of the Company
“Sqm.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Wu Po Sum (*Chairman*)  
Mr. Liu Weixing  
Mr. Wang Jun  
Mr. Yuan Xujun

*Non-Executive Director:*

Ms. Wu Wallis (alias Li Hua)  
Mr. Lim Ming Yan

*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

*Place of business in Hong Kong:*

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

19 February 2020

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
ENGINEERING SERVICES STRATEGIC COOPERATION  
FRAMEWORK AGREEMENT;  
RE-ELECTION OF DIRECTORS; AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to (i) the Announcements in relation to entering into the 2019 Engineering Services Strategic Cooperation Framework Agreement and the Engineering Services Strategic Cooperation Framework Agreement; and (ii) the announcements of the Company dated 21 August 2019 and 3 September 2019 in relation to the appointments of Mr. Lim Ming Yan as a non-executive Director and Mr. Yuan Xujun as an executive Director.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide, among other things, (i) further details of the Engineering Services Strategic Cooperation Framework Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in connection with the Engineering Services Strategic Cooperation Framework Agreement; (iii) the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) the re-election of the retiring Directors; and (v) the notice of the EGM.

### **2. ENGINEERING SERVICES STRATEGIC COOPERATION FRAMEWORK AGREEMENT**

On 30 December 2019, the Company entered into the Engineering Services Strategic Cooperation Framework Agreement with Drawin Intelligent Manufacture, pursuant to which the Company agreed to procure, and Drawin Intelligent Manufacture agreed to provide the Engineering Services.

The principal terms of the Engineering Services Strategic Cooperation Framework Agreement are as follows:

Date	30 December 2019
Parties	the Company (as services user); and  Drawin Intelligent Manufacture (as services provider)
Term	1 January 2020 to 31 December 2022
Nature of transaction	Drawin Intelligent Manufacture and the members of its group shall provide the Engineering Services (including engineering design, general contracting of construction, supply of concrete prefabricated parts, and supply and installation of decoration board (彩力板) for the proposed real estate projects) to the Group.

The Company and Drawin Intelligent Manufacture shall enter into separate agreements for detailed services scope in respect of various Engineering Services as and when necessary.

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## LETTER FROM THE BOARD

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### Introduction of Engineering Services, payment terms and pricing policy

#### Services Scope and

#### Introduction

#### Payment Terms

#### Pricing Policy *(note)*

Engineering design

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

20% of the consideration under the underlying agreements shall be paid within 30 days from the day of the signing of the underlying agreements. The remainder shall be paid according to the progress of the service. After the construction drawing is submitted, the payment ratio should be not less than 60% of the consideration.

Charged at a fixed sum based on the average design price of the industry of the Engineering Survey and Design Charging Standards (《工程勘察設計收費標準》) (2002 revised edition) issued by the State Development and Planning Committee and the Ministry of Development and/or other applicable industry standards from time to time.

General contracting of construction

(i.e., buildings, installation project construction and the procurement and supply of material 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 Project Quality Warranty.

Based on the type and purpose of the 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, and adjusted with the total number of stories and height of the project buildings (adjusted with a rate ranged from -8% to 8%, depends on the height and number of floors).



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## LETTER FROM THE BOARD

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### Services Scope and

#### Introduction

#### Payment Terms

#### Pricing Policy *(note)*

Supply of concrete prefabricated parts (i.e., production and supply services for new environmentally-friendly material – PC components)

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 service.

Charged per area, based on the specifications, types (e.g. internal or external walls) and volume of the concrete prefabricated parts/reinforcing bar, with a fixed basic price ranged from RMB3,050 to RMB3,650 per sq.m.

Supply and installation of decoration board (i.e., research and development, design, production, supply, installation and construction technique guidance services for decoration board)

30% of the consideration under the underlying agreements is to be paid within 30 days from the day of the signing of the underlying agreements. The remainder shall be paid upon delivery and inspection and acceptance.

Charged per area, based on the specifications, types and size of the board, and agreed by both parties' joint negotiation in accordance with the market situation of the places where the projects locate.

*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.

### Annual caps and basis for determining the annual caps

The annual caps for the Engineering Services Strategic Cooperation Framework Agreement for the years ending 31 December 2020, 2021 and 2022 are RMB3,000,000,000, RMB5,000,000,000 and RMB8,000,000,000, respectively. In considering the annual caps for the Engineering Services Strategic Cooperation Framework Agreement, the Directors have considered a number of factors (including the number, progress, size, design, configuration, positioning, the nature of the demand for the respective services scope of the Engineering Services and overall planning of the Group's existing real estate projects and those projects to be developed in the next three years) to determine the contract amount related to the needs for the Engineering Services.

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## LETTER FROM THE BOARD

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The Company has estimated the GFA of real estate projects of the Group that would require Engineering Services for the three years ending 31 December 2022 based on factors including but not limited to, the existing portfolio of unsold properties of the Group, the real estate projects of the Group currently being sold in the market, the upcoming scheduled real estate projects of the Group, the expected real estate projects of the Group to be launched for the years ending 31 December 2020, 2021 and 2022, which was estimated to be not less than 2 million sqm, 4 million sqm and 6 million sqm respectively. As set out in the Company's 2019 Interim Report for the six months ended 30 June 2019, there were 127 projects under development with a GFA of approximately 26.5 million sqm. The Company has assumed Drawin Intelligent Manufacture will take part in and being awarded all the Group's tenders in respect of Engineering Services when determining the annual caps, and hence the annual caps shall provide the room necessary as Drawin Intelligent Manufacture may not participate or being awarded all the Group's tenders given that it shall subject to the Group's selection procedures as set out in the paragraph headed "Internal Control Measures" below.

### **Historical transaction amount and annual cap**

In respect of the 2019 Engineering Service Strategic Cooperation Framework Agreement, for the two months ended 31 December 2019 the Group has entered into one underlying contract for procurement or purchases with Drawin Intelligent Manufacture in respect of the overall engineering design of one of the Group's real estate project with an initial contract sum in the amount of approximately RMB 16 million. The annual cap of the 2019 Engineering Services Strategic Cooperation Framework Agreement is RMB350,000,000.

Since the date of the 2019 Engineering Service Strategic Cooperation Framework Agreement and up to the Latest Practicable Date, except the transactions contemplated under the 2019 Engineering Service Strategic Cooperation Framework Agreement, the Drawin Group has not provided services other than the Engineering Services to the Group. Up to the Latest Practicable Date, the Group has not entered into any underlying contract with Drawin Intelligent Manufacture under the Engineering Services Strategic Cooperation Framework Agreement.

### **3. REASONS FOR AND BENEFITS OF ENTERING INTO THE ENGINEERING SERVICES STRATEGIC COOPERATION FRAMEWORK AGREEMENT**

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. As for prefabricated buildings, construction waste can be decreased, construction water and revolving materials can be saved, and on-site labor 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 relevant engineering services. The Engineering Services Strategic Cooperation Framework Agreement was entered into in the ordinary and usual course of business of the Group.

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## LETTER FROM THE BOARD

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### **Background**

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. As for prefabricated buildings, construction waste can be decreased, construction water and revolving materials can be saved, and on-site labor and construction period can be reduced, so that buildings can be completed in higher quality with shortened construction period and lowered cost.

The Group has increasingly adopted prefabricated components, including but not limited to decoration board (彩力板), in the designs of its real estate projects since 2019. In recent years, prefabricated components are more often used in, and being regarded as a signature of, high-end real estate properties in the PRC. It is the Group's strategy to gradually increase the ratio of prefabricated components to be used in its real estate projects, not only in its high-end projects but also widely spread to its middle or lower-end projects. The Group purchased prefabricated components from different independent suppliers for its high-end property projects prior to its cooperation with the Drawin Group.

In addition, with the stringent environmental protection policy implemented in Henan province, the Group planned to utilise more prefabricated components gradually in order to alleviate and avoid the impact of the implementation of more stringent environmental protection policy.

Accordingly, the Group intends to seek suppliers to provide stable, steady and continuous supply of quality prefabricated components at reasonable price. The Engineering Services Strategic Cooperation Framework Agreement was entered into in the ordinary and usual course of business of the Group. The Group began its cooperation with the Drawin Group after the Acquisition and entered into the 2019 Engineering Service Strategic Cooperation Framework Agreement in November 2019.

### **The Drawin Group**

The Drawin Group is one of the few suppliers/providers of prefabricated components and construction material and the associated engineering and construction services in the Henan region which the Group believes that are capable to match the Group's demand in terms of both quality and quantity.

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## LETTER FROM THE BOARD

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Drawin Intelligent 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. To the best knowledge of the Group, the Drawin Group have completed construction projects across some 20 provinces covering more than 40 cities in the PRC, they also hold various certifications/qualifications/registrations, including among others, First-grade qualification for construction main contractor\* (建築工程施工總承包壹級) and High and new technological enterprise status\* (高新技術企業資質). From 2018 to 2019, the Drawin Group completed 10 construction projects with the adoption of prefabricated components. Notable projects completed by the Drawin Group include Student's Apartment Project of Xiangya, Central South University\* (中南大學湘雅學生公寓項目), Xianghe Xingchengchunxiao Project in Changsha, Hunan\* (湖南長沙湘核星城春曉項目), Hiipark Project in Hengyang, Hunan\* (湖南衡陽衡山科學城項目) and Beigang Logistics Transaction Exhibition Supporting Centre Project in Hangzhou, Zhejiang\* (浙江杭州北港物流交易展示配套中心項目).

The Drawin Group has been developing its decoration board since 2014 and has obtained over 6 patents in relations to the designs and technologies of the board production line. The decoration board is based on the research and development of Ultra High Performance Concrete (UHPC), possessing the excellent features of UHPC such as high density, high strength, high weather resistance and ultra-low water absorption. It is unique and different from ordinary external wall decoration materials. The application of thermal-insulation decoration board involves energy conservation of construction (its average surface temperature is 4 °C to 10 °C lower than that of ordinary board in the summer), fire prevention and surface effect, while the cement it contains is approximately 60% less than that of the sandwich concrete wall. If a project design has completed the construction drawing review and its original design does not adopt composite board, then it needs to re-prepare for a series of complicated procedures including planning review, energy conservation review, fire prevention review, preliminary design review and construction drawing review. However, the decoration board of the Drawin Group can be implanted at the beginning of the design, and therefore its decoration board has better business adaption features and can minimize the overall construction cost as compared to that provided by other decoration board service providers.

Apart from supply of prefabricated components, the Drawin Group also provides associated services including engineering design, general construction and installation. The clients of Drawin Group may request for such associated services when purchasing prefabricated components for the benefits of one stop solutions and tailor made designs, especially those without engaging its own engineer or constructor.

### **Suppliers and screening process**

The Group has established its own list of approved suppliers (which is subject to periodic review and update by the management) consisting of over 100 suppliers/contractors. The Company considered that the current list of approved suppliers, which consisted of both connected parties and independent third party suppliers, for the various service types are sufficient to meet the Group's operational needs and to ensure that the Group will be able to obtain competitive pricing.

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## LETTER FROM THE BOARD

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When selecting which suppliers to be invited to quote/tender, the management will assess the suitability of a supplier with reference to selection criteria including, among others, (i) the supplier's qualification grade; (ii) financial ability; (iii) technical capability; (iv) cooperation record; and (v) quality of work and business management capability. All suitable suppliers/contractors from the Group's list will be invited to submit quotations/tenders for the Group's selection to ensure that the Group's operation needs will be matched at a competitive pricing, and hence there will not be over-reliance on particular suppliers/contractors.

The Group has conducted site visits on the Drawin Group's production and R&D facilities, and has interviewed with the management of the Drawin Group. It was understood that the Drawin Group currently runs a production line of decoration board with an annual production capacity of 350,000 cubic metre, which has been undergoing expansion since November 2019 to increase the annual production capacity to over 500,000 cubic metre to meet the Group's gradually increasing demand in prefabricated components. The associated engineering and construction services provided by the Drawin Group will be performed by its engineering team, unlike other market players who often outsource the same to third party contractors.

The Group has taking into account (i) the experience and expertise of Drawin Intelligent Manufacture in providing integrated solutions for intelligent buildings, particularly in prefabricated buildings; (ii) the cost saving in construction waste, construction water and revolving materials by developing prefabricated buildings; (iii) the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement are a furtherance of the Group's principal businesses; (iv) the annual caps, if approved, would facilitate the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement for the years ending 31 December 2020, 2021 and 2022 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; and (v) the Group has the right but not the obligation to seek the relevant services from Drawin Intelligent Manufacture at terms determined in accordance with the respective pricing policies; the Directors are of the view that the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement are in the interests of the Company as a whole.

### **Guarantee provided to Henan Hondao**

Pursuant to the deed of guarantee arrangement entered into between Henan Hongdao and CCRE China dated 24 December 2019, the Group agreed to provide the Corporate Guarantee to the Bank for the Loan.

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## **LETTER FROM THE BOARD**

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The primary reason for CCRE China to provide the Corporate Guarantee was to facilitate Henan Hondao to obtain the Loan to refinance the fund it used for the Acquisition. The Acquisition will facilitate the Group to ensure stable, steady and continuous supply of quality prefabricated components/associated construction services, and most importantly at reasonable price.

The provision of the Corporate Guarantee (which constituted a discloseable transaction of the Company) is not conditional, and the Group will continue to provide the Corporate Guarantee regardless whether the Independent Shareholders' approval on the Engineering Services Strategic Cooperation Framework Agreement is obtained at the EGM.

The Directors (including independent non-executive Directors) are of the view that the terms of the Engineering Services Strategic Cooperation Framework Agreement and the annual caps are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms to the Company and that the entering into of the Engineering Services Strategic Cooperation Framework Agreement is in the interests of the Company and the Shareholders as a whole.

#### **4. DIRECTOR'S INTEREST IN THE CONTINUING CONNECTED TRANSACTION**

Drawin Intelligent Manufacture is indirectly wholly-owned by Mr. Wu. Mr. Wu is regarded as being interested in the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement due to his interest in Drawin Intelligent 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 Engineering Services Strategic Cooperation Framework Agreement and is required to abstain from voting on the Board resolution to approve the same.

#### **5. CONDITIONS PRECEDENT**

The Company shall obtain approval regarding the Engineering Services Strategic Cooperation Framework Agreement and the transactions contemplated thereunder from Independent Shareholders at the EGM before the Engineering Services Strategic Cooperation Framework Agreement becomes officially effective.

#### **6. INTERNAL CONTROL MEASURES**

The Company will adopt internal control procedures and corporate governance measures in relation to the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement.

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## LETTER FROM THE BOARD

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1. Before obtaining the approval of the Engineering Services Strategic Cooperation Framework Agreement at the EGM, the Company will ensure that the applicable percentage ratios in respect of the underlying transactions under the Engineering Services Strategic Cooperation Framework Agreement will not exceed 0.1%. If any underlying contract for procurement or purchases is entered into prior to the EGM, the management of the Company will be responsible for monitoring such individual contracts, and the finance department of the Group is responsible for monitoring the transactions under the Engineering Services Strategic Cooperation Framework Agreement to ensure that the said 0.1% threshold will not be exceeded prior to the EGM. The finance department will also conduct a review on a weekly basis, where there is potential that the threshold is going to be exceeded, the finance department will report the matters to the senior management of the Company who will co-ordinate at the Group level to take remedial actions immediately, including to suspend any transactions, and ensure that the said threshold will not be exceeded before complying with relevant Listing Rules requirements.
2. Before entering into any individual services agreements, the Company has to either invite tender from all parties (including Drawin Intelligent Manufacture and other independent third parties), which results will be determined on factors including but not limited to (i) the bidding price; (ii) the qualifications and reputations of the tenderers; and/or (iii) whether the qualification requirements of the tender were fulfilled, or obtain quotations from at least two independent service providers for providing such services in order to ensure that the terms of the individual services agreements are on normal commercial terms or no less favourable to the Company than those available from independent third parties, as well as in compliance with the terms and conditions of the Engineering Services Strategic Cooperation Framework Agreement. In the event that the Company fails to receive successful bids or quotations at its satisfaction, the Company may reassess the scope of services required or revisit the design requirements and relaunch the tender or seek for revised quotations.
3. After entering into any individual services agreements, the management of the Company is responsible for monitoring the individual services agreements.
4. The finance department of the Group is responsible for monitoring the service fees for the Engineering Services to ensure that they are in accordance with the Engineering Services Strategic Cooperation Framework Agreement and the annual cap is not exceeded. In addition, the finance department will also conduct an overall review on a monthly basis. Where the finance department is aware of any potential non-compliance with the pricing policies or that the annual cap will be exceeded, the finance department will report the matters to the senior management of the Company who will co-ordinate at the Group level to take remedial actions and ensure that the bases of annual cap are followed and annual cap is not exceeded.

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## LETTER FROM THE BOARD

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5. The independent non-executive Directors will review the draft individual services agreements and take appropriate actions to ensure that such transactions are conducted within the scope of the Engineering Services Strategic Cooperation Framework Agreement, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.
6. The auditors of the Company will conduct annual review on the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement and individual services agreements and provide their view to the Board.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that any service fees to be agreed pursuant to the Engineering Services Strategic Cooperation Framework Agreement will be on normal commercial terms and no less favourable to the Company than those available from independent third parties.

### **7. INFORMATION OF THE PARTIES**

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

Drawin Intelligent 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.

### **8. IMPLICATIONS UNDER THE LISTING RULES**

As at the Latest Practicable Date, Drawin Intelligent Manufacture is indirectly wholly-owned by Mr. Wu. Mr. Wu is a controlling Shareholder and a connected person of the Company. Accordingly, Drawin Intelligent Manufacture is an associate of Mr. Wu and thus a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement is over 5%, entering into the Engineering Services Strategic Cooperation Framework Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



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## LETTER FROM THE BOARD

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The Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the Engineering Services Strategic Cooperation Framework Agreement, 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 EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the independent Shareholders in this respect.

### 9. RE-ELECTION OF DIRECTORS

Pursuant to Article 86(3) of the Articles of Association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting. Accordingly, Mr. Lim Ming Yan (“**Mr. Lim**”) who was appointed by the Board as a non-executive Director with effect from 3 September 2019, and Mr. Yuan Xujun (“**Mr. Yuan**”) who was appointed by the Board as an executive Director with effect from 21 August 2019, will retire at the EGM and being eligible, offer themselves for re-election as a non-executive Director and an executive Director respectively at the EGM.

Particulars of Mr. Lim are set out in as follow:

Mr. Lim Ming Yan, aged 56, spent 22 years with CapitaLand Limited (SGX Stock Code: C31), and was its president and group chief executive officer from 2013 to 2018 and prior to that, its chief operating officer from 2011 to 2012. He was also the chief executive officer of The Ascott Limited from 2009 to 2012 and chief executive officer of CapitaLand China Holdings Pte Ltd from 2000 to 2009.

During his tenure, Mr. Lim built the CapitaLand Group into “One CapitaLand” and spearheaded rapid adoption of new technology within the CapitaLand Group. As the chief executive officer of CapitaLand China, he grew the company into the largest and most successful foreign real estate player in China. Under his leadership and guidance, the Ascott Group grew four times from a portfolio of about 25,000 serviced residence units to one of more than 100,000 units.

Mr. Lim serves on various committees in Singapore. He is the chairman of Workforce Singapore, a member of The Future Economy Council in Singapore and co-chairman of its Built Environment Sub-Committee. He is also a board director of Business China, a board director of Singapore Press Holdings Ltd. Co. (Singapore Stock Code: T39) as well as a board director of Singapore Tourism Board.

Mr. Lim has obtained a first class honours degree in Mechanical Engineering and Economics from the University of Birmingham, United Kingdom, and has completed the Advanced Management Program at Harvard Business School.

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## LETTER FROM THE BOARD

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The Company has entered into a letter of appointment with Mr. Lim for a term of three years commencing from 3 September 2019, and shall be subject to the articles of association of the Company and/or the provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in relation to retirement and re-election. The letter of appointment may be terminated by not less than three months’ notice in writing served by either party on the other. His current remuneration includes an annual fee of RMB3,000,000 and certain non-cash benefit.

Save as the aforementioned, Mr. Lim does not have any interests in any Shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as the aforementioned, Mr. Lim does not have any interests in any Shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, (i) he does not hold and has not held any other directorship in any other listed companies in the past three years; (ii) he has no relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company; (iii) no information in relation to the appointment of Mr. Lim is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules; and (iv) no matters in relation to the appointment need to be brought to the attention of the shareholders of the Company.

Particulars of Mr. Yuan are set out in as follow:

Yuan Xujun, aged 52, joined the Group in January 2017. He serves as the chief executive officer of the Company and a director and general manager of Central China Real Estate Group (China) Company Limited. Led by him, the Group realised a contracted sales amount of RMB37.3 billion and RMB72.4 billion in 2017 and 2018, respectively. The results of the Group achieved rapid growth in two consecutive years.

Before serving as the chief executive officer of the Company, he worked at China Vanke Co., Ltd. from 1994 to 2016, and served various positions such as financial controller of Shanghai Vanke Enterprises Company Limited, chief financial officer and deputy general manager of Zhejiang Vanke Nandu Real Estate Company Limited, manager of Jiaying Vanke Real Estate Company Limited and general manager of Xuzhou Vanke Enterprises Company Limited. He has over 20 years of experiences in financial management and real estate management.

Mr. Yuan obtained a master’s degree of business administration from Macau University of Science and Technology in 2001.

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## LETTER FROM THE BOARD

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The Company entered into a director service contract with Mr. Yuan for a term of three years commencing from 21 August 2019, who may be removed by the shareholders of the Company at a general meeting of the Company and shall be subject to the articles of association of the Company and/or the provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in relation to retirement and re-election. The director service contract may be terminated by not less than three months’ notice in writing served by either party on the other. In accordance with the terms of the director service contract, as Mr. Yuan is concurrently the chief executive officer of the Company, he will not receive extra remuneration for simultaneously serving as an executive Director. His current remuneration includes an annual salary of RMB3,000,000 and certain non-cash benefit. As at the date of this circular, Mr. Yuan is interested in 20,000,000 underlying shares of the Company pursuant to share options granted to him under the share option scheme of the Company.

Save as the aforementioned, Mr. Yuan does not have any interests in any Shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, (i) he does not hold and has not held any other directorship in any other listed companies in the past three years; (ii) he has no relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company; (iii) no information in relation to the appointment of Mr. Yuan is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules; and (iv) no matters in relation to the appointment need to be brought to the attention of the shareholders of the Company.

### **10. THE EGM**

The EGM will be held at 7701B-7702A, Level 77, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Friday, 6 March 2020 at 3:30 p.m. for the Independent Shareholders to consider and, if thought fit, approve the Engineering Services Strategic Cooperation Framework Agreement and the Shareholders to consider and approve the re-election of Mr. Lam as a non-executive Director and Mr. Yuan as an executive Director by way of poll.

Drawin Intelligent Manufacture is indirectly wholly-owned by Mr. Wu. Mr. Wu is a controlling Shareholder and a connected person of the Company. Mr. Wu, who (together with his associate(s)) holds 2,044,431,867 Shares as at the Latest Practicable Date, representing approximately 74.60% share capital of the Company, is regarded as being interested in the Engineering Services Strategic Cooperation Framework Agreement and therefore will abstain from voting on the resolution at the EGM approving the Engineering Services Strategic Cooperation Framework Agreement.

Save as the above, as at the Latest Practicable Date, to the best knowledge of the Directors, none of the Shareholders have a material interest in the Engineering Services Strategic Cooperation Framework Agreement.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

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## LETTER FROM THE BOARD

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You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish.

The register of members of the Company will be closed from Tuesday, 3 March 2020 to Friday, 6 March 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending the EGM, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 2 March 2020.

### 11. RECOMMENDATION

The Directors (excluding three independent non-executive Directors, whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) consider that the Engineering Services Strategic Cooperation Framework Agreement is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM approving the Engineering Services Strategic Cooperation Framework Agreement. The Directors also recommend that all Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM approving the re-election of the retiring Directors.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) save for Mr. Wu and his associate(s), no Shareholder is required to abstain from voting on the ordinary resolution to be proposed at the EGM approving the Engineering Services Strategic Cooperation Framework Agreement; and (ii) no Shareholder is required to abstain from voting on the ordinary resolutions to be proposed at the EGM approving the re-election of the retiring Directors.

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

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

19 February 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
ENGINEERING SERVICES STRATEGIC COOPERATION  
FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 19 February 2020 (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.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Engineering Services Strategic Cooperation Framework Agreement is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interest of the Company and the Shareholders as a whole and to recommend whether or not the Independent Shareholders should vote for the ordinary resolution to be proposed at the EGM to approve the Engineering Services Strategic Cooperation Framework Agreement. The appointment of Red Sun Capital 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 21 to 41 of the Circular.

Your attention is also drawn to the “Letter from the Board” in the Circular and other information set out in the appendices thereto.

\* *for identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Engineering Services Strategic Cooperation Framework Agreement and taking into account the independent advice from Red Sun Capital Limited, in particular the principal factors, reasons and recommendation as set out in its letter, we are of the opinion that the terms of Engineering Services Strategic Cooperation Framework Agreement is on normal commercial terms, 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 recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve Engineering Services Strategic Cooperation Framework Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Cheung Shek Lun**

**Mr. Xin Luo Lin**

**Dr. Sun Yuyang**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders for inclusion in this circular.*



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

Unit 3303, 33/F, West Tower,  
Shun Tak Centre,  
168-200 Connaught Road Central,  
Hong Kong

Tel: (852) 2857 9208  
Fax: (852) 2857 9100

19 February 2020

*To: The Independent Board Committee and the Independent Shareholders of  
Central China Real Estate Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS ENGINEERING SERVICES STRATEGIC COOPERATION FRAMEWORK AGREEMENT**

#### **I. INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Engineering Services Strategic Cooperation Framework Agreement (together with the annual caps) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 19 February 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 13 November 2019, the Company (as services user) entered into the 2019 Engineering Services Strategic Cooperation Framework Agreement with Drawin Intelligent Manufacture, pursuant to which the Company agreed to procure, and Drawin Intelligent Manufacture agreed to provide the Engineering Services from 1 November 2019 to 31 December 2019. In view of the expiry of the 2019 Engineering Services Strategic Cooperation Framework Agreement, the Company and Drawin Intelligent Manufacture entered into the Engineering Services Strategic Cooperation Framework Agreement on 30 December 2019 to continue the Engineering Services for a period of three years from the 1 January 2020 to 31 December 2022. The annual caps for the Engineering Services Strategic Cooperation Framework Agreement for the year ending 31 December 2020, 2021 and 2022 are RMB3.0 billion, RMB5.0 billion and RMB8.0 billion, respectively (the “**Annual Caps**”).

As at the Latest Practicable Date, Drawin Intelligent Manufacture is indirectly wholly-owned by Mr. Wu. Mr. Wu is a controlling Shareholder and a connected person of the Company. Accordingly, Drawin Intelligent Manufacture is an associate of Mr. Wu and thus a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement is over 5%, entering into the Engineering Services Strategic Cooperation Framework Agreement is subject to the reporting, announcement, annual review and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## II. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Wu Po Sum, Mr. Liu Weixing, Mr. Wang Jun and Mr. Yuan Xujun as executive Directors, Mr. Lim Ming Yan and Ms. Wu Wallis (alias Li Hua) as non-executive Directors, and Mr. Cheung Shek Lun, Mr. Xin Luo Lin and Dr. Sun Yuyang as independent non-executive Directors.

The Independent Board Committee comprising all the aforementioned independent non-executive Directors has been formed to consider and advise the Independent Shareholders as to whether the terms of Engineering Services Strategic Cooperation Framework Agreement, transactions contemplated thereunder, and the Annual Caps are on normal commercial terms and are fair and reasonable, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders for the purpose of advising the Independent Board Committee and the Independent Shareholders whether the terms of the Engineering Services Strategic Cooperation Framework Agreement and Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Drawin Intelligent Manufacture and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Engineering Services Strategic Cooperation Framework Agreement (together with the Annual Caps) and the transaction contemplated thereunder. In the previous two years, save for our appointment as the independent financial adviser in relation to (i) the provision of corporate guarantee by the Company, details of which are set out in the announcements of the Company dated 24 December 2019 and 12 February 2020, respectively; (ii) the 2019 Engineering Service Strategic Cooperation Framework Agreement of the Company, details of which are set out in the announcement of the Company dated 13 November 2019; and (iii) the mandatory unconditional cash offer in connection with China Minsheng DIT Group Limited, details of which are set out in the composite document of China Minsheng DIT Group Limited dated 12 August 2019, Red Sun Capital Limited has not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company or China Minsheng DIT Group Limited for any transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### IV. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and Drawin Intelligent Manufacture and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, and Drawin Intelligent Manufacture made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company, Drawin Intelligent Manufacture and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Engineering Services Strategic Cooperation Framework Agreement (together with the Annual Caps) and the transaction contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Engineering Services Strategic Cooperation Framework Agreement (together with the Annual Caps) and the transaction contemplated thereunder, we have taken into consideration the following principal factors and reasons:

#### 1. Background information of the Group

As set out in the Letter from the Board, the Group is principally engaged in real estate development and sales in Henan Province, the PRC.

Set out below is a summary of the Group's operating results by activities, extracted from (i) the published annual report of the Company for the year ended 31 December 2018 (the "2018 Annual Report") and (ii) the latest published interim report of the Company for the six months ended 30 June 2019 (the "2019 Interim Report"):

*Summary of the Group's operating results by business activities:*

	For the six months ended		For the year ended	
	30 June		31 December	
	2019	2018	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)
<b>Revenue from contracts with customers within the scope of HKFRS15</b>				
<i>Disaggregated by major products or service lines</i>				
- Sales of properties	8,393,660	4,329,414	13,629,185	13,210,985
- Revenue from hotel operations	149,166	132,356	284,628	265,530
- Revenue from project management service	404,296	248,901	675,266	307,762
- Others	42,413	-	47,479	-
	<u>8,989,535</u>	<u>4,710,671</u>	<u>14,636,558</u>	<u>13,784,277</u>
<b>Revenue from other sources</b>				
- Rental income from investment properties	49,805	34,114	106,669	28,568
- Rental income from properties for sale	28,702	25,858	40,253	66,362
	<u>78,507</u>	<u>59,972</u>	<u>146,922</u>	<u>94,930</u>
<b>Total Revenue</b>	<b><u>9,068,042</u></b>	<b><u>4,770,643</u></b>	<b><u>14,783,480</u></b>	<b><u>13,879,207</u></b>
<b>Profit for the year/period</b>	<b><u>768,289</u></b>	<b><u>574,265</u></b>	<b><u>1,415,123</u></b>	<b><u>899,282</u></b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *For the year ended 31 December 2018 compared to the year ended 31 December 2017*

As disclosed in the 2018 Annual Report, revenue of the Group increased from approximately RMB13.9 billion for the year ended 31 December 2017 to approximately RMB14.8 billion for the year ended 31 December 2018, representing an increase of approximately 6.5%. The reason for such increase was mainly attributable to (i) the increase in revenue derived from sales of properties of approximately RMB418.2 million as a result of the increase in the average selling price (excluding underground parking spaces) from approximately RMB5,672 per square metre for the year ended 31 December 2017 to approximately RMB7,284 per square metre for 31 December 2018; and (ii) the increase in revenue derived from the provision of project management service of approximately RMB367.5 million as a result of the increase in operation and management services provided by the Group.

For the year ended 31 December 2018, profit for the year also increased from approximately RMB899.3 million for the year ended 31 December 2017 to approximately RMB1,415.1 million, representing an increase of approximately 57.4%. Such increase was mainly attributable to the increase in gross profit as the gross profit margin increased from approximately 23.6% for the year ended 31 December 2017 to approximately 34.4% for the year ended 31 December 2018. The increase was principally due to (i) the increase of the average selling price of property sales recognised was higher than the increase of the average cost of sales; (ii) an increase in the proportion of sales of car park spaces with higher gross profit margin as a result of increased sales volume; (iii) an increase in the proportion of sales volume in cities with higher gross profit margin, such as Zhengzhou and Luoyang; and (iv) an increase in revenue from project management services with higher gross profit margin.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *For the six months ended 30 June 2019 compared to the six months ended 30 June 2018*

For the six months ended 30 June 2019, the revenue increased from approximately RMB4,770.6 million for the six months ended 30 June 2018 to approximately RMB9,068.0 million, representing an increase of approximately 90.1%. As set out in the 2019 Interim Report, revenue from property sales increased by approximately 93.9% to approximately RMB8,393.6 million for the six months ended 30 June 2019 from approximately RMB4,329.4 million for the six months ended 30 June 2018 due to an increase in the gross floor area sold by approximately 102.6% to approximately 1,376,219 square metre for the six months ended 30 June 2019 from approximately 679,243 square metre for the six months ended 30 June 2018, while the average selling price (excluding underground parking spaces) increased by approximately 5.9% to approximately RMB5,747 per square metre for the six months ended 30 June 2019 from approximately RMB5,427 per square metre for the six months ended 30 June 2018.

It is also noted that profit for the period increased from approximately RMB574.3 million for the six months ended 30 June 2018 to approximately RMB768.3 million for the six months ended 30 June 2019, representing an increase of approximately RMB107.7 million. Such increase was mainly attributable to the increase in revenue as discussed above.

### *Summary of consolidated statement of financial position of the Group*

	<b>As at 30 June 2019</b>	<b>As at 31 December 2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)	(audited)
Total assets	120,927,232	101,962,375	62,527,185
Total liabilities	110,087,347	91,692,591	54,054,016
Total equity attributable to owners of the Company	9,124,303	8,837,090	7,694,673

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's total assets increased from approximately RMB62,527.2 million as at 31 December 2017 to approximately RMB101,962.4 million as at 31 December 2018. The increase was mainly due to the increase from inventories and other contract costs from approximately RMB24,341.2 million as at 31 December 2017 to approximately RMB50,316.0 million as at 31 December 2018. The Group's total liabilities also increased from approximately RMB54,054.0 million as at 31 December 2017 to approximately RMB91,692.6 million as at 31 December 2018. Such increase was mainly due to the increase in contract liabilities from nil as at 31 December 2017 to approximately RMB40,829.6 million as at 31 December 2018.

As at 30 June 2019, the Group's total assets further increased to approximately RMB120,927.2 million which was mainly attributable to (i) the increase in inventories and other contract costs of approximately RMB6,649.7 million; and (ii) the increase in cash and cash equivalent of approximately RMB5,038.3 million as compared to the respective figures as at 31 December 2018. It was also noted that the Group's total liabilities increased to approximately RMB110,087.3 million as at 30 June 2019 which was mainly attributable to (i) the increase in trade and other payables of approximately RMB6,497.8 million; and (ii) the increase in contract liabilities of approximately RMB5,203.0 million comparing to the respective figures as at 31 December 2018. As a result of the above, the total equity attributable to owners of the Company increased from approximately RMB8.8 billion as at 31 December 2018 to approximately RMB9.1 billion as at 30 June 2019.

### **2. Background information of Drawin Intelligent Manufacture**

As set out in the Letter from the Board, Drawin Intelligent 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. The Drawin Group has been developing its decoration board since 2014 and has obtained over six patents in relation to the design and technology of the board production line.

Drawin Intelligent Manufacture is indirectly wholly-owned by Mr. Wu, being a controlling Shareholder and a connected person of the Company. Accordingly, Drawin Intelligent Manufacture is an associate of Mr. Wu and thus a connected person of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As per the website of Drawin Intelligent Manufacture (<http://www.cmdrawin.com>) and as advised by the Management, members of the Drawin Group have completed construction projects across some 20 provinces covering more than 40 cities in the PRC, they also hold various certifications/qualifications/registrations, including among others, First-grade qualification for construction main contractor\* (建築工程施工總承包壹級) and High and new technological enterprise status\* (高新技術企業資質). From 2018 to 2019, the Drawin Group completed 10 construction projects with the adoption of prefabricated components. Notable projects completed by the Drawin Group include the Student's Apartment Project of Xiangya, Central South University\* (中南大學湘雅學生公寓項目), the Xianghe Xingchengchunxiao Project in Changsha, Hunan\* (湖南長沙湘核星城春曉項目), the Hiipark Project in Hengyang, Hunan\* (湖南衡陽衡山科學城項目) and the Beigang Logistics Transaction Exhibition Supporting Centre Project in Hangzhou, Zhejiang\* (浙江杭州北港物流交易展示配套中心項目). We also noted from its website that China Minsheng DIT Group Limited (the “**DIT Group**”), being a company listed on the main board of the Stock Exchange, is a member of the Drawin Group.

According to the annual report for the year ended 31 December 2018 of DIT Group, the revenue generated from (i) sales of prefabricated units; (ii) granting licenses; (iii) sales of equipment; (iv) rental income; and (v) consulting service income amounted to approximately HKD530.2 million and the profit for year ended 31 December 2018 amounted to approximately HKD19.3 million, represented an increase of approximately HKD313.6 million and a decrease of approximately HKD104.5 million, respectively, over the corresponding period of last year. Such increase in revenue was mainly attributable to (i) the utilized capacity of technology parks for the manufacturing and sale of prefabricated units continuously increased during the year; and (ii) the revenue generated from granting licenses has significantly increased in result of increasing number of customers during the year. The decrease in profit for the year was mainly attributable to the absence of gains on disposal of subsidiaries for the year ended 31 December 2018 which amounted to approximately HKD212.3 million for the year ended 31 December 2017.

As set out in the interim report for the six months ended 30 June 2019 of DIT Group, it recorded a decrease in revenue from approximately HKD300.4 million for the six months ended 30 June 2018 to approximately HKD288.2 million for the six months ended 30 June 2019. Such decrease was mainly attributable to the fact that most of the revenue from granting licenses for 2019 will be recognised in the second half of 2019, therefore the revenue for the six months ended 30 June 2019 decreased as compared with the six months ended 30 June 2018. It was also noted that DIT Group recorded a loss for the period of approximately HKD13.1 million for the six months ended 30 June 2019 compared to a profit of approximately HKD14.8 million for the corresponding period last year. Such change was mainly attributable to the decrease in gross profit of approximately HKD48.0 million as a result of the decrease in revenue as discussed above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Overview of the PRC economy and urbanisation in the PRC

As set out on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>), year-on-year growth in gross domestic product for the PRC in 2018 was approximately 6.6% (2017: 6.8%). Pursuant to the Thirteenth Five Year Plan\* (十三五規劃) set out by the PRC government, the annual gross domestic product growth target for the next five years from 2016 was approximately 6.5%. However, such target was subsequently adjusted down to 6.0% by the PRC government in March 2019. As stated in the Thirteenth Five Year Plan, the PRC government targets to, among others, (i) accelerate the agricultural population urbanisation\* (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system\* (深化戶籍制度改革), implementation of the residence permit system\* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population\* (健全促進農業轉移人口市民化的機制); and (ii) optimise urbanisation layout\* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration\* (加快城市群建設發展), enhance the drive of activities by central cities\* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristic towns\* (加快發展中小城市和特色鎮).

The table below sets out a summary of the urbanisation levels from 2014 to 2018 in the PRC:

	2014	2015	2016	2017	2018
Total population ( <i>in millions</i> )	1,367.8	1,374.6	1,382.7	1,390.0	1,395.4
Urban population ( <i>in millions</i> )	749.2	771.2	793.0	813.4	831.4
Urbanisation rate (%)	54.8	56.1	57.4	58.5	59.6

Source: National Bureau of Statistics of China

In addition, we also noted that promotion of urbanisation remains one of the main objectives of the PRC government under its Thirteenth Five-Year Plan (十三五規劃). Pursuant to the Thirteenth Five-Year Plan, the PRC government has set the target for the percentage of permanent urban residents at 60% by 2020, an increase from approximately 56.1% recorded at the beginning of the Thirteenth Five Year Plan. The aforesaid PRC government policies are set with the view to promote long term stability of the PRC economy and the PRC property market.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, as set out on the website of the Henan Province Bureau of Statistics (<http://www.ha.stats.gov.cn>), the total population and urban population in 2018 were approximately 96.1 million and 49.7 million, respectively, based on such data, it was calculated that the urbanisation rate of Henan Province in 2018 was approximately 51.7%. On this basis, the urbanisation rate of Henan Province was calculated to be lower than the overall urbanisation rate of the PRC in 2018. Against this backdrop, the Management considered that such to be an indicator for a higher urbanisation opportunity in Henan for the future.

According to information published by the Henan Province Bureau of Statistics\* (河南省統計局), in the first three quarters of 2019, the province's gross domestic product was approximately RMB3,290.0 billion, representing a year-on-year increase of approximately 8.1%. The real estate development investment was approximately RMB486.8 billion, representing a year-on-year increase of approximately 18.3%, of which residential investment was approximately RMB364.7 billion, representing a year-on-year increase of approximately 18.7%. The sales area of commercial housing (商品房) was approximately 81.3 million square meters, representing a year-on-year increase of approximately 19.4%, of which residential sales area increased by approximately 17.2%. Commercial housing sales were approximately RMB442.6 billion, representing an increase of approximately 27.4%, of which residential sales increased by approximately 22.7%. The land acquisition area by real estate development enterprises amounted to approximately 6,094,200 square meters, representing a year-on-year decrease of approximately 16.0%. The per capita disposable income of residents was approximately RMB14,400, representing a year-on-year increase of approximately 9.0%, and the growth rate increased by approximately 1.3 percentage point. In terms of permanent residence, (i) the per capita disposable income of urban residents was approximately RMB21,700, representing an increase of approximately 8.4%; and (ii) the per capita disposable income of rural residents was approximately RMB8,700, representing an increase of approximately 8.7%.

#### **4. Reasons for and benefits of entering into the Engineering Services Strategic Cooperation Framework Agreement**

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

Drawin Intelligent 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the Letter from the Board, 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. As for prefabricated buildings, construction waste can be decreased, construction water and revolving materials can be saved, and on-site labor and construction period can be reduced, so that buildings can be completed in higher quality with shortened construction period and lower cost. Accordingly, the Group needs to seek suppliers to provide relevant engineering services. The Engineering Services Strategic Cooperation Framework Agreement was entered into in the ordinary and usual course of business of the Group.

The Directors are of the view that the terms of the Engineering Services Strategic Cooperation Framework Agreement and the Annual Caps are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or more favorable to the Company and that the entering into of the Engineering Services Strategic Cooperation Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Having considered that, (i) the Group is principally engaged in real estate development and sales in Henan Province, the PRC; (ii) the years of experience of Drawin Intelligent Manufacture in providing integrated solutions for intelligent buildings, particularly in prefabricated buildings and decorative board business; (iii) the cost saving in construction waste, construction water and revolving materials by developing prefabricated buildings; (iv) the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement are a furtherance of the Group's principal businesses; (v) the Annual Caps, if approved, would facilitate the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement for the years ending 31 December 2020, 2021 and 2022 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; and (vi) the Group has the right but not the obligation to seek the relevant services from Drawin Intelligent Manufacture at terms determined in accordance with the respective pricing policies, we concur with the Directors' view that the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement are in the interests of the Company as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Principal terms of the Engineering Services Strategic Cooperation Framework Agreement

The following information has been extracted from the Letter from the Board:

Date	30 December 2019 (after trading hours)
Parties	The Company (as services user); and  Drawin Intelligent Manufacture (as services provider)
Term	1 January 2020 to 31 December 2022
Nature of transaction	Drawin Intelligent Manufacture and the members of its group shall provide the Engineering Services (including engineering design, general contracting of construction, supply of concrete prefabricated parts, and supply and installation of decoration board (彩力板) for the proposed real estate projects) to the Group.

The Company and Drawin Intelligent Manufacture shall enter into separate agreements for detailed scope in respect of various Engineering Services as and when necessary.

Payment terms and pricing policy	(i) Engineering design <i>Payment terms:</i> 20% of the consideration under the underlying agreements shall be paid within 30 days from the day of the signing of the underlying agreements. The remainder shall be paid according to the progress of the service. After the construction drawing is submitted, the payment ratio should be not less than 60% of the consideration.
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*Pricing Policy:*

Charged at a fixed sum based on the average design price of the industry of the Engineering Survey and Design Charging Standards (《工程勘察設計收費標準》)(2002 revised edition) issued by the State Development and Planning Committee and the Ministry of Development and/or other applicable industry standards from time to time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) General contracting of construction

*Payment terms:*

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 Project Quality Warranty.

*Pricing Policy:*

Based on the type and purpose of the 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, and adjusted with the total number of stories and height of the project buildings (adjusted with a rate ranged from -8% to 8%, depends on the height and number of floors).

(iii) Supply of concrete prefabricated parts

*Payment terms:*

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 service.

*Pricing Policy:*

Charged per area, based on the specifications, types (e.g. internal or external walls) and volume of the concrete prefabricated parts/reinforcing bar, with a fixed basic price ranged from RMB3,050 to RMB3,650 per sq.m.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) Supply and installation of decoration board

*Payment terms:*

30% of the consideration under the underlying agreements is to be paid within 30 days from the day of the signing of the underlying agreements. The remainder shall be paid upon delivery and inspection and acceptance.

*Pricing Policy:*

Charged per area, based on the specifications, types and size of the board, and agreed by both parties' joint negotiation in accordance with the market situation of the places where the projects locate.

For further details of the principal terms of the Engineering Services Strategic Cooperation Framework Agreement, please refer to the Letter from the Board.

### **6. Pricing basis and internal procedures of the Group in respect of the Engineering Services**

According to the internal control procedures of the Company, prior to entering into any services agreements under the Engineering Services Strategic Cooperation Framework Agreement, the Company shall (i) invite tender from the relevant contractors (including Drawin Intelligent Manufacture and other independent third parties), the award of contract will be determined on a combination of factors including but not limited to (a) the bidding price; (b) the qualifications and reputations of the tenderers; and (c) whether the qualification requirements of the tender were fulfilled; or (ii) obtain quotations from at least two independent service providers in addition to that of a connected person, where applicable, for the provision of such services in order to ensure that the terms of the individual services agreements are on normal commercial terms or no less favourable to the Company than those available from independent third parties, as well as in compliance with the terms and conditions of the Engineering Services Strategic Cooperation Framework Agreement. In the event that the Company fails to receive successful bids or quotations at its satisfaction, the Company may reassess the scope of services required or revisit the design requirements and relaunch the tender or seek for revised quotations.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Letter from the Board, the type of Engineering Services can largely be categorised into (i) engineering design; (ii) general contracting of construction; (iii) supply of concrete prefabricated parts; and (iv) supply and installation of decoration board for real estate projects. Out of the above service types, we noted that the pricing policy of the supply and installation of decoration board is subject to joint negotiation in accordance with the market situation of the places where the projects are located (the “**Joint Negotiation**”), without a stated price range or reference to a standard pricing published by the relevant government department as specified in the pricing policy of other service types. In this connection, the Management advised that the price to be determined from the Joint Negotiation will also subject to comparison with quotations from two other parties with a view to ensure that the final price is on normal commercial terms, and fair and reasonable.

After entering into any individual services agreements, the management of the Company is responsible for monitoring the individual services agreements. The finance department of the Group is responsible for monitoring the service fees for the Engineering Services to ensure that they are in accordance with the Engineering Services Strategic Cooperation Framework Agreement and the relevant annual cap is not exceeded. In addition, the finance department will also conduct an overall review on a monthly basis. Where the finance department is aware of any potential non-compliance with the pricing policies or that the annual cap will be exceeded, the finance department will report the matters to the senior management of the Company who will co-ordinate at the Group level to take remedial actions and ensure that the bases of annual cap are followed and the annual cap is not exceeded.

The auditors of the Company will conduct annual review on the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement and individual services agreements and provide their view to the Board.

The Group has also established its own list of approved suppliers (which is subject to periodic review and update by its management). The Management considered that the current list of approved suppliers, which consisted of both connected parties and independent third party suppliers, for the various service types are sufficient to meet the Group’s operational needs and to ensure that the Group will be able to obtain competitive pricing. All suppliers invited to submit quotation/tenders for the Group’s projects are selected from such list. When selecting which suppliers to be invited to quote/tender, the Management will assess the suitability of a supplier with reference to selection criteria including, among others, (i) the supplier’s qualification grade; (ii) financial ability; (iii) technical capability; (iv) cooperation record; and (v) quality of work and business management capability. Depending on the estimated value of the relevant services, the person in charge and line managers of the regional office or the district office shall conduct the vetting process to ascertain suppliers to be invited for quotation/tender, following which the emails, calls or letter of invitation to tender will be issued.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In this connection, we have reviewed and discussed with the Management the internal standard procedures of the Group governing the selection process which sets out, among others, standard procedures for tenders covering areas, such as (i) preparation of tender invitation documents; (ii) submission of tenders or price quotations; (iii) preparation of evaluation report; and (iv) selection of tender (the “**Selection Procedures**”). In addition, the Management advised that the Company had only conducted one transaction under the 2019 Engineering Service Strategic Cooperation Framework Agreement. In this connection, we have obtained and reviewed documents such as the tender submitted by Drawin Intelligent Manufacture, two tenders submitted by independent third parties for similar transactions and evaluation report prepared by the Group. We noted that the subject tender procedures and the award of contract to Drawin Intelligent Manufacture was in accordance with the internal standard procedures set out under the Selection Procedures, the same procedures and assessment were also applied to tenders submitted by independent third parties. Furthermore, we have discussed and understand from the Management that the auditor of the Company would also conduct an annual review on the pricing and the Annual Caps.

We understand from the Management that since the date of the 2019 Engineering Service Strategic Cooperation Framework Agreement and up to the Latest Practicable Date, the aforesaid transaction was the only transaction in this connection. On this basis, although the size of sample reviewed is limited, the sample coverage is 100%. In addition, we would also like to emphasis that it is the relevant internal control procedures governing the selection process (i.e. the Selection Procedures) which the Management relies on to ensure that the terms of any transactions under the Engineering Services Strategic Cooperation Framework Agreement are no less favourable than those available from independent third parties.

In this connection, we have obtained and reviewed the relevant internal control policies and the Selection Procedures, and we considered that effective implementation of these internal control policies and Selection Procedures would ensure that the transactions under the Engineering Services Strategic Cooperation Framework Agreement are to be conducted on terms which are fair and reasonable.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**7. Basis for determining the Annual Caps**

During the term of the Engineering Services Strategic Cooperation Framework Agreement, the relevant transaction amount shall not exceed the corresponding amounts as set out below:

<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
<i>RMB billion</i>	<i>RMB billion</i>	<i>RMB billion</i>
3.0	5.0	8.0

As set out in the Letter from the Board, in considering the Annual Caps, the Directors have considered a number of factors (including the number, progress, size, design, configuration, positioning, the nature of the demand for the respective services scope of the Engineering Services and overall planning of the Group’s existing real estate projects and those projects to be developed in the next three years) to determine the contract amount related to the needs for the Engineering Services. The Management also advised that given the short duration of the 2019 Engineering Services Strategic Cooperation Framework Agreement, the historical utilization amount was not taken into consideration when determining the Annual Caps.

In connection to the above, we had reviewed a schedule prepared by the Management up to 31 December 2022 and noted that the Annual Caps were primarily based on the estimated gross floor area (“GFA”) of properties of the Group that would require Engineering Services under the Engineering Services Strategic Cooperation Framework Agreement at the relevant time, a summary of which is set out below:

	<b>For the year ending 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>approximate, square metre</i>	<i>approximate, square metre</i>	<i>approximate, square metre</i>
Estimated GFA of properties of the Group to use Engineering Services	2,000,000	4,000,000	6,000,000



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We had discussed and understood from the Management that the estimated GFA of properties of the Group that would require Engineering Services was determined after taking into consideration of factors including but not limited to, the existing portfolio of unsold properties of the Group, the property development projects of the Group currently being sold in the market, the upcoming scheduled property development projects of the Group, the expected property development projects of the Group to be launched, during each of the three years ending 31 December 2020, 2021 and 2022.

In addition, as set out in the 2019 Interim Report for the six months ended 30 June 2019, there were 127 projects under development with a GFA of approximately 26.5 million square metre, including 18 projects under development in Zhengzhou and 109 projects under development in other cities of Henan Province. Moreover, we also noted that the total GFA of the Group's land reserves in the PRC was approximately 47.7 million square metre, of which (i) approximately 55.7% of the land reserves were under development; and (ii) approximately 44.3% of the land reserves were held for future development, which is significantly greater than the estimated GFA of properties that would require Engineering Services under the Annual Cap for the year ending 31 December 2020. The land reserves of the Group primarily consisted of sites located in various PRC cities including, among others, Zhengzhou, Zhoukou, Luoyang and Zhumadian. On this basis, we considered the estimated GFA of properties of the Group of 2.0 million square metre, which was used as a basis to determine the Annual Cap for the year ending 31 December 2020 to be reasonable.

In connection with the proposed Annual Caps for the years ending 31 December 2021 and 2022, the GFA of properties of the Group that requires Engineering Services under the Engineering Services Strategic Cooperation Framework Agreement were estimated to be approximately 4.0 million square metre and 6.0 million square metre for the years ending 31 December 2021 and 2022, represents a year-on-year growth of approximately 100.0% and 50.0%, respectively. Based on the estimated GFA of properties of the Group that would require Engineering Services, the compound annual growth rate of the annual cap between the year ending 31 December 2020 to 31 December 2022 represents approximately 63.3% (the "**Annual Cap CAGR**"). Having considered, (i) the relatively modest estimation in GFA of 2.0 million square metre as a basis for determining the Annual Cap for year ending 31 December 2020 compared to the Group's land reserves in the PRC of approximately 47.7 million square metre as at 30 June 2019; (ii) the historical growth in total GFA under development of the Group as at 31 December 2016, 2017 and 2018 of approximately 6.0 million square metre, 8.4 million square metre and 21.7 million square metre, respectively, which represented a year-on-year growth of approximately 40.0% and 258.3%, respectively; (iii) the historical growth in land reserves of the Group with a total GFA as at 31 December 2016, 2017 and 2018 of approximately 20.9 million square metre, 31.9 million square metre and 46.1 million square metre, respectively, which represented a year-on-year growth of approximately 52.6% and 44.5%, respectively; and (iv) the information, including (a) an increase of approximately 90.1% in the Group's revenue for the six month ended 30 June 2019 over the corresponding period of last year; and (b) the Group's property projects under development or held for future development further increased from 118 as at 31 December 2018 to 127 as at 30 June 2019, we are of the view that the Annual Cap CAGR is reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that (i) the overview of the expected growth in the PRC economy and its building construction activities which have been set out under the paragraph headed “3. Overview of the PRC economy and urbanisation in the PRC” in this letter above; (ii) the potential projects which might be awarded to Drawin Intelligent Manufacture by the Group; (iii) the growth in total construction area of the Group and expected increase in Engineering Services to be used by the Group; and (iv) the basis and assumption for the calculation of the Annual Caps, we consider the basis for determining the Annual Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Nevertheless, the Shareholders are advised that the Annual Caps only represent an estimate by the Group based on the information available at the relevant time and is not an indication of actual costs to be incurred by the Group. In addition, the Annual Caps would provide the Group with the flexibility but not the obligation to invite Drawin Intelligent Manufacture (including its group members) to provide quotation/submit tender for the Group’s Engineering Services and any award of contract under the Engineering Services Strategic Cooperation Framework Agreement shall subject to the Selection Procedures as part of the Group’s internal control.

### VI. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of the for entering into the Engineering Services Strategic Cooperation Framework Agreement;
- (ii) the Engineering Services contemplated under the Engineering Services Strategic Cooperation Framework Agreement is required for the Group’s property development business;
- (iii) the Engineering Services contemplated under the Engineering Services Strategic Cooperation Framework Agreement shall be conducted in the ordinary and usual course of business of the Group and on normal commercial terms that are no more favourable than those prices and terms available from independent third parties to the Group; and
- (iv) the basis for determining the Annual Caps included, amongst other things, the estimated gross floor area of properties of the Group to use Engineering Services is reasonable, details of which are set out in the section headed “7. Basis for determining the Annual Caps” in this letter above,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we are of the view that the Engineering Services Strategic Cooperation Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the Annual Caps, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Engineering Services Strategic Cooperation Framework Agreement (together with the Annual Caps) at the EGM.

Yours faithfully  
For and on behalf of  
**Red Sun Capital Limited**  
**Lewis Lai**  
*Managing Director*

*Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 13 years of experience in the corporate finance industry.*

\* *for identification purpose only*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company 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.

## 2. DISCLOSURE OF INTERESTS

### I. Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations

Save as disclosed, as at the Latest Practicable Date, none of the Directors or chief executive of the Company has any interest or short position in the Shares, convertible securities, warrants, options or derivatives, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to be 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); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Listing Rules, or in accordance with information received by the Company.

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 <sup>4</sup>
Mr. Wu Po Sum	Interest in a controlled corporation	-	2,044,431,867 <sup>1</sup>	74.60%
	Beneficial owner	2,050,400 <sup>2</sup>	-	0.07%
Mr. Wang Jun	Beneficial owner	27,000,000 <sup>2</sup>	-	0.99%
Mr. Liu Weixing	Beneficial owner	20,000,000 <sup>2</sup>	1,000,000	0.73%
Ms. Wu Wallis <sup>3</sup> (alias Li Hua)	Interest of spouse	8,500,000 <sup>2</sup>	-	0.31%
Mr. Yuan Xujun	Beneficial owner	20,000,000 <sup>2</sup>	-	0.73%

*Notes:*

1. The 2,044,431,867 Shares were registered in the name and were 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 the 2,044,431,867 Shares by virtue of the SFO.
2. Such interest in the Shares is held pursuant to the share options granted under the share option scheme of the Company.
3. The 8,500,000 share options 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 for the purposes of the SFO.
4. The approximate percentage of the interest in the Company’s issued share capital is based on the total number of 2,740,611,120 Shares in issue as at the Latest Practicable Date.

## II. 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 is 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 Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company’s issued share capital <sup>1</sup>
Joy Bright	Beneficial owner	2,044,431,867 <sup>2</sup>	74.60%
CapitaLand LF (Cayman) Holdings Co., Ltd. (“CapitaLand (Cayman)”)	Beneficial owner	460,681,360 <sup>3</sup>	16.81%
CapitaLand China Holdings Pte Ltd. (“CapitaLand China”)	Interest of controlled corporation	460,681,360 <sup>3</sup>	16.81%

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital <sup>1</sup>
CapitaLand China Investments Limited (“ <b>CapitaLand China Investments</b> ”)	Interest of controlled corporation	460,681,360 <sup>3</sup>	16.81%
CapitaLand Limited (“ <b>CapitaLand</b> ”)	Interest of controlled corporation	460,681,360 <sup>3</sup>	16.81%
Temasek Holdings (Private) Limited (“ <b>Temasek Holdings</b> ”)	Interest of controlled corporation	460,681,360 <sup>3</sup>	16.81%

*Notes:*

- (1) The approximate percentage of the interest in the Company's issued share capital is based on the total number of 2,740,611,120 Shares in issue as at the Latest Practicable Date.
- (2) Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright and is deemed to be interested in the 2,044,431,867 Shares held by Joy Bright for the purposes of the SFO.
- (3) CapitaLand (Cayman) is directly wholly owned by CapitaLand China. CapitaLand China is directly wholly owned by CapitaLand China Investments and CapitaLand China Investments is directly wholly owned by CapitaLand. Temasek Holdings has an interest in approximately 40.011% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand China Investments, CapitaLand and Temasek Holdings is deemed or taken to be interested in the 460,681,360 Shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.

**3. DIRECTORS' INTERESTS****I. 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.

**II. Interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2018, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**4. 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.

**5. 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).

**6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

**7. EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
Red Sun	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Red Sun has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears. Red Sun 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 31 December 2018 (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.

**8. NO MATERIAL ADVERSE CHANGE**

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

**9. GENERAL**

- I. The registered office of the Company is at Cricket Square Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- II. 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.



**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office and principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of the EGM:

- I. the Engineering Services Strategic Cooperation Framework Agreement;
- II. the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- III. the letter of advice from Red Sun, the text of which is set out on pages 21 to 41 of this circular; and
- IV. the written consent of Red Sun, referred to in paragraph 7 in this appendix.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)

### 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 Friday, 6 March 2020 at 3:30 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 19 February 2020 (the “Circular”).

#### ORDINARY RESOLUTIONS

1. To approve the Engineering Services Strategic Cooperation Framework Agreement and all transactions contemplated thereunder as set out in the Circular and execute all such documents in connection with the Engineering Services Strategic Cooperation Framework Agreement and all transactions contemplated thereunder.
2. To re-elect Mr. Lim Ming Yan as a non-executive Director, and to authorize the Board to fix his remuneration.
3. To re-elect Mr. Yuan Xujun as an executive Director, and to authorize the Board to fix his remuneration.

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

Hong Kong, 19 February 2020

\* For identification purpose only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*As at the date of this notice, the Board comprises nine Directors, of which Mr. Wu Po Sum, Mr. Liu Weixing, Mr. Wang Jun and Mr. Yuan Xujun are executive Directors, Mr. Lim Ming Yan and Ms. Wu Wallis (alias Li Hua) 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 3 March 2020 to 6 March 2020 (both days inclusive), during which period no transfer of shares in the Company can be registered. In order to qualify for attending the Meeting, 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 2 March 2020.
- (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 Shops 1712-1716, 17th 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) In the case of joint registered holders of any Shares, any one of such persons may vote at the EGM (or at any adjournment thereof), either personally or by proxy, in respect of such Share(s) as if he or she were solely entitled thereto; but if more than one joint registered holder is present at the EGM, whether in person or by proxy, that one of the joint registered holders whose name stands first on the register of members in respect of the relevant joint holding shall, to the exclusion of other joint holders, be entitled to vote in respect thereof.
- (e) If Typhoon Signal No. 8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time after 6:00 a.m. on the date of the EGM, then the EGM will be postponed and the shareholders will be informed of the date, time and venue of the rescheduled Meeting by a supplementary notice posted on the websites of the Company and the Stock Exchange.

*The EGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather condition bearing in mind their own situations and if they do so, they are advised to exercise care and caution.*