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

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

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建業地產股份有限公司 *

Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0832)

**CONTINUING CONNECTED TRANSACTIONS
(1) LANDSCAPE SERVICES FRAMEWORK AGREEMENT; AND
(2) DECORATION SERVICES FRAMEWORK AGREEMENT; 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

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

The letter from the Board is set out on pages 6 to 17 of this circular. A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreements and the transactions contemplated thereunder, is set out on pages 20 to 43 of this circular.

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

24 August 2021

* for identification purpose only

PRECAUTIONARY MEASURES FOR THE EGM

Please see pages 1 to 2 of this circular for precautionary measures being taken to prevent and control the spread of the novel coronavirus at the EGM, including:

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

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

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PRECAUTIONARY MEASURES FOR THE EGM

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

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the EGM at all times, and to maintain a safe distance between seats (please bring your own mask);
- (iii) no refreshment will be served at the EGM;
- (iv) no souvenirs will be distributed at the EGM; and
- (v) each attendee may be asked whether (a) he/she travelled outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the EGM venue or be required to leave the EGM venue.

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

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

PRECAUTIONARY MEASURES FOR THE EGM

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

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

Address : 17M Floor, Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
Email : hkinfo@computershare.com.hk
Telephone : +852 2865 0990
Fax : +852 2862 8628

DEFINITIONS

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

“associate(s)”	has the meaning given to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“CCMGT”	CENTRAL CHINA MANAGEMENT COMPANY LIMITED (中原建業有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 9982), an associated corporation of the Company (within the meaning of Part XV of the SFO);
“Company”	Central China Real Estate Limited (建業地產股份有限公司*), an exempted company established under the laws of the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 832);
“connected person(s)”	has the meaning given to it under the Listing Rules;
“Decoration Services”	decoration services such as interior decoration and curtain wall decoration provided by Drawin Group for high-end or fully-fitted real estate projects of the Group in various regions, as set out in the Decoration Services Framework Agreement;
“Decoration Services Framework Agreement”	the strategic cooperation framework agreement entered into between the Company and DIT Group on 7 July 2021 for the provision of the Decoration Services by Drawin Group to the Group;
“Director(s)”	the director(s) of the Company;
“Drawin Group”	DIT Group and its subsidiaries;
“DIT Group”	DIT Group Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 726), and a connected person of the Company;

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and if thought fit, pass resolutions to approve the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder
“Framework Agreements”	Landscape Services Framework Agreement and Decoration Services Framework Agreement;
“FY2021”	the year ending 31 December 2021
“FY2022”	the year ending 31 December 2022
“FY2023”	the year ending 31 December 2023
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	The Independent Board Committee established by the Company, comprising all the independent non-executive Directors, namely Mr. Cheung Shek Lun, Mr. Xin Luo Lin and Dr. Sun Yuyang, to advise the Independent Shareholders on the Framework Agreements (including the proposed annual caps) and the transactions contemplated thereunder;
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry on 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 on the Framework Agreement (including the proposed annual caps) and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than Mr. Wu and his associates;
“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, entities other than the connected persons of the Company as defined under the Listing Rules;

DEFINITIONS

“Landscape Services”	landscape services such as greening and gardening works, road works and outdoor water and drainage system installation works provided by Drawin Group for real estate projects of the Group in various regions, as set out in the Landscape Services Framework Agreement;
“Landscape Services Framework Agreement”	the strategic cooperation framework agreement entered into between the Company and DIT Group on 7 July 2021 for the provision of the Landscape Services by Drawin Group to the Group;
“Latest Practicable Date”	19 August 2021, 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;
“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 owns more than 30% equity interest in DIT Group;
“parties”	the Company and DIT Group;
“party”	the Company or DIT Group;
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“SFO”	the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company;
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent

LETTER FROM THE BOARD



建業地產股份有限公司 *

Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0832)

Executive Directors:

Mr. Wu Po Sum (*Chairman*)

Mr. Wang Jun

Mr. Yuan Xujun

Non-Executive Director:

Mr. Lim Ming Yan

Ms. Wu Wallis (alias Li Hua)

Ms. Chen Ying

Independent Non-Executive Directors:

Mr. Cheung Shek Lun

Mr. Xin Luo Lin

Dr. Sun Yuyang

Registered Office:

Cricket Square Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

Room 7701B-7702A, 77th Floor

International Commerce Centre

1 Austin Road West Kowloon

Hong Kong

24 August 2021

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

**(1) LANDSCAPE SERVICES FRAMEWORK AGREEMENT; AND
(2) DECORATION SERVICES FRAMEWORK AGREEMENT; AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcements of the Company dated 7 July 2021 in relation to the Framework Agreements and the transactions contemplated thereunder.

* for identification purpose only

LETTER FROM THE BOARD

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

2. LANDSCAPE SERVICES FRAMEWORK AGREEMENT

Principal terms of the Landscape Services Framework Agreement are set out as follows:

Date	:	7 July 2021
Parties	:	(i) The Company (as service user); and (ii) DIT Group (as service provider)
Term	:	From the date of approval of the Landscape Services Framework Agreement by the Independent Shareholders to 31 December 2023
Nature of Transaction	:	Drawin Group shall provide landscape services such as greening and gardening works, road works and outdoor water and drainage system installation works for real estate projects of the Group in various regions.
Pricing Policy	:	Based on costs including the estimated costs of construction, technical measures and project management fees, plus no more than 20% of gross profit margin (tax exclusive).

The price range set out above are agreed by the parties on normal commercial terms after arm length's negotiation. DIT Group undertakes that the integrated price of the Landscape Services provided to the Group under the Landscape Services Framework Agreement will not be higher than the price of comparable Landscape Services provided by Drawin Group for other comparable Independent Third Parties under the same condition.

LETTER FROM THE BOARD

Other Transaction Arrangements	:	If other counterparties can provide the same services at a more favourable price than the price under the Landscape Services Framework Agreement, the Group is entitled to choose the services provided by the counterparty.
Implementation Terms and Rules	:	The relevant implementation terms and rules (including payment mechanism and other details) for specific individual project cooperation, depending on the actual situation, will be determined by the Group, DIT Group and/or its subsidiaries on normal commercial terms after arm length's negotiation. They shall be determined in accordance with the project cooperation agreement, construction contract for construction projects and other cooperation-related agreements, legally binding documents or other documents agreed by the parties under the Landscape Services Framework Agreement.

3. DECORATION SERVICES FRAMEWORK AGREEMENT

Principal terms of the Decoration Services Framework Agreement are set out as follow:

Date	:	7 July 2021
Parties	:	(i) The Company (as service user); and (ii) DIT Group (as service provider)
Term	:	From the date of approval of the Decoration Services Framework Agreement by the Independent Shareholders to 31 December 2023
Nature of Transaction	:	Drawin Group shall provide decoration services such as interior decoration and curtain wall decoration for high-end or fully-fitted real estate projects of the Group in various regions.

LETTER FROM THE BOARD

Pricing Policy : Based on costs including the estimated costs of construction, technical measures and project management fees, plus no more than 18% of gross profit margin (tax exclusive).

The price range set out above are agreed by the parties on normal commercial terms after arm length's negotiation. DIT Group undertakes that the integrated price of the Decoration Services provided to the Group under the Curtain Wall Decoration Services Framework Agreement will not be higher than the price of comparable Decoration Services provided by Drawin Group for other comparable independent third parties under the same condition.

Other Transaction :
Arrangements : If other counterparties can provide the same services at a more favourable price than the price under the Decoration Services Framework Agreement, the Group is entitled to choose the services provided by the counterparty.

Implementation :
Terms and Rules : The relevant implementation terms and rules (including payment mechanism and other details) for specific individual project cooperation, depending on the actual situation, will be determined by the Group, DIT Group and/or its subsidiaries on normal commercial terms after arm length's negotiation. They shall be determined in accordance with the project cooperation agreement, construction contract for construction projects and other cooperation-related agreements, legally binding documents or other documents agreed by the parties under the Decoration Services Framework Agreement.

LETTER FROM THE BOARD

4. PROPOSED ANNUAL CAPS AND BASIS FOR DETERMINATION

The following table sets forth the proposed annual caps under the Framework Agreements, respectively:

	Proposed Annual Caps		
	FY2021	FY2022	FY2023
	(RMB)	(RMB)	(RMB)
Landscape Services Framework Agreement	200,000,000	300,000,000	400,000,000
Decoration Services Framework Agreement	200,000,000	300,000,000	400,000,000

In considering the proposed annual caps of the Landscape Services Framework Agreement, the Directors have taken into account the following factors:

- (a) The Group's estimated demand for Landscape Services in FY2021 will involve a project area of approximately 1.88 million square meters, involving a total contract sum of approximately RMB940 million. Among them, to the knowledge of the Company, the estimated business volume that Drawin Group can undertake is up to 50% of the total, that is, the total contract sum that can be undertaken is up to approximately RMB470 million. Taking into account the estimation of the contract value conversion rate of Drawin Group and the implementation timing of the Landscape Services Framework Agreement, it is estimated that the total service fee payable to Drawin Group for Landscape Services in FY2021 will be approximately RMB200 million; and
- (b) The Group's estimated increase in demand for Landscape Services in FY2022 and FY2023 based on the number, progress, scale, design, layout and positioning of the real estate projects to be developed, as well as overall strategic planning, having considered (i) the relatively modest estimation in project area of approximately 1.88 million sq.m. as basis of the annual cap for Landscape Services in FY2021 compared to the Group's land reserves in the PRC of approximately 54.1 million sq.m. as at 31 December 2020; (ii) the rapid growth in the total project area under development of the Group during the past five years from approximately 6.0 million sq.m. as at 31 December 2016 to approximately 32.7 million sq.m. as at 31 December 2020, which represented a compound annual growth of approximately 52.6%; (iii) the notable growth in land reserves of the Group with a total project area during the past five years from approximately 20.9 million sq.m. as at 31 December 2016 to approximately 54.1 million sq.m. as at 31 December 2020, which represented a compound annual growth rate of approximately 26.8%; (iv) the increase of approximately 40.8% in the

LETTER FROM THE BOARD

Group's revenue for FY2020 over the prior year; and (v) the Group's property projects under development or held for future development further increased from 151 as at 31 December 2019 to 180 as at 31 December 2020.

In considering the proposed annual caps of the Decoration Services Framework Agreement, the Directors have taken into account the following factors:

- (a) The Group's estimated demand for Decoration Services in FY2021 will involve a project area of approximately 1.54 million square meters, involving a total contract sum of approximately RMB1.02 billion. Among them, to the knowledge of the Company, the estimated business volume that Drawin Group can undertake is up to 50% of the total, that is, the total contract sum that can be undertaken is up to approximately RMB510 million. Taking into account the estimation of the contract value conversion rate of Drawin Group and the implementation timing of the Decoration Services Framework Agreement, it is estimated that the total service fee payable to Drawin Group for Decoration Services in FY2021 will be approximately RMB200 million; and
- (b) The Group's estimated increase in demand for Decoration Services in FY2022 and FY2023 based on the number, progress, scale, design, layout and positioning of the real estate projects to be developed, as well as overall strategic planning, having considered (i) the relatively modest estimation in project area of approximately 1.54 million sq.m. as basis of the annual cap for Decoration Services in FY2021 compared to the Group's land reserves in the PRC of approximately 54.1 million sq.m. as at 31 December 2020; (ii) the rapid growth in the total project area under development of the Group and the notable growth in land reserves of the Group with a total project area during the past five years; (iii) the increase of the Group's revenue for FY2020 over the prior year; and (iv) the increase of the Group's property projects under development or held for future development, as detailed above.

The Company has assumed DIT Group will take part in and being awarded all the Group's tenders in respect of the Landscape Services and Decoration Services when determining the proposed annual caps, and hence the Company has provided a buffer for the proposed annual caps as DIT Group may not participate or be awarded all the Group's tenders given that it shall be subject to the Group's selection procedures as set out in the paragraph headed "Internal Control Procedures" below.

5. HISTORICAL TRANSACTION AMOUNTS

Up to the Latest Practicable Date, Drawin Group has not provided any Landscape Services and Decoration Services to the Group.

LETTER FROM THE BOARD

6. REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS

The Group is committed to improving the living standards of Henan Province and its surrounding provinces and cities, including integrating the architectural elements of landscapes and gardens into the Group's real estate projects and enhancing the quality of their decoration and renovation, so as to strengthen the Group's brand influence in the Central Plains Economic Zone. Accordingly, the Group needs to seek providers of relevant Landscape Services and Decoration Services to facilitate the Group's integration of resources in the development of its principal business. To the best knowledge of the Directors, Drawin Group has comprehensive capabilities in providing comparable landscape and decoration services, and holds such qualifications as First-grade Qualification for Construction main contractor* (建築工程施工總承包壹級) and High and New-technology Enterprise Designation* (高新技術企業資質). Further, it was understood that Drawin Group has conducted market expansion and industrial arrangement in the Great Central China area, that is, the region with a radius of 500 kilometers covering eight provinces with Zhengzhou as the centre, one of the areas where the Group has been and will be strategically focusing on in its development. Taking into account the service delivery capabilities, quality of services, price, understanding of the Group's business needs and operational needs, as well as the familiarity with the Group's projects by virtue of, among others, Drawin Group's and the Group's common business focus, presence and collaboration in the Great Central China area, the Group and DIT Group entered into the Framework Agreements, which are expected to bring about significant synergies and further promote the business growth of the Group in the real estate development and sales industry in the long run.

The Directors (excluding all the independent non-executive Directors who will provide advice after considering the recommendation from the Independent Financial Adviser, Mr. Wu and Mr. Wang Jun, each an executive Director and Ms. Wu Wallis (alias Li Hua), a non-executive Director) are of the view that the terms of the Framework Agreements and the proposed annual caps are fair and reasonable, the transactions contemplated thereunder are on normal or better commercial terms to the Company, and the Framework Agreements and the transactions contemplated thereunder are entered into and to be conducted in the ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

7. DIRECTORS' INTERESTS IN THE CONTINUING CONNECTED TRANSACTIONS

DIT Group is indirectly owned as to more than 30% by Mr. Wu. Mr. Wang Jun, an executive Director, and Ms. Wu Wallis (alias Li Hua), a non-executive Director, are both non-executive directors of DIT Group. Mr. Wu (by virtue of his interests in DIT Group), Mr. Wang Jun and Ms. Wu Wallis (alias Li Hua) (by virtue of their non-executive directorship in DIT Group) are regarded as being interested in the transactions contemplated under the Framework Agreements. Therefore, Mr. Wu, Mr. Wang Jun and Ms. Wu Wallis (alias Li Hua) have abstained from voting on the Board resolution approving the Framework Agreements and proposed annual caps. Save for the aforesaid, none of the Directors has any material interest in any of the transactions contemplated under the Framework Agreements and is required to abstain from voting on the Board resolutions to approve the same.

8. CONDITIONS PRECEDENT

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

9. INTERNAL MONITORING PROCEDURES

The Company will adopt the following internal control procedures and corporate governance measures in relation to the transactions contemplated under the Framework Agreements.

1. Before entering into any individual services agreements, the Company has to either: (a) invite tender from all parties (including DIT Group and other Independent Third Parties), the results of which 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 (b) obtain quotations from at least two independent service providers for providing such services or products in order to ensure that the terms of the individual services agreements are fair and reasonable, on normal commercial terms or no less favourable to the Company than those available from Independent Third Parties under the same conditions, as well as in compliance with the terms and conditions of the Landscape Services Framework Agreement and/or Decoration Services 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;
2. After entering into any individual services agreements, the management of the Company is responsible for monitoring the individual services agreements;

LETTER FROM THE BOARD

3. The finance department of the Group is responsible for monitoring the service fees for the Landscape Services and Decoration Services to ensure that they are in accordance with the Landscape Services Framework Agreement and Decoration Services 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 caps are followed and annual caps are not exceeded;
4. 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 Landscape Services Framework Agreement and Decoration Services Framework Agreement, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole; and
5. The auditors of the Company will conduct annual review on the transactions contemplated under the Landscape Services Framework Agreement and Decoration Services Framework Agreement and individual services agreements and provide their view to the Board.

By implementing the above measures, the Directors (excluding the independent non-executive Directors, Mr. Wu and Mr. Wang Jun, each an executive Director and Ms. Wu Wallis (alias Li Hua), a non-executive Director) consider that the Company has sufficient internal control and procedures to ensure that any service fees to be agreed pursuant to the Landscape Services Framework Agreement and Decoration Services Framework Agreement will be on normal commercial terms and no less favourable to the Company than those available from independent third parties.

10. INFORMATION ON THE PARTIES

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

DIT Group is a service provider specializing in providing integrated solutions for intelligent buildings and an innovative high-tech enterprise engaging in the ecological chain construction of intelligent buildings. It is mainly engaged in the business of modernization of construction industry and prefabricated construction business encompassing a wide coverage ranging from the research and development as well as operation of prefabricated construction technology, the expansion and operation of intelligent prefabricated construction plants to the manufacture of precast components for prefabricated construction.

LETTER FROM THE BOARD

11. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, DIT Group is indirectly owned as to more than 30% by Mr. Wu, and Mr. Wu is also a controlling Shareholder and a connected person of the Company. Accordingly, DIT Group 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 each of the Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the proposed annual caps under each of the Framework Agreements are higher than 5%, the entering into of the Framework Agreements is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

12. INDEPENDENT BOARD COMMITTEE

In compliance with the Listing Rules, the Independent Board Committee has been established to consider the terms of the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolutions to be proposed at the EGM for approving the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder, after taking into account the recommendation of the Independent Financial Adviser. In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder. The text of the letter from the Independent Board Committee is set out on pages 18 to 19 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 20 to 43 of this circular.

13. THE EGM

The EGM of the Company will be held at 7701B-7702A, Level 77, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Thursday, 9 September 2021 at 3:00 p.m., during which resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, pass resolutions to approve the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder.

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

LETTER FROM THE BOARD

Shareholders with a material interest in the Framework Agreements and the transactions contemplated thereunder are required to abstain from voting on the relevant resolution(s) at the EGM. As at the Latest Practicable Date, Mr. Wu (through Joy Bright Investments Limited, a company directly wholly-owned by him) held 2,066,431,867 Shares, representing approximately 69.64% of the share capital of the Company. Mr. Wu and Joy Bright Investments Limited control or are entitled to exercise control over the voting right in respect of their Shares. DIT Group is indirectly owned as to more than 30% by Mr. Wu. Mr. Wu is regarded as being interested in the transactions contemplated under the Framework Agreements due to his interests in DIT Group. Therefore, Mr. Wu (through Joy Bright Investments Limited) will abstain from voting on the relevant resolutions at the EGM. Save as disclosed, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the resolutions to be proposed in respect of the aforesaid matters.

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

14. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM to be held on Thursday, 9 September 2021, the register of members of the Company will be closed from 7 September 2021 to 9 September 2021 (both days inclusive), during which period no transfer of shares in the Company can be registered. In order to qualify for attending the EGM, all properly completed share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 6 September 2021.

LETTER FROM THE BOARD

15. RECOMMENDATION

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

Accordingly, the Board (including the Independent Board Committee, but excluding Mr. Wu and Mr. Wang Jun, each an executive Director, and Ms. Wu Wallis (alias Li Hua), a non-executive Director)) recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder.

16. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 18 to 19 of this circular which contains its recommendation to the Shareholders as to voting at the EGM in relation to the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder; and (ii) the letter from the Independent Financial Adviser as set out on pages 20 to 43 of this circular which contains its advice to the Independent Board Committee and the Shareholders in relation to the Framework Agreements, the transactions contemplated and the proposed annual caps thereunder.

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

24 August 2021

To the Independent Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
(1) LANDSCAPE SERVICES FRAMEWORK AGREEMENT; AND
(2) DECORATION SERVICES FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to the circular of the Company dated 24 August 2021 (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 on the terms of each of the Landscape Services Framework Agreement and the Decoration Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder. 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 20 to 43 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and other information set out in the appendix thereto.

* for identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of each of the Landscape Services Framework Agreement and the Decoration Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder, and taking into account the independent advice of Red Sun Capital Limited, in particular the principal factors, reasons and recommendation as set out in its letter, as well as the relevant information contained in the letter from the Board, we are of the opinion that each of the Landscape Services Framework Agreement and the Decoration Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder have been entered into on normal commercial terms that are fair and reasonable, are entered into and to be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve each of the Landscape Services Framework Agreement and the Decoration Services Framework Agreement, the transactions contemplated and the proposed annual caps thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Cheung Shek Lun

Dr. Sun Yuyang

Mr. Xin Luo Lin

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders in relation to the Landscape Services Framework Agreement, the Decoration Services Framework Agreement, and the respective annual caps 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

24 August 2021

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS (1) LANDSCAPE SERVICES FRAMEWORK AGREEMENT; AND (2) DECORATION SERVICES 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 Framework Agreements (together with the proposed 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 24 August 2021, 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.

On 7 July 2021, the Company entered into the Landscape Services Framework Agreement and the Decoration Services Framework Agreement with DIT Group, pursuant to which the Company agreed to procure, and DIT Group agreed to provide Landscape Services and Decoration Services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, DIT Group is indirectly owned as to more than 30% by Mr. Wu, and Mr. Wu is also a controlling Shareholder and a connected person of the Company. Accordingly, DIT Group 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 Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the proposed annual caps under each of the Framework Agreements is more than 5%, the entering into of the Framework Agreements is subject to the announcement, reporting, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

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

The Independent Board Committee comprising all the aforementioned independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Framework Agreements (together with the proposed annual caps) and the transactions contemplated thereunder are in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and 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.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, DIT Group 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 Framework Agreements (together with the proposed annual caps) and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the previous two years, save for our appointment as the independent financial adviser in relation to (i) the trademark licensing agreement exceeding three years, details of which are set out in the announcement of the Company dated 13 May 2021; (ii) the provision of financial assistance to Jiayao Global Investments Limited, details of which are set out in the announcement of the Company dated 12 February 2020; (iii) the provision of corporate guarantee by the Company, details of which are set out in the announcement of the Company dated 24 December 2019; and (iv) the engineering service strategic cooperation framework agreements of the Company entered into in November 2019 and December 2019, details of which are set out in the announcements of the Company dated 13 November 2019, 13 December 2019 and 31 December 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 for any transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment and the engagements as stated above as the independent financial adviser, no other 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.

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 Group 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 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, accurate, valid and complete in all material respects at the time they were made and given and continue to be so as at the date of the Circular. We have also assumed that all the opinions, beliefs and representations for matters relating to the Group, and Drawin Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 truthfulness, 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, DIT Group 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 Framework Agreements (together with the proposed annual caps) and the transactions contemplated thereunder. Except for the inclusion in the Circular, this letter 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.

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 Framework Agreements (together with the proposed annual caps) and the transactions 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the Group’s operating results by activities, extracted from the published annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) and the published interim results announcement for the six months ended 30 June 2021 (the “**2021 Interim Results Announcement**”), respectively:

Summary of the Group’s operating results by business activities:

	For the year ended		For the six months ended	
	31 December		30 June	
	2019	2020	2020	2021
	RMB’million	RMB’million	RMB’million	RMB’million
	(approximate)	(approximate)	(approximate)	(approximate)
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS15				
<i>Disaggregated by major products or service lines</i>				
– Sales of properties	29,161.2	41,606.8	12,364.9	19,417.6
– Revenue from hotel operations	322.6	265.9	92.5	165.6
– Revenue from project management service	1,022.9	1,120.8	462.0	566.4
– Others	<u>97.0</u>	<u>172.5</u>	<u>42.0</u>	<u>115.6</u>
	30,603.6	43,166.0	12,961.4	20,265.2
Revenue from other sources				
– Rental income from investment properties	113.6	111.4	38.3	70.1
– Rental income from properties for sale	<u>49.5</u>	<u>27.0</u>	<u>19.2</u>	<u>21.7</u>
	163.1	138.4	57.5	91.8
Total revenue	<u>30,766.7</u>	<u>43,304.4</u>	<u>13,018.9</u>	<u>20,356.9</u>
Profit for the year/period	<u>2,415.5</u>	<u>2,101.6</u>	<u>786.2</u>	<u>1,025.2</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2020 compared to the year ended 31 December 2019

As disclosed in the 2020 Annual Report, revenue of the Group increased from approximately RMB30,766.7 million for the year ended 31 December 2019 to approximately RMB43,304.4 million for the year ended 31 December 2020, representing an increase of approximately 40.8%. The reasons for such increase were mainly (i) the increase in revenue derived from sales of properties of approximately 42.7% from approximately RMB29,161.2 million to approximately RMB41,606.8 million during the year ended 31 December 2020, as a result of the increase in the GFA sold and recognised of approximately 35.6% from approximately 4,506,000 sq.m. to approximately 6,109,000 sq.m. during the year ended 31 December 2020, while the average selling price (excluding underground parking space) increased by approximately 5.2% from approximately RMB6,472 per sq.m. to approximately RMB6,811 per sq.m. during the year ended 31 December 2020; and (ii) the increase in other revenue derived from non-contracted sales of approximately 77.8% from approximately RMB97.0 million to approximately RMB172.5 million during the year ended 31 December 2020.

For the year ended 31 December 2020, profit for the year decreased from approximately RMB2,415.5 million for the year ended 31 December 2019 to approximately RMB2,101.6 million, representing a decrease of approximately 13.0%. Such decrease was mainly attributable to (i) the fluctuations as set out in the preceding paragraph; (ii) the significant increase in finance costs of approximately 222.0% from approximately RMB395.0 million to approximately RMB1,271.8 million during the year ended 31 December 2020, as a result of fluctuations in the exchange rate of RMB against the US dollar which led to loss in fair value of derivative financial instruments including forward foreign exchange contracts, foreign exchange options and foreign exchange swap contracts of approximately RMB613.0 million; and (iii) an increase in impairment losses on trade and other receivables and contract assets of approximately 61.3% from approximately RMB169.6 million to approximately RMB273.5 million during the year ended 31 December 2020, as a result of the increase in the contract assets and receivable balances as at 31 December 2020, leading to an increase in the provision for expected credit loss.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2020 compared to the six months ended 30 June 2021

As set out in the 2021 Interim Results Announcement, revenue of the Group increased from approximately RMB13,018.9 million for the six months ended 30 June 2020 to approximately RMB20,356.9 million for the six months ended 30 June 2021, representing an increase of approximately 56.4%. The reasons for such increase were mainly (i) the increase in revenue derived from sales of properties of approximately 57.0% from approximately RMB12,364.9 million for the six months ended 30 June 2020 to approximately RMB19,417.6 million for the six months ended 30 June 2021, as a result of the increase in the GFA sold and recognised of approximately 49.4% from approximately 1,783,000 sq.m. to approximately 2,663,000 sq.m. during the six months ended 30 June 2021, while the average selling price (excluding underground parking space) increased by approximately 9.8% from approximately RMB6,389 per sq.m. to approximately RMB7,013 per sq.m. during the six months ended 30 June 2021; and (ii) the increase in revenue derived from the provision of project management service of approximately 22.6% from approximately RMB462.0 million for the six months ended 30 June 2020 to approximately RMB566.4 million for the six months ended 30 June 2021, as a result of a rapid increase in the GFA under management.

For the six months ended 30 June 2021, profit for the period also recorded a period-on-period increase from approximately RMB786.2 million to approximately RMB1,025.2 million, representing an increase of approximately 30.4%. Such increase was mainly attributable to the net effects of (i) the fluctuations as set out in the preceding paragraph; and (ii) decrease in other net income from approximately RMB522.2 million for the six months ended 30 June 2020 to approximately RMB190.1 million for the six months ended 30 June 2021, which was primarily due to the period-on-period decrease in net gain on deemed disposals and disposals of joint ventures.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of consolidated statement of financial position of the Group

	As at 31 December		As at
	2019	2020	30 June
	RMB'million	RMB'million	RMB'million
	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Total assets	143,967.4	163,900.8	161,328.1
Total liabilities	131,365.1	149,318.7	148,576.4
Total equity attributable to equity			
Shareholders	9,718.0	11,376.7	9,694.8

As at 31 December 2020, the Group's total assets increased to approximately RMB163,900.8 million which was mainly attributable to (i) the increase in inventories and other contract costs of approximately 27.8% from approximately RMB69,992.6 million as at 31 December 2019 to approximately RMB89,430.9 million as at 31 December 2020; and (ii) the increase in goodwill from nil as at 31 December 2019 to approximately RMB1,045.7 million as at 31 December 2020 due to the acquisition of certain subsidiaries during the year. It was also noted that the Group's total liabilities increased to approximately RMB149,318.7 million as at 31 December 2020, which was mainly attributable to (i) the increase in contract liabilities of approximately RMB10,343.7 million; and (ii) the increase in trade and other payables of approximately RMB7,112.6 million, compared to the respective figures as at 31 December 2019. As a result of the above and factors as set out in the 2020 Annual Report, the total equity attributable to equity shareholders of the Company increased from approximately RMB9,718.0 million as at 31 December 2019 to approximately RMB11,376.7 million as at 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's total assets balance remained broadly stable at approximately RMB161,328.1 million as at 30 June 2021 compared to approximately RMB163,900.8 million as at 31 December 2020. Such fluctuation was mainly attributable the net effects of (i) the increase in inventories and other contract costs from approximately RMB89,430.9 million as at 31 December 2020 to approximately RMB94,029.7 million as at 30 June 2021; (ii) the decrease in cash and cash equivalents from approximately RMB22,619.0 million as at 31 December 2020 to approximately RMB10,872.2 million as at 30 June 2021; and (iii) the increase in property, plant and equipment from approximately RMB7,232.4 million as at 31 December 2020 to approximately RMB8,946.0 million as at 30 June 2021. The Group's total liabilities balance was also largely stable at approximately RMB148,576.4 million as at 30 June 2021 compared to approximately RMB149,318.7 million as at 31 December 2020. The movement was primarily attributable to the net effects of (i) the increase in trade and other payables from approximately RMB50,728.4 million as at 31 December 2020 to approximately RMB54,969.9 million as at 30 June 2021; (ii) the decrease in contract liabilities from approximately RMB63,298.6 million as at 31 December 2020 to approximately RMB61,332.6 million as at 30 June 2021; and (iii) the increase in senior notes from approximately RMB12,994.4 million as at 31 December 2020 to approximately RMB15,790.6 million as at 30 June 2021. As a result of the above and factors as set out in the 2021 Interim Results Announcement, the total equity attributable to equity shareholders of the Company decreased from approximately RMB11,376.7 million as at 31 December 2020 to approximately RMB9,694.8 million as at 30 June 2021.

2. Background information of Drawin Group and DIT Group

As set out in the Letter from the Board, DIT Group is a service provider specialising in providing integrated solutions for intelligent buildings and an innovative high-tech enterprise engaging in the ecological chain construction of intelligent buildings. It is mainly engaged in the business of modernisation of construction industry and prefabricated construction business encompassing a wide coverage ranging from the research and development as well as operation of prefabricated construction technology, the expansion and operation of intelligent prefabricated construction plants to the manufacture of precast components.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the website of Drawin Group, it had participated in construction projects across 22 provinces covering 45 cities in the PRC, they also hold various certifications/qualifications/awards, including among others, First-grade Qualification for Construction main contractor* (建築工程施工總承包壹級), Changsha Academician Expert Workstation Designation* (長沙市院士專家工作站) and High and New-technology Enterprise Designation* (高新技術企業資質). Flagship projects of Drawin Group include Binhu Fragrant Garden in Anhui Province* (安徽濱湖沁園項目), Intercity Green Space in Changsha* (綠地長沙城際空間站), CPC Hunan Provincial Committee Guesthouse Renovation* (湖南省委招待所危房改造項目), Central China Landscape City in Zhoukou, Henan Province* (河南建業周口山水湖城項目) and CR Land City (Phase II) in Qingdao, Shandong Province* (山東青島華潤城二期項目).

As set out in the annual report of DIT Group for the year ended 31 December 2020, the revenue recorded was approximately HK\$1,089.3 million and profit for the year amounted to approximately HK\$170.0 million, represented an increase of approximately 56.5% and 49.6%, respectively, over the corresponding prior year. Such increase in revenue were mainly attributable to (i) the increase in the operation for the manufacture and sale of prefabricated components and the continuous increase in the production capacity utilised by technology parks during the year; and (ii) a significant increase in the income of licenses from the third parties. For year ended 31 December 2020, the Group recorded revenue from sales of prefabricated construction units of approximately HK\$915.3 million (2019: approximately HK\$579.9 million), granting licenses of approximately HK\$67.7 million (2019: approximately HK\$36.4 million), decoration and landscaping services of approximately HK\$37.4 million (2019: nil), prefabricated construction equipment of approximately HK\$28.0 million (2019: approximately HK\$65.0 million), consulting services of approximately HK\$27.2 million (2019: approximately HK\$1.3 million) and rental income of approximately HK\$13.7 million (2019: approximately HK\$13.3 million).

3. Overview of the PRC economy and urbanisation, and background information of Henan Province

As disclosed on the website of the National Bureau of Statistics of China* (國家統計局)(<http://data.stats.gov.cn>), year-on-year growth in gross domestic product (“GDP”) for the PRC in 2020 was approximately 2.4% (2019: 7.3%), as COVID-19 had caused temporary adverse impact on the PRC economy on national and regional levels at the time. However, the PRC economy has continued to recover and recorded a period-on-period growth in GDP of approximately 12.7% from the six months ended 30 June 2020 to the six months ended 30 June 2021, based on preliminary data published by the National Bureau of Statistics of China in July 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the 14th Five Year Plan* (the “14th FYP”)(十四五規劃) published by the PRC government in March 2021, the target urbanisation rate of the resident population* (常住人口城鎮化率) for the next five years from 2021 is approximately 65.0%. The GDP growth target by 2025 is to keep the average annual growth in a reasonable range, although no specific target was outlined under the 14th FYP.

In this connection, 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 two strategies, namely deepen reform of the household registration system* (深化戶籍制度改革) and improve 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) improve urbanisation layout* (完善城鎮化空間佈局) by implementing five strategies, namely promote integrated development of conurbations* (推動城市群一體化發展), construct modernised metropolitan areas* (建設現代化都市圈), optimise and enhance functions of central urban areas in mega-sized-cities* (優化提升超大特大城市中心城區功能), improve habitability and employability in large and medium-sized cities* (完善大中城市宜居宜業功能) and promote urbanisation construction with counties/cities as major carriers* (推進以縣城為重要載體的城鎮化建設).

The table below sets out a summary of the national GDP and urbanisation levels from 2018 to 2020 in the PRC:

	2018	2019	2020 (Note)
National GDP (RMB billions)	91,928.1	98,651.5	100,915.1
Total population (millions)	1,395.4	1,400.1	1,411.8
Urban population (millions)	831.4	848.4	902.0
Urbanisation rate (%)	59.6	60.1	63.9

Source: National Bureau of Statistics of China

Note: Extracted from the 7th National Population Census of the PRC

Henan Province

Furthermore, as extracted from the provincial database on the website of the National Bureau of Statistics of China, the total population and urban population of Henan Province in 2020 were approximately 99.4 million and 55.1 million, respectively. Based on such data, it was calculated that the urbanisation rate of Henan Province in 2020 was approximately 55.4% which is lower than the national average urbanisation rate of approximately 63.9% in 2020. As such, the Management consider that the relatively lower urbanisation rate in Henan Province as compared to the national urbanisation rate to be an indicator for future urbanisation potential as well as business development in construction industry in Henan Province.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As of the fourth quarter in 2020, Henan Province's GDP was approximately RMB5,499.7 billion, representing a year-on-year increase of approximately 1.4%. The real estate development investment was approximately RMB691.1 billion, representing a year-on-year increase of approximately 4.2%, of which residential investment was approximately RMB570.8 billion, representing a year-on-year increase of approximately 6.1%. Commercial housing* (商品房) sales were approximately RMB764.7 billion, representing an increase of approximately 2.8%, of which residential sales increased by approximately 4.0%. The land area transacted by real estate development enterprises amounted to approximately RMB38.7 billion, representing a year-on-year increase of approximately 4.7%. The per capita disposable income of residents was approximately RMB24,810, representing a year-on-year increase of approximately 3.8%, and the growth rate increased by approximately 0.9 percentage point. In terms of permanent residence, the per capita disposable income of urban residents was approximately RMB34,750, representing an increase of approximately 1.6%, the per capita disposable income of rural residents was approximately RMB16,108, representing an increase of approximately 6.2%.

Conclusion

Despite the impact of COVID-19 which resulted in modest year-on-year growth to the 2020 GDP figures, the subsequent GDP figures indicated steady economic recovery in the PRC. In view of the various urbanisation and development policies under the 14th FYP as disclosed, the continued development of major PRC regions and cities under various PRC government initiatives, such as constructing a new development pattern, promoting the rise of the central region and promoting ecological protection and high-quality development in the Yellow River Basin, the Management consider that the overall market outlook for the construction industry, including the real estate development segment, in the PRC and Henan Province is to remain positive in the long term.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Reasons for and benefits of entering into the Framework Agreements

As disclosed in the Letter from the Board, the Group is committed to improving the living standards of Henan Province and its surrounding provinces and cities, including integrating the architectural elements of landscapes and gardens into the Group's real estate projects and enhancing the quality of their decoration and renovation, so as to strengthen the Group's brand influence in the Central Plains Economic Zone. Accordingly, the Group needs to seek providers of relevant landscape services and decoration services to facilitate the Group's integration of resources in the development of its principal business. To the best knowledge of the Directors, Drawin Group has comprehensive capabilities in providing comparable landscape and decoration services, and holds qualifications such as First-grade Qualification for Construction main contractor* (建築工程施工總承包壹級) and High and New-technology Enterprise Designation* (高新技術企業資質). Further, it was understood that Drawin Group has conducted market expansion and industrial arrangement in the Great Central China area, that is, the region with a radius of 500 kilometres covering eight provinces with Zhengzhou as the centre, one of the areas where the Group has been and will be strategically focusing on in its development.

Taking into account the services delivery capabilities, quality of services, price, understanding of the Group's business needs and operational needs, as well as the familiarity with the Group's projects by virtue of, among others, DIT Group's and the Group's common business focus, presence and collaboration in the Great Central China area, the Company and DIT Group entered into the Framework Agreements, which are expected to bring about synergies and further promote the business growth of the Group in the real estate development and sales industry in the long run.

Having considered that, (i) the Group is principally engaged in real estate development and sales in Henan Province, the PRC; (ii) the track record and satisfactory services provided by Drawin Group; (iii) the synergies to be brought by engaging DIT Group; (iv) the transactions contemplated under the Framework Agreements are a furtherance of the Group's principal businesses; (v) the proposed annual caps, if approved, would facilitate the transactions contemplated under the Framework Agreements for FY2021, FY2022 and FY2023 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; (vi) the Group has the right but not the obligation to seek the relevant services from DIT Group at terms determined in accordance with the respective pricing policies; and (vii) the award of contracts under the Framework Agreements is subject to internal control procedures, which include tenders or quotations, to ensure terms of the individual services agreements are on normal commercial terms, we concur with the Directors' view that the transactions contemplated under the Framework Agreements are in the interests of the Company as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Principal terms of the Framework Agreements

The following information of the Framework Agreements have been extracted from the Letter from the Board:

Landscape Services Framework Agreement

Date	7 July 2021
Parties	(1) The Company (as service user); and (2) DIT Group (as service provider)
Term	From the date of approval of the Landscape Services Framework Agreement by the Independent Shareholders 31 December 2023
Nature of Transaction	Drawin Group shall provide landscape services such as greening and gardening works, road works and outdoor water and drainage system installation works for real estate projects of the Group in various regions.
Pricing policy	Based on costs including the estimated costs of construction, technical measures and project management fees, plus no more than 20% of the gross profit margin (tax exclusive). The price range set out above are agreed by the parties on normal commercial terms after arm's length negotiation. DIT Group undertakes that the integrated price of the Landscape Services provided to the Group under the Landscape Services Framework Agreement will not be higher than the price of comparable landscape services provided by Drawin Group for other comparable independent third parties under the same condition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Decoration Services Framework Agreement

Date	7 July 2021
Parties	(1) The Company (as service user); and (2) DIT Group (as service provider)
Term	From the date of approval of the Decoration Services Framework Agreement by the Independent Shareholders to 31 December 2023
Nature of Transaction	Drawin Group shall provide decoration services such as interior decoration and curtain wall decoration for high-end or fully-fitted real estate projects of the Group in various regions.
Pricing policy	Based on costs including the estimated costs of construction, technical measures and project management fees, plus no more than 18% of the gross profit margin (tax exclusive). The price range set out above are agreed by the parties on normal commercial terms after arm's length negotiation. DIT Group undertakes that the integrated price of the Decoration Services provided to the Group under the Decoration Services Framework Agreement will not be higher than the price of comparable Decoration Services provided by Drawin Group for other comparable independent third parties under the same condition.

Further details of the principal terms of the Framework Agreements are set out in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Pricing basis and internal procedures of the Group in respect of the Decoration Services and the Landscaping Services

With a view to assess the pricing basis and internal procedures of the Group in connection with the Framework Agreements, we have obtained the relevant internal control policy from the Management. According to the internal control procedures of the Company, prior to entering into any services agreements under the Framework Agreements, the Company shall (i) invite tender from the relevant contractors (including DIT Group 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 reputation 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 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 under the same conditions, as well as in compliance with the terms and conditions of the Landscape Services Framework Agreement and/or Decoration Services 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.

As advised by the Management, we noted that the pricing policy of the supply and installation of decoration board is subject to joint negotiation in accordance with the then market situation of the places where the subject project is located (the “**Joint Negotiation**”), in the absence of 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.

We also noted from the Management that individual services agreements will be monitored after they are in force. The finance department of the Group is responsible for monitoring the service fees for the Landscape Services and the Decoration Services to ensure that they are in accordance with the subject framework agreement and that the relevant proposed annual caps are 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 proposed annual caps will be reached, the finance department will report such matters to the senior management of the Company who will co-ordinate at the Group level to take remedial actions and ensure that the aggregate transaction amount is maintained within the proposed annual caps limit or new annual caps should be proposed, where appropriate.

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

The Group maintains its own list of approved suppliers, which is subject to periodic review may subject to update by its management from time to time. 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/tender 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 to quote/tender, as and when appropriate, prior to invitation for quotation/tender.

We have reviewed and discussed with the Management the internal standard procedures of the Group governing the selection process which set 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**"). As set out in the Letter from the Board, we noted that Drawin Group has not provided any Landscape Services and Decoration Services to the Group up to the date of the Framework Agreements. Nonetheless, we understand that DIT Group has undertaken certain landscape projects and decoration projects of various scales with other property developers, construction companies and joint venture companies of the Group. We also understand from the Management that the subject tender procedures or quotations and the award of contract to DIT Group will be 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 proposed annual caps.

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

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7. Basis for determining the proposed annual caps

In respect of the proposed annual caps, the amount of Landscape Services and Decoration Services that may be awarded to DIT Group during the term of the Framework Agreements shall not exceed the corresponding amounts set out as below:

	Proposed annual caps for the year ending 31 December		
	2021	2022	2023
	("FY2021")	("FY2022")	("FY2023")
	(RMB)	(RMB)	(RMB)
Landscape Services	200,000,000	300,000,000	400,000,000
Decoration Services	200,000,000	300,000,000	400,000,000

As set out in the Letter from the Board, the Directors have taken into account a number of factors in considering the proposed annual caps of the Landscape Services Framework Agreement:

- (a) in terms of landscape services, the Group is expected to involve a project area of approximately 1.88 million sq.m. in FY2021, with a total contract sum of approximately RMB940 million. Among them, to the knowledge of the Company, the estimated business volume that Drawin Group can undertake is up to 50% of the total, that is, the total contract sum that can be undertaken is up to approximately RMB470 million. Taking into account the estimation of the contract value conversion rate of Drawin Group and the implementation timing of the Landscape Services Framework Agreement, it is estimated that the total service fee payable to Drawin Group for the Landscape Services in FY2021 will be approximately RMB200 million; and

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- (b) the Group's estimated increase in demand for the Landscape Services in FY2022 and FY2023 was based on the number, progress, scale, design, layout and positioning of the real estate projects to be developed, as well as the overall strategic planning, having considered (i) the relatively modest estimation in project area of approximately 1.88 million sq.m. as basis of the annual cap for Landscape Services in FY2021 compared to the Group's land reserves in the PRC of approximately 54.1 million sq.m. as at 31 December 2020; (ii) the rapid growth in the total project area under development of the Group during the past five years from approximately 6.0 million sq.m. as at 31 December 2016 to approximately 32.7 million sq.m. as at 31 December 2020, which represented a compound annual growth of approximately 52.6% ; (iii) the notable growth in land reserves of the Group with a total project area during the past five years from approximately 20.9 million sq.m. as at 31 December 2016 to approximately 54.1 million sq.m. as at 31 December 2020, which represented a compound annual growth rate of approximately 26.8%; (iv) the increase of approximately 40.8% in the Group's revenue for FY2020 over the prior year; and (v) the Group's property projects under development or held for future development further increased from 151 as at 31 December 2019 to 180 as at 31 December 2020.

In considering the proposed annual caps of the Decoration Services Framework Agreement, the Directors have taken into account the following factors:

- (a) the Group's estimated demand for Decoration Services in FY2021 will involve a project area of approximately 1.54 million sq.m., and a total contract sum of approximately RMB1.02 billion. Among them, to the knowledge of the Company, the estimated business volume that Drawin Group can undertake is up to 50% of the total, that is, the total contract sum that can be undertaken is up to approximately RMB510 million. Taking into account the estimation of the contract value conversion rate of Drawin Group and the implementation timing of the Decoration Services Framework Agreement, it is estimated that the total service fee payable to Drawin Group for Decoration Services in FY2021 will be approximately RMB200 million; and

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- (b) the Group's estimated increase in demand for the Decoration Services in FY2022 and FY2023 was based on the number, progress, scale, design, layout and positioning of the real estate projects to be developed, as well as overall strategic planning, having considered (i) the relatively modest estimation in project area of approximately 1.54 million sq.m. as basis of the annual cap for Decoration Services in FY2021 compared to the Group's land reserves in the PRC of approximately 54.1 million sq.m. as at 31 December 2020; (ii) the rapid growth in the total project area under development of the Group and the notable growth in land reserves of the Group with a total project area during the past five years; (iii) the increase of the Group's revenue for FY2020 over the prior year; and (iv) the increase of the Group's property projects under development or held for future development, as detailed above.

We had discussed and understood from the Management that the estimated GFA of properties of the Group that would require Landscape Services and Decoration 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 and the expected property development projects of the Group to be launched for FY2021.

In connection to the above, we had obtained and reviewed a schedule (the "**Landscape Project Schedule**") prepared by the Management up to 31 December 2021 and noted that the proposed annual caps of Landscape Services for FY2021 were primarily based on a number of potential residential and commercial projects. We also noted from the Landscape Project Schedule that the Group anticipated over 90 potential projects to be commenced in the second half of FY2021 would require landscape services with an aggregate contract sum of approximately RMB940.8 million, of which the individual contract sum of these projects ranged from approximately RMB70,000 to RMB592 million. We understand from the Management that the estimated contract sum of these projects were determined after taking account into various factors including, among others, (i) the complexity of the requirements and specifications; (ii) the scale, nature and volume of works; (iii) the complexity of the on-site environment; and (iv) level of labour required. We also noted that these projects are located across various cities in the PRC including, among others, Zhengzhou, Kaifeng, Xinxiang and Dengfeng.

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In addition, we also obtained and reviewed another schedule (the “**Decoration Project Schedule**”) prepared by the Management up to 31 December 2021 and noted that the proposed annual caps of Decoration Services for FY2021 were primarily based on various potential residential, commercial and public utilities projects to commence in FY2021. We noted that the Decoration Project Schedule comprised of over 130 potential projects which requires decoration services with an aggregate contract sum of approximately RMB1.02 billion, of which the contract sum of these projects ranged from approximately RMB10,000 to RMB200 million. The Management also advised that the estimated contract sum of these projects were determined after taking account into various factors including, among others, (i) the complexity of the design, requirements and specifications; (ii) the content and volume of works; (iii) the complexity of the on-site environment; and (iv) the level of labour required. It is noted that these projects are mainly located in Zhengzhou and Kaifeng, the PRC, where a significant portion of the land reserves of the Group are located thereof.

In addition, as set out in the 2020 Annual Report for the year ended 31 December 2020, there were 180 projects under development with a GFA of approximately 32.7 million sq.m., including 25 projects under development in Zhengzhou and 152 projects under development in other cities in the Henan Province. Moreover, we also noted that the total GFA of the Group’s land reserves in the PRC was approximately 54.1 million sq.m., of which (i) approximately 60.3% of the land reserves were under development; and (ii) approximately 39.7% of the land reserves were held for future development, which is significantly greater than the estimated GFA of properties that would require Landscape Services or Decoration Services under the proposed annual caps for FY2021. The land reserves of the Group primarily consisted of sites located in various PRC cities including, among others, Zhengzhou, Luoyang, Shangqiu and Zhoukou.

Furthermore, as advised by the Management, the proposed annual caps for FY2021 were based on a number of factors including, among others, (i) the historical portion of GFA of a typical property development project which would require Landscape Services or Decoration Services; and (ii) the expected growth in demand from high-end construction projects as well as relevant landscape services or decorations services, the Group anticipated that approximately 11.5% and 9.4% out of the abovementioned 180 projects under development with a GFA of approximately 32.7 million sq.m. would involve further Landscape Services and Decoration Services during the remaining period of FY2021, respectively. Therefore, where considered appropriate, the Group may invite Drawin Group and other service providers to tender for and, subject to the outcome of the relevant tender procedures, be awarded with the subject contracts of Landscape Services or Decoration Services.

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We understand that the proposed annual caps for FY2021 were determined after taking into account (i) the Landscape Project Schedule which sets out the potential property development and related projects that require Landscape Services and the contract sums; (ii) the Decoration Project Schedule which sets out the potential property development and related projects that require Decoration Services and the contract sums; (iii) the number of projects under development and the Group's land reserve as of 31 December 2020; (iv) the estimated GFA of approximately 1.88 million sq.m. and 1.54 million sq.m. that may require Landscape Services and Decoration Services, respectively; (v) the anticipated portion of GFA of projects under development which will require further landscape services or decoration services during the remaining period of FY2021; and (vi) the Management estimated that Drawin Group would only be awarded with up to 50% of the estimated total contract sums for Landscape Services and Decoration Services, respectively. We consider the above basis used to determine the proposed annual caps for FY2021 to be reasonable.

In connection with the proposed annual caps of Landscape Services and Decoration Services for FY2022 and FY2023, both of which were estimated to be approximately RMB300 million and RMB400 million, respectively. The compound annual growth rate of the proposed annual caps of Landscape Services and Decoration Services between FY2021 and FY2023 is approximately 41.4% (the "**Proposed Annual Caps CAGR**"). Having considered, (i) the relatively modest estimation in GFA of approximately 1.88 million sq.m. and 1.54 million sq.m. as a basis for determining the proposed annual caps of Landscape Services and Decoration Services for FY2021, respectively, compared to the Group's land reserves in the PRC of approximately 54.1 million sq.m. as at 31 December 2020; (ii) the rapid growth in total GFA under development of the Group during the past five years from approximately 6.0 million sq.m. as at 31 December 2016 to approximately 32.7 million sq.m. as at 31 December 2020, which represented a compound annual growth of approximately 52.6%; (iii) the notable growth in land reserves of the Group with a total GFA during the past five years from approximately 20.9 million sq.m. as at 31 December 2016 to approximately 54.1 million sq.m. as at 31 December 2020, which represented a compound annual growth rate of approximately 26.8%; and (iv) the information, including (a) an increase of approximately 40.8% in the Group's revenue for the year ended 31 December 2020 over the prior year; and (b) the Group's property projects under development or held for future development further increased from 151 as at 31 December 2019 to 180 as at 31 December 2020, we are of the view that the Proposed Annual Caps CAGR is reasonable.

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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, and background information of Henan Province” in this letter above; (ii) the potential projects which might be awarded, subject to successful tender, to Drawin Group by the Group; (iii) the growth in total construction area of the Group and expected increase in Landscape Services and Decoration Services to be used by the Group; and (iv) the basis and assumption for the calculation of the proposed annual caps, we consider the basis for determining the respective proposed annual caps for the Landscape Services and Decoration Services to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Nevertheless, the Shareholders are advised that the proposed 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 proposed annual caps would provide the Group with the flexibility but not the obligation to invite Drawin Group (including its group members) to provide quotation/submit tender for the Group’s Landscape Services and Decoration Services and any award of contract under the Framework Agreements 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 entering into the Framework Agreements;
- (ii) pursuant to the Framework Agreements, the Landscaping Services and the Decoration Services contemplated thereunder are required for the Group’s property development business, which in turn facilitates the furtherance of the Group’s business;
- (iii) the Landscaping Services and the Decoration Services contemplated under the Framework Agreements shall be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, to be governed by the internal procedures, so that the terms shall be no less favourable to the Group than those prices and terms available from independent third parties to the Group under the same conditions; and

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- (iv) the basis for determining the respective proposed annual caps for the Landscape Services and the Decoration Services is reasonable, details of which are set out under the section headed “7. Basis for determining the proposed annual caps” in this letter,

we are of the view that the Framework Agreements 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 respective proposed 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 Framework Agreements (together with the proposed 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 14 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

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

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Shares

Name of Director or chief executive	Capacity and nature of interest	Number of share options held	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital ⁴
Mr. Wu Po Sum	Interest in a controlled corporation	–	2,066,431,867 ¹	69.64%
Mr. Wang Jun	Beneficial owner	10,800,000 ²	16,200,000	0.91%
Ms. Wu Wallis (alias Li Hua) ³	Interest of spouse	44,000	10,000,000	0.34%
Ms. Chen Ying	Beneficial owner	4,990,000	10,000	0.17%
Mr. Xin Luo Lin	Beneficial owner	–	400,000	0.01%

Notes:

- (1) The 2,066,431,867 Shares are registered in the name and are beneficially owned by Joy Bright Investments Limited (“**Joy Bright**”), a company wholly-owned by Mr. Wu Po Sum. Accordingly, he is deemed to be interested in the 2,066,431,867 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 44,000 share options and 10,000,000 Shares are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua), therefore Ms. Wu Wallis (alias Li Hua) is deemed to be interested in her spouse's share options and Shares for the purposes of the SFO.
- (4) The approximate percentage of the interest in the Company's issued share capital is based on a total of 2,967,116,120 Shares of the Company in issue as at the Latest Practicable Date.

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

Name of Director or chief executive	Name of associated corporation	Capacity and nature of interest	Number of shares held	Approximate percentage of the interest in the issued share capital of the Company's associated corporation
Mr. Wu Po Sum	CCMGT	Interest in a controlled corporation	2,059,131,867 ¹	62.49% ³
Mr. Wang Jun	CCMGT	Beneficial owner	16,200,000	0.49% ³
Ms. Wu Wallis (alias Li Hua)	CCMGT	Interest of spouse	7,000,000 ²	0.21% ³
Mr. Xin Luo Lin	CCMGT	Beneficial owner	400,000	0.01% ³

Notes:

- (1) Such shares are beneficially owned by Joy Bright, a company wholly-owned by Mr. Wu Po Sum. Accordingly, he is deemed to be interested in such shares by virtue of the SFO.
- (2) Such shares are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua). Accordingly, Ms. Wu Wallis (alias Li Hua) is deemed to be interested such shares by virtue of the SFO.
- (3) The approximate percentage of the interest in CCMGT's issued share capital is based on a total of 3,295,288,120 shares of CCMGT in issue as at the Latest Practicable Date.

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

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

So far as 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 ¹
Joy Bright	Beneficial owner	2,066,431,867 ²	69.64%

Notes:

- (1) The approximate percentage of the interest in the Company's issued share capital is based on a total of 2,967,116,120 Shares of the Company 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 2,066,431,867 Shares held by Joy Bright for the purposes of the SFO.

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

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

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

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in competing business

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

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. SERVICE CONTRACTS

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

6. EXPERT AND CONSENT

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

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

The above expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which it appears. The above experts has further confirmed that as at the Latest Practicable Date, it was not interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. It is not interested in any assets which have been, since 31 December 2020 (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.

7. 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 2020, being the date to which the latest published audited financial statements of the Group were made up.

8. GENERAL

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

9. 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:

- (a) the Landscape Services Framework Agreement;
- (b) the Decoration Services Framework Agreement;
- (c) the letter from the Board as set out in this circular;
- (d) the letter from the Independent Board Committee as set out in this circular;
- (e) the letter from the Independent Financial Adviser as set out in this circular;
- (f) the written consent from the expert as referred to in the sub-section headed “Expert and Consent” in this Appendix; and
- (g) this circular.

NOTICE OF EGM



建業地產股份有限公司 *

Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0832)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of the shareholders of Central China Real Estate Limited (the “**Company**”) will be held at 7701B-7702A, Level 77, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Thursday, 9 September 2021 at 3:00 p.m. for the following purposes. Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the circular of the Company dated 24 August 2021 (the “**Circular**”).

ORDINARY RESOLUTIONS

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

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

Hong Kong, 24 August 2021

* For identification purpose only

NOTICE OF EGM

As at the date of this notice, the Board comprises nine Directors, of which Mr. Wu Po Sum, Mr. Wang Jun and Mr. Yuan Xujun are executive Directors, Mr. Lim Ming Yan, Ms. Wu Wallis (alias Li Hua) and Ms. Chen Ying 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 7 September 2021 to 9 September 2021 (both days inclusive), during which period no transfer of shares in the Company can be registered. In order to qualify for attending the EGM, all properly completed share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 6 September 2021.
- (b) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a shareholder of the Company. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting.
- (c) Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof if he/she so desires and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
- (d) 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.