



上古證券有限公司
Shanggu Securities Limited

SHANGGU SECURITIES LIMITED
Suite 1812B, 18th Floor
Tower 2, Lippo Centre
89 Queensway, Admiralty
Hong Kong

9 May 2023

To: the Independent Board Committee and the Independent Shareholders of Minmetals Land Limited

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE 2023 CONSTRUCTION AGREEMENT

I. INTRODUCTION

We, Shanggu Securities Limited, refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Construction Agreement and the Transactions. Details of the Transactions which constitute continuing connected transactions under the Listing Rules are set out in the letter from the Board (the “Letter from the Board”) contained in the circular dated 9 May 2023 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless stated otherwise.

Background of the Transactions

As set out in the Letter from the Board, the 2020 Construction Agreement expired on 18 April 2023 and it is expected that the Group will continue to enter into similar transactions from time to time thereafter. Accordingly, on 17 April 2023, China Minmetals and the Company entered into the 2023 Construction Agreement to renew the 2020 Construction Agreement for a further term of 3 years from 19 April 2023 to 18 April 2026.

China Minmetals is the controlling shareholder of the Company holding approximately 61.88% issued Shares and is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and hence the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Annual Cap Amounts under the 2023 Construction Agreement exceed 5%, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules subject to reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Board consists of nine Directors, namely Mr. He Jianbo as the Chairman and an executive Director, Mr. Liu Bo, Mr. Chen Xingwu and Mr. Yang Shangping as executive Directors, Ms. He Xiaoli and Mr. Huang Guoping as non-executive Directors, and Mr. Lam Chung Lun, Billy, Ms. Law Fan Chiu Fun, Fanny and Professor Wang Xiuli as independent non-executive Directors.

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lam Chung Lun, Billy, Ms. Law Fan Chiu Fun, Fanny and Professor Wang Xiuli, to advise the Independent Shareholders, and Shanggu Securities Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2023 Construction Agreement and the Transactions were entered into on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

III. OUR INDEPENDENCE

During the past two years immediately preceding the date of our appointment as the Independent Financial Adviser and up to the Latest Practicable Date, except for the engagement as the Independent Financial Adviser, there were no engagements between us and the Company. Apart from the normal professional fees paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company. We are not aware of any relationship or interest between us and the Company which would be reasonably considered to affect our independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions (including the Annual Cap Amounts) as detailed in the Circular. As at the Latest Practicable Date, we were independent from and not connected with the Company in accordance with Rule 13.84 of the Listing Rules, and accordingly, are considered eligible to give independent advice on the 2023 Construction Agreement and the Transactions.

IV. BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company (collectively, the “Management”) and have assumed that all such statements, information, opinions and representations to be true, accurate and complete in all material aspects. We have also sought and received confirmation from the Company that information and documents provided to us were and would be complete, true and accurate, and not misleading in any way, and the Company would notify us in the event of any material change to such information and documents.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided in order to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Management 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 consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. However, we have not carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company, China Minmetals or any of their subsidiaries or the prospects of the markets in which they respectively operate.

V. PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE 2023 CONSTRUCTION AGREEMENT AND THE TRANSACTIONS

We have taken into account the following principal factors and reasons in formulating our opinion on the 2023 Construction Agreement and the Transactions:

(a) Principal activities and business of the Group

The Group is principally engaged in the business of real estate development, specialised construction and property investment.

According to the annual report of the Company for the year ended 31 December 2021, the interim report of the Company for the six months ended 30 June 2022, the Company's announcement of results for the year ended 31 December 2022 (the "2022 Annual Results Announcement"), and as advised by the Management, 2021 was a year full of challenges and opportunities under the combined impacts of the COVID-19 pandemic and prolonged overhaul of the real estate market. The real estate industry in China experienced a significant adjustment in 2021, whilst the Group had been overcoming difficulties, pursuing progress and striving for stable growth, while accelerating its transformation into an "urban operator". In 2022, the recurring pandemic-triggered lockdowns in various regions across China continued to bring challenges to China's real estate sector. Coupled with the weakened momentum in the medium to long-term housing demand in 2022, impact on sales, land auctions and construction activity had been seen in China's real estate sector in 2022. While the Group's overall operation remained normal in 2022, the widespread outbreak of the COVID-19 pandemic in China affected the construction progress of some of the Group's real estate development projects located in the Pearl River Delta region. Amid such environment in 2022, the Group proactively responded to the downward pressure on the industry, adhered to the strategy of pursuing high-quality products, enhanced operation quality, accelerated the transformation into an urban operator, and considered sound operation as the top priority under the extremely unfavorable industry environment.

As set out in the 2022 Annual Results Announcement, the Group had 44 real estate development projects in 18 cities, namely Beijing, Guangzhou, Shenzhen, Hong Kong, Tianjin, Nanjing, Changsha, Chengdu, Suzhou, Wuhan, Foshan, Taian, Xiangtan, Huizhou, Langfang, Yingkou, Xining and Nan'an, with a total developable gross floor area of approximately 7,819,000 square metres as at 31 December 2022. For further information of the Group's real estate development projects as at 31 December 2022, please refer to the 2022 Annual Results Announcement.

Set out in the table below is a summary of the financial results of the Group for the years ended 31 December 2021 and 2022 as extracted from the 2022 Annual Results Announcement:

	For the year ended	
	31 December	
	2022	2021
	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue		
— Real estate development	9,875	12,511
— Specialised construction	148	321
— Property investment	42	53
Total revenue	10,065	12,886
Cost of sales	9,011	10,500
Gross profit	1,053	2,385
(Loss)/Profit for the year	(1,360)	632

The Group derived revenue of approximately HK\$10,065 million for the year ended 31 December 2022, representing a year-on-year decrease of approximately 21.9%. Loss for the year ended 31 December 2022 was approximately HK\$1,360 million as compared to a profit for the year ended 31 December 2021. Consolidated gross profit margin for the year ended 31 December 2022 decreased to approximately 10.5% from approximately 18.5% for the corresponding period of the previous year. Contracted sales for the year ended 31 December 2022 was approximately RMB13.3 billion, representing a year-on-year decrease of approximately 48.8%.

The Group's revenue was primarily derived from three business segments, namely real estate development, specialised construction and property investment. During the year ended 31 December 2022, revenue from the real estate development business decreased by approximately 21.1% to HK\$9,875 million approximately. Construction progress was being dragged down by the pandemic during the year, and some real estate development projects in the Pearl River Delta with a total of approximately RMB5.8 billion of sales could not be recognised in 2022 as planned, causing a decrease in revenue from the real estate development business. Revenue from the specialised construction business decreased by approximately 54.0% to HK\$148 million approximately. The decrease in revenue was primarily due to fewer projects under construction during the year and project slippages caused by the ongoing pandemic. Revenue from the property investment business decreased by approximately 20.8% to HK\$42 million approximately. Revenue from the property investment business was mainly generated from two commercial buildings in Hong Kong, and the decrease in revenue was primarily due to the impact arising from the COVID-19 pandemic and the economic slowdown in Hong Kong, increasing the China Minmetals Tower's vacancy rate and affecting the overall rental and related income.

(b) Information on China Minmetals

As disclosed in the Letter from the Board, China Minmetals is a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company which is indirectly interested in approximately 61.88% of the issued share capital of the Company. It is principally engaged in exploration, mining, smelting, processing and trading for metals and minerals, finance, real estate, and mining and metallurgic technology.

(c) PRC and Hong Kong property market and outlook

(i) PRC property market and outlook

Based on the information published by the National Bureau of Statistics of China, according to the preliminary estimates, the gross domestic product for the PRC in 2022 was approximately RMB121,020.7 billion, an increase of approximately 3.0% over the previous year at constant prices, missing the official target of around 5.5%.

As set out in the 14th Five-Year Plan* (十四五規劃), the Chinese government has not set a specific annual gross domestic product growth target. The annual gross domestic product growth is to be kept to a reasonable range with annual targets set, based on specific conditions each year. The Chinese government announced a gross domestic product growth target of around 5% for 2023 at the opening of the National People's Congress on 5 March 2023.

The national real estate market experienced unprecedented challenges with declining supply and demand since the Chinese government's clampdown on excessive borrowing from developers in 2021. According to the figures released by the National Bureau of Statistics, in 2022, the national investment in real estate development was approximately RMB13,289.5 billion, a decrease of approximately 10.0% over the previous year; the housing construction area of real estate development enterprises was approximately 9,049.99 million square meters, a decrease of approximately 7.2% over the previous year; the sales area of commercial housing was approximately 1,358.37 million square meters, a decrease of approximately 24.3% over the previous year; the sales of commercial housing was approximately RMB13,330.8 billion, a decrease of approximately 26.7% over the previous year. At the end of 2022, the area of commercial housing for sale was approximately 563.66 million square meters, an increase of approximately 10.5% over the previous year.

In view of the property market downturn, the Chinese government has introduced various policies to support the sector since November 2022, including but not limited to a RMB250 billion bond financing programme for housing developers. Benefitted from the gradual economic recovery and supportive policy measures, China's property market showed signs of recovery in the beginning of 2023. As per the figures published by the National Bureau of Statistic, the residential housing sales increased approximately 3.5% year-on-year in the first two months of 2023. According to a report released by the China Real Estate Information Corp, the sales of China's top 100 property developers increased approximately 3.1% year-on-year in the first quarter of 2023, with a particularly sharp increase of approximately 29.2% year-on-year in March 2023.

(ii) Hong Kong property market and outlook

According to the preliminary findings of the Hong Kong Property Review 2023 released by the Rating and Valuation Department, dampened by the rising interest rates, sluggish local demand and weakened market confidence amid uncertain global economic conditions during 2022, as well as the fifth wave of the COVID-19 epidemic in the first half of the year, domestic home prices in December 2022 fell significantly year-on-year by 15.2% approximately, despite a short-lived rebound of less than 1% in April of the same year. Private domestic completions in 2022 were 21,170 units, approximately 47% more than those in 2021. The Rating and Valuation Department forecasted completions of 19,950 and 26,970 units in 2023 and 2024, respectively.

In the 2022 Policy Address, the Chief Executive stated that the government targets to expedite land production, build up a land reserve in the long run, and assume a leading role in land supply. On private housing supply, the Chief Executive mentioned, based on the latest projection in the Long Term Housing Strategy, the demand for private housing in the next 10 years will be 129,000 units. The government will work to achieve this basic target and get sufficient land ready for providing no less than 72,000 residential units in the following five years.

As Hong Kong reopened its border with the PRC and expectations of peaking interest rates relieved, the home prices of Hong Kong increased consecutively in the first two months of 2023. According to the data released by the Rating and Valuation Department, the territory-wide domestic home price index in January 2023 was 338.4, which is up from 334.9 in December 2022. The index increased further to 345.9 in February 2023.

(d) Reasons for and benefits of the 2023 Construction Agreement

As set out in the Letter from the Board, the Group has engaged 23rd Metallurgical as construction contractor for the Group's real estate development projects in the PRC since July 2007. Starting from April 2017, the Company has also extended its offer to other members of the China Minmetals Group which possess class I qualifications in building construction to place tenders for its construction contract(s) in the PRC and Hong Kong and subject to successful tender, to engage them as construction contractor(s) for the Group's real estate development projects. Based on the long-standing working relationship with members of the China Minmetals Group, the Group is satisfied with their competence as construction contractor(s) for its real estate development projects as they could provide expedient and reliable services compared to those rendered by Independent Third Parties Accordingly, the Group intends to continue to invite member(s) of the China Minmetals Group to place tenders for its construction contracts.

Also, as advised by the Management, a key reason for the entering into of the 2023 Construction Agreement as a framework agreement to authorize the Company to approach members of the China Minmetals Group is to avoid undue delay in the construction progress of the relevant projects which may otherwise have to require seeking the approval of Independent Shareholders in a special general meeting for each specific instance. In addition, the engagement of member(s) of the China Minmetals Group as construction contractor(s) for the Group's real estate development projects is subject to successful tender(s) in competitive tendering process(es) governed by the relevant rules and regulations in the PRC and Hong Kong as well as the Group's relevant internal procedures. As the Group's real estate development business continues to grow in the PRC and Hong Kong, it is anticipated that the Group will, in the coming few years, actively invite tenders for construction works relating to its real estate development projects.

After taking into account the aforesaid, and having regard to (a) the Group's satisfactory experience in dealing with, and the competence of, the members of the China Minmetals Group as construction contractors for its real estate development projects with a long track record; (b) the entering into of the 2023 Construction Agreement may avoid undue delay in the Group's construction projects; and (c) the appointment of any member of the China Minmetals Group as the Group's construction contractor is still subject to the Group's tendering process which is governed by the relevant rules and regulations in the PRC and Hong Kong as well as the Group's relevant internal procedures, we concur with the Directors' view that the entering into of the 2023 Construction Agreement is in the interests of the Company and the Shareholders as a whole.

(e) The 2023 Construction Agreement

(i) Terms of the 2023 Construction Agreement

The principal terms of the 2023 Construction Agreement are summarised below:

Parties:	(i) The Company; and (ii) China Minmetals
Term:	Three years from 19 April 2023 to 18 April 2026, subject to shareholders' approval in the SGM
Subject matter:	The Group may from time to time invite member(s) of the China Minmetals Group to tender for construction contract(s) in the PRC and Hong Kong in accordance with the Group's tender procedure and general conditions offered to independent bidders (including general provisions for adjusting construction amounts due to, for example, changes to projects). Subject to successful tender, the Group shall engage the member(s) of the China Minmetals Group as construction contractor(s) in respect of existing and future real estate development projects (excluding the portions of the existing projects that had been tendered) of the Group in the PRC and Hong Kong, provided that the total contract sums of the construction contract(s) to be awarded by the Group to member(s) of the China Minmetals Group during each of the three years from 19 April 2023 to 18 April 2026 shall not exceed the Annual Cap Amounts.

China Minmetals Group and the Group shall enter into specific construction agreements in respect of the successful tenders from time to time during the term of the 2023 Construction Agreement. The specific construction agreements shall set out the necessary terms and conditions for the relevant transactions after arm's length negotiation on normal commercial terms and shall not be inconsistent with the 2023 Construction Agreement.

Pricing basis: The construction contract sum payable to member(s) of the China Minmetals Group as construction contractor(s) for the Group's real estate development projects in the PRC and Hong Kong shall be determined through procedures of tenders in accordance with (i) the applicable laws, rules and regulations of the locations where the construction projects are situated and in the PRC; (ii) the nature and condition of each construction project; (iii) the tender submitted by other independent contractors which indicated fees charged by Independent Third Parties for the project; (iv) the expected costs (including, among others, labour costs, material costs and administrative costs) in relation to the construction of the relevant real estate development projects; and (v) internal procedure manuals of the Group which provide for procurement procedures of the Group including tender planning, documentation, procedures, assessment and awarding.

For further details of the 2023 Construction Agreement, please refer to the section headed "2023 Construction Agreement" in the Letter from the Board.

(ii) Internal control procedures and risk management measures

As set out in the Letter from the Board and as advised by the Management, in accordance with the Group's relevant internal control procedures, for the real estate development projects of the Group in the PRC and Hong Kong, the construction contracts will have to be awarded through a competitive tendering process governed by the relevant rules and regulations in the PRC and Hong Kong. The tender procedures generally involve (i) issuing invitation for tender; (ii) receipt of tender submissions; (iii) tender evaluation committee which comprises of independent qualified experts as approved by relevant government authorities or in-house and/or external experts formed to review and evaluate the tenders submitted in accordance with the appropriate tender assessment method, and issue its recommendation; and (iv) appointment of the successful tenderer according to the recommendation of the tender evaluation committee. The tenders will be assessed based on, among other factors, the proposed terms offered to the Group including unit tender rates and total tender sum, the background, financial capabilities, operational capacity, qualifications, expertise or prior experience of the tenderers, no matter whether such contractors are members of the China Minmetals Group or other independent contractors. In assessing the unit tender rates and total tender sum, the tender evaluation committee will also make reference to the current market prices available by Independent Third Parties providing similar services in the relevant region(s).

Based on the Group's internal procedures mentioned above and as advised by the Management, in order to ensure that there is no conflict of interest in the approval process and the independence of the tender procedures, when members of the China Minmetals Group participate in tender for any construction contracts in respect of the Group's existing and future real estate development projects in Mainland China and Hong Kong, their tenders will be reviewed and assessed by the relevant tender evaluation committee under the same prescribed tendering procedures and the same appropriate tender assessment method as those tenders of any other qualified tenderers. In addition, a member of the China Minmetals Group will only be awarded the tender if it attains the highest score among all the valid tenders submitted.

Under such regulated tendering processes in accordance with the Group's internal control procedures, the Management is of the view that the construction contracts awarded to member(s) of the China Minmetals Group will be on normal commercial terms and no less favourable than those offered by independent third party construction contractors.

In this connection, we have reviewed relevant internal procedure manuals of the Company including, among other things, the Company's Procurement Management Rules* (五礦地產有限公司採購管理規定) and the Company's Procurement Business Implementation Rules* (五礦地產有限公司採購業務實施細則), which govern, among other things, the tender procedures of the Company and its project companies. They set out rules and guidelines for, among other things, tender planning, tender documentation, tender procedures, tenders comparison and assessment, and tender awarding. Furthermore, we have reviewed samples of tender assessment reports covering the Historical Periods (as defined below) provided by the Company in respect of the appointment of construction contractors during the Historical Periods, and noted that as part of the tender assessment, the Group would evaluate, among other criteria, the proposed terms offered to the Group, background, financial capabilities, operational capacity, qualifications, expertise or experience of the tenderers involved in a given tender. In addition, we noted that (i) the tenders submitted by member(s) of the China Minmetals Group were reviewed and evaluated by applying a tender assessment method that was no different from those submitted by independent third parties for those particular projects; and (ii) where member(s) of the China Minmetals Group were awarded with construction contracts for the Group's real estate development projects under the tendering procedures, such appointments of member(s) of the China Minmetals Group as the winning contractors were based on the recommendations of the tender evaluation committees after their assessment of all tenders including those by independent third parties, and the member(s) of the China Minmetals Group which were awarded the contracts had attained the highest scores among all the valid tenders submitted to the Group during the tender assessments.

Based on (i) the findings of our review of the Group's relevant internal procedure manuals and the samples of tender assessment reports covering the Historical Periods (as defined below) provided by the Company in respect of the appointment of construction contractors during the Historical Periods as mentioned above, and (ii) our understanding from the Management that the same tender procedures as set out above shall apply to member(s) of the China Minmetals Group in a manner no different to independent third parties, we concur with the Management's view that if member(s) of the China Minmetals Group are awarded construction contracts for real estate development projects of the Group under the stated tendering procedures, the terms of such construction contracts would be on normal commercial terms and no less favourable than those offered by independent third party.

As set out in the Letter from the Board, in order to safeguard the interests of the Shareholders, the Group will adopt the following guidelines and principles in monitoring the Transactions and the Annual Cap Amounts:

- (1) specifically designated personnel from the Company will be responsible for monitoring the Transactions and the Annual Cap Amounts and will ensure that the Transactions are conducted in accordance with the terms of the 2023 Construction Agreement and the specific services agreements;
- (2) the Company will conduct regular checks and compare the prices and terms of the Transactions against that offered to Independent Third Parties to review and assess whether the Transactions are conducted on normal commercial terms, no less favourable than that offered by the Group to Independent Third Parties and in the interest of the Company and the Shareholders as a whole;
- (3) the Company's external auditors will conduct an annual review on the pricing and annual caps of the continuing connected transactions of the Company, including the Transactions;
- (4) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions of the Company, including the Transactions and the Annual Cap Amounts on an annual basis; and
- (5) the Company will review the Transactions and the Annual Cap Amounts on an annual basis, summarise the experience and improve on any inadequacies.

Based on the abovementioned practices of the Group, we consider that the Group will have appropriate procedures and arrangements in place to ensure that the Transactions will be conducted on terms in compliance with the relevant continuing connected transactions requirements of the Listing Rules.

(iii) Basis for determining the proposed Annual Cap Amounts

The approved historical annual caps in connection with the 2020 Construction Agreement (the “Historical Annual Caps”) and the actual amounts of the Group’s construction contracts awarded to members of the China Minmetals Group for the periods from (i) 19 April 2020 to 31 December 2020; (ii) 1 January 2021 to 31 December 2021; (iii) 1 January 2022 to 31 December 2022; and (iv) 1 January 2023 to 18 April 2023 (the “Historical Periods”) are as follows:

Period	Amount awarded to members of the China Minmetals Group	Historical Annual Caps	Respective annual cap utilization rate (%)
19 April 2020 to 31 December 2020	RMB1,991,233,000 (approximately HK\$2,270,603,000)	RMB3,921,050,000 (approximately HK\$4,471,173,000)	50.8
1 January 2021 to 31 December 2021	RMB1,701,056,000 (approximately HK\$1,939,714,000)	RMB3,693,150,000 (approximately HK\$4,211,299,000)	46.1
1 January 2022 to 31 December 2022	RMB3,013,423,000 (approximately HK\$3,436,206,000)	RMB5,401,960,000 (approximately HK\$6,159,855,000)	55.8
1 January 2023 to 18 April 2023	NIL	RMB1,657,570,000 (approximately HK\$1,890,127,000)	0

As shown above, the Historical Annual Caps had not been fully utilized during the Historical Periods. We understand the Management considered that the under-utilisation of the Historical Annual Caps was primarily attributable to the following reasons:

- the Historical Annual Caps were determined with reference to the then planned schedule of development plans but the actual progress of each of the projects of the Group were subject to change over time (due to situations including but not limited to changes in government policies, market and economic conditions from time to time); and
- the real estate market of China had experienced a considerable degree of downturn during the Historical Periods because of the pandemic and other economic factors, and accordingly the Group acquired less land for new development than originally planned, which in turn affected the construction contracts of the Group available for tender for such periods.

The table below sets out the proposed Annual Cap Amounts for the periods from (i) 19 April 2023 to 31 December 2023 (the “2023 Period”); (ii) 1 January 2024 to 31 December 2024; (iii) 1 January 2025 to 31 December 2025; and (iv) 1 January 2026 to 18 April 2026 :

Period	Proposed Annual Cap Amounts
19 April 2023 to 31 December 2023	RMB6,788,510,000 (approximately HK\$7,740,938,000)
1 January 2024 to 31 December 2024	RMB5,829,410,000 (approximately HK\$6,647,276,000)
1 January 2025 to 31 December 2025	RMB3,792,520,000 (approximately HK\$4,324,611,000)
1 January 2026 to 18 April 2026	RMB3,112,000,000 (approximately HK\$3,548,614,000)

As stated in the Letter from the Board and advised by the Management, the Annual Cap Amounts in respect of the 2023 Construction Agreement were determined principally with reference to a number of factors, including:

- (i) the estimated amount of construction contracts for the Group’s existing real estate development projects in the PRC and Hong Kong, in particular, (a) the growth trend in historical transaction amounts from 2021 to 2022; and (b) the estimated amount of construction contracts that may be awarded by the Group in respect of its existing projects which are expected to be available for development during the period from 19 April 2023 to 18 April 2026. It is expected that construction contracts of approximately RMB1.2 billion may be awarded by the Group for its existing projects such as the Xiangtan Scenery Cove project and Phase II of the Changsha Wanjiang Yayuan project during the period from 19 April 2023 to 31 December 2023;

- (ii) the potential increase in the number of construction projects of the Group available for tender due to increase in land site available for development, in particular, (a) the land acquisition plan of the Group for the period between 2023 and 2026 and the corresponding gross floor area of potential projects which may require construction services for tender; (b) the expected improvement in the real estate development business of the Group following the recent change of government policies on the real estate sector of the PRC and the gradual recovery of the economy in the PRC from the COVID-19 pandemic; and (c) the estimated amount of construction contracts that may be awarded by the Group in relation to its potential construction projects. It is expected that for the period from 19 April 2023 to 31 December 2023, construction contracts of approximately RMB5.6 billion may be awarded by the Group for its potential construction projects in regions such as Nanjing, Shanghai and Suzhou in Eastern China, Guangzhou and Shenzhen in Southern China and other regions;
- (iii) the likelihood of member(s) of the China Minmetals Group to participate in and winning the project tender;
- (iv) the estimated scope of construction work in respect of the Group's real estate development projects;
- (v) the estimated relevant construction price on a per square meter basis and the expected progress of the construction works, which are determined with reference to (a) complexity and design of the construction projects and construction materials; (b) residential or commercial project; and (c) location of the projects, taking into account historical construction contract sum;
- (vi) the estimated total contract sums of the Group's construction contracts which may be awarded to member(s) of the China Minmetals Group under the Transactions; and
- (vii) the historical participation and success rate of the Group in land auctions in the PRC and Hong Kong and the corresponding historical construction contract sum.

As advised by the Management, the proposed Annual Cap Amounts are arrived at after taking account of the Group's existing and potential real estate development projects. As the implementation of the existing projects of the Group may have development lead time changes, any of such changes may affect the actual utilisation of the proposed Annual Cap Amounts during the term of the 2023 Construction Agreement. To facilitate the real estate development business, the Group has formulated its land acquisition plan for the period between 2023 and 2026 and will accordingly participate in public tenders for new land and attempt other opportunities to expand its land bank. The Management therefore estimated that the proposed Annual Cap Amounts will also cover gross floor area of the potential projects which are expected to be acquired under the Company's land acquisition plan in the PRC.

As advised by the Management, the Annual Cap Amounts, particularly for the 2023 Period and the year 2024, are proposed to be larger than the actual amount of construction contracts awarded to members of the China Minmetals Group during the Historical Periods because, after taking account of the recent changes of government policies on the real estate sector of China and the gradual recovery of the general economy from the pandemic in China, the Management considers there will be significant improvement in the real estate market. Accordingly, the Management estimates that, as compared to the Historical Periods, the amount of construction contracts of the Group available for tender by construction contractors will increase as the real estate development business of the Group improves.

In assessing the fairness and reasonableness of the proposed Annual Cap Amounts, we have reviewed and discussed with the Management the relevant information supporting the proposed Annual Cap Amounts as provided by the Management, including information relating to the planned/estimated size of the land sites of the relevant existing projects and potential new projects and the relevant estimated construction costs on a per square metre basis. In respect of the planned/estimated size of land sites, we noted that the Management has taken into account the Group's land acquisition plans for the period from 2023 to 2026 as well as development plans of its existing projects when estimating the construction floor area of the planned/estimated size of land sites. The Management has also taken into account the Group's historical participation rate and success rate in land auctions and/or tenders across different cities in Mainland China and Hong Kong as well as the historical tender participation rate of members of the China Minmetals Group. In respect of the estimated construction costs per square metre, we note that the estimation was based on references to historical and prevailing market prices after taking account of, among other things, (i) the progress and the complexity of the design and choice of materials and finishes; (ii) the development type (e.g. residential and/or commercial) and (iii) location of the relevant projects across different cities in the PRC. We have also reviewed samples of tender results of construction contracts awarded during the Historical Periods and noted that estimated average construction costs used by the Management to arrive at the proposed Annual Cap Amounts during the period from 19 April 2023 to 18 April 2026 are in line with those costs offered by the construction contractors during the Historical Periods.

Taking into account (i) the land acquisition plans formulated by the Management for 2023, 2024, 2025 and 2026; (ii) the estimated total value of construction works to be tendered by the Group based on the expected progress of the construction works on the relevant projects; (iii) the estimated construction costs per square metre used to arrive at the proposed Annual Cap Amounts which were estimated by the Management with reference to historical and prevailing market prices; (iv) the recent recovery of the real estate sector and the general economy as a whole in China; and (v) the flexibility to appoint member(s) of the China Minmetals Group as construction contractor(s) for the Group's real estate development projects is subject to successful tender(s) under the Group's competitive tendering process(es) governed by the relevant rules and regulations in the PRC and Hong Kong and the Group's internal procedures, we consider that the basis for the proposed Annual Cap Amounts are fair and reasonable.

VI. RECOMMENDATION

Having considered the factors as set out in this letter above, we are of the view that the 2023 Construction Agreement was entered into in the ordinary and usual course of business of the Group and that the terms of the 2023 Construction Agreement and the Transactions contemplated under the 2023 Construction Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the 2023 Construction Agreement at the SGM.

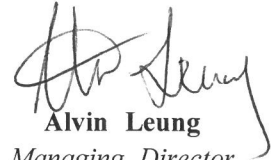
Yours faithfully,
For and on behalf of

SHANGGU SECURITIES LIMITED



Wiley O'Yang

Managing Director



Alvin Leung

Managing Director

Mr. Wiley O'Yang is a licensed person registered with the SFC and a responsible officer of Shanggu Securities Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 17 years of experience in the investment banking and corporate finance industry.

Mr. Alvin Leung is a licensed person registered with the SFC and a responsible officer of Shanggu Securities Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. He has over 20 years of experience in the investment banking and corporate finance industry.

* For identification purpose only