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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

RENEWAL OF THE COMMERCIAL PROPERTIES MANAGEMENT SERVICES FRAMEWORK AGREEMENT AND THE TOURISM SERVICES FRAMEWORK AGREEMENT

COMMERCIAL PROPERTIES MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcements of the Company dated 26 June 2019 and 13 May 2021 in relation to entering into of the 2019 Commercial Properties Management Services Framework Agreement and revision of the annual caps. As the 2019 Commercial Properties Management Services Framework Agreement is due to expire on 31 December 2021, the Company entered into the new Commercial Properties Management Services Framework Agreement with CCNL on 29 October 2021 (after trading hours) to renew the 2019 Commercial Properties Management Services Framework Agreement for three years commencing from 1 January 2022.

TOURISM SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company in relation to the 2019 Tourism Services Framework Agreement dated 30 January 2019. As the 2019 Tourism Services Framework Agreement is due to expire on 31 December 2021, the Company entered into the new Tourism Services Framework Agreement with CCNL on 29 October 2021 (after trading hours) to renew the 2019 Tourism Services Framework Agreement for three years commencing from 1 January 2022.

LISTING RULES IMPLICATION

As at the date of this announcement, CCNL is indirectly owned as to more than 30% by Mr. Wu. Mr. Wu is a controlling shareholder and a connected person of the Company. Accordingly, CCNL is an associate of Mr. Wu and thus a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Commercial Properties Management Services Framework Agreement and the Tourism Services Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the Commercial Properties Management Services Framework Agreement are over 0.1% but less than 5%, the transactions contemplated under the Commercial Properties Management Services Framework Agreement are subject to the reporting, announcement and annual review requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the Tourism Services Framework Agreement are over 0.1% but less than 5%, the transactions contemplated under the Tourism Services Framework Agreement are subject to the reporting, announcement and annual review requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

COMMERCIAL PROPERTIES MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcements of the Company dated 26 June 2019 and 13 May 2021 in relation to entering into of the 2019 Commercial Properties Management Services Framework Agreement and revision of the annual caps. As the 2019 Commercial Properties Management Services Framework Agreement is due to expire on 31 December 2021, the Company entered into the new Commercial Properties Management Services Framework Agreement with CCNL on 29 October 2021 (after trading hours) to renew the 2019 Commercial Properties Management Services Framework Agreement for three years commencing from 1 January 2022.

The principal terms of the Commercial Properties Management Services Framework Agreement are as follows:

Date	29 October 2021
Parties	the Company (as service user); and CCNL (as service provider)
Term	1 January 2022 to 31 December 2024
Nature of transaction	CCNL Group shall provide the Commercial Properties Management Services and Advisory Consultation Services for the Group's commercial properties, including but not limited to hotels, office buildings, commercial complex, cultural tourism projects and other commercial properties.

The parties shall enter into separate agreements prescribing the detailed scope of services, terms and conditions for specific commercial properties of the Group as and when necessary.

Fees and pricing policy

- A. The fees payable by the Group to CCNL Group in respect of hotels shall comprise of (i) basic management fees; (ii) service fees; (iii) booking fees; (iv) incentive payment; and (v) project-based consultation fees, calculated in the following manners:
- (i) Basic management fees: Depending on the nature of the hotel projects (self-run hotel projects/entrusted hotel projects), basic fees shall be determined with reference to the total operation income in respect of self-run hotel projects or charged at a fixed rate per each hotel room in respect of entrusted hotel projects.
 - (ii) Service fees: Reference to the total operation income for self-run hotel projects.
 - (iii) Booking fees: Reference to total revenue per available room for self-run hotel projects.
 - (iv) Incentive payment: (a) as a percentage with reference to the excess over the targeted net operating profit for hotel operations or (b) as a percentage of monthly revenue for spa operation.
 - (v) Consultation fees: Consultation fees will be determined with reference to the nature and scope of the consultation services requested by the Group at a lump sum.

B. The fees payable by the Group to CCNL Group in respect of commercial properties (excluding hotels) shall comprise of (i) basic management service fee, (ii) business solicitation commission, (iii) incentive management service fee and (iv) opening incentive, calculated in the following manner:

(i) Basic management service fee: The service fee will be determined with reference to the project location, expected operation and management cost, market price and other factors at a fixed basic management service fee.

(ii) Business solicitation commission: a multiplier of the monthly standard rent applicable to the associated brand.

(iii) Incentive management service fee: During the operation period, the fee will be at a percentage of net operating profit over the budget; or at a percentage of operation income and profit.

(iv) Opening incentive: At different fixed fees per square meter in prefecture (county) level cities, and in provincial capitals.

C. The fees payable by the Group to CCNL Group in respect of cultural tourism projects of the Company shall comprise of (i) opening planning service fee, (ii) basic management service fee, (iii) incentive management service fee, and (iv) consultation service fee, calculated in the following manners:

- (i) Opening planning service fee: at a fixed fee per project;
- (ii) Basic management service fee: at a percentage of the revenue of a project;
- (iii) Incentive management service fee: During the operation period, the fee will be at a percentage of net operating profit over the budget; and
- (iv) Consultation service fee: Depending on the project progress, the consultation service fee will be determined with reference to the nature and scope of the consultation services and at a fixed rate per project.

The above service fees were determined by the parties after arm's length negotiations and on normal commercial terms with reference to (i) the nature and scope of the services, and the nature of the hotels; (ii) stage of the project (preparation or operation stage) and location of the commercial properties; (iii) anticipated operation and management cost; and (iv) prevailing market rates for comparable services.

Details of the payment mechanism for the fees and payments due to CCNL Group for the Commercial Properties Management Services and Advisory Consultation Services provided to the Group will be specified in the separate agreements to be entered into by the parties.

Historical transaction amount, annual caps and basis for determining the annual caps

The following table sets out the historical transaction amounts of the Commercial Properties Management Services and Advisory Consultation Services provided by CCNL Group to the Group under the 2019 Commercial Properties Management Services Framework Agreement and the existing annual caps:

	For the financial year commencing from 1 January		
	2019	2020	2021
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Annual cap	35,000,000	54,000,000	115,000,000
Actual transaction amount	26,897,000	40,212,000	49,170,000 (9 months ended 30 September 2021)

The following table sets out the proposed annual caps for the Commercial Properties Management Services and Advisory Consultation Services to be provided by CCNL Group to the Group under the Commercial Properties Management Services Framework Agreement:

	For the financial year commencing from 1 January		
	2022	2023	2024
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Annual cap	105,000,000	115,000,000	120,000,000

In considering the annual caps for the Commercial Properties Management Services Framework Agreement, the Directors have considered a number of factors, including, among other things: (i) the historical transaction amounts and volume of the Commercial Properties Management Services and Advisory Consultation Services; (ii) the steady growth of the Group's commercial properties; (iii) the anticipated restoration and pickup of the cultural tourism sector which was hit by COVID-19 in the past two years; and (iv) the estimated fees payable calculated based on the abovementioned formula and number of commercial properties of the Group.

TOURISM SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company in relation to the 2019 Tourism Services Framework Agreement dated 30 January 2019. As the 2019 Tourism Services Framework Agreement is due to expire on 31 December 2021, the Company entered into the new Tourism Services Framework Agreement with CCNL on 29 October 2021 (after trading hours) to renew the 2019 Tourism Services Framework Agreement for three years commencing from 1 January 2022.

The principal terms of the Tourism Services Framework Agreement are as follows:

Date	29 October 2021
Parties	(1) the Company (as service user); and (2) CCNL (as service provider)
Term	1 January 2022 to 31 December 2024
Nature of transaction	CCNL Group shall provide Tourism Services to the Group, i.e. customized service solutions for business tourism and theme tourism of the Group and corresponding services provided to parties designated by the Group.

The parties shall enter into separate agreements prescribing the detailed scope of services, terms and conditions of each project as and when necessary.

Fees and pricing policy

The fees payable by the Group to CCNL Group in respect of the Tourism Services shall be determined with reference to (i) the degree of customization of the Tourism Services; (ii) the estimated cost involved (including but not limited to costs of transportation, accommodation, catering, entrance tickets and other travel-related expenditures); and (iii) prevailing market prices for comparable projects and comparable services. The fees shall not be higher than the prevailing market rates.

The fees are determined by the parties after arm's length negotiations and on normal commercial terms with reference to the prevailing market rates for the relevant services and in line with market practice. Such rates are no less favorable than those charged by CCNL Group for comparable services provided to independent third parties.

Details of the payment mechanism for the fees and payments due to CCNL Group for the Tourism Services provided to the Group will be specified in the separate agreements to be entered into by the parties.

Historical transaction amount, annual caps and basis for determining the annual caps

The following table sets out the historical transaction amounts of the Tourism Services provided by CCNL Group to the Group and the existing annual caps under the 2019 Tourism Services Framework Agreement:

	For the financial year commencing from 1 January		
	2019 <i>(RMB)</i> <i>(Audited)</i>	2020 <i>(RMB)</i> <i>(Audited)</i>	2021 <i>(RMB)</i> <i>(Unaudited)</i>
Annual cap	39,000,000	48,000,000	67,500,000
Actual transaction amount	35,715,000	22,403,000	20,990,000 (for the 9 months ended 30 September 2021)

The following table sets out the proposed annual caps for the Tourism Services to be provided by CCNL Group to the Group under the Tourism Services Framework Agreement:

	For the financial year commencing from 1 January		
	2022 <i>(RMB)</i>	2023 <i>(RMB)</i>	2024 <i>(RMB)</i>
Annual cap	50,000,000	70,000,000	100,000,000

In considering the annual caps for the Tourism Services Framework Agreement, the Directors have considered a number of factors including, among other things: (i) the historical transaction amounts and volume of the Tourism Services; (ii) the expected demand for the Tourism Services from the Group in the next three years based on (a) the expected number of tourists and tours taking into account the Group's upcoming property projects and future property development plan, and (b) business events of the Group; and (iii) the estimated costs involved calculated by multiplying the estimated average cost per tourist by the estimated number of tourists. The historical transaction amounts of the Tourism Services were lower than expected due to the decline in the number of tours and tourists as a result of travel restrictions caused by COVID-19. It is currently expected that travel tours and business travel will gradually restore in the coming three years and the Group will continue to launch new property projects where corresponding sizeable business events will be organized for pushing up the sales of properties.

REASONS FOR AND BENEFITS OF THE COMMERCIAL PROPERTIES MANAGEMENT SERVICES FRAMEWORK AGREEMENT AND THE TOURISM SERVICES FRAMEWORK AGREEMENT

CCNL is a leading property management service provider in the central China region, providing comprehensive property management services, including property management and related value-added services, lifestyle services (such as travel services) and commercial property management and consultation services. The Group has a long-standing and well-established business relationship with CCNL Group. Given the long history of business relationship, CCNL Group has developed a well-established understanding in the Group's business and is familiar with the standards and requirements of the Group; hence, is able to provide customized services to the Group to meet our specific needs.

The Directors (including independent non-executive Directors) are of the view that (i) each of the Commercial Properties Management Services Framework Agreement and the Tourism Services Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) the terms of each of the Commercial Properties Management Services Framework Agreement and the Tourism Services Framework Agreement and their respective annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

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

- (a) the finance department and other relevant departments of the Group will continuously inspect and regularly collect and evaluate the pricing principles, transaction terms and actual transaction amounts under the relevant Framework Agreements, and will obtain quotations from at least two independent third-party service providers for comparable services in order to determine the prevailing market rates, to ensure that the transactions thereunder are conducted on normal commercial terms or on terms no less favorable than those available from independent third parties and that the total transaction amount will not exceed the proposed annual caps; and
- (b) the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and transaction amount to ensure it is within the proposed annual caps under the relevant Framework Agreements.

DIRECTOR'S INTEREST IN THE CONTINUING CONNECTED TRANSACTIONS

To the best of the Directors' knowledge and belief after having made all reasonable enquiries, as at the date of this announcement, (i) Mr. Wu, indirectly owns more than 30% of the issued shares of CCNL; and (ii) Mr. Wang Jun, an executive Director and the chief executive officer of the Company, is the chairman of the board and the chief executive officer of CCNL, and both Mr. Wu and Mr. Wang Jun had abstained from voting on the relevant Board resolutions approving the Commercial Properties Management Services Framework Agreement, the Tourism Services Framework Agreement and the transactions contemplated thereunder for good corporate governance purpose. Save as disclosed above, no other Directors has a material interest in the Commercial Properties Management Services Framework Agreement, the Tourism Services Framework Agreement or the transactions contemplated thereunder and is required to abstain from voting on the relevant Board resolutions.

INFORMATION OF THE PARTIES

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

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

LISTING RULES IMPLICATION

As at the date of this announcement, CCNL is indirectly owned as to more than 30% by Mr. Wu. Mr. Wu is a controlling shareholder and a connected person of the Company. Accordingly, CCNL is an associate of Mr. Wu and thus a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Commercial Properties Management Services Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the Commercial Properties Management Services Framework Agreement are over 0.1% but less than 5%, the transactions contemplated under the Commercial Properties Management Services Framework Agreement are subject to the reporting, announcement and annual review requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the Tourism Services Framework Agreement are over 0.1% but less than 5%, the transactions contemplated under the Tourism Services Framework Agreement are subject to the reporting, announcement and annual review requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following terms shall have the following meanings unless the context otherwise requires:

“2019 Commercial Properties Management Services Framework Agreement”	the framework agreement entered into between the Company and CCNL on 26 June 2019 (as supplemented by a supplemental agreement dated 13 May 2021) for the provision of the Commercial Properties Management Services and Advisory Consultation Services by CCNL Group to the Group as detailed in the announcements of the Company dated 26 June 2019 and 13 May 2021
“2019 Tourism Services Framework Agreement”	the framework agreement entered into between the Company and CCNL on 30 January 2019 as detailed in the announcement of the Company of even date
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“CCNL”	Central China New Life Limited, a company incorporated under the laws of the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 9983), and a connected person of the Company
“CCNL Group”	CCNL and its subsidiaries
“Commercial Properties Management Services Framework Agreement”	the framework agreement entered into between the Company and CCNL on 29 October 2021 for the provision of the Commercial Properties Management Services and Advisory Consultation Services by CCNL Group to the Group

“Commercial Properties Management Services and Advisory Consultation Services”	the management services and advisory consultation services, including but not limited to hotels, office buildings, commercial complex, culture and tourism and other commercial projects, to be provided by CCNL Group to the Group’s Commercial Properties, as set out in the Commercial Properties Management Services Framework Agreement
“Company”	Central China Real Estate Limited (建業地產股份有限公司*), an exempted company established under the laws of the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning given to it under the Listing Rules
“controlling shareholder”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreements”	the Commercial Properties Management Services Framework Agreement and the Tourism Services Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 owns more than 30% of the shareholding interests in CCNL as at the date of this announcement

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tourism Service Framework Agreement”	the framework agreement entered into between the Company and CCNL on 29 October 2021 for the provision of the Tourism Services by CCNL Group to the Group
“Tourism Services”	the customized solution services for business tourism for the promotion of the Group’s business and other related ancillary services, provided or to be provided by CCNL Group to the Group, as set out under the Tourism Services Framework Agreement
“%”	per cent

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

Hong Kong, 29 October 2021

As at the date of this announcement, 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.

* *For identification purposes only*