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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
PROPOSED RENEWAL OF THE STRATEGIC COOPERATION
FRAMEWORK AGREEMENT**

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

**PROPOSED RENEWAL OF THE STRATEGIC COOPERATION
AGREEMENT**

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

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, DIT Manufacture is indirectly wholly-owned by Mr. Wu. Mr. Wu is a controlling Shareholder and a connected person of the Company. Accordingly, DIT Manufacture is an associate of Mr. Wu and thus a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The transactions contemplated under the 2022 Strategic Cooperation Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps of the 2022 Strategic Cooperation Framework Agreement is over 5%, the transactions contemplated under 2022 Strategic Cooperation Framework Agreement are subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

An Independent Board Committee has been formed to consider and advise the independent Shareholders as to whether the terms of the 2022 Strategic Cooperation Framework Agreement, the transactions contemplated and the proposed annual caps thereunder are 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. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the independent Shareholders in this respect.

The EGM will be held for the purposes of considering and approving 2022 Strategic Cooperation Framework Agreement (including the respective proposed annual caps thereunder). A circular containing, among other things, (i) further details in relation to the terms of 2022 Strategic Cooperation Framework Agreement (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 2022 Strategic Cooperation Framework Agreement (including the proposed annual caps); (iii) a letter from the Independent Financial Adviser containing its advice in respect of the 2022 Strategic Cooperation Framework Agreement (including the proposed annual caps); and (iv) a notice convening the EGM and the relevant proxy form, is currently expected to be despatched to the Shareholders on or before 4 January 2023.

RENEWAL OF THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

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

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

Date	:	9 December 2022 (after trading hours)
Parties	:	The Company (as service user); and DIT Manufacture (as service provider)
Term	:	From the Effective Date to 31 December 2025
Service Scope	:	Pursuant to the 2022 Strategic Cooperation Framework Agreement, DIT Manufacture and the members of its group, with the premise that the cost is reasonable and in compliance with laws and regulations, will provide services (including general contracting of construction, gardening, design and decorating, and general labour for the proposed real estate projects) to the Group. The Company and DIT Manufacture shall enter into separate agreements for detailed services scope in respect of various Agreed Services as and when necessary.

- Annual caps : The annual cap of the 2022 Strategic Cooperation Framework Agreement for FY2023, FY2024 and FY2025 shall be RMB4.0 billion, RMB5.0 billion and RMB6.0 billion respectively.
- Conditions Precedent : The Company shall obtain approval regarding the 2022 Strategic Cooperation Framework Agreement and the transactions contemplated thereunder from independent Shareholders at the EGM before the 2022 Strategic Cooperation Framework Agreement becomes officially effective.

SERVICES INTRODUCTION, PAYMENT TERMS AND PRICING POLICY

Services Scope and Introduction	Payment Terms	Pricing Policy (note)
Engineering design (i.e., engineering consultancy services i.e.(integrated design, research and development, consultancy and promotion) for the whole industrial chain of buildings)	20% of the total contract price shall be paid in advance within 30 days after signing the contract, and the subsequent payment shall be paid according to the actual progress of the project, and the payment ratio after the construction blueprint is submitted shall not be less than 60% of the contract price	Based on the average design price of the industry

Services Scope and Introduction	Payment Terms	Pricing Policy <i>(note)</i>
General traditional construction (i.e., building, installation project construction and the procurement and supply of raw material and equipment)	Project progress payment shall be made on the basis of 80% of the monthly completed output value before the completion and inspection and acceptance of the project; 85% of the corresponding contract price shall be made after the completion and qualification verification of the project; 90% of the completed output value shall be made after the transfer of houses to owners; 97% of the project settlement price shall be made after the completion of the settlement. 3% of the remaining settlement price shall be reserved as retention fund and returned in accordance with the return arrangement in respect of the retention fund stipulated in the warranty agreements between the Parties	Based on the type and purpose of the project buildings (house, low-rise apartment, multi-storey apartment, underground car parks etc, with the basic price ranged from RMB1,450 to RMB3,200 per sq.m.) per saleable area, and adjusted with the total number of stories and height of the project buildings (adjusted with a rate ranged from -8% to 8%, depending on the height and number of floors)
Prefabricated construction (i.e., building and construction)	20% of the consideration under the underlying master contract for the supply service of concrete prefabricated parts is to be paid as prepayment. The remainder shall be paid according to the progress of the project as stipulated in the payment terms of the general traditional construction described above	Based on the assembly ratio ($\leq 50\%$), on the basis of the general traditional construction pricing policy mentioned above, the price difference shall not exceed RMB500 per sq.m., and specific calculations shall be made on a case-by-case basis

Services Scope and Introduction	Payment Terms	Pricing Policy (note)
Gardening, decorating and general labour	To be negotiated on a case-by-case basis	To follow DIT Manufacture's standard pricing for such services and to be subject to discounts as agreed between the parties based on the specific nature and quantity of services requested

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

ANNUAL CAPS AND BASIS FOR DETERMINATION

The annual cap of the 2022 Strategic Cooperation Framework Agreement for FY2023, FY2024 and FY2025 shall be RMB4.0 billion, RMB5.0 billion and RMB6.0 billion respectively. In considering the annual caps for the 2022 Strategic Cooperation Framework Agreement, the Directors have considered a number of factors (including the number, progress, size, design, configuration, positioning, the nature of the demand for the respective services scope of the Agreed Services (which represents an modification of the scope from the Engineering Services offered under the 2019 Strategic Cooperation Framework Agreement), the historic utilization and overall planning of the Group's existing real estate projects and those projects to be developed in the next three years) to determine the potential contract amount related to the needs for the Agreed Services.

HISTORICAL TRANSACTION AMOUNT AND ANNUAL CAP

	FY 2020 <i>(RMB million)</i>	FY 2021 <i>(RMB million)</i>	FY2022 <i>(RMB million)</i>
Historical annual cap	3,000	5,000	8,000
Actual transaction amount			For the nine months ended 30 September 2022
	(Audited)	(Audited)	(Unaudited)
	377.0	1,047.6	783.8

REASONS FOR AND BENEFITS OF RENEWING THE 2022 STRATEGIC COOPERATION FRAMEWORK AGREEMENT

The Group has been dedicated to providing superior products and promoting the overall progress of the society. It currently plans to transform and upgrade from the traditional construction industry to the high-tech manufacturing industry through the development of prefabricated buildings, seeking improvement in many aspects such as product quality and production efficiency. With the use of prefabricated buildings, construction waste can be decreased, construction water and revolving materials can be saved, and on-site labour and construction period can be reduced, so that buildings can be completed in higher quality with shortened construction period and lowered cost. Accordingly, the Group needs to seek suppliers to provide relevant engineering services. The 2022 Strategic Cooperation Framework Agreement was entered into in the ordinary and usual course of business of the Group.

The Directors (excluding Mr. Wu, who was required to abstain from voting on the relevant Board resolutions, and the independent non-executive Directors, whose views will be provided after taking into account the advice of the Independent Financial Adviser) are of the view that (i) the 2022 Strategic Cooperation 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 the 2022 Strategic Cooperation Framework Agreement and its 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 their terms under the abovementioned agreements, the Company has adopted the following internal control measures:

- (a) before entering into of individual agreement for each project, the relevant departments of the Group will obtain quotations from at least two Independent Third-Party service providers for comparable services in order to determine the prevailing market rates and will submit such quotations and individual agreement to the Group's finance department for approval;

- (b) the Group's finance department will continuously inspect and regularly collect and evaluate the pricing principles, transaction terms and actual transaction amounts under the abovementioned agreements to ensure that the transactions thereunder are conducted on normal commercial terms or on terms no less favourable than those available from Independent Third Parties and that the total transaction amount will not exceed the proposed annual caps;
- (c) during the term of the abovementioned agreements, if there is a likelihood that the proposed annual caps may be exceeded, the finance department of the Company will report the matter to the Company's senior management, who shall negotiate with DIT Manufacture to take remedial actions immediately, including the suspension of transactions. The Company shall renegotiate with DIT Manufacture to revise such annual caps and re-comply with all relevant laws and regulations and the Listing Rules (where applicable, the announcement requirement and the independent Shareholders' approval requirement); and
- (d) the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and transaction amount to ensure it is within the proposed annual caps under the abovementioned agreements.

DIRECTORS' INTERESTS IN THE CONTINUING CONNECTED TRANSACTIONS

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

INFORMATION OF THE PARTIES

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

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, DIT Manufacture 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, DIT Manufacture is an associate of Mr. Wu and thus a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The transactions contemplated under the 2022 Strategic Cooperation Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps of the 2022 Strategic Cooperation Framework Agreement is over 5%, the transactions contemplated under 2022 Strategic Cooperation Framework Agreement are subject to the reporting, announcement, annual review and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. An independent board committee has been formed to consider and advise the independent Shareholders as to whether the terms of the 2022 Strategic Cooperation Framework Agreement, the transactions contemplated thereunder, and its annual cap for each of the three years are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders as to how to vote at the EGM. The Independent Financial Adviser has been appointed to advise the independent board committee and the independent Shareholders in this respect.

A circular containing, among other things, (i) further details of the 2022 Strategic Cooperation Framework Agreement and the transactions contemplated thereunder; (ii) the recommendation of the independent board committee in connection with the 2022 Strategic Cooperation Framework Agreement; (iii) the advice of the Independent Financial Adviser to the independent board committee and the independent Shareholders; and (iv) a notice convening the EGM is expected to be dispatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Listing Rules.

DEFINITIONS

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

“2019 Strategic Cooperation Framework Agreement”	the strategic cooperation framework agreement dated 30 December 2019 entered between the Company and DIT Manufacture, the details of which are set out in the announcement dated 30 December 2019;
“2022 Strategic Cooperation Framework Agreement”	the framework agreement entered into by the Company and DIT Manufacture on 9 December 2022 in relation to the provision of Agreed Services to the Group by DIT Manufacture from the Effective Date to 31 December 2025;
“Agreed Services”	services (including engineering design, general traditional prefabricated construction, and gardening, decorating and general labour for the proposed development projects) provided by DIT Manufacture to the Group, as set out in the 2022 Strategic Cooperation Framework Agreement;
“associate(s)”	has the meaning given to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	Central China Real Estate Limited, 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;
“Director(s)”	the director(s) of the Company;
“DIT Manufacture”	Drawin Intelligent Manufacture Technology Industry Group Limited* (築友智造科技產業集團有限公司), a company incorporated in the PRC with limited liability and a connected person of the Company;
“Effective Date”	being the date on which the independent Shareholder approve of the 2022 Strategic Cooperation Framework Agreement at the EGM of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving the 2022 Strategic Cooperation Framework Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder;
“Engineering Services”	services (including engineering design, general contracting of construction, supply of concrete prefabricated parts, and supply and installation of decoration board for the proposed development projects) provided by DIT Manufacture to the Group, as set out in the 2019 Strategic Cooperation Framework Agreement;
“FY2020”	the year ended 31 December 2020;
“FY2021”	the year ended 31 December 2021;
“FY2022”	the year ending 31 December 2022;
“FY2023”	the year ending 31 December 2023;
“FY2024”	the year ending 31 December 2024;
“FY2025”	the year ending 31 December 2025;

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in relation to the transactions contemplated under the 2022 Strategic Cooperation Framework Agreement
“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;
“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, who is also the owner of more than 30% equity interest in DIT Manufacture as at the date of this announcement;
“party(ies)”	the Company and/or DIT Manufacture;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“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;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited; and

“%”

per cent

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

Hong Kong, 9 December 2022

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

* *For identification purposes only*