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C&D INTERNATIONAL INVESTMENT GROUP LIMITED **C&D Property Management Group Co., Ltd**
建發國際投資集團有限公司 建發物業管理集團有限公司
(Incorporated in the Cayman Islands with limited liability) *(Incorporated in the British Virgin Islands with limited liability)*
(Stock Code: 1908) (Stock Code: 2156)

CONTINUING CONNECTED TRANSACTION IN RELATION TO COMMERCIAL ENTRUSTED OPERATION AND MANAGEMENT

ENTRUSTED MANAGEMENT AGREEMENT

The C&D International Board and the C&D Property Board are pleased to announce that on 26 November 2024 (after trading hours), C&D Commercial Management and Chengdu RSM entered into the Entrusted Management Agreement, pursuant to which Chengdu RSM has entrusted C&D Commercial Management to provide commercial operations preparation, tenant sourcing and operational services, and post-opening management services for the Project, for the period from 26 November 2024 to the end of the Operating Period (i.e. ten years after the Project's official opening).

LISTING RULES IMPLICATIONS

For C&D International

C&D Property is a subsidiary of C&D International. Chengdu RSM is a wholly-owned subsidiary of RSM, and both C&D International and RSM are under the control of Xiamen C&D. Therefore, Chengdu RSM is a connected person of C&D International. Accordingly, the transactions contemplated under the Entrusted Management Agreement constitute continuing connected transactions of C&D International under the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Entrusted Management Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Entrusted Management Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For C&D Property

Chengdu RSM is a wholly-owned subsidiary of RSM, and both C&D Property and RSM are under the control of Xiamen C&D. Therefore, Chengdu RSM is a connected person of C&D Property. Accordingly, the transactions contemplated under the Entrusted Management Agreement constitute continuing connected transactions of C&D Property under the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Entrusted Management Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Entrusted Management Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Entrusted Management Agreement exceeds three years, C&D International and C&D Property appointed Draco Capital as the independent financial adviser to explain why the Entrusted Management Agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

ENTRUSTED MANAGEMENT AGREEMENT

The C&D International Board and the C&D Property Board are pleased to announce that on 26 November 2024 (after trading hours), C&D Commercial Management and Chengdu RSM entered into the Entrusted Management Agreement, the principal terms of which are summarized below:

Date: 26 November 2024

Parties: (i) Chengdu RSM; and
(ii) C&D Commercial Management

Term of entrustment: From 26 November 2024 to the day before the Project's official opening (the "**Preparation Period**", which is expected to be approximately 11 months), and from the date of the Project's official opening to ten years after the official opening of the Project (the "**Operating Period**").

Method of entrustment: Chengdu RSM has entrusted C&D Commercial Management to provide certain operation and management services for the Project, including but not limited to (i) opening preparation services, consultation services, tenant sourcing and operational services during the Preparation Period; and (ii) post-opening management services during the Operating Period.

Chengdu RSM shall be responsible for all costs related to design, tendering, construction, and on-site management of the Project.

Scope of entrustment: The commercial portion of the MKL Life Aesthetics Center (MKL 生活美學中心) located at No. 2608, South Section of Tianfu Avenue, Chengdu, Sichuan Province (四川省成都市天府大道南段2608號), with a total gross floor area of 114,028 square meters (including 88,657 square meters of project property (excluding parking lot) and 25,371 square meters of parking lot), together with permanent facilities, fixtures and fittings ancillary to the Project, and other improvements connected to the buildings that form part of the Project, as well as all entrances, exits, passage rights, easements and accessories belonging to or appurtenant to the foregoing.

The scope of entrusted services includes all stores, mall public areas, outdoor plazas, parking lots, commercial management offices, temporary commercial spaces, public squares, advertising spaces, commercial operating public facilities and underground machinery rooms of the Project, etc.

Fees:

(1) During the Preparation Period:

- (i) Preliminary planning consultancy fee of RMB1 million;
- (ii) Tenant sourcing commission

In the event that occupancy rate of the Project fails to achieve or achieves certain levels at its official opening, Chengdu RSM shall pay the tenant sourcing commission to C&D Commercial Management at the rate of 1.5 times or 2 times of the average monthly rent of the tenants in the first lease year.

If, due to reasons on the part of C&D Commercial Management, the Project fails to officially open by the date as may be agreed between the parties, or if the occupancy rate fails to reach a certain level on the official opening date, C&D Commercial Management will not receive any tenant sourcing commission.

(2) During the Operating Period:

Annual operation management commission

Chengdu RSM shall pay C&D Commercial Management operation management commission each year which will be determined based on profit-sharing method, with a tiered rate ranging from 0% to 60% of the actual Operating Profit depending on the Operating Profit Achievement Rate of such year. If the Operating Profit Achievement Rate falls below a certain threshold, C&D Commercial Management shall not receive any operation management commission for such year.

Payment method:

- (1) Preliminary planning consultancy fee: 50% to be paid within two months after confirmation of the project proposal and 50% within 30 days after delivery of the Project;
- (2) Tenant sourcing commission: To be paid quarterly and settled within two months after the Project's official opening; and
- (3) Annual operation management commission: To be paid on an annual basis, and the operation management commission for the previous financial year shall be settled and paid in January of the following year.

Other terms: During the Preparation Period, based on preparation costs budget approved by Chengdu RSM, C&D Commercial Management shall submit a written application with a list of expenses attached to Chengdu RSM before the start of each quarter. Chengdu RSM will prepay the corresponding amount to C&D Commercial Management upon confirmation of the aforesaid application and payment terms, and the parties will settle the operating expenses of the Project incurred during the Preparation Period after the Project officially opens.

During the Operating Period, based on the operating budget approved by Chengdu RSM, C&D Commercial Management shall submit a written application to Chengdu RSM with a detailed list for the operating expenses of the Project before the beginning of each quarter. Chengdu RSM shall prepay the corresponding amount to C&D Commercial Management upon confirmation of such application and payment terms. The parties shall account for the operating expenses of the Project on a semi-annual basis and settle the same at the end of the Operating Period.

If the Operating Profit Achievement Rate falls below the agreed minimum level for two consecutive years, or if both the average occupancy rate and the annual rental collection rate of the Project fail to meet the specified standards for two consecutive years, Chengdu RSM shall have the right to terminate the Entrusted Management Agreement.

ANNUAL CAPS

During the term of the Entrusted Management Agreement, the annual caps for the transactions contemplated under the Entrusted Management Agreement are as follows:

Unit: RMB0'000

Period/Year	Annual cap
November and December 2024	100
2025	3,500
2026	5,000
2027	5,600
2028	6,200
2029	6,700
2030	7,000
2031	7,300
2032	7,600
2033	7,900
2034	8,200
2035	8,500

The annual caps are determined with reference to, among other things, (i) the scope of entrusted management; (ii) the estimated Operating Profit and costs and expenses of the Project during the term of the Entrusted Management Agreement; (iii) the estimated fees to be charged by C&D Commercial Management pursuant to the fee rates contemplated under the Entrusted Management Agreement, including the service fee and commission to be paid by Chengdu RSM to C&D Commercial Management, as well as the preparation costs during the Preparation Period of the Project and the operating expenses during the Operating Period of the Project; and (iv) a reasonable buffer amount required after taking into account the potential Operating Profit of the Project achievable under different market conditions and potential inflation in costs and expenses.

HISTORICAL TRANSACTION AMOUNTS

Since C&D Commercial Management did not conduct any similar transactions with Chengdu RSM in respect of the provision of commercial entrusted operation and management in the past, there are no historical transaction amounts between C&D Property Group and Chengdu RSM.

OPINIONS OF THE INDEPENDENT FINANCIAL ADVISER

As the term of the Entrusted Management Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Draco Capital as the independent financial adviser to explain why the Entrusted Management Agreement requires a duration longer than three years and to confirm that it is a normal business practice for agreements similar to the Entrusted Management Agreement to be of such duration.

In formulating its opinion pursuant to Rule 14A.52 of the Listing Rules, the IFA has taken into account the following principal factors:

- (i) Chengdu RSM is principally engaged in site leasing management. RSM and its subsidiaries are engaged in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls;
- (ii) C&D Property Group is principally engaged in property management services, community value-added and synergy services, value-added services to non-property owners and commercial property operation management services in the PRC;
- (iii) the Entrusted Management Agreement enables C&D Commercial Management to commence its long-term cooperation with Chengdu RSM, which also facilitates C&D Property Group to generate stable commercial property management income from Chengdu RSM, thereby broadening C&D Property Group's income base and promoting further business growth of C&D Property Group;

- (iv) given (a) Chengdu RSM has a reputable brand of MKL Life Aesthetics Center in the market, the management of C&D Property Group expects that the cooperation under the Entrusted Management Agreement shall have positive influence on the overall client portfolio of C&D Property Group; and (b) C&D Commercial Management, being the entrusted party, shall further develop the track record and reputation of C&D Property Group, thereby enhancing the competitiveness of C&D Property Group in the PRC's property management services sector going forward;
- (v) based on this announcement and discussion with management of C&D Property Group, the provision of commercial operations preparation, investment promotion and operation and post-opening management services for the Project shall be determined after arm's length negotiations between Chengdu RSM and C&D Commercial Management, and no less favourable to C&D Property Group than those offered to independent third parties, determined by a pricing mechanism with reference to any previous or ongoing property service agreements, the prevailing market fee level of comparable properties with similar specifications, size, location, usage and nature of the properties in the vicinity of the properties to be serviced; and
- (vi) as advised by the management of C&D Property Group, it is the usual practice of C&D Property Group to offer long-term management services of over three years. The IFA has obtained and reviewed samples of property management contract for the management services entered into between members of C&D Property Group and independent third parties. Based on the review of the abovementioned sampled contracts by the IFA, the IFA noted that the service term of the sampled contracts ranged from 5 years to 20 years, and the term for the transactions contemplated under the Entrusted Management Agreement falls within such range.

Based on the above, the IFA is of the view that entering into the Entrusted Management Agreement with a term of longer than three years is necessary and is in line with the industry practice for agreements of this type to be of such duration.

INFORMATION ABOUT THE PARTIES TO THE ENTRUSTED MANAGEMENT AGREEMENT

C&D Commercial Management is a company established in the PRC with limited liability and a wholly-owned subsidiary of C&D Property, and is principally engaged in management of commercial conglomerate and enterprises management consultancy.

Chengdu RSM is a company established in the PRC with limited liability, and a wholly-owned subsidiary of RSM. Chengdu RSM is principally engaged in site leasing management. RSM and its subsidiaries are engaged in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under "Red Star Macalline" through the operation and management of both Portfolio Shopping Malls and Managed Shopping Malls. RSM and its subsidiaries are also involved in pan home furnishings consumption services, including internet retail, home decoration and design.

APPROVAL BY THE BOARD

To the best of the knowledge, information and belief of the C&D International Directors and having made all reasonable enquiries, none of the C&D International Directors had material interest in the transactions contemplated under the Entrusted Management Agreement, and accordingly none of the C&D International Directors was required to abstain from voting on the board resolution for approving the transactions contemplated under the Entrusted Management Agreement.

To the best of the knowledge, information and belief of the C&D Property Directors and having made all reasonable enquiries, none of the C&D Property Directors had material interest in the transactions contemplated under the Entrusted Management Agreement, and accordingly none of the C&D Property Directors was required to abstain from voting on the board resolution for approving the transactions contemplated under the Entrusted Management Agreement.

INTERNAL CONTROL

For effective implementation of the Entrusted Management Agreement, C&D International and C&D Property have adopted the following internal control procedures:

- (1) C&D Property's financial department shall monitor the continuing connected transactions, and it will examine and review relevant information and materials, to ensure compliance with the requirements of the Listing Rules;
- (2) The independent non-executive directors of C&D International and C&D Property will review the transactions under the Entrusted Management Agreement, to ensure that its terms are fair and reasonable, and the transactions thereunder are entered into in the ordinary and usual course of business of C&D Property, on normal commercial terms, and in the interest of C&D International and C&D Property and their shareholders as a whole; and
- (3) The auditors of C&D International and C&D Property will conduct an annual review on the pricing policy and caps of the transactions under the Entrusted Management Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED MANAGEMENT AGREEMENT

C&D International

C&D International Group is principally engaged in the businesses of real estate development, real estate industry chain investment services and investment in emerging industries in the PRC.

The C&D International Board (including the independent non-executive directors) are of the opinion that C&D Commercial Management is a professional commercial operation and management company under C&D Property, specializing in the management and operation of various commercial projects with rich experience in investment promotion and operation.

The entering into of the Entrusted Management Agreement is in line with the business development strategy of C&D Commercial Management and is conducive to the expansion of the business scope and scale of C&D Commercial Management.

The C&D International Board (including the independent non-executive directors) consider that the Entrusted Management Agreement is entered into on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of C&D International Group and in the interests of C&D International and its shareholders as a whole.

C&D Property

C&D Property Group is principally engaged in property management services, community value-added and synergy services, value-added services to non-property owners and commercial property operation management services in the PRC.

The C&D Property Board (including the independent non-executive directors) are of the opinion that C&D Commercial Management has been expanding the breadth and depth of its commercial operation and management business in recent years, and therefore the entering into of the Entrusted Management Agreement is in line with the business development strategy of C&D Commercial Management and is conducive to the expansion of the business scope and scale of C&D Commercial Management, thus further enhancing the brand influence of C&D Commercial Management. Meanwhile, the fees to be charged by C&D Commercial Management under the Entrusted Management Agreement were determined after arm's length negotiations between the parties and are not lower than the level of fees charged by C&D Commercial Management to independent third parties for similar entrusted management services.

The C&D Property Board (including the independent non-executive directors) consider that the Entrusted Management Agreement is entered into on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of C&D Property Group and in the interests of C&D Property and its shareholders as a whole.

LISTING RULES IMPLICATIONS

For C&D International

C&D Property is a subsidiary of C&D International. Chengdu RSM is a wholly-owned subsidiary of RSM, and both C&D International and RSM are under the control of Xiamen C&D. Therefore, Chengdu RSM is a connected person of C&D International. Accordingly, the transactions contemplated under the Entrusted Management Agreement constitute continuing connected transactions of C&D International under the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Entrusted Management Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Entrusted Management Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For C&D Property

Chengdu RSM is a wholly-owned subsidiary of RSM, and both C&D Property and RSM are under the control of Xiamen C&D. Therefore, Chengdu RSM is a connected person of C&D Property. Accordingly, the transactions contemplated under the Entrusted Management Agreement constitute continuing connected transactions of C&D Property under the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Entrusted Management Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Entrusted Management Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“BVI”	the British Virgin Islands
“C&D Commercial Management”	C&D Commercial Management Commercial Management Company Limited* (廈門建發商業管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of C&D Property, which includes its subsidiaries and affiliates under the Entrusted Management Agreement
“C&D International”	C&D International Investment Group Limited (建發國際投資集團有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and a controlling shareholder of C&D Property
“C&D International Board”	the board of directors of C&D International
“C&D International Directors”	the directors of C&D International
“C&D International Group”	C&D International and its subsidiaries
“C&D Property”	C&D Property Management Group Co., Ltd (建發物業管理集團有限公司), a BVI business company incorporated in the BVI with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“C&D Property Board”	the board of directors of C&D Property
“C&D Property Directors”	the directors of C&D Property
“C&D Property Group”	C&D Property and its subsidiaries

“Chengdu RSM”	Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Co., Ltd.* (成都紅星美凱龍天府世博家居廣場有限公司), a company established in the PRC with limited liability, and a wholly-owned subsidiary of RSM
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Entrusted Management Agreement”	the agreement dated 26 November 2024 entered into between C&D Commercial Management and Chengdu RSM in relation to the commercial entrusted operation and management services to be provided by C&D Commercial Management to Chengdu RSM for the Project
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA” or “Draco Capital”	Draco Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser of C&D International and C&D Property pursuant to Rule 14A.52 of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operating Period”	the period commencing from the official opening date of the Project and ending on the expiration or termination date of the Entrusted Management Agreement
“Operating Profit”	the income of the Project after deducting operating expenses, including but not limited to (i) property costs; (ii) energy costs; (iii) store renovation cost; (iv) amortization of fit-out costs; (v) labor costs; (vi) administrative expenses; (vii) marketing expenses; and (viii) taxes
“Operating Profit Achievement Rate”	calculated by dividing the actual Operating Profit in the current year by the budgeted Operating Profit in the current year
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project”	the project concerning the MKL Life Aesthetics Center in Chengdu City of Sichuan Province
“RMB”	Renminbi, the lawful currency of the PRC

“RSM”	Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), a sino-foreign joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange and A Shares are listed on the Shanghai Stock Exchange under the stock code 1528 and 601828, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiamen C&D”	Xiamen C&D Co., Ltd (廈門建發股份有限公司, a company listed on the Shanghai Stock Exchange under the stock code: 600153), a controlling shareholder of each of C&D International and C&D Property and a substantial shareholder of RSM
“%”	per cent.

For and on behalf of the Board
**C&D International Investment Group
Limited**
Lin Weiguo
*Executive Director and Chief Executive
Officer*

For and on behalf of the Board
**C&D Property Management Group Co.,
Ltd**
Qiao Haixia
*Executive Director and Chief Executive
Officer*

Hong Kong, 26 November 2024

As at the date of this announcement, the C&D International Board comprises Ms. Zhao Chengmin (Chairperson), Mr. Lin Weiguo (Chief Executive Officer), Mr. Tian Meitan and Mr. Xu Yixuan as executive directors; Mr. Huang Wenzhou, Ms. Ye Yanliu and Mr. Zheng Yongda as non-executive directors; and Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul, Mr. Chan Chun Yee and Mr. Dai Yiyi as independent non-executive directors.

As at the date of this announcement, the C&D Property Board comprises Ms. Qiao Haixia (Chief Executive Officer) and Mr. Huang Danghui as executive directors; Mr. Lin Weiguo (Chairman) and Mr. Xu Yixuan as non-executive directors; and Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai as independent non-executive directors.

* *For identification purpose only*