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**DREAM EAST**  
梦东方

## **DREAMEAST GROUP LIMITED**

**夢東方集團有限公司**

*(Incorporated in Bermuda with limited liability and  
carrying on business in Hong Kong as “DreamEast Cultural Entertainment”)*

**(Stock Code: 593)**

## **CONTINUING CONNECTED TRANSACTION**

### **NEW PMS AGREEMENT**

On 18 October 2018, Beijing SkyOcean Foundation and Beijing Property Management entered into the New PMS Agreement, whereby Beijing Property Management shall provide the Property Management Services to Beijing SkyOcean Foundation for a period of three years from 19 October 2018 to 18 October 2021.

Prior to the entering of the New PMS Agreement, DreamEast Jiaxing, Jiashan Property Management, Hunan DreamEast and Hunan Property Management (as the case may be) entered into the Existing PMS Agreements.

## **LISTING RULES IMPLICATIONS**

As Beijing SkyOcean Foundation is an indirect wholly-owned subsidiary of the Company, the New PMS Agreement entered into by Beijing SkyOcean Foundation shall be transactions for the Company under the Listing Rules as the definition of “listed issuer” under the Listing Rules includes the listed issuer’s subsidiaries.

As at the date of this announcement, Beijing Property Management is indirectly owned as to 64% by Mr. Zhou, who is a Substantial Shareholder, the chairman, chief executive officer and an executive Director of the Company. Therefore, Beijing Property Management is regarded as a connected person of the Company under the Listing Rules. As a result, the entering of the New PMS Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

Following the entering into the New PMS Agreement, there is an update on the annual caps as compared to those disclosed in the section titled “Property Management Services Agreements” in the Previous Announcement. Pursuant to Rule 14A.54 of the Listing Rules, the Group is required to re-comply with Rule 14A.53 of the Listing Rules to set the Revised Annual Caps in respect of the transactions contemplated under the PMS Agreements.

As the relevant applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules in respect of the fees regarding the property management services payable by the Group to the Property Management Services Providers under the PMS Agreements exceed 0.1% but are below 5%, the transactions contemplated thereunder and the relevant annual caps are subject to reporting, announcement and annual review but are exempt from independent shareholders’ approval requirements under the Listing Rules.

## **NEW PMS AGREEMENT**

On 18 October 2018, Beijing SkyOcean Foundation and Beijing Property Management entered into the New PMS Agreement, whereby Beijing Property Management shall provide the Property Management Services to Beijing SkyOcean Foundation for a period of three years from 19 October 2018 to 18 October 2021.

The major terms of the New PMS Agreement are as follows:

- Date: 18 October 2018
- Parties: (i) Beijing SkyOcean Foundation; and  
(ii) Beijing Property Management
- Term: Three years commencing on 19 October 2018 and expiring on 18 October 2021
- Services: Beijing Property Management shall provide the Property Management Services to Beijing SkyOcean Foundation.
- Fees: Beijing SkyOcean Foundation shall pay an initial project planning and start-up fee of RMB500,000 (equivalent to approximately HK\$566,000) to Beijing Property Management, payable within one month from the date of the New PMS Agreement.

Beijing SkyOcean Foundation shall pay a monthly vacant property management fees to Beijing Property Management in the event that the vacancy rate of the units of the Beijing Project is greater than 5% for that month. The vacant property management fees payable shall be calculated based on the following formulae:

$$\text{vacant property management fee payable} = 50\% \times \frac{\text{the management fees charged by Beijing Property Management to the property owners of the units in the Beijing Project}^{(Note)}}{\text{(vacancy rate of the units in the Beijing Project - 5%)}}$$

*Note:* The monthly management fees for the residential and office use units, commercial use units, and car parks are RMB5.98 per sq. m., RMB7.98 per sq. m. and RMB150 per car park space, respectively.

The amount of the initial project planning and start-up fee and the vacant property management fees is determined after arm's length negotiations between the parties based on normal prevailing commercial practice, having taking into account prevailing market price chargeable by other services providers for providing property management services in the PRC which is identical to or similar with that supplied or agreed to be supplied under the New PMS Agreement. In particular, (i) the initial project planning and start-up fee is determined having regard to the estimated project planning and start-up cost incurred by Beijing Property Management and the scale of the Beijing Project; and (ii) the vacant property management fees is determined having regard to the scale and anticipated vacancy rate of the Beijing Project, the estimated cost in providing the Property Management Services, and the Property Management fees.

## **EXISTING PMS AGREEMENTS**

Prior to the entering of the New PMS Agreement, DreamEast Jiaxing, Jiashan Property Management, Hunan DreamEast and Hunan Property Management (as the case may be) entered into the Existing PMS Agreements. A summary of the Existing PMS Agreements is set out as follows:

Date: 19 July 2018

Parties: Party A:  
(i) DreamEast Jiaxing; or  
(ii) Hunan DreamEast, as the case may be, each being a Party A under the respective Existing PMS Agreement

Party B:  
(i) Jiashan Property Management; or  
(ii) Hunan Property Management, as the case may be, each being a Party B under the respective Existing PMS Agreement

Term: Two years commencing on 1 August 2018 and expiring on 31 July 2020

Services: Jiashan Property Management shall plan and provide to DreamEast Jiaxing, and Hunan Property Management shall plan and provide to Hunan DreamEast, the property management services (including but not limited to security, maintenance, cleaning and carpark management), respectively.

Fees: The management fees will be payable by the Group on a monthly basis having regard to the personnel required for the provision of the property management services and quality of the property management services. The amount of management fees is determined after arm's length negotiations between the parties.

The Group decided to adopt a framework pricing basis, given the property management services comprise a diverse range of services including but not limited to security, maintenance, cleaning and carpark management services, the provision (and the extent of provision) of which may or may not be required depending on the actual circumstances during the tenure of the Existing PMS Agreements; and as such, the quantity, experience and expertise of personnel to be allocated by Jiashan Property Management and Hunan Property Management may differ in a huge extent and could only be ascertained based on real-time operational needs.

## **REVISED ANNUAL CAPS**

In determining the annual caps, the Directors have taken into consideration the existing scale of the Group's operations, the anticipated business growth of the Group, the estimated project planning and start-up cost incurred by Beijing Property Management, the scale and the anticipated vacancy rate of the units of the Beijing Project, the anticipated increase in the cost of the Property Management Services Providers in providing the property management services, it is expected that the aggregate amount payable by the Group to the Property Management Services Providers under the PMS Agreements for the years ending 31 December 2018, 2019, 2020 and 2021 would not exceed RMB5,867,000 (equivalent to approximately HK\$6,638,000), RMB13,080,000 (equivalent to approximately HK\$14,800,000), RMB7,773,000 (equivalent to approximately HK\$8,796,000) and RMB540,000 (equivalent to approximately HK\$611,000), which are the Revised Annual Caps for the corresponding period.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Property Management Services Providers are principally engaged in the provision of property management services. The Board considers that the Group's business will be improved by the provision of quality services by the Property Management Services Providers.

In order to assess whether the transactions contemplated under the PMS Agreements would be conducted on normal commercial terms, the Group has (i) obtained the prevailing market price chargeable and the basis thereof by at least two independent services providers for providing property management services in the PRC which is identical to or similar with that supplied or agreed to be supplied under the PMS Agreements; (ii) conducted a review by the procurement department of the Group by comparing the terms offered by such independent services providers and the Property Management Services Providers; and (iii) arranged the review by the procurement department to be approved by the management of the Group having considered, among others, background, track record and commercial terms offered by the independent services providers and the Property Management Services Providers.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the PMS Agreements (including the Revised Annual Caps) were entered into after arm's length negotiations and reflect normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As Beijing SkyOcean Foundation is an indirect wholly-owned subsidiary of the Company, the New PMS Agreement entered into by Beijing SkyOcean Foundation shall be transactions for the Company under the Listing Rules as the definition of "listed issuer" under the Listing Rules includes the listed issuer's subsidiaries.

As at the date of this announcement, Beijing Property Management is indirectly owned as to 64% by Mr. Zhou, who is a Substantial Shareholder, the chairman, chief executive officer and an executive Director of the Company. Therefore, Beijing Property Management is regarded as a connected person of the Company under the Listing Rules. As a result, the entering of the New PMS Agreement constitute a continuing connected transaction of the Company under the Listing Rules.

Following the entering into the New PMS Agreement, there is an update on the annual caps as compared to those disclosed in the section titled “Property Management Services Agreements” in the Previous Announcement. Pursuant to Rule 14A.54 of the Listing Rules, the Group is required to re-comply with Rule 14A.53 of the Listing Rules to set the Revised Annual Caps in respect of the transactions contemplated under the PMS Agreements.

As the relevant applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules in respect of the fees regarding the property management services payable by the Group to the Property Management Services Providers under the PMS Agreements exceed 0.1% but are below 5%, the transactions contemplated thereunder and the relevant annual caps are subject to reporting, announcement and annual review but are exempt from independent shareholders’ approval requirements under the Listing Rules.

Beijing Property Management is indirectly owned as to 64% by Mr. Zhou (being the Substantial Shareholder, the chairman, chief executive officer and an executive Director of the Company). As such, Mr. Zhou is deemed to be interested in the PMS Agreements, and has abstained from voting on the relevant board resolutions of the Company. Apart from the above, none of the Directors has any material interest in the PMS Agreements and is required to abstain from voting on the board resolutions approving the PMS Agreements and the transactions contemplated thereunder.

## **INFORMATION ON THE GROUP AND BEIJING PROPERTY MANAGEMENT**

### **The Group**

The Company is an investment holding company incorporated in Bermuda with limited liability and listed on the Main Board. The Group is principally engaged in the operation of tourist resorts and theme parks under the brand name of “DreamEast”, as well as property development.

### **Beijing Property Management**

Beijing Property Management is a company incorporated in the PRC with limited liability and is indirectly owned as to 64% by Mr. Zhou. It is principally engaged in the business of provision of property management services.

## DEFINITIONS

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

“Beijing Project”	a piece of land situated in Beijing, the PRC with a total gross floor area for construction of approximately 190,000 s.m. for office, commercial and carpark use
“Beijing Property Management”	Tianrong Property Management Services Company Limited Beijing Branch* (天融物業服務有限公司北京分公司), a company incorporated in the PRC with limited liability which is indirectly owned as to 64% by Mr. Zhou
“Beijing SkyOcean Foundation”	Beijing SkyOcean Foundation Investments Co., Ltd* (北京天洋基業投資有限公司), a company incorporated in the PRC with limited liability, which is indirectly wholly-owned by the Company
“Board”	the board of Directors
“Company”	DreamEast Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board (stock code: 593)
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“DreamEast Jiaxing”	DreamEast (Jiaxing) Cultural Investment Company Limited* (夢東方(嘉興)文化投資有限公司), a company incorporated in the PRC with limited liability which is an indirect wholly-owned subsidiary of the Company



“Existing PMS Agreement(s)”	<p>(1) the agreement dated 19 July 2018 entered into between DreamEast Jiaxing and Jiashan Property Management for the provision of property management services by Jiashan Property Management to DreamEast Jiaxing</p> <p>(2) the agreement dated 19 July 2018 entered into between Hunan DreamEast and Hunan Property Management for the provision of property management services by Hunan Property Management to Hunan DreamEast</p>
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan DreamEast”	Hunan DreamEast Culture Development Company Limited* (湖南夢東方文化發展有限公司), a company incorporated in the PRC with limited liability which is an indirect wholly-owned subsidiary of the Company
“Hunan Property Management”	Hunan Tianrong Property Management Services Company Limited* (湖南天融物業服務有限公司), a company incorporated in the PRC with limited liability which is indirectly owned as to 64% by Mr. Zhou
“Jiashan Property Management”	Jiashan Tianrong Property Management Services Company Limited* (嘉善天融物業服務有限公司), a company incorporated in the PRC with limited liability which is indirectly owned as to 64% by Mr. Zhou
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Mr. Zhou”	Mr. Zhou Zheng, a Substantial Shareholder, the chairman, chief executive officer and an executive Director of the Company
“New PMS Agreement”	the agreement dated 18 October 2018 entered into between Beijing SkyOcean Foundation and Beijing Property Management for the provision of Property Management Services by Beijing Property Management to Beijing SkyOcean Foundation
“percentage ratio(s)”	has the meanings ascribed to it under Rule 14.07 of the Listing Rules
“PMS Agreements”	the Existing PMS Agreements and the New PMS Agreement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Previous Announcement”	the announcement issued by the Company on 19 July 2018 in respect of the continuing connected transactions of the Company
“Property Management Services”	the planning and provision of property management services (including but not limited to security, maintenance, cleaning and carpark management) provided by Beijing Property Management to Beijing SkyOcean Foundation as stipulated in the New PMS Agreement
“Property Management Services Providers”	Beijing Property Management, Jiashan Property Management and Hunan Property Management

“Revised Annual Cap(s)”	the aggregate annual cap amount payable by the Group to the Property Management Services Providers in respect of the property management services for the years ending 31 December 2018, 2019, 2020 and 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	having the meaning ascribed to it under the Listing Rules
“%”	per cent.

By Order of the Board  
**DREAMEAST GROUP LIMITED**  
**Sze Wing Kin, Pierre**  
*Company Secretary*

Hong Kong, 18 October 2018

*As at the date of this announcement, the Board comprises Mr. Zhou Zheng (Chairman and Chief Executive Officer), Mr. Lam Yu Yee, Benjamin (Vice Chairman) and Mr. Yang Lei being the executive Directors, and Mr. Li Chak Hung, Dr. Meng Xiaosu, Mr. Yang Buting and Mr. Zhao Daxin being the independent non-executive Directors.*

*For the purpose of this announcement, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of RMB1.00 equal to HK\$1.1315. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.*

\* *For identification purposes only*