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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 TRANSACTION  
REVISION OF ANNUAL CAP AND TERMS OF COMMERCIAL  
PROPERTIES MANAGEMENT SERVICES FRAMEWORK  
AGREEMENT**

Reference is made to the announcement of the Company dated 26 June 2019 in relation to (among others) the Commercial Properties Management Services Framework Agreement. The Board expects that (i) the business expansion of the Group will lead to greater demand for Commercial Properties Management Services and Advisory Consultation Services; (ii) the pricing model for the Group's cultural tourism projects under the Commercial Properties Management Services Framework Agreement will be adjusted; and (iii) the original annual cap under the Commercial Properties Management Services Framework Agreement will be insufficient for FY2021.

On 13 May 2021, the Company and CCNL (replacing Henan CCNL as the former signing party under the Commercial Properties Management Services Framework Agreement) entered into the Supplemental Commercial Properties Management Services Framework Agreement to add and amend certain terms under the Commercial Properties Management Services Framework Agreement:

- (1) CCNL Group shall continue to provide the Group with the Commercial Properties Management Services and Advisory Consultation Services pursuant to the amended terms for a term commencing on 1 January 2021 and ending on 31 December 2021;
- (2) the original annual cap for FY2021 under the Commercial Properties Management Services Framework Agreement shall be increased; and
- (3) the pricing model for the provision of the Commercial Properties Management Services and Advisory Consultation Services for the Group's cultural tourism projects shall be specified.

Save as the above, the terms of the Supplemental Commercial Properties Management Services Framework Agreement shall remain the same as the Commercial Properties Management Services Framework Agreement. The Supplemental Commercial Properties Management Services Framework Agreement took effect from 13 May 2021, and the previous Commercial Properties Management Services Framework Agreement was terminated on the same day.

## **LISTING RULES IMPLICATIONS**

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 Supplemental 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 of the applicable percentage ratios in respect of the revised annual cap of the Supplemental Commercial Properties Management Services Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Supplemental Commercial Properties Management Services Framework Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 26 June 2019 in relation to (among others) the Commercial Properties Management Services Framework Agreement. The Board expects that (i) the business expansion of the Group will lead to greater demand for Commercial Properties Management Services and Advisory Consultation Services; (ii) the pricing model for the Group's cultural tourism projects under the Commercial Properties Management Services Framework Agreement will be adjusted; and (iii) the original annual cap under the Commercial Properties Management Services Framework Agreement will be insufficient for FY2021.

## **THE SUPPLEMENTAL COMMERCIAL PROPERTIES MANAGEMENT SERVICES FRAMEWORK AGREEMENT**

On 13 May 2021, the Company and CCNL (replacing Henan CCNL as the former signing party under the Commercial Properties Management Services Framework Agreement) entered into the Supplemental Commercial Properties Management Services Framework Agreement to add and amend certain terms under the Commercial Properties Management Services Framework Agreement:

- (1) CCNL Group shall continue to provide the Group with the Commercial Properties Management Services and Advisory Consultation Services pursuant to the amended terms for a term commencing on 1 January 2021 and ending on 31 December 2021;
- (2) the original annual cap for FY2021 under the Commercial Properties Management Services Framework Agreement shall be increased; and
- (3) the pricing model for the provision of the Commercial Properties Management Services and Advisory Consultation Services for the Group's cultural tourism projects shall be specified.

Save as the above, the terms of the Supplemental Commercial Properties Management Services Framework Agreement shall remain the same as the Commercial Properties Management Services Framework Agreement. The Supplemental Commercial Properties Management Services Framework Agreement took effect from 13 May 2021, and the previous Commercial Properties Management Services Framework Agreement was terminated on the same day.

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

- Date : 13 May 2021
- Parties : (1) The Company; and  
(2) CCNL (replacing Henan CCNL as the former signing party under the Commercial Properties Management Services Framework Agreement)
- Term : from 1 January 2021 to 31 December 2021
- Management service fees : Pursuant to the Supplemental Commercial Properties Management Services Framework Agreement, the fees payable in respect of the Commercial Properties Management Services and Advisory Consultation Services received for the cultural tourism projects include:
- (i) Opening preparation fee: for the provision of preparation and consultation services for the opening of cultural tourism projects, including assembly of the core team of the projects and employee recruitment and training, commercial planning and investment solicitation, and establishment of operating model and system, the fee shall be charged on a fixed-amount basis. The charging standard is RMB20 million per project;

- (ii) Basic management service fee: 9% of the project operation revenue (i.e. ticket proceeds and visitor expenditures);
- (iii) Incentive management service fee: charged in the course of operation of the project. The charging standard is 50% of the amount by which the net operating income exceeds the budget;
- (iv) Advisory consultation service fee: charged on a fixed-amount basis. Determined based on the stage of the project with reference to the nature, content, and scope of the consultation services. The charging standard is RMB1 million to RMB1.5 million per project.

Pricing basis : The management service fees were determined by the parties on arm's length basis and on normal commercial terms or better having regard to (i) the nature and scope of the services; and (ii) comparable market prices as quoted from independent service providers.

Annual cap : The annual cap for FY2021 will increase from the original annual cap of RMB56 million to the revised annual cap of RMB115 million.

Save as the above, the terms of the Supplemental Commercial Properties Management Services Framework Agreement shall remain the same as the Commercial Properties Management Services Framework Agreement, the details of which were set out in the announcement of the Company dated 26 June 2019.

## REASONS FOR REVISION OF THE ANNUAL CAP

The following table sets out the historical transaction amounts between the Company and its subsidiaries and Henan CCNL Group for FY2019, FY2020 and the four months ended 30 April 2021 under the Commercial Properties Management Services Framework Agreement:

	<b>FY2019</b> <i>(RMB)</i> (Audited)	<b>FY2020</b> <i>(RMB)</i> (Audited)	<b>FY2021</b> <i>(RMB)</i> (Unaudited)
Original annual cap	35,000,000	54,000,000	56,000,000
Historical transaction amount	26,900,000	40,200,000	15,900,000 (Four months ended 30 April 2021)

In FY2020, Jianye Huayi Brothers Movie Town of the Group overcame the adverse effects brought by the COVID-19 epidemic and achieved good results in business performance, operation management and brand building. Under the circumstance that the park was closed for 64 days from January 24 to March 27 due to epidemic prevention and control, and the Chinese new year holidays were missed, it recorded 1.9 million tourist visits for the whole year and the operating income reached nearly RMB240 million. The Group expects that, as mainland China achieves significant progress in overcoming the COVID-19 epidemic, the cultural tourism sector will see great demand in FY2021. In addition, some of the Group's cultural tourism projects will soon be fully operational or upgraded, including Unique in Henan Drama Magic City which will be premiered in the first half of 2021, and Yingtaogou Football Town of Jianye Central China Cultural Town which is constantly building and planning more sports, culture, leisure, health and other life projects. Development of Zhengping Fang in Luoyang, a large-scale cultural and tourism project of the Group, is currently under good progress. As such, the original annual cap for FY2021 will be insufficient to meet the demand of the Group for relevant services provided by the CCNL Group under the Commercial Properties Management Services Framework Agreement.

The Directors confirm that, from 1 January 2019 to the date of this announcement, the transaction amounts between the Company and its subsidiaries and the Henan CCNL Group under the Commercial Properties Management Services Framework Agreement are all within the original annual caps for the respective year/period.

The revised annual cap for FY2021 (RMB115 million) has been determined after taking into account the following factors: (i) the estimated fees payable by the Group for Commercial Properties Management Services and Advisory Consultation Services received for the cultural tourism projects calculated as per the model disclosed above; (ii) the incentive management service fee that might be payable by the Group for the cultural tourism projects; (iii) the estimation of the operating income (in terms of number of visitors and expected visitor expenditure) of the cultural tourism projects for FY2021; and (iv) the number of separate agreements entered into and expected to be entered into pursuant to the Commercial Property Management Services Framework Agreement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO SUPPLEMENTAL COMMERCIAL PROPERTIES MANAGEMENT SERVICES FRAMEWORK AGREEMENT**

As described above, the Group expects that for FY2021, the cultural tourism sector will see great demands, to the benefit of the Group's existing cultural tourism projects and those expected to commence operation soon. The Group needs to seek suppliers who provide corresponding Commercial Properties Management Services and Advisory Consultation Services to help the Group consolidate resources to develop its principal business. The services to be provided to the Group by CCNL under the Supplemental Commercial Properties Management Services Framework Agreement have been on no less favourable terms as compared with the services provided by Independent Third Parties, taking into account the track record of satisfactory services provided, service quality, price (including the above pricing basis for the cultural tourism projects), understanding of the business needs and operational requirements of the Group, and familiarity with the projects of the Group.

The Board (excluding Mr. Wu and Mr. Wang Jun who were required to abstain from voting on the relevant Board resolutions, but including the independent non-executive Directors) is of the view that the terms and conditions of the Supplemental Commercial Properties Management Services Framework Agreement have been negotiated on an arms' length basis and are on normal commercial terms, that the services thereunder are and will continue to be conducted in the ordinary and usual course of business of the Group and on arms' length basis, that the terms, revised annual cap and the transactions contemplated under the Supplemental Commercial Properties Management Services Framework Agreement are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

## **DIRECTORS' INTEREST IN THE ABOVE TRANSACTIONS**

As CCNL is indirectly owned as to more than 30% by Mr. Wu, Mr. Wu is deemed to be interested in the transactions contemplated under the Supplemental Commercial Properties Management Services Framework Agreement due to his interest in CCNL, and therefore has abstained from voting on the relevant Board resolutions. Mr. Wang Jun, an executive Director of the Company, due to his being the chairman of the board and the chief executive officer of CCNL, is also deemed to be interested in the transactions contemplated under the Supplemental Commercial Properties Management Services Framework Agreement, and therefore has also abstained from voting on the relevant Board resolutions. Save for those set out above, none of the Directors has a material interest in the transactions contemplated under the Supplemental Commercial Properties Management Services Framework Agreement 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 IMPLICATIONS**

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As one or more of the applicable percentage ratios in respect of the revised annual cap of the Supplemental Commercial Properties Management Services Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Supplemental Commercial Properties Management Services Framework Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under the Listing Rules.



## DEFINITIONS

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

“Board”	the board of Directors of the Company
“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 Henan CCNL on 26 June 2019 for the provision of the Commercial Properties Management Services and Advisory Consultation Services by Henan CCNL Group to the Group, details of which are set out in the announcement of the Company dated 26 June 2019
“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, cultural tourism projects and other commercial projects, provided or to be provided by CCNL and/or its group members to the Group’s Commercial Properties
“Company”	Central China Real Estate Limited, a 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 ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“FY 2019”	the year ended 31 December 2019
“FY 2020”	the year ended 31 December 2020
“FY 2021”	the year ending 31 December 2021
“Group”	the Company and its subsidiaries
“Henan CCNL”	Henan Central China New Life Service Co., Ltd.* (河南建業新生活服務有限公司), a company incorporated in the PRC with limited liability, being a subsidiary of CCNL and a connected person of the Company
“Henan CCNL Group”	Henan CCNL 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 Henan CCNL as at the date of this announcement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	share(s) in the share capital of the Company with a nominal value of HK\$0.1 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Commercial Properties Management Services Framework Agreement”

an agreement entered into by the Company and CCNL (replacing Henan CCNL as the former signing party under the Commercial Properties Management Services Framework Agreement) on 13 May 2021, to revise the annual cap for FY2021 and terms under the Commercial Properties Management Services and Advisory Consultation Services

“%”

per cent

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

Hong Kong, 13 May 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