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CENTRAL CHINA MANAGEMENT COMPANY LIMITED

中原建業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9982)

DISCLOSEABLE TRANSACTIONS PROVISION OF FINANCIAL ASSISTANCE

On 1 December 2022, the Company (through its wholly-owned subsidiary, Zhongyuan Jianye) entered into four Loan Agreements, pursuant to which Zhongyuan Jianye (as the lender) agreed to provide loans to Nanyang Magnolia, Luoyang Jianling, Yucheng County Hongjin and Shangqiu Jiantai (each as a borrower and an Independent Third Party) in the principal amounts of RMB100.0 million, RMB100.0 million, RMB120.0 million and RMB108.53 million, respectively, for a term of one year at 14.0% interest per annum.

As the highest applicable percentage ratio in respect of each of the Loan Agreements exceeded 5% but was less than 25%, each of the Loan Agreements constituted a discloseable transaction of the Company and were all subject to the reporting and announcement requirements but exempted from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As each of the applicable percentage ratios in respect of each of the Loan Agreements was below 8%, none of the Loan Agreements constituted an advance to an entity that needs to be disclosed under Rules 13.13 to 13.15 of the Listing Rules.

INTRODUCTION

On 1 December 2022, the Company (through its wholly-owned subsidiary, Zhongyuan Jianye) entered into four Loan Agreements, pursuant to which Zhongyuan Jianye (as the lender) agreed to provide loans to Nanyang Magnolia, Luoyang Jianling, Yucheng County

Hongjin and Shangqiu Jiantai (each as a borrower and an Independent Third Party) in the principal amounts of RMB100.0 million, RMB100.0 million, RMB120.0 million and RMB108.53 million, respectively, for a term of one year at 14.0% interest per annum.

LOAN AGREEMENTS

The principal terms of each of the Loan Agreements are as follows:

	Loan Agreement A	Loan Agreement B	Loan Agreement C	Loan Agreement D
Parties	: (1) Zhongyuan Jianye (as lender)	(1) Zhongyuan Jianye (as lender)	(1) Zhongyuan Jianye (as lender)	(1) Zhongyuan Jianye (as lender)
	: (2) Nanyang Magnolia (as borrower)	(2) Luoyang Jianling(as borrower)	(2) Yucheng County Hongjin (as borrower)	(2) Shangqiu Jiantai (as borrower)
Principal loan amount ⁽¹⁾	: Up to RMB100.0 million	Up to RMB100.0 million	Up to RMB120.0 million	Up to RMB120.0 million
Term ⁽²⁾	: 12 months from the date of transfer of the principal loan			
Interest rate	: 14.0% per annum payable every six months			
Repayment	: The principal loan amounts shall be repaid in full after the expiry of the term of the loan			
Guarantee or security	: The Loan Agreements are unguaranteed and unsecured			

Notes:

- (1) For Loan Agreement D, the principal loan amount actually borrowed by the borrower amounted to RMB108.53 million. For all other Loan Agreements, the borrower borrowed the maximum principal amount pursuant to the terms thereof.
- (2) The loans under each of the Loan Agreements were transferred to the relevant borrower from the Group's internal resources on 1 December 2022, thus, pursuant to the terms of the Loan Agreements, each of the loans will become due on 30 November 2023.

The Directors have confirmed that the principal loan amounts and interest rate for each of the Loan Agreements were determined based on arm's length negotiations between the Company and each of the borrowers.

As at 31 December 2022 and as at the date of this announcement, the full principal loan amounts of the Loan Agreements remained outstanding as they have not yet become due. For the year ended 31 December 2022, the Group recorded impairment losses on loan receivables in relation to the Loan Agreements in the aggregate amount of approximately RMB9.0 million, which the Directors (including the independent non-executive Directors) consider to be immaterial. Such impairments were made pursuant to HKFRS 9's expected credit losses model.

REASONS FOR AND BENEFITS OF THE LOAN AGREEMENTS

The background and reasons for each of the Loan Agreements are similar. All of the counterparty borrowers are the Group's existing customers who have also in the past cooperated with the Company on multiple projects, with a focus on developing land parcels in the Central China region. The Company's continued cooperation with such customers is consistent with the Company's "Greater Central China" strategy. Therefore, the Company considers such customers to be of a strategic nature.

The main purpose of each of Loan Agreements has been to assist such customers to successfully acquire and develop the relevant land parcel(s), which will result in a win-win situation for both the Company and the customer, as the Company will be engaged as the project management service provider for the relevant land parcel(s).

Further, the Company operates an asset-light business model. Granting such loans also allowed the Company to make better use of its idle cash, given that such cash would increase the Company's ability to acquire more project management contracts (as mentioned above), as well as provide an additional source of income by way of the 14.0% annual interest. Such Loan Agreements were also relatively short term (being one year).

Prior to entering into each of the Loan Agreements, the Company conducted a credit risk assessment in line with its internal policy, which included assessing and monitoring historical settlement records and past business cooperation experience with such strategic customers, conducting analysis and projections for the relevant project, as well as current market conditions and forecasts of future economic conditions. In addition, the Company considered: (i) its good and mutually beneficial relationship with such customers, given the Company has provided such customers with project management services for several other projects in the past, and such customers rely on the Company to develop their projects and ultimately sustain their businesses (given their lack of property development experience and/or capabilities); (ii) as discussed above, the main purpose of the Loan Agreements is to assist customers to successfully acquire and develop the relevant land parcel(s), which will result in a win-win situation for both the Company and the customers, as the Company will be engaged as the project management service provider for the relevant land parcel(s); and (iii) such existing customers have paid all fees/expenses payable to the Company in relation to their projects on time, and where applicable, repaid their loans owed to the Company on time.

Having considered the above, the Directors (including the independent non-executive Directors) consider that each of the Loan Agreements had been entered into on terms that are fair and reasonable which was in the interests of the Company and the Shareholders as a whole.

DIRECTOR'S INTEREST IN THE LOAN AGREEMENTS

None of the Directors has (or had, at the time of entering into of the Loan Agreements) any material interest in any of the transactions contemplated under the Loan Agreements. As such, no Director was required to abstain from voting on the Board resolutions if a Board meeting was to be convened for the approval of the transactions contemplated under the Loan Agreements.

INFORMATION ON THE PARTIES

The Group

The 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.

Nanyang Magnolia

Nanyang Magnolia is a limited liability company established under the laws of the PRC and is principally engaged in real estate development in the Central China region in the PRC. As advised by Nanyang Magnolia, it is ultimately owned as to 42.0% by Liu Rutao (劉如濤), 32.0% by Niu Zhenjiang (牛振江) and the remainder by various individuals (all such beneficial owners being Independent Third Parties).

Luoyang Jianling

Luoyang Jianling is a limited liability company established under the laws of the PRC and is principally engaged in real estate development in the Central China region in the PRC. As advised by Luoyang Jianling, it is ultimately owned as to 50.45% by Liang Zhijie (梁志杰), 37.75% by Wang Haitao (王海濤) and the remainder by various individuals (all such beneficial owners being Independent Third Parties).

Yucheng County Hongjin

Yucheng County Hongjin is a limited liability company established under the laws of the PRC and is principally engaged in real estate development in the Central China region in the PRC. As advised by Yucheng County Hongjin, it is ultimately owned as to 60.0% by Zhang Yongqian (張永乾) and 40.0% by Zhao Xintong (趙信通) (both being Independent Third Parties).

Shangqiu Jiantai

Shangqiu Jiantai is a limited liability company established under the laws of the PRC and is principally engaged in real estate development in the Central China region in the PRC. As advised by Shangqiu Jiantai, it is ultimately owned as to 60.0% by Xu Quanyu (徐全玉) and 40.0% by Yang Bin (楊賓) (both being Independent Third Parties).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Nanyang Magnolia, Luoyang Jianling, Yucheng County Hongjin and Shangqiu Jiantai and their respective ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of each of the Loan Agreements exceeded 5% but was less than 25%, each of the Loan Agreements constituted a discloseable transaction of the Company and were all subject to the reporting and announcement requirements but exempted from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

However, at the time of entering into such Loan Agreements (being the end of 2022), the COVID-19 situation had escalated, and various relevant personnel of the Group were infected with COVID-19 and absent from work. The reporting line of the Company was hence interrupted and the Company had inadvertently failed to properly assess the Listing Rules implications for each of the Loan Agreements.

After having acknowledged that each of the Loan Agreements constituted a discloseable transaction under Chapter 14 of the Listing Rules, the Company has immediately assessed and further reviewed the Loan Agreements.

The Company regrets the delay in publishing this announcement and in order to avoid the occurrence of similar non-compliance with the Listing Rules in the future, the Company will/has implement(ed) the following measures and procedures:

- (1) the Company has reviewed and updated the succession plan of different staff level for the Group, and will continue to monitor the implementation of the plan to ensure that suitable back-up personnel have been arranged to substitute and cover the staff who is on leave or is unable to perform his/her duties tentatively and prevent interruption in the reporting line within the Group;
- (2) the Directors and the senior management of the Group have consulted the Company's compliance adviser and legal adviser regarding the Listing Rules implications of the Loan Agreements and the relevant requirements applicable to the Company which included, among others, the prompt release of this announcement and the relevant remedial actions;

- (3) the Company intends to extend the appointment of its compliance adviser up to the of its annual report for the year ending 31 December 2023;
- (4) the Directors have instructed the management of the Group to take all necessary measures to examine all the existing investments, loans and advances of the Group to third parties and ensure they are in full compliance with the relevant requirements of the Listing Rules;
- (5) the Group will adopt procedures which require the business and finance departments of the Group to report to the senior management of the Group in respect of the proposed transactions or events involving potential investments, loans and advances; and
- (6) the senior management of the Group will assess the proposed transactions or events in (5) above and seek timely professional advice from the Company’s compliance adviser, legal adviser and other professional parties (as appropriate) prior to the entering into of any of such transactions.

The Directors are confident that the above measures and procedures will ensure that the Company can comply with the relevant requirements under the Listing Rules and will avoid the recurrence of similar events in the future.

Further, as each of the applicable percentage ratios in respect of each of the Loan Agreements was below 8%, none of the Loan Agreements was discloseable pursuant to Rules 13.13 to 13.15 of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“Company”	CENTRAL CHINA MANAGEMENT COMPANY 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
“connected person(s)”	has the meaning given to it under the Listing Rules “controlling shareholder(s)” has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an entity which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, is not a connected person of the Company within the meaning of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement A”	the loan agreement entered into between Zhongyuan Jianye and Nanyang Magnolia dated 1 December 2022
“Loan Agreement B”	the loan agreement entered into between Zhongyuan Jianye and Luoyang Jianling dated 1 December 2022
“Loan Agreement C”	the loan agreement entered into between Zhongyuan Jianye and Yucheng County Hongjin dated 1 December 2022
“Loan Agreement D”	the loan agreement entered into between Zhongyuan Jianye and Shangqiu Jiantai dated 1 December 2022
“Loan Agreements”	collectively, Loan Agreement A, Loan Agreement B, Loan Agreement C and Loan Agreement D
“Luoyang Jianling”	Luoyang Jianling Real Estate Co., Ltd.* (洛陽建領置業有限公司), a limited liability company established under the laws of the PRC and an Independent Third Party
“Nanyang Magnolia”	Nanyang Magnolia Real Estate Co., Ltd.* (南陽木蘭花置業有限公司), a limited liability company established under the laws of the PRC and an Independent Third Party
“PRC”	the People’s Republic of China
“Shangqiu Jiantai”	Shangqiu Jiantai Real Estate Co., Ltd. (商丘市建泰置業有限公司), a limited liability company established under the laws of the PRC and an Independent Third Party
“Share(s)”	the share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning given to it under the Listing Rules
“Yucheng County Hongjin”	Yucheng County Hongjin Real Estate Co., Ltd. (虞城縣鴻錦置業有限責任公司), a limited liability company established under the laws of the PRC and an Independent Third Party
“Zhongyuan Jianye”	Henan Zhongyuan Central China City Development Co., Ltd.* (河南中原建業城市發展有限公司), a limited liability company established in the PRC on December 26, 1992 and a wholly-owned subsidiary of the Company
“%”	per cent

* For identification purpose only

By Order of the Board
CENTRAL CHINA MANAGEMENT COMPANY LIMITED
Wu Po Sum
Chairman

Hong Kong, 13 April 2023

As at the date of this announcement: (1) the chairman and non-executive Director is Mr. Wu Po Sum; (2) the executive Directors are Mr. Hu Bing, Mr. Chen Aiguo and Mr. Duan Juwei; (3) the non-executive Director is Ms. Wu Wallis (alias Li Hua); and (4) the independent non-executive Directors are Mr. Zhu Baoguo, Mr. Xu Ying and Mr. Siu Chi Hung.