

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
ENGINEERING SERVICES STRATEGIC
COOPERATION FRAMEWORK AGREEMENT –
SUPPLEMENTAL ANNOUNCEMENT**

Reference is made to the announcement of the Company dated 13 November 2019 in relation to the continuing connected transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement (the “Announcement”). Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the scope of services under the Engineering Services Strategic Cooperation Framework Agreement includes (i) engineering design, (ii) general contracting of construction, (iii) manufacture, transportation and installation of concrete prefabricated parts, (iv) decoration of finished housing and (v) supply of decoration board. The Board would like to provide additional information to the Shareholders regarding the payment terms, pricing policies and internal control procedures in relation to the Engineering Services Strategic Cooperation Framework Agreement.

PAYMENT TERMS AND PRICING POLICY

Scope of Services	Payment Terms	Pricing Policy (<i>note</i>)
Engineering design	20% of the consideration under the underlying agreements shall be paid within 30 days from the day of the signing of the underlying agreements. The remainder shall be paid according to the progress of the service. After the construction drawing is submitted, the payment ratio should be not less than 60% of the consideration.	Charged at a fixed sum based on the average design price of the industry of the Engineering Survey and Design Charging Standards (《工程勘察設計收費標準》) (2002 revised edition) issued by the State Development and Planning Committee and the Ministry of Development and/or other applicable industry standards from time to time.
General contracting of construction	5%-10% of the consideration under the underlying agreements is to be paid within 7 days from the day of the signing of the underlying agreements. The remainder shall be paid according to the progress of the service.	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%, depends on the height and number of floors).
Manufacture, transportation and installation of concrete prefabricated parts	20% of the consideration under the underlying master contract for the service of manufacture, transportation and installation of concrete prefabricated parts is to be paid as prepayment. The remainder shall be paid according to the progress of the service.	Charged per area, based on the specifications, types (e.g. internal or external walls) and volume of the concrete prefabricated parts/reinforcing bar, with a fixed basic price ranged from RMB3,050 to RMB3,650 per sq.m.

Scope of Services	Payment Terms	Pricing Policy (<i>note</i>)
Decoration of finished housing	80% of the consideration under the underlying agreements shall be paid according to the progress of the service upon completion. The remainder shall be settled upon delivery to the buyers, while 3% of which will be retained as warranty amount.	Charged per saleable area of the project buildings, based on the decoration standard and/or design requirements, capped at RMB3,000 per sq.m.
Supply of decoration board	30% of the consideration under the underlying agreements is to be paid within 30 days from the day of the signing of the underlying agreements. The remainder shall be paid upon delivery.	Charged per area, based on the specifications, types and size of the board with a fixed basic price ranged from RMB130 to RMB327 per sq.m.

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.

INTERNAL CONTROL PROCEDURES

Set out below are further elaboration of the internal control procedures for the Engineering Services Strategic Cooperation Framework Agreement:

1. Before entering into any individual services agreements, the Company has to either invite tender from all parties (including Drawin Intelligent Manufacture and other independent third parties), which results will be determined on factors including but not limited to (i) the bidding price; (ii) the qualifications and reputations of the tenderers; and/or (iii) whether the qualification requirements of the tender were fulfilled, or obtain quotations from at least two independent service providers for providing such services in order to ensure that the terms of the individual services agreements are on normal commercial terms or no less favourable to the Company than those available from independent third parties, as well as in compliance with the terms and conditions of the Engineering Services Strategic Cooperation Framework Agreement. In the event that the Company fails to receive successful bids or quotations at its satisfaction, the Company may reassess the scope of services required or revisit the design requirements and relaunch the tender or seek for revised quotations;
2. After entering into any individual services agreements, the management of the Company is responsible for monitoring the individual services agreements;
3. The finance department of the Group is responsible for monitoring the service fees for the Engineering Services to ensure that they are in accordance with the Engineering Services Strategic Cooperation Framework Agreement and the annual cap is not exceeded. In addition, the finance department will also conduct an overall review on a monthly basis. Where the finance department is aware of any potential non-compliance with the pricing policies or that the annual cap will be exceeded, the finance department will report the matters to the senior management of the Company who will co-ordinate at the Group level to take remedial actions and ensure that the bases of annual cap are followed and annual cap is not exceeded;
4. The independent non-executive Directors will review the draft individual services agreements and take appropriate actions to ensure that such transactions are conducted within the scope of the Engineering Services Strategic Cooperation Framework Agreement, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole; and
5. The auditors of the Company will conduct annual review on the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement and individual services agreements and provide their view to the Board.

In view of the above pricing policies and internal control procedures, the Directors consider that the transactions under the Engineering Services Strategic Cooperation Framework Agreement will be conducted on normal commercial terms or no less favourable to the Company than those available from independent third parties.

Save as disclosed above, all other information set out in the Announcement remains unchanged.

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

Hong Kong, 13 December 2019

As at the date of this announcement, the Board comprises nine Directors, of which Mr. Wu Po Sum, Mr. Liu Weixing, Mr. Wang Jun and Mr. Yuan Xujun are executive Directors, Mr. Lim Ming Yan and Ms. Wu Wallis (alias Li Hua) 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*