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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 TRANSACTIONS
ENGINEERING SERVICES STRATEGIC
COOPERATION FRAMEWORK AGREEMENT**

Strategic Cooperation Framework Agreement

On 30 December 2019, the Company entered into the Strategic Cooperation Framework Agreement with Drawin Intelligent Manufacture, pursuant to which the Company agreed to procure, and Drawin Intelligent Manufacture agreed to provide the Engineering Services.

As at the date of this announcement, Drawin Intelligent Manufacture 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, Drawin Intelligent Manufacture is an associate of Mr. Wu and thus a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The transactions contemplated under the Strategic Cooperation Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As each of the applicable percentage ratios in respect of the transactions contemplated under the Strategic Cooperation Framework Agreement is over 5%, entering into the Strategic Cooperation Framework Agreement is subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent board committee has been formed to consider and advise the independent Shareholders as to whether the terms of the Strategic Cooperation Framework Agreement, the transactions contemplated thereunder, and its annual cap for each of the three years are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders as to how to vote at the general meeting. An independent financial adviser has been appointed to advise the independent board committee and the independent Shareholders in this respect.

A circular containing, among other things, (i) further details of the Strategic Cooperation Framework Agreement and the transactions contemplated thereunder; (ii) the recommendation of the independent board committee in connection with the Strategic Cooperation Framework Agreement; (iii) the advice of the independent financial adviser to the independent board committee and the independent Shareholders; and (iv) a notice convening the general meeting is expected to be dispatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Listing Rules.

Reference is made to the announcements of the Company in relation to entering into the 2019 Engineering Services Strategic Cooperation Framework Agreement dated 13 November 2019 and 13 December 2019.

On 30 December 2019, the Company entered into the Engineering Services Strategic Cooperation Framework Agreement with Drawin Intelligent Manufacture, pursuant to which the Company agreed to procure, and Drawin Intelligent Manufacture agreed to provide the Engineering Services.

ENGINEERING SERVICES STRATEGIC COOPERATION FRAMEWORK AGREEMENT

The principal terms of the Engineering Services Strategic Cooperation Framework Agreement are as follows:

Date	30 December 2019
Parties	the Company (as services user); and Drawin Intelligent Manufacture (as services provider)
Term	1 January 2020 to 31 December 2022
Nature of transaction	Drawin Intelligent Manufacture and the members of its group shall provide services (including engineering design, general contracting of construction, supply of concrete prefabricated parts, and supply and installation of decoration board (彩力板) for the proposed real estate projects) to the Group. The Company and Drawin Intelligent Manufacture shall enter into separate agreements for detailed services scope in respect of various Engineering Services as and when necessary.

SERVICES INTRODUCTION, PAYMENT TERMS AND PRICING POLICY

Services Scope and Introduction

Engineering design (i.e., engineering technique consultancy services (integrating design, research and development, consultancy and promotion) for the whole industrial chain of buildings)

Payment Terms

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.

Pricing Policy (note)

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.

Services Scope and Introduction

Payment Terms

Pricing Policy *(note)*

General contracting of construction (i.e., buildings, installation project construction and the procurement and supply of material equipment)	Project progress payment shall be made on the basis of 80% of the monthly completed output value before the completion and inspection and acceptance of the project; 85% of the corresponding contract price shall be made after the completion and qualification verification of the project; 90% of the completed output value shall be made after the transfer of houses to owners; 97% of the project settlement price shall be made after the completion of the settlement. 3% of the remaining settlement price shall be reserved as retention fund and returned in accordance with the return arrangement in respect of the retention fund stipulated in the Project Quality Warranty.	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).
Supply of concrete prefabricated parts (i.e., production and supply services for new environmentally-friendly material – PC components)	20% of the consideration under the underlying master contract for the supply service 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.
Supply and installation of decoration board (i.e., research and development, design, production, supply, installation and construction technique guidance services for 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 and inspection and acceptance.	Charged per area, based on the specifications, types and size of the board, and agreed by both parties' joint negotiation in accordance with the market situation of the places where the projects locate.

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.

ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS

The annual caps for the Engineering Services Strategic Cooperation Framework Agreement for the year ending 31 December 2020, 31 December 2021 and 31 December 2022 are RMB3,000,000,000, RMB5,000,000,000 and RMB8,000,000,000, respectively. In considering the annual caps for the Engineering Services Strategic Cooperation Framework Agreement, the Directors have considered a number of factors (including the number, progress, size, design, configuration, positioning, the nature of the demand for the respective services scope of the Engineering Services and overall planning of the Group's existing real estate projects and those projects to be developed in the next three years) to determine the contract amount related to the needs for the Engineering Services.

HISTORICAL TRANSACTION AMOUNT AND ANNUAL CAP

For the one month ended 30 November 2019, the Company had not conducted any transactions with Drawin Intelligent Manufacture in respect of the 2019 Engineering Services Strategic Cooperation Framework Agreement, while the annual cap of the 2019 Engineering Services Strategic Cooperation Framework Agreement is RMB350,000,000.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENGINEERING SERVICES STRATEGIC COOPERATION FRAMEWORK AGREEMENT

The Group has been dedicated to providing superior products and promoting the overall progress of the society. It currently plans to transform and upgrade from the traditional construction industry to the high-tech manufacturing industry through the development of prefabricated buildings, seeking improvement in many aspects such as product quality and production efficiency. As for prefabricated buildings, construction waste can be decreased, construction water and revolving materials can be saved, and on-site labor and construction period can be reduced, so that buildings can be completed in higher quality with shortened construction period and lowered cost. Accordingly, the Group needs to seek suppliers to provide relevant engineering services. The Engineering Services Strategic Cooperation Framework Agreement was entered into in the ordinary and usual course of business of the Group.

The Directors (including independent non-executive Directors) are of the view that the terms of the Engineering Services Strategic Cooperation Framework Agreement and the annual caps are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or more favourable to the Company and that the entering into of the Engineering Services Strategic Cooperation Framework Agreement is in the interests of the Company and the Shareholders as a whole.

DIRECTOR'S INTEREST IN THE CONTINUING CONNECTED TRANSACTION

Drawin Intelligent Manufacture is indirectly owned as to more than 30% by Mr. Wu. Mr. Wu is regarded as being interested in the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement due to his interest in Drawin Intelligent Manufacture and therefore has abstained from voting on the Board resolution approving the said agreement and the annual caps. Save for the above, none of the Directors has any material interest in any of the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement and is required to abstain from voting on the Board resolution to approve the same.

CONDITIONS PRECEDENT

The Company shall obtain approval regarding the Engineering Services Strategic Cooperation Framework Agreement and the transactions contemplated thereunder from independent Shareholders at the general meeting before the Engineering Services Strategic Cooperation Framework Agreement becomes officially effective.

INTERNAL CONTROL MEASURES

The Company will adopt internal control procedures and corporate governance measures in relation to the transactions contemplated under 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 providers for providing such services or products 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 will be 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.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that any service fees to be agreed pursuant to the Engineering Services Strategic Cooperation Framework Agreement will be on normal commercial terms and no less favourable to the Company than those available from independent third parties.

INFORMATION OF THE PARTIES

The Group is principally engaged in real estate development and sales in Henan Province, the PRC.

Drawin Intelligent Manufacture is an operator specializing in providing integrated solutions for intelligent buildings and an innovative high-tech enterprise engaging in the ecological chain construction of intelligent buildings.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Drawin Intelligent Manufacture 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, Drawin Intelligent Manufacture is an associate of Mr. Wu and thus a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the transactions contemplated under the Engineering Services Strategic Cooperation Framework Agreement is over 5%, entering into the Strategic Cooperation Framework Agreement is subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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A circular containing, among other things, (i) further details of the Engineering Services Strategic Cooperation Framework Agreement and the transactions contemplated thereunder; (ii) the recommendation of the independent board committee in connection with the Engineering Services Strategic Cooperation Framework Agreement; (iii) the advice of the independent financial adviser to the independent board committee and the independent Shareholders; and (iv) a notice convening the general meeting is expected to be dispatched to the Shareholders no more than 15 business days (being before 21 January 2020) after the publication of this announcement in accordance with the Listing Rules.

DEFINITIONS

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

“2019 Engineering Services Strategic Cooperation Framework Agreement”	the framework agreement entered into between the Company and Drawin Intelligent Manufacture on 13 November 2019 for the provision of the Engineering Services by Drawin Intelligent Manufacture to the Group
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“Company”	Central China Real Estate Limited (建業地產股份有限公司*), an exempted 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 given to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Drawin Intelligent Manufacture”	Drawin Intelligent Manufacture Technology Industry Group Limited* (築友智造科技產業集團有限公司), a company incorporated in the PRC with limited liability and a connected person of the Company
“Engineering Services”	services (including engineering design, general contracting of construction, supply of concrete prefabricated parts, and supply and installation of decoration board for the proposed development projects) provided by Drawin Intelligent Manufacture to the Group, as set out in the Engineering Services Strategic Cooperation Framework Agreement
“Engineering Services Strategic Cooperation Framework Agreement” or “Strategic Cooperation Framework Agreement”	the framework agreement entered into between the Company and Drawin Intelligent Manufacture on 30 December 2019 for the provision of the Engineering Services by Drawin Intelligent Manufacture to the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Mr. Wu and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Po Sum, the chairman of the Company, an executive Director and a controlling Shareholder of the Company, and as at the date of this announcement owns more than 30% equity interest in Drawin Intelligent Manufacture
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 30 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*