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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
(1) LANDSCAPE SERVICES FRAMEWORK AGREEMENT;
AND
(2) DECORATION SERVICES FRAMEWORK AGREEMENT**

**LANDSCAPE SERVICES FRAMEWORK AGREEMENT AND
DECORATION SERVICES FRAMEWORK AGREEMENT**

On 7 July 2021, the Company entered into the Landscape Services Framework Agreement and Decoration Services Framework Agreement with DIT Group, pursuant to which the Company agreed to procure, and DIT Group agreed to provide the Landscape Services and Decoration Services.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, DIT Group is indirectly owned as to more than 30% by Mr. Wu, and Mr. Wu is also a controlling Shareholder and a connected person of the Company. Accordingly, DIT Group 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 Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the proposed annual caps under each of the Framework Agreements are higher than 5%, the entering into of the Framework Agreements 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 Framework Agreements, the transactions contemplated and the proposed annual caps for each of the three years thereunder are fair and reasonable and 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 EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

The EGM will be held to consider and approve the Framework Agreements (including the respective proposed annual caps thereunder). A circular containing, among other things, (i) further details in relation to the terms of the Framework Agreements (including the respective proposed annual caps thereunder) and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Framework Agreements (including the proposed annual caps); (iii) a letter from the Independent Financial Adviser containing its advice in respect of the Framework Agreements (including the proposed annual caps); and (iv) a notice convening the EGM and the relevant proxy form, is currently expected to be despatched to the Shareholders on or before 28 July 2021.

On 7 July 2021, the Company entered into the Landscape Services Framework Agreement and Decoration Services Framework Agreement with DIT Group, pursuant to which the Company agreed to procure, and DIT Group agreed to provide the Landscape Services and Decoration Services.

LANDSCAPE SERVICES FRAMEWORK AGREEMENT AND DECORATION SERVICES FRAMEWORK AGREEMENT

The principal terms of the Framework Agreements are set out as follows, respectively:

Landscape Services Framework Agreement

Date	:	7 July 2021
Parties	:	(i) The Company (as service user); and (ii) DIT Group (as service provider)
Term	:	From the date of approval of the Landscape Services Framework Agreement by the Independent Shareholders to 31 December 2023
Nature of Transaction	:	Drawin Group shall provide landscape services such as greening and gardening works, road works and outdoor water and drainage system installation works for real estate projects of the Group in various regions.
Pricing Policy	:	Based on costs including the estimated costs of construction, technical measures and project management fees, plus no more than 20% of gross profit margin (tax exclusive).

The price range set out above are agreed by the parties on normal commercial terms after arm length's negotiation. DIT Group undertakes that the integrated price of the Landscape Services provided to the Group under the Landscape Services Framework Agreement will not be higher than the price of comparable landscape services provided by Drawin Group for other comparable independent third parties under the same condition.

Other Transaction Arrangements : If other counterparties can provide the same services at a more favourable price than the price under the Landscape Services Framework Agreement, the Group is entitled to choose the services provided by the counterparty.

Implementation Terms and Rules : The relevant implementation terms and rules (including payment mechanism and other details) for specific individual project cooperation, depending on the actual situation, will be determined by the Group, DIT Group and/or its subsidiaries on normal commercial terms after arm length's negotiation. They shall be determined in accordance with the project cooperation agreement, construction contract for construction projects and other cooperation-related agreements, legally binding documents or other documents agreed by the parties under the Landscape Services Framework Agreement.

Decoration Services Framework Agreement

Date	:	7 July 2021
Parties	:	(i) The Company (as service user); and (ii) DIT Group (as service provider)
Term	:	From the date of approval of the Decoration Services Framework Agreement by the Independent Shareholders to 31 December 2023
Nature of Transaction	:	Drawin Group shall provide decoration services such as interior decoration and curtain wall decoration for high-end or fully-fitted real estate projects of the Group in various regions.
Pricing Policy	:	Based on costs including the estimated costs of construction, technical measures and project management fees, plus no more than 18% of gross profit margin (tax exclusive). The price range set out above are agreed by the parties on normal commercial terms after arm length's negotiation. DIT Group undertakes that the integrated price of the Decoration Services provided to the Group under the Decoration Services Framework Agreement will not be higher than the price of comparable decoration services provided by Drawin Group for other comparable independent third parties under the same condition.
Other Transaction Arrangements	:	If other counterparties can provide the same services at a more favourable price than the price under the Decoration Services Framework Agreement, the Group is entitled to choose the services provided by the counterparty.

Implementation Terms and Rules : The relevant implementation terms and rules (including payment mechanism and other details) for specific individual project cooperation, depending on the actual situation, will be determined by the Group, DIT Group and/or its subsidiaries on normal commercial terms after arm length's negotiation. They shall be determined in accordance with the project cooperation agreement, construction contract for construction projects and other cooperation-related agreements, legally binding documents or other documents agreed by the parties under the Decoration Services Framework Agreement.

PROPOSED ANNUAL CAPS AND BASIS FOR DETERMINATION

The following table sets forth the proposed annual caps under the Framework Agreements, respectively:

	Proposed Annual Caps		
	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Landscape Services Framework Agreement	200,000,000	300,000,000	400,000,000
Decoration Services Framework Agreement	200,000,000	300,000,000	400,000,000

In considering the proposed annual caps of the Landscape Services Framework Agreement, the Directors have taken into account the following factors:

- (a) The Group's estimated demand for Landscape Services in 2021 will involve a project area of approximately 1.88 million square meters, involving a total contract sum of approximately RMB940 million. Among them, to the knowledge of the Company, the estimated business volume that Drawin Group can undertake is up to 50% of the total, that is, the total contract sum that can be undertaken is up to approximately RMB470 million. Taking into account the estimation of the contract value conversion rate of Drawin Group and the implementation timing of the Landscape Services Framework Agreement, it is estimated that the total service fee payable to Drawin Group for Landscape Services in 2021 will be approximately RMB200 million; and
- (b) The Group's estimated demand for Landscape Services in 2022 and 2023 based on the number, progress, scale, design, layout and positioning of the real estate projects to be developed, as well as overall strategic planning.

In considering the proposed annual caps of the Decoration Services Framework Agreement, the Directors have taken into account the following factors:

- (a) The Group's estimated demand for Decoration Services in 2021 will involve a project area of approximately 1.54 million square meters, involving a total contract sum of approximately RMB1.02 billion. Among them, to the knowledge of the Company, the estimated business volume that Drawin Group can undertake is up to 50% of the total, that is, the total contract sum that can be undertaken is up to approximately RMB510 million. Taking into account the estimation of the contract value conversion rate of Drawin Group and the implementation timing of the Decoration Services Framework Agreement, it is estimated that the total service fee payable to Drawin Group for Decoration Services in 2021 will be approximately RMB200 million; and
- (b) The Group's estimated demand for Decoration Services in 2022 and 2023 based on the number, progress, scale, design, layout and positioning of the real estate projects to be developed, as well as overall strategic planning.

The Company has assumed DIT Group will take part in and being awarded all the Group's tenders in respect of the Landscape Services and Decoration Services when determining the proposed annual caps, and hence the Company has provided a buffer for the proposed annual caps as DIT Group may not participate or be awarded all the Group's tenders given that it shall be subject to the Group's selection procedures as set out in the paragraph headed "Internal Control Procedures" below.

HISTORICAL TRANSACTION AMOUNTS

Up to the date of this announcement, Drawin Group has not provided any Landscape Services and Decoration Services to the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS

The Group is committed to improving the living standards of Henan Province and its surrounding provinces and cities, including integrating the architectural elements of landscapes and gardens into the Group's real estate projects and enhancing the quality of their decoration and renovation, so as to strengthen the Group's brand influence in the Central Plains Economic Zone. Accordingly, the Group needs to seek providers of relevant landscape services and decoration services to facilitate the Group's integration of resources in the development of its principal business. Taking into account the service delivery capabilities, quality of services, price, understanding of the Group's business needs and operational needs, as well as the familiarity with the Group's projects, the Group and DIT Group entered into the Framework Agreements, which are expected to bring about significant synergies and further promote the business growth of the Group in the real estate development and sales industry in the long run.

The Directors (excluding all the independent non-executive Directors who will provide advice after considering the recommendation from the Independent Financial Adviser, Mr. Wu and Mr. Wang Jun, each an executive Director and Ms. Wu Wallis (alias Li Hua), a non-executive Director) are of the view that the terms of the Framework Agreements and the proposed annual caps are fair and reasonable, the transactions contemplated thereunder are on normal or better commercial terms to the Company, and the Framework Agreements and the transactions contemplated thereunder are entered into and to be conducted in the ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

DIRECTORS' INTERESTS IN THE CONTINUING CONNECTED TRANSACTIONS

DIT Group is indirectly owned as to more than 30% by Mr. Wu. Mr. Wang Jun, an executive Director, and Ms. Wu Wallis (alias Li Hua), a non-executive Director, are both non-executive directors of DIT Group. Mr. Wu (due to his interests in DIT Group), Mr. Wang Jun and Ms. Wu Wallis (alias Li Hua) (for their non-executive directorship in DIT Group) are regarded as being interested in the transactions contemplated under the Framework Agreements. Therefore, Mr. Wu, Mr. Wang Jun and Ms. Wu Wallis (alias Li Hua) have abstained from voting on the Board resolution approving the Framework Agreements and proposed annual caps. Save for the aforesaid, none of the Directors has any material interest in any of the transactions contemplated under the Framework Agreements and is required to abstain from voting on the Board resolutions to approve the same.

CONDITIONS PRECEDENT

The Company shall obtain approval from its Independent Shareholders at the EGM regarding the Framework Agreements and the transactions contemplated thereunder before the Framework Agreements becomes effective.

INTERNAL MONITORING PROCEDURES

The Company will adopt the following internal control procedures and corporate governance measures in relation to the transactions contemplated under the Framework Agreements.

1. Before entering into any individual services agreements, the Company has to either:
 - (a) invite tender from all parties (including DIT Group and other independent third parties), the results of which 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 (b) obtain quotations from at least two independent service providers for providing such services or products in order to ensure that the terms of the individual services agreements are fair and reasonable, on normal commercial terms or no less favourable to the Company than those available from independent third parties under the same conditions, as well as in compliance with the terms and conditions of the Landscape Services Framework Agreement and/or Decoration Services 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 Landscape Services and Decoration Services to ensure that they are in accordance with the Landscape Services Framework Agreement and Decoration Services 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 caps are followed and annual caps are 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 Landscape Services Framework Agreement and Decoration Services 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 Landscape Services Framework Agreement and Decoration Services Framework Agreement and individual services agreements and provide their view to the Board.

By implementing the above measures, the Directors (excluding the independent non-executive Directors, Mr. Wu and Mr. Wang Jun, each an executive Director and Ms. Wu Wallis (alias Li Hua), a non-executive Director) consider that the Company has sufficient internal control and procedures to ensure that any service fees to be agreed pursuant to the Landscape Services Framework Agreement and Decoration Services Framework Agreement will be on normal commercial terms and no less favourable to the Company than those available from independent third parties.

INFORMATION ON THE PARTIES

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

DIT Group is a service provider specializing in providing integrated solutions for intelligent buildings and an innovative high-tech enterprise engaging in the ecological chain construction of intelligent buildings. It is mainly engaged in the business of modernization of construction industry and prefabricated construction business encompassing a wide coverage ranging from the research and development as well as operation of prefabricated construction technology, the expansion and operation of intelligent prefabricated construction plants to the manufacture of prefabricated components.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, DIT Group is indirectly owned as to more than 30% by Mr. Wu, and Mr. Wu is also a controlling Shareholder and a connected person of the Company. Accordingly, DIT Group 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 each of the Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the proposed annual caps under each of the Framework Agreements are higher than 5%, the entering into of the Framework Agreements is subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the Framework Agreements, the transactions contemplated and the proposed annual caps for each of the three years thereunder are fair and reasonable and 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 EGM. Red Sun Capital Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

The EGM will be held to consider and approve the Framework Agreements (including the respective proposed annual caps). Shareholders with a material interest in the Framework Agreements and the transactions contemplated thereunder are required to abstain from voting on the relevant resolution(s) at the EGM. As at the date of this announcement, Mr. Wu (together with his associate(s)) held 2,066,431,867 Shares, representing approximately 69.64% of the share capital of the Company. DIT Group is indirectly owned as to more than 30% by Mr. Wu. Mr. Wu is regarded as being interested in the transactions contemplated under the Framework Agreements due to his interests in DIT Group. Therefore, Mr. Wu and his associates will abstain from voting on the relevant resolution(s) at the EGM.

A circular containing, among other things, (i) further details in relation to the terms of the Framework Agreements (including the proposed annual caps) and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Framework Agreements (including the proposed annual caps); (iii) a letter from the Independent Financial Adviser containing its advice in respect of the Framework Agreements (including the proposed annual caps); and (iv) a notice convening the EGM and the relevant proxy form, is currently expected to be despatched to the Shareholders on or before 28 July 2021.

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 of the Company;
“Company”	Central China Real Estate Limited, 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 (stock code: 832);
“connected person(s)”	has the meaning given to it under the Listing Rules;

“Decoration Services”	decoration services such as interior decoration and curtain wall decoration provided by DIT Group for high-end or fully-fitted real estate projects of the Group in various regions, as set out in the Decoration Services Framework Agreement;
“Director(s)”	the director(s) of the Company;
“Drawin Group”	DIT Group and its subsidiaries;
“DIT Group”	DIT Group Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 726), and a connected person of the Company;
“Framework Agreements”	Landscape Services Framework Agreement and Decoration Services Framework Agreement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	The Independent Board Committee established by the Company, comprising all the independent non-executive Directors, namely Mr. Cheung Shek Lun, Mr. Xin Luo Lin and Dr. Sun Yuyang, to advise the Independent Shareholders on the Framework Agreements (including the proposed annual caps) and the transactions contemplated thereunder;
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Framework Agreement (including the proposed annual caps) and the transactions contemplated thereunder;

“Independent Shareholders”	Shareholders other than Mr. Wu and his associates;
“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, entities other than the connected persons of the Company as defined under the Listing Rules;
“Decoration Services Framework Agreement”	the strategic cooperation framework agreement entered into between the Company and DIT Group on 7 July 2021 for the provision of the Decoration Services by DIT Group to the Group;
“Landscape Services”	landscape services such as greening and gardening works, road works and outdoor water and drainage system installation works provided by DIT Group for real estate projects of the Group in various regions, as set out in the Landscape Services Framework Agreement;
“Landscape Services Framework Agreement”	the strategic cooperation framework agreement entered into between the Company and DIT Group on 7 July 2021 for the provision of the Landscape Services by DIT Group to the Group;
“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 as at the date of this announcement owns more than 30% equity interest in DIT Group;

“parties”	the Company and DIT Group;
“party”	the Company or DIT Group;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent

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

Hong Kong, 7 July 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*