Future Land Development Holdings Limited

新城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1030)

CONTINUING CONNECTED TRANSACTIONS
2019 PROPERTY SERVICES FRAMEWORK AGREEMENT

THE 2019 PROPERTY SERVICES FRAMEWORK AGREEMENT

As the Group will continue to engage Xinchengyue Property Services to provide residential property management services, the 2019 Property Services Framework Agreement was entered into between Future Land Holdings and Xinchengyue Property Services on December 12, 2018 (after trading hours) in relation to provision of residential property management services by Xinchengyue Property Services for a term of one year from January 1, 2019 to December 31, 2019 subject to the Annual Cap of RMB1,068 million.

LISTING RULES IMPLICATION

As at the date of this Announcement, Mr. Wang, a controlling shareholder and an executive Director of the Company, is indirectly holding approximately 73.17% of the equity interests in Xinchengyue Holdings. Accordingly, Xinchengyue Property Services, as a subsidiary of Xinchengyue Holdings, is an associate of Mr. Wang and a connected person of the Company and the entering into of the 2019 Property Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than profits ratio) in respect of the transactions under the 2019 Property Services Framework Agreement is more than 0.1% but less than 5% on an annual basis, the transactions contemplated thereunder are subject to the reporting and announcement requirements set out in Rule 14A.76(2) of the Listing Rules and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated December 12, 2018 in relation to the 2019 Property Services Framework Agreement. The Company will continue to engage Xinchengyue Property Services to provide residential property management services.

THE 2018 PROPERTY SERVICES FRAMEWORK AGREEMENT

As disclosed in the announcement of the Company dated December 14, 2017 in relation to the 2018 Property Services Framework Agreement for the year commencing on January 1, 2018 and ending on December 31, 2018. The Company has been engaged with Xinchengyue Property Services as part of the ordinary and usual course of business to provide residential property management services. As the 2018 Property Services Framework Agreement will expire on December 31, 2018, the Company has entered into the 2019 Property Services Framework Agreement (through Future Land Holdings) with Xinchengyue Property Services to renew the provision of property services for a period of one year commencing on January 1, 2019 to December 31, 2019.

THE 2019 PROPERTY SERVICES FRAMEWORK AGREEMENT

The 2019 Property Services Framework Agreement was entered into between Future Land Holdings and Xinchengyue Property Services on December 12, 2018 (after trading hours) in relation to provision of residential property management services by Xinchengyue Property Services for a term of one year from January 1, 2019 to December 31, 2019 subject to the Annual Cap of RMB1,068 million.

The principal terms of the 2019 Property Services Framework Agreement are set out below:

Date: December 12, 2018

Parties:
(i) Future Land Holdings; and
(ii) Xinchengyue Property Services

Term: The 2019 Property Services Framework Agreement shall be effective from January 1, 2019 to December 31, 2019 (both dates inclusive).

Property management services: Xinchengyue Property Services is commissioned to provide various residential property management services including the maintenance, consultancy and inspection services in connection with the residential development projects of Future Land Holdings. Specifically, Xinchengyue Property Services agrees to provide the following services to Future Land Holdings with the pricing policies and payment terms as briefly listed below:

a. Property Service

Scope of Services: Xinchengyue Property Services is responsible for management and maintenance of residential properties and facilities of development projects of Future Land Holdings.

Pricing Policy:	The service fees shall be determined mainly through a bidding process by taking into account factors including the type of the development projects, the guidance price of such services for similar type of development projects issued by the local government, the operational costs (including labour costs, material costs and administrative costs) and the anticipated increase in such costs due to inflation and economic and social development. A higher price will be charged for high-end residential development projects. The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.
Payment Term:	Payment shall be made annually, half-yearly, quarterly or monthly (as the case may be) pursuant to the relevant terms in the tender and the subsidiary agreement to be entered into.

b. Intelligent Construction Service

Scope of Services:	Xinchengyue Property Services will provide the intelligent construction service to the property intelligent system, e.g., surveillance system, access control system and parking system, of the properties developed by Future Land Holdings.
Pricing Policy:	The service fees shall be determined through a bidding process by taking into account factors including locations of the development projects, the operational costs (including labour costs, material costs and administrative costs, if applicable) with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.
Payment Term:	Payment shall be made after the delivery of, and the check and acceptance of, the intelligent construction service pursuant to the subsidiary agreement to be entered into.

c. **Sales Officers Management Service**

Scope of Services: Xinchengyue Property Services is responsible for the cleaning, security and customer services at the sale offices, showrooms and clubhouses in the development projects.

Pricing Policy: The service fees shall be operational costs (including but not limited to, labour costs and material costs) plus a reasonable profit margin of 10% to 15% and determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

Payment Term: Payment shall be made quarterly pursuant to the terms of the subsidiary agreement to be entered into.

d. **Property Inspection Service**

Scope of Services: Xinchengyue Property Services is responsible for the inspection of development projects, including properties, facilities and securities systems, in accordance with the acceptance standards of Future Land Holdings and provision of feedbacks.

Pricing Policy:	The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including locations of the development projects, the operational costs (including labour costs, material costs and a reasonable profit margin) with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.
Payment Term:	Payment shall be made within 1 month after the delivery of the property inspection services pursuant to the subsidiary agreement to be entered into.

e. **Property Consultancy Service**

Scope of Services:	Xinchengyue Property Services will (1) provide advice in the preliminary stage of development projects, including marketing strategy and property design; and (2) assist in the preparation for the delivery of properties.
Pricing Policy:	The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including locations of the development projects, the operational costs (including labour costs, material costs and administrative costs, if applicable) with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.
Payment Term:	Lump sum payment within three months after the delivery of properties of the relevant development project.

f. **Parking Space Sales Service**

Scope of Services: Xinchengyue Property Services will provide sales service in relation to parking spaces organized by Future Land Holdings.

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including local market in the parking agent sales industry. Xinchengyue Property Services will either (i) charge a certain percentage of commission out of the sales income; or (ii) receive a discount (the specific discount will be determined by the prevailing market rate for similar transactions in the local market) on the price of the parking space sold by the Company and charge the gap between such discounted price and the final selling price as service fees. In any event the service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available).

Payment Term: Payment shall be made quarterly.

g. **Property Maintenance and Management Service during the Warranty Period**

Scope of Services: Xinchengyue Property Services will provide property maintenance and management service during the warranty period after the delivery of the property developed by Future Land Holdings.

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including locations of the development projects, the operational costs (including labour costs, management costs plus a reasonable profit margin) with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

Payment Term: Payment shall be made quarterly pursuant to the terms of the subsidiary agreement to be entered into.

Subsidiary agreement(s): For each development project of Future Land Holdings which requires the residential property management services under the 2019 Property Services Framework Agreement, Future Land Holdings and Xinchengyue Property Services will (directly or through their respective subsidiaries) enter into a subsidiary agreement setting out the specific scope of services required and amount of fees payable in conformity with the principles (including the pricing policy mentioned below) set out in the 2019 Property Services Framework Agreement.

All transactions contemplated under the 2019 Property Services Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis. It is agreed that the terms offered by Xinchengyue Property Services to Future Land Holdings should not be less favorable than those offered to other parties for similar services.

Annual Cap and its basis: The Annual Cap of the service fees under the 2019 Property Services Framework Agreement for the year ending December 31, 2019 shall not exceed RMB1,068 million. The service fees are expected to be satisfied by the internal resources of the Group.

The Annual Cap is determined with reference to, among others, the following factors:

(1) the aggregate amount of approximately RMB243 million settled by Future Land Holdings for residential property management services for the eleven months ended November 30, 2018;

(2) the estimated demand of Future Land Holdings for residential property management services and value-added services (including intelligent construction service) for the year ending December 31, 2019 will increase substantially with reference to the existing projects under 2018 Property Services Framework Agreement and the Group's plans to continue to expand its property development business in 2019;

(3) the Group's contracted sales area of approximately 15.91 million sq.m. for the eleven months ended November 30, 2018, which represents an increase of approximately 106.18% compared with the same period of 2017 and indicates a substantial increase of the Group's demand for property management services; and

(4) other factors such as Future Land Holdings' business plans and inflation.

HISTORICAL TRANSACTION AMOUNTS UNDER THE 2018 PROPERTY SERVICES FRAMEWORK AGREEMENT

The historical transaction amount that the Group settled with Xinchengyue Property Services for the residential property management services for the eleven months ended November 30, 2018 was approximately RMB243 million. The annual cap under the 2018 Property Services Framework Agreement for the year ending December 31, 2018 is RMB304 million.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2019 PROPERTY SERVICES FRAMEWORK AGREEMENT

Xinchengyue Property Services is an experienced property management services provider in the PRC. Xinchengyue Property Services has managed many residential property projects across a number of Chinese cities, including Shanghai, Nanjing, Changzhou, Wuxi and Suzhou. The Board believes that the experiences of Xinchengyue Property Services shall provide reliable support to the Group's expansion of property development business.

As disclosed in the announcement dated April 1, 2016 and the circular dated April 18, 2016 of the Company in relation to the disposal of Xinchengyue Property Services to Wealth Zone, a controlling shareholder of the Company, Xinchengyue Property Services was historically a subsidiary of the Group and also an established partner to Future Land Holdings. After Xinchengyue Property Services ceased to be a subsidiary of the Company following the disposal, Xinchengyue Property Services has continued to provide residential property management services to the Group in the ordinary and usual course of business. The 2019 Property Services Framework Agreement hence represents a stable and trusted business relationship which Future Land Holdings can leverage to achieve its business objectives.

DIRECTORS' VIEW

Each of the Directors (including the independent non-executive Directors) is of the view that the 2019 Property Services Framework Agreement are entered into on an arm's length basis, on normal commercial terms, in the usual and ordinary course of business of the Group. The transactions contemplated under the 2019 Property Services Framework Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

In order to ensure that the terms of the residential property management services provided by Xinchengyue Property Services are not less favourable than those available from independent third parties, the Group has adopted the following measures:

(i) where applicable and commercially sensible, the Group will continue to request Xinchengyue Property Services to provide the residential property management services through a bidding process, on arm's length basis and on the best available terms, with reference to the prevailing market prices;

(ii) the relevant department of Future Land Holdings in charge of residential property management of Future Land Holdings will conduct research on the service fees of relevant comparable services provided by at least 3 property management companies in the market based on the type of development projects and the scope of services quarterly for ascertaining that the range of the service fees of the residential property management services provided by Xinchengyue Property Services is mark to market;

(iii) as part of the internal control procedures, the implementation of the 2019 Property Services Framework Agreement and the actual number and amount of services provided by Xinchengyue Property Services will be monitored and reviewed by the Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions with the independent third parties;

(iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s);

(v) the Group shall use the best endeavour to comply with the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the continuing connected transactions;

(vi) The Company will engage the Company's auditor to review the connected transactions between the Group and Xinchengyue Property Services to ensure that the continuing connected transactions contemplated under the 2019 Property Services Framework Agreement have been conducted in accordance with the Listing Rules; and

(vii) the Group will duly disclose in the annual reports and accounts the transactions of provision of residential property services by Xinchengyue Property Services during each financial period, together with the conclusions (with basis) drawn by the independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND XINCHENGYUE PROPERTY SERVICES

Future Land Holdings is a subsidiary of the Company with its A shares listed on the SSE (stock code: 601155). The principal activities of the Group and Future Land Holdings are property development, property investment and commercial property management in the PRC.

Xinchengyue Holdings is a company listed on the Stock Exchange and an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services, and public area maintenances. Xinchengyue Property Services is the principal operating subsidiary of Xinchengyue Holdings providing the same business.

LISTING RULES IMPLICATION

As at the date of this Announcement, Mr. Wang, a controlling shareholder and an executive Director of the Company, is indirectly holding approximately 73.17% of the equity interests in Xinchengyue Holdings. Accordingly, Xinchengyue Property Services, as a subsidiary of Xinchengyue Holdings, is an associate of Mr. Wang and a connected person of the Company and the entering into of the 2019 Property Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(i) Mr. Wang, being the controlling shareholder of Xinchengyue Holdings, and the controlling shareholder and an executive Director of the Company, (ii) Mr. Lv Xiaoping and Mr. Lu Zhongming, being the executive directors of both Xinchengyue Holdings and the Company, and (iii) Mr. Wang Xiaosong, being the son of Mr. Wang, are considered to be interested in the 2019 Property Services Framework Agreement and the transactions contemplated thereunder and have abstained from voting on the Board resolutions for approving the 2019 Property Services Framework Agreement and the transactions contemplated thereunder.

As each of the applicable percentage ratios (other than profits ratio) in respect of the transactions under the 2019 Property Services Framework Agreement is more than 0.1% but less than 5% on an annual basis, the transactions contemplated thereunder are subject to the reporting and announcement requirements set out in Rule 14A.76(2) of the Listing Rules and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The provision of services under the 2019 Property Services Framework Agreement beyond a certain monetary limit will be subject to Xinchengyue Holdings obtaining necessary shareholders' approval.

DEFINITIONS

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

"2018 Property Services Framework Agreement"	the property services framework agreement dated December 14, 2017 entered into between Future Land Holdings and Xinchengyue Property Services in relation to the provision of residential property management service for the property projects of Future Land Holdings;
"2019 Property Services Framework Agreement"	the property services framework agreement dated December 12, 2018 entered into between Future Land Holdings and Xinchengyue Property Services in relation to the provision of residential property management service for the property projects of Future Land Holdings;
"Annual Cap"	the annual cap of RMB1,068 million for the service fees under the 2019 Property Services Framework Agreement;
"associates"	has the meaning ascribed to it in the Listing Rules;
"Board"	the board of Directors;
"Company"	Future Land Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	director(s) of the Company;

"Future Land Holdings"	Future Land Holdings Co., Ltd.* (新城控股集團股份有限公司), a subsidiary of the Company with its A shares listed on the SSE (stock code: 601155);
"Group"	the Company 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 of Hong Kong Limited;
"Mr. Wang"	Mr. Wang Zhenhua, a controlling shareholder of the Company, an executive Director and Chairman of the Board;
"PRC"	The People's Republic of China;
"RMB"	Renminbi, the lawful currency of the PRC;
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of HK$0.001 each;
"Shareholder(s)"	the holder(s) of the shares of the Company;
"SSE"	Shanghai Stock Exchange;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Wealth Zone"	Wealth Zone Hong Kong Investments Limited (富域香港投資有限公司), a company established in the British Virgin Islands with limited liability and a controlling shareholder of the Company holding 4,202,050,000 Shares (representing approximately 71.14% of the issued shares of the Company as at the date of the announcement);
"Xinchengyue Holdings"	Xinchengyue Holdings Limited (新城悅控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 1755). It is indirectly owned as to approximately 73.17% by Mr. Wang and therefore a connected person of the Company;

"Xinchengyue Property Services"	Tibet Xinchengyue Property Management Services Co., Ltd.* (西藏新城悅物業服務股份有限公司) (formerly known as 西藏新城物業服務有限公司), a company incorporated in the PRC with limited liability. It is a subsidiary of Xinchengyue Holdings and a connected person of the Company; and
"%"	per cent.

* *The English name is a translation of its Chinese name and is included in this announcement for identification purposes only.*

By order of the Board
Future Land Development Holdings Limited
WANG Zhenhua
Chairman

Hong Kong, December 12, 2018

As at the date of this announcement, the Directors are Mr. Wang Zhenhua, Mr. Lv Xiaoping and Mr. Lu Zhongming as executive Directors, Mr. Zhang Shengman and Mr. Wang Xiaosong as non-executive Director, and Mr. Chen Huakang, Mr. Zhu Zengjin and Mr. Zhong Wei as independent non-executive Directors.