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Central China New Life Limited
建業新生活有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9983)

**PROPOSED AMENDMENTS OF ANNUAL CAPS AND TERMS OF
EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



紅日資本有限公司

RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. A letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and Independent Shareholders is set out on pages 32 to 57 of this circular.

A notice convening the Extraordinary General Meeting (the “EGM”) to be held at 10:00 a.m. on Thursday, 10 December 2020 at Room 7706, 77/F, International Commerce Centre, No. 1 Austin Road West, Kowloon, Hong Kong is set out on pages 63 to 64 of this circular. A form of proxy for use by the shareholders at the EGM is enclosed with this circular. Such proxy form is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.ccnewlife.com.cn.

Whether or not you are able to attend the EGM, you are advised to read this circular and to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

23 November 2020

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DEFINITIONS

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

“Aiou Electronic”	Henan Aiou Electronic Technology Co., Ltd.* (河南艾歐電子科技有限公司), a limited liability company established in the PRC on March 25, 2014 and our non wholly-owned subsidiary, being owned as to 93.3% by the Company (through Central China New Life) and 6.7% by Mr. Lu Feng (盧峰) (an Independent Third Party)
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CCRE”	Central China Real Estate 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 (stock code: 832), and a connected person of the Company
“CCRE Group”	CCRE and its subsidiaries
“Company”	Central China New Life 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
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Wu and Enjoy Start
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Supplemental Framework Agreements, the transactions contemplated thereunder and the Proposed Revised Annual Caps being approved by the Independent Shareholders at the EGM
“EGM”	the extraordinary general meeting to be convened by the Company for consideration and if appropriate, approval of the Supplemental Framework Agreements, the transactions contemplated under and the Proposed Revised Annual Caps

DEFINITIONS

“Enjoy Start”	Enjoy Start Limited (創怡有限公司), a company incorporated under the laws of BVI on 12 November 2014, which is wholly owned by Mr. Wu, and one of the controlling shareholders of the Company
“Framework Agreements”	the Real Estate Agency Services Framework Agreement, the Intelligent Technology Services Framework Agreement and the Membership Maintenance and Management Services Framework Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Henan Central China New Life”	Henan Central China New Life Service Co., Ltd.* (河南建業新生活服務有限公司), a limited liability company established in the PRC on April 21, 2016 and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (namely Mr. Leong Chong, Ms. Luo Laura Ying and Ms. Xin Zhu) established for the purpose of advising the Independent Shareholders in respect of the Supplemental Framework Agreements, the transactions contemplated thereunder and the Proposed Revised Annual Caps
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed by the Securities and Futures Commission to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Framework Agreements, the transactions contemplated thereunder and the Proposed Revised Annual Caps
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the Supplemental Framework Agreements, the transactions contemplated under and the Proposed Revised Annual Caps
“Independent Third Party(ies)”	entity(ies) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules

DEFINITIONS

“Intelligent Technology Services Framework Agreement”	the intelligent technology services framework agreement dated 29 March 2019 entered into between Henan Central China New Life (a subsidiary of the Company) and CCRE, pursuant to which the Group agreed to provide intelligent technology services to the CCRE Group and its associates commencing from 1 January 2019 to 31 December 2021, the annual caps of which were amended by a supplemental agreement dated 28 October 2019
“Latest Practicable Date”	20 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Leap United”	Leap United Limited (合躍有限公司), a company incorporated under the laws of BVI on 4 December 2018, which is wholly-owned by Mr. Wang Jun (王俊) (our executive Director, chief executive officer and chairman of the Board), and our Shareholder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Membership Maintenance and Management Services Framework Agreement”	the membership maintenance and management services framework agreement dated 29 March 2019 entered into between Henan Central China New Life (a subsidiary of the Company) and CCRE, pursuant to which the Group agreed to provide membership maintenance and management services to the CCRE Group and its associates commencing from 1 January 2019 to 31 December 2021
“Mr. Wu”	Mr. Wu Po Sum, the chairman, an executive director and a controlling shareholder of CCRE, and a Controlling Shareholder
“Original Annual Caps”	the maximum annual fee to be received by the Group under each of the Framework Agreements for the two years ending 31 December 2020 and 2021
“PRC”	the People’s Republic of China
“Pre-IPO Share Options”	the options granted under the Pre-IPO Share Option Scheme adopted by the Company on 29 April 2020
“Proposed Revised Annual Caps”	the proposed maximum annual fee to be received by the Group under each of the Supplemental Framework Agreements for the three years ending 31 December 2020, 2021 and 2022

DEFINITIONS

“Prospectus”	the prospectus of the Company dated 5 May 2020 in relation to its global offering of the Company
“Real Estate Agency Services Framework Agreement”	the real estate agency services framework agreement dated 24 June 2019 entered into between Henan Central China New Life (a subsidiary of the Company) and CCRE, pursuant to which the Group agreed to provide real estate agency services to the CCRE Group and its associates commencing from 1 January 2019 to 31 December 2021
“SFO”	the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Framework Agreements”	the Supplemental Real Estate Agency Services Framework Agreement, the Supplemental Intelligent Technology Services Framework Agreement and the Supplemental Membership Maintenance and Management Services Framework Agreement
“Supplemental Intelligent Technology Services Framework Agreement”	the agreement dated 30 October 2020 entered into between the Company (replacing Henan Central China New Life as the former signing party under the Intelligent Technology Services Framework Agreement) and CCRE to amend the annual caps and extend the term under the Intelligent Technology Services Framework Agreement
“Supplemental Membership Maintenance and Management Services Framework Agreement”	the agreement dated 30 October 2020 entered into between the Company (replacing Henan Central China New Life as the former signing party under the Membership Maintenance and Management Services Framework Agreement) and CCRE to amend the annual caps and extend the term under the Membership Maintenance and Management Services Framework Agreement

DEFINITIONS

“Supplemental Real Estate Agency Services Framework Agreement” the agreement dated 30 October 2020 entered into between the Company (replacing Henan Central China New Life as the former signing party under the Real Estate Agency Services Framework Agreement) and CCRE to amend the service fee and the annual caps and extend the term under the Real Estate Agency Services Framework Agreement

“%” per cent

* *For identification purpose only*



Central China New Life Limited
建業新生活有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9983)

Executive Directors

Mr. Wang Jun (*Chairman and
Chief Executive Officer*)

Mr. Cai Bin (*Chief Operating Officer*)

Non-executive Directors

Ms. Wu Lam Li

Ms. Min Huidong

Independent non-executive Directors

Mr. Leong Chong

Ms. Luo Laura Ying

Ms. Xin Zhu

Registered office in the Cayman Islands

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P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Principal place of business

*in Hong Kong under Part 16 of the
Companies Ordinance (Cap 622)*

Room 7706, 77/F

International Commerce Centre

No. 1 Austin Road West

Kowloon

Hong Kong

23 November 2020

To the Shareholders,

Dear Sir or Madam,

**PROPOSED AMENDMENTS OF ANNUAL CAPS AND TERMS OF
EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcement dated 30 October 2020.

LETTER FROM THE BOARD

As disclosed in the Prospectus, Henan Central China New Life (a wholly-owned subsidiary of the Company) entered into the Real Estate Agency Services Framework Agreement, the Intelligent Technology Services Framework Agreement and the Membership Maintenance and Management Services Framework Agreement with CCRE. In view of the growth in demand for the Group's services under these Framework Agreements as a result of the growth in business of the CCRE Group, the Company became aware in October 2020 that the current service fee range under the Real Estate Agency Services Framework Agreement could not fully reflect the prevailing market rates and cater for the operation needs of the CCRE Group and the Original Annual Caps under the Framework Agreements would be insufficient. As a result of the above, the Board expects that (i) there will be adjustment in service fee under the Real Estate Agency Services Framework Agreement; and (ii) the Original Annual Caps under all these Framework Agreements will be amended for the two years ending 31 December 2020 and 2021.

THE SUPPLEMENTAL FRAMEWORK AGREEMENTS

On 30 October 2020, the Company (replacing Henan Central China New Life as the former signing party under the Framework Agreements) and CCRE entered into the Supplemental Real Estate Agency Services Framework Agreement, the Supplemental Intelligent Technology Services Framework Agreement and the Supplemental Membership Maintenance and Management Services Framework Agreement to amend certain terms of the respective Framework Agreements as follows:

- (1) the Company shall continue to provide the services contemplated under the Framework Agreements to the CCRE Group and its associates in accordance with the amended terms as set out in paragraph (3) below, for a term commencing from the Effective Date to 31 December 2022;
- (2) the Original Annual Caps under each of the three Framework Agreements shall be amended to the Proposed Revised Annual Caps under the respective Supplemental Framework Agreements; and
- (3) there will be adjustment in service fee under the Supplemental Real Estate Agency Services Framework Agreement.

Save as the above, the terms of each of the Supplemental Framework Agreements shall remain the same as those of the corresponding Framework Agreements. The key terms of each of the Supplemental Framework Agreements are set out below. The Supplemental Framework Agreements are conditional upon the approval of the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

The following tables set out the key terms of each of the Supplemental Framework Agreements, which are subject to the approval of the Independent Shareholders at the EGM:

A. The Supplemental Real Estate Agency Services Framework Agreement

Date:	:	30 October 2020
Parties	:	(1) The Company (replacing Henan Central China New Life as the former signing party under the Real Estate Agency Services Framework Agreement); and (2) CCRE
Term	:	The term will be extended from 1 January 2019 to 31 December 2021 to the Effective Date to 31 December 2022
Services to be provided	:	As under the Real Estate Agency Services Framework Agreement, the Group shall continue to provide real estate agency services in respect of the first-hand property sales as well as preparation services (including but not limited to consultation services and event organisation services) to the CCRE Group and its associates.
Pricing and service fee	:	As under the Real Estate Agency Services Framework Agreement, the service fees to be charged for the real estate agency services shall continue to be determined based on arm's length negotiations with reference to the (i) the agency fees charged as commission and incentives based on contracted sales amount of CCRE Group's properties, depending on the overall property market environment, project location, difficulties of marketing, scope of services and other factors; and (ii) the rate generally offered by the Group to Independent Third Parties in respect of comparable agency services. Pursuant to the Real Estate Agency Services Framework Agreement, the Group shall receive a commission rate (ranging from 0.8% to 2.0%) based on the transaction amounts of the property sales as service fee.

LETTER FROM THE BOARD

Pursuant to the Supplemental Real Estate Agency Services Framework Agreement, the Company and CCRE agreed that the commission rate received by the Group shall be adjusted to a range of 0.8% to 6.0% based on the transaction amounts of the property sales as service fee.

Further details on the reasons for the adjustment of service fee under the Supplemental Real Estate Agency Services Framework Agreement are set out below in the paragraph headed “The proposed adjustment in service fee — Proposed amendment of service fee under the Supplemental Real Estate Agency Services Framework Agreement”.

In addition, pursuant to the Supplemental Real Estate Agency Services Framework Agreement, the commission rate applicable to each property project would be determined with reference to a number of factors, including but not limited to the marketing budget for the property project, the service scope for the property project (i.e. the types and varieties of consultation, preparation and event organisation services required, such as formulation of strategic marketing plans, event venue set-up, production of advertising materials and event execution and management, etc.), the market conditions and the prevailing market rates, geographical characteristics of the property project, and characteristics of the target group of property and purchasers.

With respect to each project, the relevant members and associates of CCRE and members of the Group will further enter into individual separate agreement that prescribes the specific terms and conditions of each project, including the service scope and commission rate applicable to the particular property project.

LETTER FROM THE BOARD

Further details on the pricing mechanism for implementation of the above pricing policy are set out below in the paragraph headed “Pricing policy and mechanism”.

Annual caps : The Original Annual Caps of RMB285.0 million and RMB330.0 million for the years ending 31 December 2020 and 2021 will be amended to the Proposed Revised Annual Caps of RMB440.0 million, RMB450.0 million and RMB465.0 million for the years ending 31 December 2020, 2021 and 2022.

B. The Supplemental Intelligent Technology Services Framework Agreement

Date: : 30 October 2020

Parties : (1) The Company (replacing Henan Central China New Life as the former signing party under the Intelligent Technology Services Framework Agreement); and

(2) CCRE

Term : The term will be extended from 1 January 2019 to 31 December 2021 to the Effective Date to 31 December 2022

Services to be provided : As under the Intelligent Technology Services Framework Agreement, the Group shall continue to provide the following intelligent technology services to the CCRE Group and its associates:

(a) ***Engineering installation services for intelligent products and sales service for products:*** installation, repair and maintenance services necessary for the establishment of intelligence communities video surveillance system, indoor fresh air system, intelligent home system, exterior wall insulation and floor heating system;

LETTER FROM THE BOARD

- (b) *Software development services*: customised system integration and development services based on customer needs, such as the visual management platform, operation and management platform, and data analysis platform, for assisting customers in their decision-making process and daily operations; and
- (c) *Consultation services*: customised consultation to properties including residential properties and commercial properties.

Pricing and service fee : As under the Intelligent Technology Services Framework Agreement, the fees to be charged by the Group for provision of the intelligent technology services shall continue to be determined on arm's length basis with reference to (i) prices of the intelligent technology products; (ii) anticipated operation costs taking into account factors including, among others, equipment materials, installation costs, enterprise management fees; (iii) specific software requirement; (iv) GFA and nature of the property projects; and (v) prevailing market prices for comparable services. The fees are charged at fixed lump-sum fees taking into account the above factors, which are payable by instalments with reference to stage of completion of the works specified under each agreement.

With respect to each project, the relevant members and associates of CCRE and members of the Group will further enter into individual separate agreement that prescribes the specific terms and conditions of each project, including the service scope and service fee applicable to the particular property project.

Further details on the pricing mechanism for implementation of the above pricing policy are set out below in the paragraph headed "Pricing policy and mechanism".

LETTER FROM THE BOARD

Annual caps : The Original Annual Caps of RMB180.0 million and RMB235.0 million for the years ending 31 December 2020 and 2021 will be amended to the Proposed Revised Annual Caps of RMB340.0 million, RMB360.0 million and RMB380.0 million for the years ending 31 December 2020, 2021 and 2022.

C. The Supplemental Membership Maintenance and Management Services Framework Agreement

Date: : 30 October 2020

Parties : (1) The Company (replacing Henan Central China New Life as the former signing party under the Membership Maintenance and Management Services Framework Agreement); and
(2) CCRE

Term : The term will be extended from 1 January 2019 to 31 December 2021 to the Effective Date to 31 December 2022

Services to be provided : As under the Membership Maintenance and Management Services Framework Agreement, the Group shall continue to provide membership maintenance and management services for members of the Central China Consumers Club involved for the residential communities of the residential property projects developed and proposed to be developed by the CCRE Group, a membership programme established by the CCRE Group for its high-net-worth customers, including but not limited to (i) daily operation and management of the Central China Consumers Club's affairs; and (ii) organising events for the members of the Central China Consumer Club.

LETTER FROM THE BOARD

Pricing and service fee : As under the Membership Maintenance and Management Services Framework Agreement, the fees to be charged for the membership maintenance and management services shall continue to be determined based on arm's length negotiations and taking into account the anticipated operational costs including labour costs with reference to the fees for similar services and similar type of projects in the market. In terms of the daily operation and management services for members, the service fee is RMB4,500 per person per year. In terms of the events organisation and planning for the members of the Central China Consumers Club, the service fee ranges from approximately RMB1 million to RMB4 million per event.

With respect to each event, the relevant members and associates of CCRE and members of the Group will further enter into individual separate agreement that prescribes the specific terms and conditions of each event, including the service scope and service fee applicable to the particular event.

Further details on the pricing mechanism for implementation of the above pricing policy are set out below in the paragraph headed "Pricing policy and mechanism".

Annual caps : The Original Annual Caps of RMB60.0 million and RMB70.0 million for the years ending 31 December 2020 and 2021 will be amended to the Proposed Revised Annual Caps of RMB100.0 million, RMB155.0 million and RMB230.0 million for the years ending 31 December 2020, 2021 and 2022

LETTER FROM THE BOARD

THE PROPOSED ADJUSTMENT OF SERVICE FEE

Proposed adjustment of service fee under the Supplemental Real Estate Agency Services Framework Agreement

Pursuant to the Real Estate Agency Services Framework Agreement, the Group shall provide real estate agency services in respect of the first-hand property sales as well as preparation services (including but not limited to consultation services and event organisation services) to the CCRE Group and its associates and receive a commission rate (ranging from 0.8% to 2.0%) based on the transaction amounts of the property sales as service fee.

Pursuant to the Supplemental Real Estate Agency Services Framework Agreement, the Company and CCRE agreed that the commission rate received by the Group shall be adjusted to a range of 0.8% to 6.0% based on the transaction amounts of the property sales as service fee. The commission rate applicable to each property project is set out in each separate agreement to be entered into by the Company and CCRE from time to time. The applicable commission rate will be determined with reference to a number of factors, including but not limited to the marketing budget for the property project, the service scope for the property project (i.e. the types and varieties of consultation, preparation and event organisation services required, such as formulation of strategic marketing plans, event venue set-up, production of advertising materials and event execution and management, etc.), the market conditions and the prevailing market rates, geographical characteristics of the property project, and characterises of the target group of property and purchasers.

Given the various new marketing approaches introduced by the property developers in sales of property as a result of the government's preventive measures introduced to control COVID-19 since its outbreak, the CCRE Group and its associate have decided to increase their marketing spending and efforts in property sales, which require more comprehensive and customised real estate agency services in the pre-sales stage of property projects under sales and expected to be launched for sales. The upward adjustment in the range of commission rate to be received by the Group under the Supplemental Real Estate Agency Services Framework Agreement reflects the additional manpower and costs expected to be incurred in relation to the property projects which require the Group's heavier involvement during the stage of pre-sales marketing and planning, including but not limited to conducting research on marketing conditions, formulation of corresponding sales and marketing strategies, overseeing the event venue set-up and preparation of marketing materials. The above adjustment in commission rates is determined on arm's length basis having regard to (i) the latest market conditions; and (ii) the prevailing market commission rates for comparable real agency services provided by real estate agency service providers in the post-COVID 19 era.

LETTER FROM THE BOARD

The Board is of the view that such adjustment in commission rate is fair and reasonable due to the following reasons: (a) in relation to the real estate agency services provided to the CCRE Group and its associates as well as the Independent Third Parties, the commission rates had been charged towards the upper end of the range of 0.8% to 2.0% since beginning of the year ending 31 December 2020 up to the Latest Practicable Date; (b) the operation department of Group has recently conducted a market survey on the level of commission rates charged for provision of real estate agency services with a sampling size of around 400 property projects in Henan province, the PRC, and the survey revealed that the commission rates for certain property projects under sales in 2020 have increased up to 6.0%; and (c) the Board considers that the reason for the general increase in prevailing commission rates in the market is due to the additional manpower and costs incurred for marketing promotion efforts in property sales to counter the adverse impact of the government's preventive measures introduced to control COVID-19, which indirectly reduced or postponed the potential property buyers' desire for property viewing and purchase.

The Directors confirm that the range of actual commission rate charged by the Group to the CCRE Group and its associates since the commencement of the term of the Real Estate Agency Services Framework Agreement up to the Latest Practicable Date were conducted in accordance with the pricing policy and within the range of 0.8% to 2.0% as pursuant to the Real Estate Agency Services Framework Agreement. For further details on the pricing mechanism and internal control measures for implementation of such pricing policy, please refer to the paragraphs headed "Pricing policy and mechanism" and "Internal control measures" below.

LETTER FROM THE BOARD

HISTORICAL TRANSACTION AMOUNTS AND THE PROPOSED REVISED ANNUAL CAPS

The table below sets out the historical transaction amounts under each of the Framework Agreements during the year/period stated in the table below:

	Historical Transaction Amounts		
	For the year ended 2019 (Audited) <i>RMB'000</i>	For the nine months ended 30 September 2019 (Unaudited) <i>RMB'000</i>	For the nine months ended 30 September 2020 (Unaudited) <i>RMB'000</i>
The Real Estate Agency Services Framework Agreement	238,500	140,600	205,800
The Intelligent Technology Services Framework Agreement	140,700	86,100	171,000
The Membership Maintenance and Management Services Framework Agreement	47,200	32,500	58,400

The Directors confirm that the transaction amounts from 1 January 2019 up to the Latest Practicable Date are within the Original Annual Caps for the respective year/period.

LETTER FROM THE BOARD

The table below sets out the Original Annual Caps and the Proposed Revised Annual Caps under each of the Framework Agreements and Supplemental Framework Agreements, respectively:

	Original Annual Caps		Proposed Revised Annual Caps		
	For the years ending 31 December				
	2020	2021	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Real Estate Agency Services Framework Agreement and the Supplemental Real Estate Agency Services Framework Agreement	285,000	330,000	440,000	450,000	465,000
The Intelligent Technology Services Framework Agreement and the Supplemental Intelligent Technology Services Framework Agreement	180,000	235,000	340,000	360,000	380,000
The Membership Maintenance and Management Services Framework Agreement and the Supplemental Membership Maintenance and Management Services Framework Agreement	60,000	70,000	100,000	155,000	230,000

LETTER FROM THE BOARD

A. Proposed Revised Annual Caps under the Supplemental Real Estate Agency Services Framework Agreement

The Proposed Revised Annual Caps under the Supplemental Real Estate Agency Services Framework Agreement represent a 2.3% and 3.3% year-on-year increase for 2020 to 2021 and 2021 to 2022, respectively. Such Proposed Revised Annual Caps are determined after taking into account the following factors:

- the historical transaction amounts and volume of real estate agency services provided by the Group in 2020, in particular the fact that the historical transaction amounts during nine months ended 30 September 2020 increased by 46.4% compared to the same period in 2019 given the various new marketing approaches introduced by the CCRE Group and its associates in sales of property as a result of the government's introduction of preventive measures to control COVID-19 since its outbreak and that the CCRE Group and its associates have decided to increase their marketing spending and efforts in property sales, resulting in a general increase in the average commission rates received by the Group with the more comprehensive and customised service scope required under most property projects;
- the anticipated growth in the estimated transaction amounts for real estate agency services for the three years ending 31 December 2020, 2021 and 2022, calculated by multiplying the increased commission rate (ranging from 0.8%–6.0%) by the estimated aggregate sales amount for RMB94.6 billion for all the existing agreements entered into as of 30 September 2020; and
- the increase in demand for the Group's real estate agency services as seen from the increase of estimated aggregate sales amount from RMB74.25 billion for all the existing agreements entered into as of 31 December 2019 to RMB94.6 billion for all the existing agreements entered into as of 30 September 2020, which the Directors consider to be primarily attributable to the increase in number of property projects expected to be launched for sale by the CCRE Group and its associates.

B. Proposed Revised Annual Caps under the Supplemental Intelligent Technology Services Framework Agreement

The Proposed Revised Annual Caps under the Supplemental Intelligent Technology Services Framework Agreement represent a 5.9% and 5.6% year-on-year increase for 2020 to 2021 and 2021 to 2022, respectively. Such Proposed Revised Annual Caps are determined after taking into account the following factors:

- the historical transaction amount of the intelligent technology services provided by the Group in 2020, in particular the fact that the historical transaction amounts during the nine months ended 30 September 2020 increased by 98.6% compared to the same period in 2019 due to the reasons further explained below;

LETTER FROM THE BOARD

- the recent increase in demand and budget on the Group's intelligent technology services by the CCRE Group and its associates driven by the rapid penetration of smart home solutions into the property development industry and their strategy to differentiate their properties with technological elements for improvement in quality of life;
- the CCRE Group and its associates have decided to assign more property projects to the Group (instead of other service providers) for provision of intelligent technology services having considered the successful delivery of a number of property projects utilising the Group's intelligent technology services at satisfactory quality; and
- the increase in demand for the Group's intelligent technology services as seen from the increase of aggregate contractual value of RMB248.4 million pursuant to all existing agreements entered into as of 31 December 2019 to RMB504.6 million pursuant to all existing agreements entered into as of 30 September 2020 due to the reasons as set out above.

C. Proposed Revised Annual Caps under the Membership Maintenance and Management Services Framework Agreement

The Proposed Revised Annual Caps under the Supplemental Membership Maintenance and Management Services Framework Agreement represent a 55.0% and 48.4% year-on-year increase for 2020 to 2021 and 2021 to 2022, respectively. Such Proposed Revised Annual Caps are determined after taking into account the following factors:

- the historical transaction amount of the membership maintenance and management services provided by the Group in 2020, in particular the fact that the historical transaction amounts during the nine months ended 30 September 2020 increased by 79.7% compared to the same period in 2019 due to the reasons further explained below;
- the number of members of Central China Consumers Club grew rapidly from over 10,000 persons as of 31 December 2019 to over 19,000 as of 30 September 2020, which was primarily attributable to the increase in property sales of the CCRE Group during the nine months ended 30 September 2020 as compared to the same period in 2019 (which is also the reason for the Proposed Revised Annual Caps under the Supplemental Real Estate Agency Services Framework Agreement), resulting in increased number of high-net-worth customers eligible for and enrolled into the Central China Consumers Club;
- the CCRE Group's target to achieve 20,000 members for the Central China Consumers Club by end of 31 December 2020 in order to further enhance the brand recognition of "Central China (建業)" and increase its property repurchase rate of these high-net-worth members;

LETTER FROM THE BOARD

- the estimated fees to be received by the Group calculated by multiplying the fees per person per year by the estimated number of members of the Central China Consumers Club; and
- the increase in number of events for members of the Central China Consumers Club since the second quarter of 2020 as soon as the COVID-19 pandemic in the PRC became generally under control.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL FRAMEWORK AGREEMENTS

The Directors have been carefully monitoring the historical transaction amounts of, and the estimated demand for, the continuing connected transactions of the Group. The Directors consider that entering into the Supplemental Framework Agreements would be conducive to the Group's revenue growth, increasing the Group's total revenue and boosting profits as a result, which is in line with the Group's strategic development needs in the following aspects:

- (a) the Supplemental Real Estate Agency Services Framework Agreement would (i) further strengthen the Group's capabilities in real estate agency services with the provision of integrated and customised marketing solutions; (ii) enable the Group to adapt to the latest market conditions whereby the sales of properties have become more difficult and might require additional marketing efforts; and (iii) boost the sales volume and amounts for the properties developed by the CCRE Group and its associates, and therefore increase the commission income of the Group, which is recorded under the business segment of property management services and value-added services;
- (b) the Supplemental Intelligent Technology Services Framework Agreement would (i) enable the Group to capture the opportunities and benefit from the latest property market trend with increasing adoption of smart home solutions requiring the Group's intelligent technology services; (ii) further consolidate its market position as an intelligent technological solutions provider for property developers subsequent to the Group's successful expansion into this segment after the acquisition of Aiou Electronic in December 2018; and (iii) boost the revenue of the Group's business segment of property management services and value-added services;
- (c) the Membership Maintenance and Management Services Framework Agreement would (i) enable the Group to capture the opportunities and benefit from the popularity of the Central China Consumers Club as a group of loyal customers of the CCRE Group and the Group through receiving additional management fees calculated based on fees chargeable per member; (ii) further foster customer loyalty for the brand of "Central China (建業)" and increase property repurchase rate of these high-net-worth members, which would in turn indirectly increase the demand for the Group's real estate agency services; and (iii) boost the revenue of the Group's business segment of property management services and value-added services.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors who will form their view after taking into account the advice of the Independent Financial Adviser) consider that the terms the Supplemental Framework Agreements (including the Proposed Revised Annual Caps) are (i) fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its Shareholders as a whole.

THE GROUP'S INDEPENDENT BUSINESS OPERATION WITHOUT UNDUE RELIANCE ON THE CCRE GROUP

Based on the unaudited financial information for the nine months ended 30 September 2020, the total revenue of the Group increased by approximately 46.4% as compared to the nine months ended 30 September 2019, whereas the revenue generated from the CCRE Group and its associates or joint ventures as a percentage of the total revenue increased slightly from approximately 40.7% for the nine months ended 30 September 2019 to approximately 41.4% for the nine months ended 30 September 2020. The Directors consider that the Proposed Revised Annual Caps would not significantly increase the percentage of the Group's revenue generated from the CCRE Group and its associates or joint ventures during the years ending 31 December 2020 and 2021. The Directors consider the slight increase in percentage of the total revenue generated from the CCRE Group during the nine months ended 30 September 2020 compared to the same period in 2019 was primarily attributable to the increase in demand for the Group's services from the CCRE Group.

Notwithstanding the Proposed Revised Annual Caps for the years ending 31 December 2020 and 2021 pursuant to the Supplemental Framework Agreements, the Board is of the view that the Group will remain capable of carrying out its business operation independently and not placing undue reliance on the CCRE Group due to the reasons set out below:

- (i) the majority of the revenue of the Group for each of the three years ended 31 December 2019 and the nine months ended 30 September 2020 was generated from Independent Third Parties. For each of the three years ended 31 December 2019 and the nine months ended 30 September 2020, the Group's revenue derived from the CCRE Group and its associates or joint ventures accounted for approximately 17.5%, 19.5%, 42.5% and 41.4% of the Group's total revenue during the respective years/period;
- (ii) it is expected that the majority of the revenue of the Group for the year ending 31 December 2020 is to be derived from Independent Third Parties and the Company anticipates that the revenue derived from the CCRE Group and its associates or joint ventures would remain at less than 45.0% of the Company's total revenue for the year ending 31 December 2020;
- (iii) the business, operation, finance and management of the Group is independent from the CCRE Group because (a) the Company possesses a Board and senior management team that function independently of the CCRE Group; (b) the Group secures projects from the CCRE Group in an impartial manner and has entered into the Framework Agreements, the Supplemental Framework

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Agreements and all other agreements governing the connected transactions with the CCRE Group and its associates on arm's length basis; and (c) the business operation of the Group does not rely on any financial support from CCRE Group or other members of the CCRE Group;

- (iv) whilst the Proposed Revised Annual Caps would be conducive to the Group's revenue growth, in the unlikely event that the Proposed Revised Annual Caps are not approved by Independent Shareholders at the EGM and that the Group is to conduct the connected transactions contemplated under the Framework Agreements on the basis of the Original Annual Caps, the Group would still be able to achieve robust revenue growth for the year ending 31 December 2020 compared to the year ended 31 December 2019;
- (v) whilst the Board considers that the Group could benefit from the mutual and complementary relationship with the CCRE Group, the Group has also made continuous efforts to broaden its customer base and source of revenue through providing services to and collaborating with more third-party property developers and has implemented a number of incentive measures to encourage its employees to obtain service contracts for property developments owned/developed by Independent Third Parties (the "**External Projects**") in respect of all the business segments with particular focus on property management services. Since the listing of the Company in May 2020, the Group has been awarded over 25 new External Projects in Henan Province, the PRC, for the provision of property management services to Independent Third Parties. As of 31 December 2017, 31 December 2018, 31 December 2019, 30 June 2020 and 30 September 2020, the Group's GFA under management for properties of the Independent Third Party property developers was 1.9 million sq.m., 4.2 million sq.m., 17.7 million sq.m., 20.6 million sq.m., 29.3 million sq.m., accounting for 9.1%, 16.3%, 31.1%, 29.4% and 36.5% of the Group's total GFA under management as at the respective dates. As illustrated above, the Group's GFA under management for properties of the Independent Third Party property developers experienced an overall increasing trend in the past few years;
- (vi) the Company has been and will continue to implement its business strategy to expand its business scale through strategic investments, cooperation and acquisitions, which is expected to result in dilution of revenue generated from the CCRE Group and its associates or joint ventures in the future. For example, as disclosed in the Company's announcement dated 25 September 2020, the Company acquired 51% equity interests in Jiyuan City Zhongbang Environmental Sanitation Co., Ltd. (濟源市眾幫環境保潔有限公司), which was completed in September 2020. Therefore, due to the reasons set out in paragraph (v) above and this paragraph (vi), the Board maintains the expectation that the percentage of total revenue to be generated from properties developed by the CCRE Group will decrease in the long run; and

LETTER FROM THE BOARD

(vii) the Group's Jianye + (建業+) platform operated under its lifestyle services has been experiencing vigorous growth in terms of significant increase in the number of registered users as well as the average spending per user, resulting in increase in revenue in the Group's lifestyle services, which was among the key reasons for the substantial growth of 56.1% in the revenue of the Group during the six months ended 30 June 2020 compared to the six months ended 30 June 2019 as disclosed in the interim results announcement published by the Company on 27 August 2020. The registered users for the Group's Jianye + (建業+) platform increased from approximately 1.55 million as at 30 June 2019 to approximately 2.8 million as at 30 June 2020 and further to approximately 3.1 million as at 30 September 2020. Given that the customers of the Group's Jianye + (建業+) platform are Independent Third Parties, the growth in revenue of the Group's lifestyle services is expected to increase the Group's revenue generated from the Independent Third Parties in the future.

Having considered the above, the Board is of the view that, despite the Company entered into the Supplemental Framework Agreements with CCRE, the Company is able to carry out an independent business operation without undue reliance on the CCRE Group.

PRICING POLICY AND MECHANISM

During the term of the Supplemental Framework Agreements, the Group shall from time to time enter into the individual agreements with the CCRE Group for the provision of relevant services in accordance with the terms of the Supplemental Framework Agreements. The Group has adopted the following pricing mechanism setting out the steps to be taken in implementing the pricing policies under the Supplemental Framework Agreements to ensure that the terms offered to the CCRE Group and its associates are on normal commercial terms and shall not be less favourable to the Group than terms offered by the Group to Independent Third Parties as follows:

(a) Provision of real estate agency services

The operation department maintains a market report which sets out the prevailing commission rates of the property projects under sales in the market, as well as the information of the property projects including the timing of sales launch, the location of the property projects, the types of properties (i.e. residential or commercial), the size of the properties in sq.m., the average property price in RMB per sq.m., the number of units under sales. The sampling size of the market report covers around 400 property projects in Henan Province, the PRC, comprising property projects developed by a number of property developers in Henan Province excluding the CCRE Group. This market report is updated by the operation department from time to time in order to ensure it reflects the latest property market conditions.

When members of the Group enters into an individual agreement with the relevant members or associates of the CCRE Group as well as the Independent Third Party customers for provision of real estate agency services, the operation department would determine the specific commission rates applicable to a particular property project with reference to the factors as set out in the paragraph headed "The Supplemental

LETTER FROM THE BOARD

Framework Agreements — A. The Supplemental Real Estate Agency Services Framework Agreement” above and the commission rates for comparable property projects based on the market information available to the Group as recorded in the abovementioned market report. The pricing terms including the commission rates in the individual agreement are subject to approval by the head of the operation department.

(b) Provision of intelligent technology services

(i) Engineering installation services for intelligent products and sales service for products

The operation department maintains a standard pricing list which sets out the price to be charged for each category of engineering installation services for intelligent products and sales service for products. This standard pricing list is compiled with reference to the guiding retail price of the manufacturing brands for the relevant product models of the intelligent household products, e.g. digital door locks, plus a mark-up installation cost charged by the Group with reference to the level of difficulty of installation. The operation department would perform a quarterly review on the standard pricing list by comparing with the latest market information on the applicable supply and installation services and would update the standard pricing list in the event of significant price change.

(ii) Software development services and consultation services

Given that (i) the major costs of services involved in the provision of software development services and consultation services are manpower costs taking into account the technical expertise required from the engineers, the nature of which is inherently different from engineering installation services with the major cost component being cost of equipment, which comes with guiding retail price set by the manufacturers; and (ii) software development services and consultation services only account for relatively minimal proportion of the transaction amounts under the Intelligent Technology Services Framework Agreement and are required on limited occasions only compared with engineering installation services, the operation department provides lump-sum fee quotation for software development services and consultation services upon request taking into account the specific software requirement, the GFA of the property projects involved, the government-guided prices on engineering design and survey fee standard and the prevailing market prices for comparable services.

(c) Provision of membership and maintenance services

Given that (i) the major costs of services involved in the provision of membership and maintenance services are manpower costs required for the administration of the affairs and organisation of activities of the Central China Consumers Club, the cost structure of which is inherently similar with the property management and value-added services and tourism services provided by the Group; and (ii) the staff involved in the provision of membership and maintenance services possess the required skillset such

LETTER FROM THE BOARD

that they could be deployed by the Group to provide property management and value-added services and tourism services (the “**Similar Services**”) to its customers (including both the CCRE Group and Independent Third Party customers) if required, and vice versa, when determining the mark-up margins to be charged for provision of membership and maintenance services, the Group always ensures that such margins would not be lower than those of the Similar Services, which are in the range of 20.0% to 40.0%.

INTERNAL CONTROL MEASURES

In order to ensure the individual transactions will be conducted in accordance with the principal terms of the Supplemental Framework Agreements and on normal commercial terms, the Group has adopted the following measures:

- (1) the finance department of the Group, will be responsible for regular monitoring of the continuing connected transactions contemplated under the Supplemental Framework Agreements to ensure that the Proposed Revised Annual Caps will not be exceeded, in particular, the Group will cease to enter into any new individual agreement if such will cause the total contractual income to exceed the Proposed Revised Annual Caps for that financial year;
- (2) the implementation of individual agreements will be supervised and monitored by the respective heads of the operation department, marketing department, finance department and management of the Group to ensure that the individual agreements are in line with the pricing policy and principal terms of the respective Supplemental Framework Agreements;
- (3) the heads of the operation department of the Group will conduct regular reviews to keep abreast of (i) the price level charged by the Group to Independent Third Parties customers for providing comparable services (where applicable); and (ii) the prevailing fee level in the market and the market conditions, for the purpose of considering if the price charged for a specific transaction is fair and reasonable and is in accordance with the pricing policy;
- (4) the auditors of the Company shall conduct annual reviews on pricing and the Proposed Revised Annual Caps to ensure that the transaction amounts are within the Proposed Revised Annual Caps and that the transactions are conducted on the principal terms of the respective Supplemental Framework Agreements; and
- (5) the independent non-executive Directors of the Company would continue to conduct regular review and assessment on the transactions contemplated under the Supplemental Framework Agreements on a half-yearly basis to ensure that such transactions are conducted on normal commercial terms and are in the ordinary and usual course of business of the Group, and the terms and conditions thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

APPROVAL BY THE BOARD

CCRE is indirectly owned as to more than 30% by Mr. Wu. As (i) Ms. Wu Lam Li is the wife of Mr. Wu; and (ii) Mr. Wang Jun is an executive director of CCRE, as Directors, they have abstained from voting on the Board resolution approving regarding the Supplemental Framework Agreements, the transactions contemplated thereunder and the Proposed Revised Annual Caps to avoid any conflict of interest. Save for the above, none of the Directors has any material interest in any of the transactions contemplated under the Supplemental Framework Agreements and is required to abstain from voting on the Board resolutions to approve the same.

INFORMATION OF THE PARTIES

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.

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

LISTING RULES IMPLICATION

As at the Latest Practicable Date, CCRE 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, CCRE 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 Supplemental Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to the Listing Rules, since the Company proposes to amend the Original Annual Caps all the three Framework Agreements and adjust the service fee under one of the Framework Agreements, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to such continuing connected transactions.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Revised Annual Caps under each of the Supplemental Framework Agreements are, on an annual basis, more than 5%, the transactions thereunder and the Proposed Revised Annual Caps are subject to the annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Supplemental Framework Agreements, the transactions contemplated thereunder and the Proposed Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM. The letter from the Independent Board Committee is set out on pages 30 to 31 of this circular.

CLOSURE OF REGISTER

To ascertain the members' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Monday, 7 December 2020 to Thursday, 10 December 2020 (both days inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 4 December 2020.

EGM AND PROXY ARRANGEMENT

The notice convening the EGM to be held at 10:00 a.m. on Thursday, 10 December 2020 at Room 7706, 77/F, International Commerce Centre, No. 1 Austin Road West, Kowloon, Hong Kong is set out on pages 63 to 64 of this circular. Ordinary resolutions will be proposed at the EGM for the purpose of considering and, if thought fit, approving the Supplemental Framework Agreements and the Proposed Revised Annual Caps.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you so wish.

LETTER FROM THE BOARD

VOTING ARRANGEMENT

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions put to the vote at the EGM will be taken by way of poll. The chairman of the EGM will explain the detailed procedures for conducting a poll at the commencement of the EGM. After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

Shareholders with material interests, namely Mr. Wu, who is also the controlling shareholder of the CCRE Group and Mr. Wang Jun, who is an executive director of CCRE, who in aggregate hold 893,163,944 Shares as at the Latest Practicable Date, representing 71.74% of the issued share capital of the Company, will be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) none of the above-mentioned Shareholders has entered into or is bound upon any voting trust or other agreement or arrangement or understanding;
- (ii) none of the above-mentioned Shareholders is subject to any obligation or entitlement whereby he has or may have, temporarily or permanently, passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis; and
- (iii) there was no discrepancy between the beneficial shareholding interest of the abovementioned Shareholders and the number of Shares in respect of which he controls or will be entitled to exercise control over the voting right at the EGM.

Save as disclosed, no other Shareholder is required to abstain from voting for the relevant resolutions at the EGM due to their interests in the Supplemental Framework Agreements and the Proposed Revised Annual Caps.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 30 to 31 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and to the letter from the Independent Financial Adviser as set out on pages 32 to 57 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Framework Agreements, the transactions contemplated thereunder and the Proposed Revised Annual Caps.

Your attention is also drawn to the additional information set out in the appendix to this circular.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the transactions contemplated under the Supplemental Framework Agreements will be conducted in the ordinary and usual course of business of the Group and are on normal commercial terms. The terms of the Supplemental Frameworks Agreement and the Proposed Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions approving the Supplemental Framework Agreements and the Proposed Revised Annual Caps at the EGM.

By Order of the Board
Central China New Life Limited
Wang Jun
Chairman



Central China New Life Limited
建業新生活有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9983)

23 November 2020

To the Independent Shareholders,

Dear Sir or Madam,

**PROPOSED AMENDMENTS OF ANNUAL CAPS AND TERMS OF
EXISTING CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 23 November 2020 (the “**Circular**”) despatched by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, the terms of the continuing connected transactions contemplated under the Supplemental Framework Agreements (including the Proposed Revised Annual Caps) are fair and reasonable and such transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

Red Sun Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out in its letter on pages 32 to 57 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 29 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Supplemental Framework Agreements and the continuing connected transactions contemplated thereunder (including the Proposed Revised Annual Caps), the interests of the Independent Shareholders and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the continuing connected transactions contemplated under the Supplemental Framework Agreements are fair and reasonable, and such continuing connected transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in the terms as set out in the Notice of EGM so as to approve the Supplemental Framework Agreements and the continuing connected transactions contemplated thereunder (including the Proposed Revised Annual Caps).

Yours faithfully,
Independent Board Committee
Mr. Leong Chong
Ms. Luo Laura Ying
Ms. Xin Zhu
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Red Sun Capital Limited to the Independent Board Committee and the Shareholders in relation to the Continuing Connected Transactions and the Proposed Revised Annual Caps prepared for the purpose of incorporation in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower, Shun Tak Centre,
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Tel: (852) 2857 9208
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23 November 2020

*To: The independent board committee and the independent shareholders
of Central China New Life Limited*

PROPOSED AMENDMENTS OF ANNUAL CAPS AND TERMS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders with regard to the continuing connected transactions in connection with the Supplemental Framework Agreements, which comprised of the Supplemental Real Estate Agency Services Framework Agreement, the Supplemental Intelligent Technology Services Framework Agreement and the Supplemental Membership Maintenance and Management Services Framework Agreement, and the transactions respectively contemplated thereunder (together the “**Continuing Connected Transactions**”) and the Proposed Revised Annual Caps. Details of the Supplemental Framework Agreements with CCRE are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 23 November 2020 (the “**Circular**”). Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

Reference is made to the Prospectus in respect of, among other things, the Real Estate Agency Services Framework Agreement, the Intelligent Technology Services Framework Agreement and the Membership Maintenance and Management Services Framework Agreement. In view of the growth in demand for the Group’s services under the Framework Agreements as a result of the growth in business of the CCRE Group, the Company became aware in October 2020 that the current service fee range under the Real Estate Agency Services Framework Agreement could not fully reflect the prevailing market rates and cater for the operation needs of the CCRE Group and the Original Annual Caps under the Framework Agreements would be insufficient. As a result of the above, the Board expects that (i) there will be adjustment in service fee to the Real Estate Agency Services Framework Agreement; and (ii) the Original Annual Caps under the Framework Agreements will be amended for the two years ending 31 December 2020 and 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 30 October 2020, the Company (replacing Henan Central China New Life as the former signing party under the Framework Agreements) and CCRE entered into the Supplemental Real Estate Agency Services Framework Agreement, the Supplemental Intelligent Technology Services Framework Agreement and the Supplemental Membership Maintenance and Management Services Framework Agreement to amend certain terms of the respective Framework Agreements, namely, (i) the Company shall continue to provide the services contemplated under the Framework Agreements to the CCRE Group and its associates, with the amended terms as set out in paragraph (iii) below, for a term commencing from the Effective Date to 31 December 2022; (ii) the Original Annual Caps under each of the three Framework Agreements shall be amended to the Proposed Revised Annual Caps under the respective Supplemental Framework Agreements; and (iii) there will be adjustment in service fee under the Supplemental Real Estate Agency Services Framework Agreement.

Save as the above, the terms of each of the Supplemental Framework Agreements shall remain the same as those of the respective Framework Agreements. Further details of the key terms of each of the Supplemental Framework Agreements are set out in the Letter from the Board. The Supplemental Framework Agreements are conditional upon the approval of the Independent Shareholders at the EGM.

As at the Latest Practicable Date, CCRE was indirectly owned as to more than 30% by Mr. Wu. Mr. Wu is a Controlling Shareholder and a connected person of the Company. Accordingly, CCRE 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 Supplemental Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to the Listing Rules, since the Company proposes to amend the Original Annual Caps of all the three Framework Agreements and adjust the service fee under one of the Framework Agreements, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the Continuing Connected Transactions.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Revised Annual Caps under each of the Supplemental Framework Agreements are, on an annual basis, more than 5%, the transactions thereunder and the Proposed Revised Annual Caps are subject to the annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. THE INDEPENDENT BOARD COMMITTEE

The Board consists of seven Directors, namely Mr. Wang Jun (Chairman and Chief Executive Officer) and Mr. Cai Bin (Chief Operating Officer) as executive Directors, Ms. Wu Lam Li and Ms. Min Huidong as non-executive Directors, Mr. Leong Chong, Ms. Luo Laura Ying and Ms. Xin Zhu as independent non-executive Directors.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Leong Chong, Ms. Luo Laura Ying and Ms. Xin Zhu, has been established to advise the Independent Shareholders as to whether the terms of the Supplemental Framework Agreements (including the Proposed Revised Annual Caps) are (i) fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its Shareholders as a whole.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Continuing Connected Transactions and the Proposed Revised Annual Caps for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the CCRE Group and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions. In the previous two years, save for our appointment as the independent financial adviser in connection with (i) the provision of financial assistance by CCRE to a connected person, details of which are set out in the announcements of CCRE dated 12 February 2020 and 9 April 2020, respectively; (ii) the provision of corporate guarantee by CCRE to a connected person, details of which are set out in the announcement of CCRE dated 24 December 2019; and (iii) the engineering services strategic cooperation framework agreements of CCRE entered into in November 2019 and December 2019 respectively, details of which are set out in the announcements of CCRE dated 13 November 2019, 13 December 2019 and 30 December 2019, respectively, we have not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company or the CCRE Group for any transaction.

Apart from the normal advisory fee paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we have received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice to the Independent Board Committee and Independent Shareholders, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and the CCRE Group and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, and the CCRE Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company, the CCRE Group and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

V. BACKGROUND INFORMATION OF THE CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion on the Continuing Connected Transactions (together with the Proposed Revised Annual Caps), we have taken into consideration the following factors and reasons.

1. Background information of the Group

As disclosed in the Letter from the Board, the Group is a 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.

Set out below is the summary of the Group’s (i) audited consolidated statements of profit or loss and comprehensive income and consolidated statements of financial position for the years ended 31 December 2018 and 2019 as extracted from the Prospectus; and (ii) unaudited consolidated financial results of the Group for the six months ended 30 June 2019 and 2020 as set out in the interim report of the Group for the six months ended 30 June 2020 (the “**2020 Interim Report**”):

Summary of consolidated statements of profit or loss and comprehensive income

	For the year ended		For the six months ended	
	31 December		30 June	
	2018	2019	2019	2020
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
— Property management and value-added services	620.7	1,341	529.5	843.8
— Lifestyle services	62.2	308.6	114.0	172.8
— Commercial property management and consultation services	<u>11.1</u>	<u>104.7</u>	<u>36.5</u>	<u>44.6</u>
Total Revenue	<u><u>694.0</u></u>	<u><u>1,754.4</u></u>	<u><u>680.0</u></u>	<u><u>1,061.2</u></u>
Profit after tax	71.9	307.5	139.4	240.4
Profit attributable to owners of the Company	19.5	234.0	107.9	183.8

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For the six months ended 30 June 2020 compared to the six months ended 30 June 2019

For the six months ended 30 June 2020, the revenue increased by approximately RMB381.2 million or approximately 56.1%, from approximately RMB680.0 million for the six months ended 30 June 2019 to approximately RMB1,061.2 million for the six months ended 30 June 2020.

As set out in the 2020 Interim Report, revenue from property management services increased to approximately RMB843.8 million for the six months ended 30 June 2020 from approximately RMB529.5 million for the corresponding period of 2019, representing a period-on-period increase of approximately 59.3%. The increase was mainly attributable to (i) the gross floor area under management of the Group increased from approximately 41.8 million square metre as at 30 June 2019 to approximately 70.1 million square metre as at 30 June 2020, resulting in an increase in revenue from property management services; and (ii) the increase in value-added services such as intelligent community solutions and value-added services resulting in an increase in revenue from value-added services. In addition, revenue from lifestyle services increased to approximately RMB172.8 million for the six months ended 30 June 2020 from approximately RMB114.0 million for the corresponding period of 2019, representing an increase of approximately 51.6% as compared with the corresponding period in the last year. The increase was mainly attributable to the increase in registered users for Jianye+ (建業+) platform from approximately 1.55 million as at 30 June 2019 to approximately 2.80 million as at 30 June 2020. In addition, revenue from commercial property management and consultation services increased to approximately RMB44.6 million for the six months ended 30 June 2020 from approximately RMB36.5 million for the corresponding period of 2019, representing a period-on-period increase of approximately 22.2% as compared with the corresponding period in the last year. The increase was mainly attributable to the launch of the commercial property management business in March 2019 with more commercial properties under management in the first half of 2020.

It is also noted that profit attributable to owners of the Company increased by approximately RMB76.8 million or approximately 70.3%, from approximately RMB107.9 million for the six months ended 30 June 2019 to approximately RMB183.8 million for the six months ended 30 June 2020. Such increase was mainly attributable to the increase in revenue as analysed above as well as a comparatively lower rate of increase for the administrative and management fees as a result of synergies.

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For the year ended 31 December 2019 compared to the year ended 31 December 2018

For the year ended 31 December 2019, the revenue of the Group increased by approximately RMB1,060.4 million or approximately 152.8%, from approximately RMB694.0 million for the year ended 31 December 2018 to approximately RMB1,754.4 million for the year ended 31 December 2019.

As disclosed in the Prospectus, revenue from property management and value-added services increased gradually from approximately RMB620.7 million for the year ended 31 December 2018 to approximately RMB1,341.1 million for the year ended 31 December 2019. Such increase was mainly due to the increase in gross floor area under management increased from approximately 25.7 million square metre as at 31 December 2018 to approximately 57.0 million square metre as at 31 December 2019. Besides, the revenue from lifestyle services increased from approximately RMB62.2 million for the year ended 31 December 2018 to approximately RMB308.6 million for the year ended 31 December 2019. Such increase was mainly attributable to the launch of Jianye+ (建業+) platform in 2019 which brought over RMB156.3 million revenue in 2019. Furthermore, revenue from commercial property management and consultation services increased from approximately RMB11.1 million for the year ended 31 December 2018 to approximately RMB104.7 million for the year ended 31 December 2019. Such increase was mainly attributable to the launch of commercial property management services and cultural tourism complex management services in 2019.

In addition, profit attributable to owners of the Company also increased by approximately RMB123.3 million or approximately 122.7%, from approximately RMB100.5 million for the year ended 31 December 2018 to approximately RMB223.8 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in revenue and a relatively stable gross profit margin.

Summary of consolidated statement of financial position

	As at 31 December		As at
	2018	2019	30 June
	RMB million	RMB million	RMB million
	(Audited)	(Audited)	(Unaudited)
Total assets	1,323.8	1,463.4	3,863.6
— Intangible assets	8.3	73.0	71.1
— Trade and other receivables and prepayments	870.8	767.3	979.0
— Cash and cash equivalent	134.3	584.8	2,732.2

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	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)	(Unaudited)
Total liabilities	1,226.5	1,081.8	1,206.0
— Lease liabilities	203.2	3.1	26.1
— Trade and other payables	353.2	654.3	708.2
— Contract liabilities	201.3	370.0	403.2
Total equity attributable to owners of the Company	116.7	369.4	2,640.3

Note: For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.

Financial position of the Group as at 30 June 2020 compared to 31 December 2019

The Group's total assets increased by approximately RMB2,399.9 million or approximately 68.9% from approximately RMB1,463.6 million as at 31 December 2019 to approximately RMB3,863.6 million as at 30 June 2020. Such increase was primarily attributable to the increase in cash and cash equivalent from approximately RMB584.8 million as at 31 December 2019 to approximately RMB2,732.2 million as at 30 June 2020. As at 30 June 2020, assets of the Group mainly comprised of intangible assets of approximately RMB71.1 million, trade and other receivables and prepayments of approximately RMB979.0 million and cash and cash equivalent of approximately RMB2,732.2 million, which accounted for approximately 1.8%, 25.3% and 70.7% of the total assets, respectively.

The Group's total liabilities increased by approximately RMB124.2 million or approximately 11.5%, from approximately RMB1,081.8 million as at 31 December 2019 to approximately RMB1,206.0 million as at 30 June 2020. Such increase was mainly attributable to (i) the increase in trade and other payables of approximately RMB53.9 million from approximately RMB708.2 million as at 31 December 2019 to approximately RMB654.3 million as at 30 June 2020; and (ii) the increase in contract liabilities of approximately RMB33.2 million from approximately RMB370.0 million as at 31 December 2019 to approximately RMB403.2 million as at 30 June 2020. As at 30 June 2020, liabilities of the Group mainly comprised of trade and other payables of approximately RMB708.2 million and contract liabilities of approximately RMB403.2 million, which accounted for approximately 58.7% and 33.4% of the total liabilities, respectively.

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Financial position of the Group as at 31 December 2019 compared to 31 December 2018

The Group's total assets increased by approximately RMB139.6 million or approximately 10.5% from approximately RMB1,323.8 million as at 31 December 2018 to approximately RMB1,463.4 million as at 31 December 2019. Such increase was primarily attributable to the increase in cash and cash equivalent from approximately RMB134.3 million as at 31 December 2018 to approximately RMB584.8 million as at 31 December 2019, being partially offset by the decrease in trade and other receivables and prepayments of approximately RMB103.5 million from approximately RMB870.8 million as at 31 December 2018 to approximately RMB767.3 million as at 31 December 2019. As at 31 December 2019, assets of the Group mainly comprised of intangible assets of approximately RMB73.0 million, trade and other receivables and prepayments of approximately RMB767.3 million and cash and cash equivalent of approximately RMB584.8 million, which accounted for approximately 4.9%, 52.4% and 40.0% of the total assets, respectively.

The Group's total liabilities decreased by approximately RMB144.7 million or approximately 11.8%, from approximately RMB1,226.5 million as at 31 December 2018 to approximately RMB1,081.8 million as at 31 December 2019. Such decrease was mainly attributable to the decrease in lease liabilities of approximately RMB200.1 million from approximately RMB203.2 million as at 31 December 2018 to approximately RMB3.1 million as at 31 December 2019, being partially offset by the increase in contract liabilities of approximately RMB168.7 million from approximately RMB201.3 million as at 31 December 2018 to approximately RMB370.0 million as at 31 December 2019. As at 31 December 2019, liabilities of the Group mainly comprised of trade and other payables of approximately RMB654.3 million and contract liabilities of approximately RMB370.0 million, which accounted for approximately 60.4% and 34.2% of the total liabilities, respectively.

2. Background information on the CCRE Group

The shares of CCRE are listed on the Main Board of the Stock Exchange (stock code: 832) and CCRE is a connected person of the Company. As set out in the Letter from the Board, CCRE Group is principally engaged in real estate development and sales in Henan Province, the PRC.

3. Background information on the property management industry in the PRC

As set out on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>), year-on-year growth in gross domestic product (“GDP”) for the PRC in 2019 was approximately 7.8% (2018: 6.6%). Pursuant to the Thirteenth Five Year Plan* (十三五規劃) set out by the PRC government, the target annual growth in GDP for the subsequent five years from 2016 was approximately 6.5%. However, attributable to the ongoing development and impact of the COVID-19

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outbreak, which is expected to be temporary in nature, the GDP of the PRC for 2020 is expected to be lower. Nonetheless, despite the short-term challenging environment, the PRC economy is still expected to achieve positive growth for 2020¹.

The PRC government has promoted urbanisation in the PRC through, among others, (i) accelerate the agricultural population urbanisation (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system* (深化戶籍制度改革), implementation of the residence permit system* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) optimise urbanisation layout* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration* (加快城市群建設發展), enhance the drive of activities by central cities* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristic towns* (加快發展中小城市和特色鎮). In addition, the PRC government has implemented various policy measures, at national and regional level, to promote long term sustainability of the PRC property market, which included but was not limited to (i) making adjustments to the benchmark interest rate by the People's Bank of China; (ii) amending the minimum down payment for buyers of second homes; (iii) impose limitation on property purchases* (限購令); and (iv) minimum holding period before resale. In view of the above, it is expected that rapid urbanisation in the PRC as well as growth in per capita disposable income shall continue to drive growth for the PRC property management industry, as the Management expects the middle-to-high income class consumers to continue demanding for better living conditions and higher quality property management services.

We understand from the Management that the main business of the Group is based in the Henan Province, the PRC, hence additional background information published by Henan Province Bureau of Statistics (<http://www.ha.stats.gov.cn>) has been set out hereunder. Based on published information, the total population and urban population in 2019 were approximately 96.4 million and 51.3 million, respectively, based on such data, it was calculated that the urbanisation rate of Henan Province in 2019 was approximately 53.2%. In addition, the annual per capita disposable income of residents in Henan was approximately RMB23,903, representing an increase of approximately 8.8% over 2018. In terms of permanent residence in Henan, the per capita disposable income of urban residents was approximately RMB34,201, representing an increase of approximately 7.3%. Furthermore, the investment in real estate development throughout 2019 was approximately RMB746.5 billion, representing an increase of approximately 6.4% over the corresponding prior year. Among the total investment in real estate sector, residential investment was approximately RMB605.5 billion, representing an increase of approximately 12.4%.

¹ Publication of World Economic Forum dated 16 September 2020.

(Source: <https://www.weforum.org/agenda/2020/09/key-quotes-from-chinas-premier-li-on-covid-19-the-economy-and-us-relations/>)

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Reasons for and benefits of entering into the Supplemental Framework Agreements

We understand from the Company that the Continuing Connected Transactions contemplated under the Supplemental Framework Agreements are a furtherance of the Group's existing business and will subject to terms of the subject framework agreement, including without limitation, the pricing policy set out thereunder to ensure that the terms of the transactions with the CCRE Group are conducted on normal commercial terms and the relevant annual caps are to facilitate the effective execution of the Continuing Connected Transactions.

As disclosed in the Letter from the Board, the Directors have been carefully monitoring the historical transaction amounts of, and the estimated demand for, the Continuing Connected Transactions of the Group. The Directors consider that entering into the Supplemental Framework Agreements would be conducive to the Group's revenue growth, increasing the Group's total revenue and boosting profits as a result, which is in line with the Group's strategic development needs in the following aspects:

- (a) the Supplemental Real Estate Agency Services Framework Agreement would (i) further strengthen the Group's capabilities in real estate agency services with the provision of integrated and customised marketing solutions; (ii) enable the Group to adapt to the latest market conditions whereby the sales of properties have become more difficult and might require additional marketing efforts; and (iii) boost the sales volume and amounts for the properties developed by the CCRE Group and its associates, and therefore increase the commission income of the Group, which is recorded under the business segment of property management services and value-added services;
- (b) the Supplemental Intelligent Technology Services Framework Agreement would (i) enable the Group to capture the opportunities and benefit from the latest property market trend with increasing adoption of smart home solutions requiring the Group's intelligent technology services; (ii) further consolidate its market position as an intelligent technological solutions provider for property developers subsequent to the Group's successful expansion into this segment after the acquisition of Aiou Electronic in December 2018; and (iii) boost the revenue of the Group's business segment of property management services and value-added services;
- (c) the Membership Maintenance and Management Services Framework Agreement would (i) enable the Group to capture the opportunities and benefit from the popularity of the Central China Consumers Club as a group of loyal customers of the CCRE Group and the Group through receiving additional management fees calculated based on fees chargeable per member; and (ii) further foster customer loyalty for the brand of "Central China (建業)" and increase property repurchase rate of these high-net-worth members, which would in turn indirectly increase the demand for the Group's real estate agency services; and (iii) boost the revenue of the Group's business segment of property management services and value-added services.

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Based on the unaudited financial information for the nine months ended 30 September 2020, the total revenue of the Group increased by approximately 46.4% as compared to the nine months ended 30 September 2019, whereas the revenue generated from the CCRE Group and its associates or joint ventures as a percentage of the total revenue increased slightly from approximately 40.7% for the nine months ended 30 September 2019 to approximately 41.4% for the nine months ended 30 September 2020. The Directors consider the slight increase in percentage of the total revenue generated from the CCRE Group during the nine months ended 30 September 2020 compared to the same period in 2019 was primarily attributable to the increase in demand for the Group's services from the CCRE Group. Whilst the Directors consider that the Group could benefit from the mutual and complementary relationship with the CCRE Group, the Group has also implemented certain business expansion plans to diversify its customer portfolio and source of revenue. For example, as disclosed in the Company's announcement dated 25 September 2020, the Company acquired 51% equity interests in Jiyuan City Zhongbang Environmental Sanitation Co., Ltd. (濟源市眾幫環境保潔有限公司), the customers of which are Independent Third Parties and thus is expected to result in dilution of revenue generated from the CCRE Group.

Having considered, among others, (i) the Proposed Revised Annual Caps are a limit of which the Continuing Connected Transactions can be transacted for a specific year without the need to seek additional Shareholders' approval, however, the actual transaction amount between the Group and the members of the CCRE Group may or may not reach such maximum amount for the respective year; (ii) the Continuing Connected Transactions shall be conducted in the ordinary and usual course of business of the Group; (iii) the Management advised that the Group manages its business and customers as a whole and does not prioritise its resources to provide services to the CCRE Group; (iv) the Company seeks business expansion opportunities from both Independent Third Parties and connected persons and assess such opportunities based on their merit as a whole; (v) as set out in the Letter from the Board, the gross floor area under management for Independent Third Parties reached approximately 29.3 million square metres as compared with approximately 20.6 million square metres as of 30 June 2020, which accounted for approximately 36.5% of the total gross floor area under management by the Group as at 30 September 2020 as compared with approximately 29.4% as of 30 June 2020; (vi) as stated in the Letter from the Board, the Group has been awarded over 25 new projects owned/developed by Independent Third Parties in Hanan Province, the PRC, for the provision of property management services since listing of the Shares on the Main Board of the Stock Exchange in May 2020; (vii) we further understand from the Management that it is the Group's strategy to further expand its service coverage in terms of gross floor area with Independent Third Parties going forward which would generate additional revenue to the Group and further diversify its customer base; (viii) the development of the Group since its listing on the Stock Exchange; and (ix) the Group's business has experienced significant growth as evidenced by year-on-year revenue growth of approximately 152.8% for the year ended 31 December 2019 and period-on-period revenue growth of approximately 56.1% for the six months ended 30 June 2020, the Management considered and we concurred that the Proposed Revised Annual Caps would not result in undue reliance of the Group on the CCRE Group that would

materially and adversely affect the Group. Nonetheless, we understand from the Management that the Company shall continue to monitor and manage the overall situation from time to time and act accordingly as the Group has the right but not the obligation to provide the relevant services to the CCRE Group under the Supplemental Framework Agreements.

Having considered that, (i) the Supplemental Real Estate Agency Services Framework Agreement would strengthen the Group’s capabilities in real estate agency services and enable the Group to adapt to the latest market conditions in the sales of properties in the PRC; (ii) the Supplemental Intelligent Technology Services Framework Agreement would enable the Group to capture the opportunities and benefit from the increasing trend in adoption of smart home solutions; (iii) the Membership Maintenance and Management Services Framework Agreement would enable the Group to foster customer loyalty in its own brand of “Central China (建業)”; (iv) the services demand as well as the revenue of the Group experienced notable growth of approximately 46.4% for the nine months ended 30 September 2020 as compared to the corresponding period in the prior year; (v) the Group is a property management service provider offering a comprehensive portfolio of quality services to its customers in the PRC; (vi) the Continuing Connected Transactions are a furtherance of the Group’s principal businesses; (vii) the Proposed Revised Annual Caps, if approved, would facilitate the Continuing Connected Transactions to be conducted in an effective and efficient manner without the need for the Company to seek Shareholders’ approval on a transaction-by-transaction basis; (viii) the Management considered and we concurred that the Proposed Revised Annual Caps would not result in undue reliance of the Group on the CCRE Group that would materially and adversely affect the Group; and (ix) the Group has the right but not the obligation to provide the relevant services to the CCRE Group, which shall be on terms determined in accordance with the respective pricing policies, we concur with the Directors’ view that the Continuing Connected Transactions are in the interests of the Company as a whole.

2. Principal terms of the Supplemental Framework Agreements

The following information has been extracted from the Letter from the Board:

A. The Supplemental Real Estate Agency Services Framework Agreement

Date : 30 October 2020

Parties : (1) The Company (replacing Henan Central China New Life as the former signing party under the Real Estate Agency Services Framework Agreement); and
(2) CCRE

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Term: : The term will be extended from the 1 January 2019 to 31 December 2021 to the Effective Date to 31 December 2022

Services to be provided and service fee : As under the Real Estate Agency Services Framework Agreement, the Group shall continue to provide real estate agency services in respect of the first-hand property sales as well as preparation services (including but not limited to consultation services and event organisation services) to the CCRE Group and its associates and receive a commission rate (ranging from 0.8% to 2.0%) based on the transaction amounts of the property sales as service fee.

Pursuant to the Supplemental Real Estate Agency Services Framework Agreement, the Company and CCRE agreed that the commission rate received by the Group shall be adjusted to a range of 0.8% to 6.0% based on the transaction amounts of the property sales as service fee.

In addition, pursuant to the Supplemental Real Estate Agency Services Framework Agreement, the commission rate applicable to each property project is set out in each separate agreement to be entered into by the Company and CCRE from time to time. The commission rate applicable to each property project would be determined with reference to a number of factors including but not limited to the marketing budget for the property project, the service scope for the property project (i.e. the types and varieties of consultation, preparation and event organisation services required, such as formulation of strategic marketing plans, event venue set-up, production of advertising materials and event execution and management, etc.), the market conditions and the prevailing market rates, geographical characteristics of the property project, and characteristics of the target group of property and purchasers.

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B. The Supplemental Intelligent Technology Services Framework Agreement

Date : 30 October 2020

Parties : (1) The Company (replacing Henan Central China New Life as the former signing party under the Intelligent Technology Services Framework Agreement); and

(2) CCRE

Term: : The term will be extended from the 1 January 2019 to 31 December 2021 to the Effective Date to 31 December 2022

C. The Supplemental Membership Maintenance and Management Services Framework Agreement

Date : 30 October 2020

Parties : (1) The Company (replacing Henan Central China New Life as the former signing party under the Membership Maintenance and Management Services Framework Agreement); and

(2) CCRE

Term: : The term will be extended from the 1 January 2019 to 31 December 2021 to the Effective Date to 31 December 2022

Further details of the principal terms of the Supplemental Framework Agreements are set out in the Letter from the Board.

Pricing Policy

During the term of the Supplemental Framework Agreements, the Group shall from time to time enter into the individual agreements with the CCRE Group for the provision of relevant services in accordance with the terms of the Supplemental Framework Agreements. We understand from the Management that the Group adopts the following pricing policy to ensure that the terms offered to the CCRE Group and its associates under the Supplemental

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Framework Agreements are on normal commercial terms and shall not be less favourable to the Group than terms offered by the Group to Independent Third Parties as follows:

- (a) for real estate agency services provided by the Group, the Group would charge the CCRE Group and its associates at a specific commission range which is applicable to the CCRE Group and its associates as well as Independent Third Parties after taking into account the market information available to the Group in terms of real estate sales commission;
- (b) for intelligent technology services provided by the Group to the CCRE Group and its associates, when determining the price for the provision of services, the Group would make reference to the Group's other contemporaneous transactions of similar services (in terms of the scope of services, requirement of raw materials, the location and condition of properties, and level of difficulty of installation, etc.) provided to the Independent Third Parties; and
- (c) for the membership maintenance and management services provided by the Group, the Group adopts a cost-plus approach when determining the service charged to the CCRE Group and its associates through charging a not less unfavourable gross profit margin to the CCRE Group and its associates when providing such services.

3. Analysis on the principal terms of the Supplemental Framework Agreements and work performed on the internal control procedures

We noted that the service fees under the Supplemental Framework Agreements for the relevant services to be provided by the Group to the CCRE Group including (i) real estate agency services; (ii) intelligent technology services; and (iii) membership maintenance and management services.

In relation to the real estate agency services, we have obtained and reviewed six samples of historical transactions, which were selected on a non-exhaustive and random basis and considered to be sufficient for the purpose of our analysis hereunder. Such samples included three transactions between the Group and each of (i) Independent Third Parties; and (ii) members of the CCRE Group on real estate agency services (the “**Agency Services Samples**”). We noted that the commission rates of agency fee of the Agency Services Samples were charged based on specified commission range maintained by the Group, being between 0.8% to 2.0% (the “**Commission Range**”). Based on the Agency Services Samples reviewed, the Commission Range was applied to transactions with both Independent Third Parties and connected persons of the Company. Furthermore, the Management further advised that none of the real estate agency services with the CCRE Group were charged at a price out of the prescribed range of 0.8% to 2.0% as stated in the Real Estate Agency Services Framework Agreement during the relevant period.

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In addition, we understand from the Management that the Commission Range was determined according to the latest market information available to the Group. The Management advised that transactions between the Group and Independent Third Parties or the CCRE Group also have to comply with the commission set out in the Commission Range. The Management advised that the commission rate of a transaction is proposed by the staff of operation department of the Group based on a set of criteria, including location of properties and competition faced from market participants and approved by the head of operation department. The Company will also perform a review of the Commission Range on a semi-annual basis going forward. Moreover, we noted from the latest market information recently collected by the operation department of the Group that commission rate of certain residential buildings charged by Independent Third Parties has increased up to 6%. Based on such latest market information collected by the operation department, we concur with the Management that the adjustment in commission rate would be more comparable to the prevailing commission rate adopted in the market and enable to the Group to generate more income from the proposed adjustment. Therefore, we are of the view that the adjustment in range of the commission rate is fair and reasonable so far as the Shareholders are concerned.

In relation to the engineering installation services under the intelligent technology service, we understand from the Management that factors such as technical installation complexity, requirement of raw materials or scope of services used may have a bearing on the rate of the service fee charged to its customers. Hence, the rate of service fee charged may vary from project to project. We have reviewed six sampled transactions included three transactions between the Group and each of (i) the Independent Third Parties (the “**I3P Samples**”); and (ii) members of the CCRE Group (the “**Connected Samples**”) for the provision of intelligent technology services, which were selected on a non-exhaustive and random basis and considered to be sufficient for the purpose of our analysis hereunder. We noted from the Connected Samples that the service fees charged to the CCRE Group were at a similar level to the service fees charged to the Independent Third Parties for similar types of intelligent technology services. When selecting samples for comparison purposes, we have compared service fees charged in connection with the provision of intelligent technology services to the Independent Third Parties and to the CCRE Group whereby the subject transactions had similar scope of service, requirement of raw materials and technical installation complexity. Similar to the real estate agency services, the services fee charged for intelligent technology services are proposed by the staff of operation department based on a set of criteria, including raw material used and technical knowhow involved in installation and approved by the head of operation department.

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Moreover, we also understand from the Management that both I3P Samples and Connected Samples were charged in accordance with a standard pricing list (the “**Standard Pricing List**”) maintained by the Group, which applies to engineering installation services provided to both Independent Third Parties and connected persons. We have obtained and reviewed the Standard Pricing List and noted that the Standard Pricing List sets out the price for the supply and installation of different intelligent household devices, such pricing is determined with reference to the market information collected by the Group. As per the Standard Pricing List and the relevant samples reviewed by us, the Group charged the prescribed amount for the supply and installation of the relevant types of intelligent household devices. As advised by the Management, the operation department would perform a quarterly review on the Standard Pricing List by comparing with the latest market information on the applicable supply and installation services and would update the Standard Pricing List in the event of significant price change. For the two quarterly review samples reviewed by us, the Company has assessed relevant market information and did not note any significant price change in the market, on this basis, no updates were made to the Standard Pricing List.

In relation to the software development services and consultation services under the intelligent technology services, we have obtained two samples of software development services and consultation services provided to customers. We further understand from the Management that the Group has only been engaged twice since 1 January 2018 to provide the software development services and consultation services to customers. As set out in the Letter from the Board, the operation department provides lump-sum fee quotation for software development services and consultation taking into account the specific software requirement, the GFA of the property projects involved, the government-guided prices on engineering design and survey fee standard and the prevailing market prices for comparable services. We noted from the samples that the software development services and consultation services was charged in accordance with the government-guided prices and the gross floor area of the project projects involved.

In relation to the membership maintenance and management services, we understand from the Management that the Group adopts a cost-plus approach when determining the services charged to the CCRE Group. We understand from the Management that the scope of services provided under the membership maintenance and management services primarily comprised of, among others, personalised services to VIPs of the Central China Consumers Club (建業君鄰會), who are the CCRE Group’s exclusive group of high-net-worth customers. The services provided included, among others, operating an online-offline community living platform to provide personalised butler services to its members, organise and manage periodic member gatherings and events, such as sports competitions, annual dinners, leisure tours, seminars as well as other recreational and/or community activities. The Management advised that the provision of the aforesaid membership maintenance and management services mainly involved its staff to attend to members’ requests, organise and manage events which is not too dissimilar from property management and valued-added services and tourism services, such as providing butler services, managing and

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operating club house facilitates and organising various package tours such as football tours and leisure tours (the “**Similar Services**”), in terms of nature of services, skill set of staff, manpower required, and the costs of providing the aforesaid type of services are both primarily labour costs. On this basis, in particular, the Management advised that the core staff team providing membership maintenance and management services, if required, can also be deployed to provide other Similar Services, and vice versa, we considered that it is reasonable to use the gross profit margin derived from the provision of Similar Services to Independent Third Parties as a basis to assess whether the services fees charged for the provision of membership maintenance and management services are fair and reasonable.

In this connection, we obtained a schedule provided by the Management setting out the gross profit margins of membership maintenance and management services derived by the Group, we noted that such services generate a comparatively higher overall gross profit margin than the six sampled Similar Services provided by the Group to its Independent Third Party customers since its launch of its membership maintenance and management services in 2019 as a whole. Furthermore, the overall segment gross profit margin for (i) the property management and value added services; and (ii) lifestyle services, the business segment of which revenue from tourism services are recorded under, was approximately 31.7% and 40.1% for the six months ended 30 June 2020, respectively, both of which were notably lower than that of the gross profit margin generated from the provision of membership maintenance and management services.

We also understood that the annual membership fee charged is subject to an annual review performed by the operation department with a view to ensure that the gross profit margin earned from such membership services would not be less favourable than the overall gross profit margin earned by the Group.

Based on our work and analysis performed and as set out above, the sample transactions obtained and reviewed were conducted in accordance with the applicable pricing policies of the Group. In view of the above, in particular, our analysis and work performed on the pricing policies and internal control procedures implemented by the Group including (i) the basis of service fees charged for real estate agency services, were determined in accordance with the Commission Range for both Independent Third Parties and the CCRE Group; (ii) the service fees charged in connection with the intelligent technology services to the CCRE Group were on a basis consistent with the service fees charged to Independent Third Parties with similar scope of service, requirement of raw materials and technical installation complexity sampled; and (iii) the service fees of the membership maintenance and management services were determined on a cost-plus basis, we are of the view that the transactions contemplated under the Supplemental Framework Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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In addition, we have discussed and understood from the Management that the auditor of the Company would also conduct an annual review on the pricing terms and the annual caps under the Supplemental Framework Agreements. We further understand from the Management that the finance department of the Group will monitor the actual transaction amounts contemplated under the Supplemental Framework Agreements and report to the Management if the aggregate transaction amount under the annual caps are close to its limit. The Management has also confirmed that the transactions between the Group and the CCRE Group under the Framework Agreements have been in compliance with the relevant internal control procedures.

4. Rationale for determining the annual cap in connection with the Supplemental Framework Agreements

The historical transaction amounts under the Framework Agreements during the year/period is set out below:

	For the year ended 2019 (Audited) RMB'000	For the nine months ended 30 September 2019 (Unaudited) RMB'000	For the nine months ended 30 September 2020 (Unaudited) RMB'000
The Real Estate Agency Services Framework Agreement	238,500	140,600	205,800
The Intelligent Technology Services Framework Agreement	140,700	86,100	171,000
The Membership Maintenance and Management Services Framework Agreement	47,200	32,500	58,400

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The table below sets out the Original Annual Caps and the Proposed Revised Annual Caps under each of the Framework Agreements and Supplemental Framework Agreements, respectively:

	Original Annual Caps		Proposed Revised Annual Caps		
	For the years ending 31 December				
	2020	2021	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Real Estate Agency Services Framework Agreement and the Supplemental Real Estate Agency Services Framework Agreement	285,000	330,000	440,000	450,000	465,000
The Intelligent Technology Services Framework Agreement and the Supplemental Intelligent Technology Services Framework Agreement	180,000	235,000	340,000	360,000	380,000
The Membership Maintenance and Management Services Framework Agreement and the Supplemental Membership Maintenance and Management Services Framework Agreement	60,000	70,000	100,000	155,000	230,000

A. The Supplemental Real Estate Agency Services Framework Agreement

As set out in the Letter from the Board, the Proposed Revised Annual Caps of the Supplemental Real Estate Agency Services Framework Agreement for the year ending 31 December 2020 was determined after taking into account (i) the historical transaction amounts and volume of real estate agency services provided by the Group in 2020, in particular, the fact that the historical transaction amounts during nine months ended 30 September 2020 increased by approximately 46.4% compared to the same period in 2019 due to the various new marketing approach introduced by the CCRE Group and its associates in sales of property as a result of the government's introduction of preventive measures to control COVID-19 since its outbreak and that the CCRE Group and its associates have decided to increase their marketing spending and efforts in its property sales, resulting in a general increase in the average commission rates received by the Group with the more comprehensive and customised service scope required under most property projects; (ii) the anticipated growth in the estimated transaction amounts for real estate agency services for the three years ending 31 December 2020, 2021 and 2022, calculated by multiplying the increased commission

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rate (ranging from 0.8%–6.0%) by the estimated aggregate sales amount of approximately RMB94.6 billion for all the existing agreements entered into as of 30 September 2020; and (iii) the increase in demand for the Group’s real estate agency services as seen from the increase of estimated aggregate sales amount from approximately RMB74.25 billion for all the existing agreements entered into as of 31 December 2019 to approximately RMB94.6 billion for all the existing agreements entered into as of 30 September 2020, which the Directors consider to be primarily attributable to the increase in number of property projects expected to be launched for sale by the CCRE Group and its associates.

In assessing the reasonableness of the Proposed Revised Annual Caps of the Supplemental Real Estate Agency Services Framework Agreement, we have obtained a schedule from the Management setting out the estimated aggregate sales amount as of 30 September 2020 which includes over 100 projects located in various regions of Henan Province such as Zhengzhou, Anyang and Xuchang (the “**Project Schedule**”). In addition, we have also reviewed the interim report of CCRE for the six months ended 30 June 2020 and noted that the CCRE Group expected to deliver 60 projects in total with an aggregate gross floor area of approximately 5.1 million square metre in the second half of 2020 which represents a period-on-period growth of approximately 37.8% in terms of the total gross floor area. We noted that the increase of estimated aggregate sales amount as at 31 December 2019 compared to that as at 30 September 2020 was consistent with the period-on-period increase in the expected completion of gross floor area of the CCRE Group for the second half of 2020.

In connection with the Proposed Revised Annual Caps for the years ending 31 December 2021 and 2022, we noted that such annual caps represent a slight year-on-year increase of approximately 2.3% from 2020 to 2021 and 3.3% from 2021 to 2022, respectively. We understand from the Management that the Group expected similar level of demand in real estate agency services from the CCRE Group for the years ending 31 December 2021 and 2022 as compared to the year ending 31 December 2020. The increase of RMB10 million and RMB15 million in annual caps for 2021 and 2022, respectively, was primarily intended to cater for any unforeseen changes in market conditions including a potential increase in commission rate of real estate agency services and/or unexpected increase in the prevailing service fees charged to the CCRE Group, thereby providing a degree of flexibility.

Having considered, (i) the period-on-period increase in historical amounts of the real estate agency services for the nine months ended 30 September 2020; (ii) the recent growth in revenue of the Group from the provision of property management and other value-added services of approximately 116.1% and 59.3% during the year ended 31 December 2019 and the six months ended 30 June 2020, respectively, of which the real estate agency services formed part; (iii) the information as set out in the Project Schedule and the projects expected to be delivered by the CCRE Group; (iv) the annual caps for the year ending 31 December 2020 are primarily based on the estimated aggregate sales amount as of 30 September 2020; (v) the provision of real estate agency services is subject to the progress and completion of the projects of the CCRE Group, in particular, those expected to be completed during the years ending 2021 and 2022;

and (vi) the Group has the right but not the obligation to provide the real estate agency services to the CCRE Group under the Supplemental Real Estate Agency Services Framework Agreement, we consider the basis for determining the Proposed Revised Annual Caps under the Supplemental Real Estate Agency Services Framework Agreement to be fair and reasonable.

B. The Supplemental Intelligent Technology Services Framework Agreement

As set out in the Letter from the Board, the Proposed Revised Annual Caps of the Supplemental Intelligent Technology Services Framework Agreement for the year ending 31 December 2020 was determined after taking into account (i) the historical transaction amount of the intelligent technology services provided by the Group in 2020, in particular the fact that the historical transaction amounts during the nine months ended 30 September 2020 increased by 98.6% compared to the same period in 2019; (ii) the recent increase in demand and budget on the Group's intelligent technology services by the CCRE Group and its associates driven by the rapid penetration of smart home solutions into the property development industry and their strategy to differentiate their properties with technological elements for improvement in quality of life; (iii) the CCRE Group and its associates have decided to engage the Group on more property projects (instead of other service providers) for provision of intelligent technology services having considered the successful delivery of a number of property projects utilising the Group's intelligent technology services at satisfactory quality; and (iv) the increase in demand for the Group's intelligent technology services as seen from the increase of aggregate contractual value of approximately RMB248.4 million pursuant to the then existing agreements entered into as of 31 December 2019 to approximately RMB504.6 million pursuant to the then existing agreements entered into as of 30 September 2020.

In assessing the reasonableness of the Proposed Revised Annual Caps of the Supplemental Intelligent Technology Services Framework Agreement, we have obtained a schedule from the Management setting out that the existing agreements entered into with the CCRE Group as of 30 September 2020 included over 300 projects with an aggregate contractual amount of approximately RMB504.6 million (the "**Intelligent Technology Project Schedule**"). We further noted that the Management has individually assessed the progress of each of the projects and estimated an expected percentage of completion as at 31 December 2020 based on the work schedule or contractual obligations as agreed with the CCRE Group. Based on the Intelligent Technology Project Schedule prepared by the Management, it is estimated that the Group is going to complete and recognise a total revenue of approximately RMB340.0 million for the year ending 31 December 2020.

In connection with the Proposed Revised Annual Caps for the years ending 31 December 2021 and 2022, we noted that such annual caps represent a year-on-year increase of approximately 5.9% from 2020 to 2021 and 5.6% from 2021 to 2022, respectively. We understand from the Management that the Group expected a similar level of demand of services from the CCRE Group for the years ending 31 December 2021 and 2022 as compared to the year ended 31 December 2020. The increase of

RMB20 million in annual caps for 2021 and 2022 was primarily intended to cater for any unforeseen changes in market conditions including potential increases in demand of intelligent technology services and/or unexpected increase in the prevailing service fee charged to the CCRE Group. In this connection, the buffer allows a degree of flexibility.

Having considered, (i) the period-on-period increase in historical amounts of the intelligent technology services for the nine months ended 30 September 2020; (ii) the recent growth in revenue of the Group generated from the provision of property management and other value-added services of approximately 116.1% and 59.3% during the year ended 31 December 2019 and the six months ended 30 June 2020, respectively, of which the intelligent technology services formed part; (iii) the annual caps are primarily based on the existing contractual value as of 30 September 2020; (iv) the provision of intelligent technology services is subject to the progress and completion of the projects of the CCRE Group, in particular, those expected to be completed during the years ending 2021 and 2022; and (v) the Group has the right but not the obligation to provide the relevant services to the CCRE Group under the Supplemental Intelligent Technology Services Framework Agreement, we consider the basis for determining the Proposed Revised Annual Caps under the Supplemental Intelligent Technology Services Framework Agreement to be fair and reasonable.

C. The Supplemental Membership Maintenance and Management Services Framework Agreement

As set out in the Letter from the Board, the Proposed Revised Annual Caps of the Supplemental Membership Maintenance and Management Services Framework Agreement for the year ending 31 December 2020 was determined after taking into account (i) the historical transaction amount of the membership maintenance and management services provided by the Group in 2020, in particular the fact that the historical transaction amounts during the nine months ended 30 September 2020 increased by approximately 79.7% compared to the same period in 2019; (ii) the number of members of the Central China Consumers Club increased rapidly from over 10,000 persons as of 31 December 2019 to over 19,000 as of 30 September 2020, which was primarily attributable to the increase in property sales of the CCRE Group during the nine months ended 30 September 2020 as compared to the same period in 2019, resulting in increased number of high-net-worth customers eligible for and enrolled into the Central China Consumers Club; (iii) the CCRE Group's target to achieve 20,000 members by end of 31 December 2020 in order to further enhance the brand recognition of "Central China (建業)" and increase its property purchase rate from these existing high-net-worth members; (iv) the estimated fees to be received by the Group calculated by multiplying the fees per person per year by the estimated number of members of the Central China Consumers Club; and (v) the increase in number of events for members of the Central China Consumers Club since the second quarter of 2020 attributable to the improvement in the COVID-19 pandemic situation in the PRC.

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In assessing the reasonableness of the Proposed Revised Annual Caps of the Supplemental Membership Maintenance and Management Services Framework Agreement, we have obtained a schedule from the Management and noted that the Proposed Revised Annual Caps was estimated based on (i) the number of Central China Consumers Club members as of 30 September 2020; (ii) the expected increase in number of new members joining the Central China Consumers Club for the years ending 31 December 2021 and 2022; and (iii) number of events to be organised by the Group for Central China Consumers Club members. We further noted that the Group expected a year-on-year increase of 60% in average number of members during the year ending 31 December 2021 and 2022 which was prudently estimated as the rate of increase in number of new Central China Consumers Club members was approximately 90% during the nine months ended 30 September 2020. Furthermore, as advised by the Management, the Group also expected a gradual increase in number of events held for Central China Consumers Club members for the second half of 2020 and year ending 31 December 2021 considering the increasing number of Central China Consumers Club members and that the COVID-19 pandemic in the PRC are generally under control. For the year ending 31 December 2022, the Group prudently assumed the same number of events to be held as compared to 2021.

Having considered, (i) the period-on-period increase in historical amounts of the membership maintenance and management services for the nine months ended 30 September 2020; (ii) the annual caps were determined with reference to the existing number of Central China Consumers Club members as of 30 September 2019 as well as the historical rate of increase in number of new members joining the Central China Consumers Club during the nine months ended 30 September 2020 as well as the expected rate of increase in new Central China Consumers Club members going forward; and (iii) the Group has the right but not the obligation to provide membership maintenance and management services to the CCRE Group under the Supplemental Membership Maintenance and Management Services Framework Agreement, we consider the basis for determining the Proposed Revised Annual Caps under the Supplemental Membership Maintenance and Management Services Framework Agreement to be fair and reasonable.

VII. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of the Supplemental Framework Agreements;
- (ii) the provision of services under the Supplemental Framework Agreements is a furtherance and continuance of the Group's existing principal businesses;
- (iii) based on our work performed, the sampled transactions under the Framework Agreements were conducted in accordance with its pricing policies and internal control procedures; and
- (iv) the value of, and the basis for determining, the respective annual caps are reasonable as discussed in this letter above,

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we are of the view that the Supplemental Framework Agreements with CCRE, are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the Proposed Revised Annual Caps, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Supplemental Framework Agreements (including the Proposed Revised Annual Caps) at the EGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has around 13 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executives

Interests and short positions of the Directors and the chief executives in the shares, underlying shares or debentures of the Company and the associated corporations

As at the Latest Practicable Date, the interests and short positions (as applicable) of the Directors and the chief executive in the Shares or underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once our Shares are listed, will be as follows:

(i) Long position in our Shares

Name of Director	Nature of Interest/Capacity	Relevant company (including associated corporations)	Class and number of shares held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(%)</i>
Wang Jun	Interest in a controlled corporation	The Company	44,640,000 (L) <i>(Note 2)</i>	3.59
	Beneficial owner	The Company	431,000 (L) <i>(Note 3)</i>	0.035
Cai Bin	Beneficial owner	The Company	4,950,000 (L) <i>(Note 4)</i>	0.40
Min Huidong	Beneficial owner	The Company	6,300,000 (L) <i>(Note 5)</i>	0.51
Wu Lam Li	Interest of a spouse	The Company	848,092,944 (L) <i>(Note 6)</i>	68.12

Notes:

1. The letter “L” denotes the person’s long position in the shares.
2. Leap United is wholly-owned by Wang Jun. Therefore, Leap United is a controlled corporation of Wang Jun and Wang Jun is deemed to be interested in the same number of Shares that Leap United is interested in under the SFO.
3. Mr. Wang Jun is interested in 431,000 Shares which are held through his personal account.
4. Mr. Cai Bin is interested in 4,950,000 Shares which may be allotted and issued to him upon full exercise of all Pre-IPO Share Options granted to him.
5. Ms. Min Huidong is interested in 6,300,000 Shares which may be allotted and issued to her upon full exercise of all Pre-IPO Share Options granted to her.
6. Ms. Wu Lam Li is the spouse of Mr. Wu and is therefore deemed to be interested in the same number of Shares that Mr. Wu is interested in under the SFO.

(ii) Long position in the shares of our associated corporation

Name of Director	Name of associated corporation	Nature of interest	Class and number of securities held	Percentage of interests in the associated corporation
Wu Lam Li	Enjoy Start	Interest of a spouse	1 ordinary share	100%

(b) Substantial shareholders

As at the Latest Practicable Date, so far as the Directors are aware, the following person (other than a person who is a Director or chief executive of the Company) had interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company and its subsidiaries.

Name of Shareholder	Nature of Interest	Total number of Shares in which the Shareholder is interested	Approximate Percentage
Enjoy Start ⁽¹⁾	Beneficial owner	848,092,944	68.12%
Mr. Wu ^(1,2)	Interest in a controlled corporation	848,092,944	68.12%
Ms. Wu Lam Li ^(1,2)	Interest of a spouse	848,092,944	68.12%
Gaoling Fund, L.P. ⁽³⁾	Beneficial owner	84,857,000 ⁽³⁾	6.82%
Hillhouse Capital Advisors, Ltd. ⁽³⁾	Interest in a controlled corporation	84,867,000 ⁽³⁾	6.82%

Notes:

1. Enjoy Start is wholly-owned by Mr. Wu. Therefore, Enjoy Start is a controlled corporation of Mr. Wu and Mr. Wu is deemed to be interested in the same number of Shares that Enjoy Start is interested in under the SFO.
2. Ms. Wu Lam Li is the spouse of Mr. Wu and is therefore deemed to be interested in the same number of Shares that Mr. Wu is interested in under the SFO.
3. Hillhouse Capital Advisors, Ltd. (“**Hillhouse Capital**”) is the sole investment manager and general partner of Gaoling Fund, L.P.. Hillhouse Capital is deemed to be interested in the 84,857,000 Shares held by Gaoling Fund, L.P..

3. NO MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date there had not been any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group have been made up.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or his or her respective close associates was considered to have an interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder (as defined under the Listing Rules) of the Company.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

- (i) none of the Directors had any interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) save as disclosed above, none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. EXPERT'S QUALIFICATIONS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Red Sun Capital Limited	A licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Room 7706, 77/F, International Commerce Centre, No. 1 Austin Road West Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 30 to 31 of this circular;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 32 to 57 of this circular; the Real Estate Agency Services Framework Agreement;
- (c) the written consent letter from the Independent Financial Adviser referred to in the paragraph headed "7. Expert's qualifications and consent" in this appendix;
- (d) the Real Estate Agency Services Framework Agreement;

- (e) the Supplemental Real Estate Agency Services Framework Agreement;
- (f) the Intelligent Technology Services Framework Agreement;
- (g) the Supplemental Intelligent Technology Services Framework Agreement;
- (h) the Membership Maintenance and Management Services;
- (i) the Supplemental Membership Maintenance and Management Services; and
- (j) this circular.



Central China New Life Limited
建業新生活有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9983)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Central China New Life Limited (the “**Company**”) will be held at 10:00 a.m. on Thursday, 10 December 2020 at Room 7706, 77/F, International Commerce Centre, No. 1 Austin Road West, Kowloon, Hong Kong for the following purposes. Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the circular of the Company dated 23 November 2020 (the “**Circular**”).

ORDINARY RESOLUTIONS

“THAT:

- (a) the Supplemental Framework Agreements (copies of which are tabled at the meeting and marked “A”, “B” and “C” and signed by the chairman of the meeting for the purpose of identification) entered into between the Company and CCRE, the transactions contemplated thereunder and the Proposed Revised Annual Caps for the three years ending 31 December 2022 be and are hereby approved, confirmed and ratified; and
- (b) any one of the Directors be and is hereby authorised to take such actions and execute such documents for and on behalf of the Company as he or she may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Supplemental Framework Agreements, the transactions contemplated thereunder and the Proposed Revised Annual Caps.”

By Order of the Board
Central China New Life Limited
Wang Jun
Chairman

Hong Kong, 23 November 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy needs not be a member of the Company.
2. If more than one of the joint registered holders are present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register of members in respect of such share(s) of the Company shall be accepted to the exclusion of the votes of the other joint registered holders.
3. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof.
4. The register of members of the Company will be closed from 7 December 2020 to 10 December 2020, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identities of the shareholders who are entitled to attend and vote at the meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 4 December 2020.
5. Pursuant to rule 13.39(4) of the Listing Rules, all votes at the general meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands and the Company will announce the results of the poll in the manner prescribed under rule 13.39(5) of the Listing Rules.
6. Details of the above resolutions are set out in the circular despatched to shareholders of the Company on 23 November 2020.
7. If a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the meeting, the Company will post an announcement on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.ccnewlife.com.cn) to notify shareholders of the Company of the date, time and place of the rescheduled meeting. The meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders of the Company should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.
8. Shareholders or their proxies attending the meeting are responsible for their own transportation and accommodation expenses.

As at the date of this circular, the Board comprises: (i) Mr. Wang Jun (Chairman) and Mr. Cai Bin as executive Directors; (ii) Ms. Wu Lam Li and Ms. Min Huidong as non-executive Directors; and (iii) Mr. Leong Chong, Ms. Luo Laura Ying and Ms. Xin Zhu as independent non-executive Directors.