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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)

CONTINUING CONNECTED TRANSACTION REVISION OF ANNUAL CAP AND TERMS OF COMMERCIAL PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

REVISION OF ANNUAL CAPS AND TERMS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the continuing connected transactions between the Company and/or its subsidiaries and CCRE in relation to the Commercial Property Management Services Framework Agreement dated 26 June 2019, details of which were disclosed in the prospectus of the Company dated 5 May 2020 under the section headed “Connected Transactions”.

Due to the expansion of scope of management services under the Commercial Property Management Services Framework Agreement as a result of the growth in business of the CCRE Group, the Board expects that (i) the business of CCRE will expand and the demand for commercial property management services and advisory consultation services will increase; (ii) certain service fee structure will be modified to cover services provided to CCRE’s cultural tourism complexes; and (iii) the Original Annual Cap under the Commercial Property Management Services Framework Agreement will be insufficient for FY2021.

On 13 May 2021, the Company (replacing Henan Central China New Life as the former signing party under the Commercial Property Management Services Framework Agreement) and CCRE entered into the Supplemental Commercial Property Management Services Framework Agreement to include and amend certain terms of the Commercial Property Management Services Framework Agreement as follows:

- (1) the Group shall continue to provide the services contemplated under the Commercial Property Management Services Framework Agreement to the CCRE Group in accordance with the revised terms, for a term commencing from 1 January 2021 to 31 December 2021;
- (2) the Original Annual Cap under the Commercial Property Management Services Framework Agreement shall be amended to the Revised Annual Cap under the Supplemental Commercial Property Management Services Framework Agreement;
- (3) the Revised Annual Cap will include the specific service fee structure for managing the cultural tourism complexes in which the principal terms are as follows:

Management service fee	The fees payable by the CCRE Group to the Group in respect of its management and advisory consultation services for the cultural tourism complexes comprise: (i) opening preparation fee; (ii) basic management service fee; (iii) incentive management service fee; and (iv) advisory consultation service fee.
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Save as the above, the terms of the Supplemental Commercial Property Management Services Framework Agreement shall remain the same as those of the Commercial Property Management Services Framework Agreement. The Supplemental Commercial Property Management Services Framework Agreement is effective from 13 May 2021 and would supersede the Commercial Property Management Services Framework Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 Commercial Property Management Services Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual cap of the Supplemental Commercial Property Management Services Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Supplemental Commercial Property Management Services Framework Agreement are subject to the reporting, announcement and annual review requirements but exempted from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the continuing connected transactions between the Company and/or its subsidiaries and CCRE in relation to the Commercial Property Management Services Framework Agreement dated 26 June 2019, details of which were disclosed in the prospectus of the Company dated 5 May 2020 under the section headed "Connected Transactions".

Due to the expansion of scope of management services under the Commercial Property Management Services Framework Agreement as a result of the growth in business of the CCRE Group, the Board expects that (i) the business of CCRE will expand and the demand for commercial property management services and advisory consultation services will increase; (ii) certain service fee structure will be modified to cover services provided to CCRE's cultural tourism complexes; and (iii) the Original Annual Cap under the Commercial Property Management Services Framework Agreement will be insufficient for FY2021.

THE SUPPLEMENTAL COMMERCIAL PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

On 13 May 2021, the Company (replacing Henan Central China New Life as the former signing party under the Commercial Property Management Services Framework Agreement) and CCRE entered into the Supplemental Commercial Property Management Services Framework Agreement to include and amend certain terms of the Commercial Property Management Services Framework Agreement as follows:

- (1) the Group shall continue to provide the services contemplated under the Commercial Property Management Services Framework Agreement to the CCRE Group in accordance with the amended terms for a term commencing from 1 January 2021 to 31 December 2021;
- (2) the Original Annual Cap under the Commercial Property Management Services Framework Agreement shall be amended to the Revised Annual Cap under the Supplemental Commercial Property Management Services Framework Agreement;
- (3) the Revised Annual Cap will include the specific service fee structure for managing the cultural tourism complexes in which the principal terms are as follows:

Management service fee	The fee payable by the CCRE Group to the Group in respect of its management and advisory consultation services for the cultural tourism complexes comprise: (i) opening preparation fee; (ii) basic management service fee; (iii) incentive management service fee; and (iv) advisory consultation service fee.
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Save as the above, the terms of the Supplemental Commercial Property Management Services Framework Agreement shall remain the same as those of the Commercial Property Management Services Framework Agreement. The Supplemental Commercial Property Management Services Framework Agreement is effective from 13 May 2021 and would supersede the Commercial Property Management Services Framework Agreement.

The principal terms of the Supplemental Commercial Property Management Services Framework Agreement are set out as follows:

Supplemental Commercial Property Management Services Framework Agreement

- Date : 13 May 2021
- Parties : (1) The Company (replacing Henan Central China New Life as the former signing party under the Commercial Property Management Services Framework Agreement); and
(2) CCRE
- Term : The term will commence from 1 January 2021 to 31 December 2021
- Service fee : The specific service fee payable by the CCRE Group to the Group in respect of its management and advisory consultation services for the cultural tourism complexes comprise: (i) opening preparation fee; (ii) basic management service fee; (iii) incentive management service fee; and (iv) advisory consultation service fee:
- (i) Opening preparation fee: Provide planning and consultation services for the opening of the cultural tourism complexes, including the formation of the project core team and recruitment and training of staff, commercial planning and investment placement, establishment of operation mode and system, etc. The fee is charged at a fix rate of RMB20,000,000 per project.
 - (ii) Basic management service fee: The profit model of the project is based on “entrance ticket plus customer repeated consumption”, and the basic management service fee is charged at a fixed percentage of 9% of the project turnover.
 - (iii) Incentive management service fee: Charged during the operation of the project at a fixed percentage of 50% of the project’s net operation income in excess of budget.
 - (iv) Advisory consultation service fee: Charged at a fixed rate per project based on the stage of the project and with reference to the nature, service content and scope of the consultation services to be provided, the price ranges from RMB1,000,000 to RMB1,500,000.

Further details on the reasons for the adjustment of service fee under the Supplemental Commercial Property Management Services Framework Agreement are set out below in the paragraph headed “Revision of Service Fee — Revision of service fee under the Supplemental Commercial Property Management Services Framework Agreement” in this announcement.

- Pricing basis : The service fees were determined by the parties on arm’s length basis and on normal commercial terms or better to the Company having regard to (i) the nature and scope of the services; and (ii) by reference to the prices charged by third parties in the market when providing similar services by the Company.
- Annual cap : The Original Annual Cap of RMB56 million for FY2021, will be increased to the Revised Annual Cap of RMB115 million.

Save as the above, the terms of the Supplemental Commercial Property Management Services Framework Agreement shall remain the same as those of the Commercial Property Management Services Framework Agreement.

REVISION OF SERVICE FEE

Revision of service fee under the Supplemental Commercial Property Management Services Framework Agreement

Pursuant to the Commercial Property Management Services Framework Agreement, the Group shall provide Commercial Property Management Services and Advisory Consultation Services to the CCRE Group. Pursuant to the Supplemental Commercial Property Management Services Framework Agreement, the Group shall continue to provide Commercial Property Management Services and Advisory Consultation Services to the CCRE Group.

The specific fee payable by the CCRE Group to the Group in respect of its management and advisory consultation services for the cultural tourism complexes comprise: (i) opening preparation fee; (ii) basic management service fee; (iii) incentive management service fee; and (iv) advisory consultation service fee:

- (i) Opening preparation fee: Provide planning and consultation services for the opening of the cultural tourism complexes, including the formation of the project core team and recruitment and training of staff, commercial planning and investment placement, establishment of operation mode and system, etc. The fee is charged at a fix rate of RMB20,000,000 per project.

- (ii) Basic management service fee: The profit model of the project is based on “entrance ticket plus customer repeated consumption”, and the basic management service fee is charged at a fixed percentage of 9% of the project turnover.
- (iii) Incentive management service fee: Charged during the operation of the project at a fixed percentage of 50% of the project’s net operation income in excess of budget.
- (iv) Advisory consultation service fee: Charged at a fixed rate per project based on the stage of the project and with reference to the nature, service content and scope of the consultation services to be provided, the price ranges from RMB1,000,000 to RMB1,500,000.

HISTORICAL TRANSACTION AMOUNTS AND THE REVISED ANNUAL CAPS

The table below sets out the historical transaction amounts between the Company and its subsidiaries and the CCRE Group under the Commercial Property Management Services Framework Agreement during the year stated in the table below:

	Historical Transaction Amounts		
	FY2019 <i>(RMB'000)</i>	FY2020 <i>(RMB'000)</i>	FY2021 <i>(RMB'000)</i>
Commercial Property Management Services Framework Agreement	31,400	40,200	15,900 (for the four months ended 30 April 2021)

The Directors confirm that, from FY2019 to the date of this announcement, the transaction amounts between the Company and its subsidiaries and the CCRE Group under the Commercial Property Management Services Framework Agreement are all within the Original Annual Caps for the respective year/period.

The table below sets out the Original Annual Cap and the Revised Annual Cap under the Commercial Property Management Services Framework Agreement and Supplemental Commercial Property Management Services Framework Agreement, respectively:

	Original Annual Cap FY2021 (RMB'000)	Revised Annual Cap FY2021 (RMB'000)
Commercial Property Management Services Framework Agreement and the Supplemental Commercial Property Management Services Framework Agreement	56,000	115,000

Revised Annual Cap under the Supplemental Commercial Property Management Services Framework Agreement

The Revised Annual Cap under the Supplemental Commercial Property Management Services Framework Agreement represent a 105.4% increase from the Original Cap. Such Revised Annual Cap is determined after taking into account the following factors:

- the estimated fees to be received by the Company for Commercial Property Management Services calculated based on the formula comprising various items as disclosed above;
- the Group's anticipated estimation of the operating income (in terms of number of visitors and expected customer consumption) of the cultural tourism complexes for FY2021;
- the incentive management service fee (calculated based on the best estimated net operating profit, revenue or profit (as applicable)) that the Group might receive pursuant to the terms of the separate agreements for management of hotels and commercial properties; and
- the number of separate agreements entered into and expected to be entered into pursuant to the Commercial Property Management Services Framework Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL COMMERCIAL PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

In relation to the Supplemental Commercial Property Management Services Framework Agreement, the Group expects that the provision of management and advisory consultation services to cultural tourism complexes of the CCRE Group will contribute to an increase in revenue and improvement of the profit of the Group, meeting the needs of strategic development of the Group. The services to be provided to the CCRE Group by the Group under the Supplemental Commercial Property Management Services Framework Agreement have been on no less favourable terms as compared with the similar services provided to the Independent Third Parties, taking into account our understanding of the business needs and operational requirements of the CCRE Group, and familiarity with the projects of the CCRE Group.

The Board (excluding Mr. Wang Jun, Ms. Wu Lam Li and Ms. Min Huidong, who were required to abstain from voting on the relevant Board resolutions, but including the independent non-executive Directors) is of the view that the terms and conditions of the Supplemental Commercial Property Management Services Framework Agreement have been negotiated on an arms' length basis and are on normal commercial terms, that the services thereunder are and will continue to be conducted in the ordinary and usual course of business of the Group and on arms' length basis, that the terms, annual caps and the transactions contemplated under the Supplemental Commercial Property Management Services Framework Agreement are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

In order to ensure the transactions will be conducted in accordance with the principal terms of the Supplemental Commercial Property Management Services Framework Agreement 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 Commercial Property Management Services Framework Agreement to ensure that the Proposed Revised Annual Cap 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 Revised Annual Cap for that financial year;
- (2) the auditors of the Company shall conduct annual reviews on pricing and the Revised Annual Cap to ensure that the transaction amounts are within the Revised Annual Cap and that the transactions are conducted on the principal terms of the respective Supplemental Commercial Property Management Services Framework Agreement; and

- (3) the independent non-executive Directors of the Company would continue to conduct regular review and assessment on the transactions contemplated under the Supplemental Commercial Property Management Services Framework Agreement 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.

In view of the pricing policy and internal control measures above, the Directors are of the view that appropriate measures are in place to ensure that the transactions contemplated under the Supplemental Commercial Property Management Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its minority shareholders.

DIRECTORS' INTEREST IN THE ABOVE TRANSACTIONS

As 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. Mr. Wang Jun, who is also the executive Director of CCRE; Ms. Wu Lam Li, who holds positions in the CCRE Group relating to hotel management; and Ms. Min Huidong, who holds positions in the CCRE Group relating to cultural tourism development, are deemed to be interested in the transactions contemplated under the Supplemental Commercial Property Management Services Framework Agreement, and therefore were required to abstain from voting on the relevant Board resolutions. In addition to those set out above, none of the Directors has a material interest in the above matters and is required to abstain from voting on the relevant Board resolutions.

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.

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

LISTING RULES IMPLICATION

As at the date of this announcement, 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 Commercial Property Management Services Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Revised Annual Cap of the Supplemental Commercial Property Management Services Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Supplemental Commercial Property Management Services Framework Agreement are subject to the announcement, reporting and annual review requirements but exempted from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors of the Company
“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; and for the purpose of the Commercial Property Management Services Framework Agreement and the Supplemental Commercial Property Management Services Framework Agreement, include CCRE, its subsidiaries and their respective associates
“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
“Commercial Property Management Services and Advisory Consultation Services”	the provision of commercial property management services and advisory consultation services for the commercial properties including (i) hotels; and (ii) other commercial properties such as office buildings and shopping malls, etc by the Group to the CCRE Group

“Commercial Property Management Services Framework Agreement”	the Commercial Property Management Services Framework Agreement dated 26 June 2019 entered into between the Company and CCRE pursuant to which the Group agreed to provide Commercial Property Management Services and Advisory Consultation Services to the CCRE Group commencing from 1 January 2019 to 31 December 2021, the annual caps of which were amended by a supplemental agreement dated 13 May 2021, details of which are set out in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“FY 2019”	the year ended 31 December 2019
“FY 2020”	the year ended 31 December 2020
“FY 2021”	the year ending 31 December 2021
“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 21 April 2016 and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an entity 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Po Sum, the chairman, an executive director and a controlling shareholder of CCRE, and owns more than 30% of the shareholding interests in the Group as at the date of this announcement
“Original Annual Cap”	the annual cap for FY2021 under the Commercial Property Management Services Framework Agreement
“PRC”	the People’s Republic of China

“Revised Annual Cap”	the annual cap for FY2021 under the Commercial Property Management Services Framework Agreement as revised by the Supplemental Commercial Property Management Services Framework Agreement
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Commercial Property Management Services Framework Agreement”	the agreement dated 13 May 2021 entered into between the Company and CCRE to amend and restate the Commercial Property Management Services Framework Agreement to revise the terms and Annual Cap for FY2021 under the Commercial Property Management Services Framework Agreement
“%”	per cent

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

Hong Kong, 13 May 2021

As at the date of this announcement, the Board comprises: (i) Mr. Wang Jun (Chairman) and Mr. Wang Qian 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.

This announcement is available at the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.ccnewlife.com.cn.

* *For reference only.*