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建業新生活有限公司

Central China New Life Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9983)

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED RENEWAL OF REAL ESTATE AGENCY SERVICES
FRAMEWORK AGREEMENT**

PROPOSED RENEWAL OF REAL ESTATE AGENCY SERVICES FRAMEWORK AGREEMENT

Reference is made to: (1) the Prospectus; and (2) the Company's circular dated 23 November 2020.

As the Real Estate Agency Services Framework Agreement is due to expire on 31 December 2022, the Company has entered into the Renewed Real Estate Agency Services Framework Agreement with CCRE on 9 December 2022 (after trading hours), which will commence from the Effective Date and expire on 31 December 2025. Save for the renewed term (including new annual caps), the provisions of the Renewed Real Estate Agency Services Framework Agreement are substantially the same as that of the Real Estate Agency Services Framework Agreement.

The Renewed Real Estate Agency Services Framework Agreement is conditional upon the approval of the Independent Shareholders at the EGM.

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 Renewed Real Estate Agency Services Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Renewed Real Estate Agency Services Framework Agreement exceeds 5%, the transactions contemplated under the Renewed Real Estate Agency Services Framework Agreement are subject to the annual review, reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the above, an EGM will be convened, during which an ordinary resolution will be proposed to the Independent Shareholders to consider and if appropriate, approve the Renewed Real Estate Agency Services Framework Agreement and the transactions thereunder. Any vote of the Independent Shareholders at the EGM will be taken by poll. Shareholders with material interests, namely, Mr. Wu (who is also the controlling shareholder of the CCRE Group) and his associates, will be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

For the purpose of seeking the approval of the Independent Shareholders, a circular containing (among others): (i) details of the Renewed Real Estate Agency Services Framework Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice to convene the EGM will be despatched to the Independent Shareholders on or before 4 January 2023.

INTRODUCTION

Reference is made to: (1) the Prospectus; and (2) the Company's circular dated 23 November 2020.

As the Real Estate Agency Services Framework Agreement is due to expire on 31 December 2022, the Company has entered into the Renewed Real Estate Agency Services Framework Agreement with CCRE on 9 December 2022 (after trading hours), which will commence from the Effective Date and expire on 31 December 2025. Save for the renewed

term (including new annual caps), the provisions of the Renewed Real Estate Agency Services Framework Agreement are substantially the same as that of the Real Estate Agency Services Framework Agreement.

The Renewed Real Estate Agency Services Framework Agreement is conditional upon the approval of the Independent Shareholders at the EGM.

RENEWED REAL ESTATE AGENCY SERVICES FRAMEWORK AGREEMENT

The principal terms of the Renewed Real Estate Agency Services Framework Agreement are as follows:

- Date: 9 December 2022
- Parties: (1) The Company (as service provider)
(2) CCRE (as service user)
- Term: Effective Date to 31 December 2025
- Conditions precedent: The Renewed Real Estate Agency Services Framework Agreement is conditional on the approval of the independent shareholders of each of CCRE and the Company, at their respective extraordinary general meetings.
- Services: The Group will continue to provide to the CCRE Group and its associates the Real Estate Agency Services, being the 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).
- Service fee: The Group shall receive a commission rate (ranging from 0.8% to 6.0%) based on the transaction amounts of the property sales as service fee.
- Pricing basis: The range of commission rate to be charged by the Group for provision of the Real Estate Agency Services are determined on arm's length basis with reference to: (i) the agency fees previously charged as commission and incentives based on contracted sales amount of the 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 rates generally offered by the Group to Independent Third Parties in respect of comparable agency services.

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 characterises of the target group of property and purchasers.

With respect to each project, the relevant members and associates of CCRE and 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.

Save for the renewed term (including new annual caps), the provisions of the Renewed Real Estate Agency Services Framework Agreement are substantially the same as that of the Real Estate Agency Services Framework Agreement.

Historical transaction amounts

The table below sets out the historical transaction amounts paid to the Group by the CCRE Group and its associates under the Real Estate Agency Services Framework Agreement during the year/period stated in the table below:

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2021 RMB'000	For the nine months ended 30 September 2022 RMB'000 (unaudited)
Historical transaction amount	404,860	407,100	141,897

The Directors confirm that the transaction amounts from 1 January 2022 to the date of this announcement are within the annual cap for 2022 under the Real Estate Agency Services Framework Agreement.

Annual caps

The table below sets out the proposed annual caps of the service fees payable to the Group by the CCRE Group and its associates under the Renewed Real Estate Agency Services Framework Agreement for each of the three years ending 31 December 2025:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual cap	350,000	350,000	350,000

The proposed annual caps under the Renewed Real Estate Agency Services Framework Agreement represent a 24.7% decrease from the previous annual cap for 2022. Such proposed annual caps have been determined after taking into account the following factors:

- the historical transaction amounts and volume of Real Estate Agency Services provided by the Group during the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022;
- the estimated lower transaction amounts for Real Estate Agency Services for the years ending 31 December 2023, 2024 and 2025, calculated by multiplying the commission rate (ranging from 0.8%-6.0%) by the estimated aggregate sales amount of RMB48.9 billion for all the existing agreements entered into as of 30 September 2022; and
- the estimated lower demand for the Real Estate Agency Services as seen from the decrease of estimated aggregate sales amount from RMB52.7 billion for all the existing agreements entered into as of 31 December 2021 to RMB48.9 billion for all the existing agreements entered into as of 30 September 2022, which the Directors consider to be primarily attributable to the decrease in number of property projects expected to be launched for sale by the CCRE Group and its associates due to the continued impact of COVID-19.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED REAL ESTATE AGENCY SERVICES FRAMEWORK AGREEMENT

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 Renewed Real Estate Agency Services Framework Agreement 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 various aspects.

The Renewed 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.

The Directors (excluding Mr. Wang Jun and Ms. Wu Lam Li, who were required to abstain from voting on the relevant Board Resolutions, and also the independent non-executive Directors who will form their view after taking into account the advice of the Independent Financial Adviser) are of the view that: (i) the continuing connected transactions described above have been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better; and (ii) the terms of the continuing connected transactions (including the relevant annual caps) are fair, reasonable and in the interests of the Group and 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 2022, the total revenue of the Group increased by approximately 0.1% as compared to the nine months ended 30 September 2021, whereas the revenue generated from the CCRE Group and its associates or joint ventures as a percentage of the total revenue decreased from approximately 38.1% for the nine months ended 30 September 2021 to approximately 31.5% for the nine months ended 30 September 2022. The Directors consider that the Renewed Real Estate Agency Services Framework Agreement 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 2023, 2024 and 2025.

Notwithstanding the Renewed Real Estate Agency Services Framework Agreement, 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 2021 and the nine months ended 30 September 2022 was generated from Independent Third Parties. For each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, the Group's revenue derived from the CCRE Group and its associates or joint ventures accounted for approximately 42.5%, 44.9%, 38.7% and 31.5% 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 2022 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 2022;
- (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 Renewed Real Estate Agency Services Framework Agreement 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 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. As of 31 December 2019, 31 December 2020, 31 December 2021, 30 June 2022 and 30 September 2022, the Group's GFA under management for properties of the Independent Third Party property developers was 17.7 million sq.m., 45.1 million sq.m., 73.1 million sq.m., 77.0 million sq.m. and 80.6 million sq.m., accounting for 31.1%, 45.1%, 53.8%, 54.2% and 54.5% 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 and now represents the majority; and
- (v) 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 31 December 2021, the Company acquired 51% equity interests in Henan Tianming Property Management Co., Ltd.* (河南天明物業管理有限公司), a property management service provider. Therefore, due to the reasons set out in paragraph (iv) above and this paragraph (v), 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.

Having considered the above, the Board is of the view that, despite the Company entered into the Renewed Real Estate Agency Services Framework Agreement with CCRE, the Company is able to carry out an independent business operation without undue reliance on the CCRE Group.

INTERNAL CONTROL MEASURES

In order to ensure the transactions will be conducted in accordance with the principal terms of the Renewed Real Estate Agency 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 Renewed Real Estate Agency Services Framework Agreement to ensure that the proposed 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 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 Renewed Real Estate Agency Services Framework Agreement;
- (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 annual caps to ensure that the transaction amounts are within the proposed annual caps and that the transactions are conducted on the principal terms of the Renewed Real Estate Agency Services Framework Agreement; and
- (5) the independent non-executive Directors would continue to conduct regular review and assessment on the transactions contemplated under the Renewed Real Estate Agency 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.

DIRECTOR'S INTEREST IN THE CONTINUING CONNECTED TRANSACTIONS

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. As Ms. Wu Lam Li is the wife of Mr. Wu, as Director, she has abstained from voting on the Board resolutions regarding the relevant Renewed Real Estate Agency Services Framework Agreement 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 Renewed Real Estate Agency Services Framework Agreement 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.

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

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 Renewed Real Estate Agency Services Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Renewed Real Estate Agency Services Framework Agreement exceeds 5%, the transactions contemplated under the Renewed Real Estate Agency Services Framework Agreement are subject to the annual review, reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT SHAREHOLDERS' APPROVAL

In view of the above, an EGM will be convened, during which ordinary resolutions will be proposed to the Independent Shareholders to consider and if appropriate, approve the Renewed Real Estate Agency Services Framework Agreement and the transactions contemplated thereunder. Any vote of the Independent Shareholders at the EGM will be

taken by poll. Shareholders with material interests, namely, Mr. Wu (who is also the controlling shareholder of the CCRE Group) and his associates, will be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Renewed Real Estate Agency Services Framework Agreement and the transactions contemplated thereunder 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. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same issues.

For the purpose of seeking the approval of the Independent Shareholders, a circular containing (among others): (i) details of the Renewed Real Estate Agency Services Framework Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice to convene the EGM will be despatched to the Independent Shareholders on or before 4 January 2023.

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
“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
“controlling shareholder(s)”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the conditions precedent under the Renewed Real Estate Agency Services Framework Agreement has been satisfied
“EGM”	the extraordinary general meeting to be convened by the Company for consideration and if appropriate, approval of the Renewed Real Estate Agency Services Framework Agreement and the transactions contemplated thereunder
“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 Renewed Real Estate Agency Services Framework Agreement and the transactions contemplated thereunder
“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 Renewed Real Estate Agency Services Framework Agreement and the transactions contemplated thereunder

“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the Renewed Real Estate Agency Services Framework Agreement and the transactions contemplated thereunder
“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 a controlling Shareholder of the Company
“PRC”	the People’s Republic of China
“Real Estate Agency Services”	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) provided by the Group to the CCRE Group and its associates
“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 (as amended by the supplemental agreement dated 30 October 2020), pursuant to which the Group agreed to provide the Real Estate Agency Services to the CCRE Group and its associates
“Prospectus”	the prospectus of the Company dated 5 May 2020 in relation to its global offering
“Renewed Real Estate Agency Services Framework Agreement”	the real estate agency services agreement dated 9 December 2022 entered into between the Company and CCRE, pursuant to which the Group agreed to provide the Real Estate Agency Services to the CCRE Group and its associates commencing from the Effective Date to 31 December 2025
“Share(s)”	the share(s) of the Company

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it under the Listing Rules
“%”	per cent

* *For identification purpose only*

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

Hong Kong, 9 December 2022

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.