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華潤萬象生活有限公司

China Resources Mixc Lifestyle Services Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1209)

**CONTINUING CONNECTED TRANSACTIONS
SUPPLEMENTAL AGREEMENT TO THE 2023 CR LAND
COMMERCIAL OPERATIONAL SERVICES FRAMEWORK
AGREEMENT**

Reference is made to the announcement (the “**CCT Renewal Announcement**”) of China Resources Mixc Lifestyle Services Limited (the “**Company**”) dated 25 October 2022 in relation to the renewal of continuing connected transactions and the announcements of the Company dated 15 November 2022 and 29 November 2022 in relation to the delay in dispatch of a circular in relation to the renewal of continuing connected transactions (the “**Delay Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the CCT Renewal Announcement.

I. SUPPLEMENTAL AGREEMENT TO THE 2023 CR LAND COMMERCIAL OPERATIONAL SERVICES FRAMEWORK AGREEMENT

On 7 December 2022, the Company and CR Land entered into a supplemental agreement to the 2023 CR Land Commercial Operational Services Framework Agreement (the “**Supplemental Agreement**”), pursuant to which the term of the 2023 CR Land Commercial Operational Services Framework Agreement (as amended by the Supplemental Agreement) (the “**Amended 2023 CR Land Commercial Operational Services Framework Agreement**”) shall be extended to 15 years, i.e being from 1 January 2023 to 31 December 2037. The Amended 2023 CR Land Commercial Operational Services Framework Agreement shall take effect upon the Independent Shareholders’ approval at the EGM. Save as aforesaid, all other terms (including the annual caps for the years ending 31 December 2025) of the Amended 2023 CR Land Commercial Operational Services Framework Agreement shall remain unchanged.

View of the Independent Financial Adviser on the Term of the Amended 2023 CR Land Commercial Operational Services Framework Agreement

The term of the Amended 2023 CR Land Commercial Operational Services Framework Agreement is 15 years and exceeds three years. Pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser, to explain why a longer term is required and to confirm that it is a normal business practice for agreements of this type to be of such duration. In assessing the reasons for the duration of the Amended 2023 CR Land Commercial Operational Services Framework Agreement should be longer than three years, the Independent Financial Adviser has considered the following factors based on the information provided by the management of the Group as well as the publicly available information:

- (1) the Group is a leading service provider of residential property management services, commercial operational and property management services as well as other value-added services in the PRC. In this connection, the management of the Company is of the view and the Independent Financial Adviser concurs, that the terms of the Amended 2023 CR Land Commercial Operational Services Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company and on normal commercial terms;
- (2) prior to the spin-off and the separate listing of the Company, the Company was part of CR Land and the Group has been providing various services, including commercial operational services, to CR Land Connected Persons for a long time. Therefore, the management of the Company considers, and the Independent Financial Adviser concurs, that entering into the Amended 2023 CR Land Commercial Operational Services Framework Agreement is beneficial to the Company; and
- (3) a long duration of the Amended 2023 CR Land Commercial Operational Services Framework Agreement provides (i) stability to the Group's business in the provision of commercial operational services; (ii) stability to the long term revenue growth of such business, and (iii) convenience for the Company to formulate long term strategy of such business.

In considering whether it is normal business practice for contracts of a similar nature to the Amended 2023 CR Land Commercial Operational Services Framework Agreement to have a term of such duration, the Independent Financial Adviser has:

- (1) obtained from the Company and reviewed sample contracts for commercial operational services with independent third parties and noted that the term of the sampled contracts ranged from 15 to 20 years;
- (2) noted that the contract terms for commercial operational services of three other companies which are listed on the Stock Exchange and have commercial operational services as one of their major business segments ranged between 5 and 37 years (or with no fixed terms); and
- (3) noticed other examples where a Hong Kong listed company entered into continuing connected transactions of commercial operational services exceeding three years, either by having a framework agreement with a term of more than three years, or by having individual contracts under a 3-year framework agreement with terms of more than three years.

Based on the above considerations, the Independent Financial Adviser is of the opinion that (i) a term of longer than three years is required for the Amended 2023 CR Land Commercial Operational Services Framework Agreement; and (ii) it is normal business practice of contracts of this type to be of up to 15 years. For details, please refer to the letter from the Independent Financial Adviser in the circular which is expected to be despatched to the Shareholders on or before 16 December 2022.

II. THE AMENDED 2023 CR LAND COMMERCIAL OPERATIONAL SERVICES FRAMEWORK AGREEMENT

The key terms of the Amended 2023 CR Land Commercial Operational Services Framework Agreement are restated below:

- Parties : The Company and CR Land
- Term : Commencing from 1 January 2023 to 31 December 2037, subject to the Independent Shareholders' approval
- Subject : The Group may, from time to time, provide commercial operational services to the CR Land Connected Persons for their commercial properties (including shopping malls and office buildings).

The commercial operational services include (i) pre-opening management services (such as positioning and design management services, and tenant sourcing and management services) and (ii) operation management services (such as opening preparation services, tenant coaching, consumer management, marketing and publicity and product informatization services).

- Pricing basis : Subject to any guidance price which may be imposed by the governmental authorities, the service fees shall be determined after arm's length negotiations with reference to (i) the location and size of the properties, (ii) the branding and positioning of the properties, (iii) the scope and standard of the services to be provided, (iv) the anticipated operational cost (including, among others, labor costs, material costs and administrative costs) for providing such services, and (v) the prevailing market rate of similar services.

Historical Transaction Amount under the 2020 CR Land Commercial Operational Services Framework Agreement

The annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 and the historical transaction amount for the two years ended 31 December 2021 and six months ended 30 June 2022 are set out below:

	For the year ended/ending 31 December		For the year ended/ending 31 December		For the six months ended 30 June	
	2020		2021		2022	
	RMB'000		RMB'000		RMB'000	
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
Service fees received/to be received by the Group	904,638	819,190	1,581,347	1,458,262	1,807,973	694,001 ⁽¹⁾

Note:

- (1) Service fees in relation to commercial operational services for all shopping malls and office buildings for the six months ended 30 June 2022 were lowered than expected as a result of the rental reduction provided by the shopping malls and office buildings during the same period.

Annual Caps under the Amended 2023 CR Land Commercial Operational Services Framework Agreement and Basis of Determination

The maximum aggregate annual service fees in respect of the Amended 2023 CR Land Commercial Operational Services Framework Agreement for the years ending 31 December 2023, 2024 and 2025 shall not exceed the caps set out below:

	Annual caps for the year ending 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Service fees to be received by the Group	3,000,000	4,000,000	5,000,000

The above annual caps are determined with reference to:

- (1) the existing contracts and the number of existing pipeline projects with the CR Land Connected Persons as of the date of the CCT Renewal Announcement. The Group has entered into contracts for 100, 111 and 116 projects (with a GFA under management of approximately 10.2 million sq.m., 11.6 million sq.m. and 12.1 million sq.m.) for the years ending 31 December 2023, 2024 and 2025, respectively and is estimated to have 4, 7 and 5 additional projects (with a GFA under management of approximately 0.4 million sq.m., 0.9 million sq.m. and 0.5 million sq.m.) for the years ending 31 December 2023, 2024 and 2025, respectively;
- (2) the historical transaction amount for two years ended 31 December 2021 and the six months ended 30 June 2022;
- (3) the expected increase in the operational costs as incurred by the Group;
- (4) the expected financial performance of the commercial properties to which the commercial operational services are/will be provided; and
- (5) the expected increase in CR Land's demand with reference to its pipeline projects as disclosed in its 2022 interim report, pursuant to which, as of 30 June 2022, CR Land has (a) a total land bank GFA of 66.14 million sq.m. (among which, 55.44 million sq.m. are for development purpose and 10.70 million sq.m. are for investment purpose) which is sufficient for the development for the next three to five years; and (b) a total of 57 shopping mall projects in pipeline.

As the term of the Amended 2023 CR Land Commercial Operational Services Framework Agreement is from 1 January 2023 to 31 December 2037, the Company and CR Land will negotiate the annual caps of the service fees payable by CR Land for 2026 and onwards closer to the end of 2025. The Company shall comply with the requirements under Chapter 14A of the Listing Rules in respect of the renewal of annual caps for the transactions contemplated under the Amended 2023 CR Land Commercial Operational Services Framework Agreement. Should the renewal of annual caps for the transactions contemplated under the Amended 2023 CR Land Commercial Operational Services Framework Agreement requires the Independent Shareholders' approval, the Company will only continue with such transactions after the Independent Shareholders' approval is obtained.

III. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group has entered into agreements regarding provision of commercial operational services for a term over three years with independent third parties in line with market practice. The Company has been exploring possibilities with CR Land to enter into long term contracts for the provision of commercial operational services. The Company considers that long term contracts for the provision of commercial operational services is beneficial to the Group as it provides the Group with a stable source of revenue for the contract term and facilitates the Group to formulate strategies for long term development more efficiently. In light of the latest discussion with CR Land and CR Land's associates, the Company and CR Land entered into the Supplemental Agreement on 7 December 2022.

IV. OPINION OF THE BOARD

In view of the aforementioned reasons and benefits, the Directors (excluding the independent non-executive Directors, who will form the view after considering the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders) are of the view that the Amended 2023 CR Land Commercial Operational Services Framework Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis, are on normal commercial terms or better and were entered into in the ordinary and usual course of business of the Group, and the relevant terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the transactions under the 2023 CR Land Commercial Operational Services Framework Agreement and the Supplemental Agreement. Save for the non-executive Directors, Mr. LI Xin and Mr. GUO Shiqing, who are also the executive directors of CR Land, none of them abstained from voting on the relevant board resolutions approving the 2023 CR Land Commercial Operational Services Framework Agreement and the Supplemental Agreement and the transactions contemplated thereunder.

V. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An independent board committee comprising the independent non-executive Directors (namely Mr. LAU Ping Cheung Kaizer, Mr. CHEUNG Kwok Ching, Mr. CHAN Chung Yee Alan and Ms. QIN Hong) has been established to advise the Independent Shareholders, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to, among others, the transactions contemplated under the Amended 2023 CR Land Commercial Operational Services Framework Agreement.

VI. DESPATCH OF CIRCULAR

As mentioned in the Delay Announcements, a circular containing, inter alia, (i) further details of the Non-exempt Continuing Connected Transactions, (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions (including the transactions contemplated under the Amended 2023 CR Land Commercial Operational Services Framework Agreement), (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions (including the transactions contemplated under the Amended 2023 CR Land Commercial Operational Services Framework Agreement), and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 16 December 2022.

VII. INFORMATION ABOUT THE PARTIES

CR Land

CR Land is principally engaged in the development and sales of developed properties, property investments and management, hotel operations and the provision of construction, decoration and other property development related services in the PRC. As of the date of this announcement, the Company is held as to approximately 72.29% by CR Land and CR Land is indirectly held as to approximately 59.55% by CRH, which is in turn indirectly wholly owned by China Resources Company Limited.

The Company

The Company is a limited liability company incorporated in the Cayman Islands on 18 May 2017. The Group is mainly engaged in the provision of residential property management services and commercial operational and property management services in the PRC.

VIII. IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, the Company is held as to approximately 72.29% by CR Land and CR Land is indirectly held as to approximately 59.55% by CRH, which is in turn indirectly wholly owned by China Resources Company Limited. Accordingly, CR Land is connected person of the Company under the Listing Rules.

As one or more of the applicable percentage ratios for the transactions contemplated under the Amended 2023 CR Land Commercial Operational Services Framework Agreement exceed 5%, the transactions contemplated under the Amended 2023 CR Land Commercial Operational Services Framework Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to effect a material change to the terms of continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transactions.

By order of the board of directors of
China Resources Mixc Lifestyle Services Limited
YU Linkang
President

The PRC, 7 December 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. LI Xin and Mr. GUO Shiqing as non-executive directors, Mr. YU Linkang, Mr. WANG Haimin, Ms. WEI Xiaohua and Ms. YANG Hongxia as executive directors, and Mr. LAU Ping Cheung Kaizer, Mr. CHEUNG Kwok Ching, Mr. CHAN Chung Yee Alan and Ms. QIN Hong as independent non-executive directors.