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If you have sold or transferred all your shares in **CHINA RESOURCES MIXC LIFESTYLE SERVICES LIMITED**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**RENEWAL OF
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

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

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

Anglo Chinese Corporate Finance, Limited

A letter from the Board is set out on pages 5 to 28 of this circular. A letter from the Independent Board Committee is set out on page 29 to 30 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 59 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 46th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 28 December 2022 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend and/or vote at the extraordinary general meeting in person, you are requested to complete the enclosed proxy form and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjournment thereof in person should you so wish.

12 December 2022

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DEFINITIONS

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

“2020 CR Land Commercial Operational Services Framework Agreement”	the framework agreement entered into between the Company and CR Land on 20 November 2020 in relation to provision of commercial operational services commencing from 9 December 2020 until 31 December 2022
“2020 CR Land Property Management Services Framework Agreement”	the framework agreement entered into between the Company and CR Land on 20 November 2020 in relation to property management services commencing from 9 December 2020 until 31 December 2022
“2020 CR Land Value-added Services Framework Agreement”	the framework agreement entered into between the Company and CR Land on 20 November 2020 in relation to provision of value-added services (community value-added services and value-added services to property developers) commencing from 9 December 2020 until 31 December 2022
“2020 CRH Property Management Services Framework Agreement”	the framework agreement entered into between the Company and CRH on 20 November 2020 in relation to provision of property management services commencing from 9 December 2020 until 31 December 2022, as amended by the agreement dated 25 October 2022 entered into between the Company and CRH in relation to the revision of the annual caps for the property management fees of the Group
“2023 CR Land Commercial Operational Services Framework Agreement”	the framework agreement entered into between the Company and CR Land on 25 October 2022, as amended by the Supplemental Agreement, in relation to provision of commercial operational services for the fifteen years ending 31 December 2037
“2023 CR Land Property Management Services Framework Agreement”	the framework agreement entered into between the Company and CR Land on 25 October 2022 in relation to provision of property management services for the three years ending 31 December 2025

DEFINITIONS

“2023 CR Land Value-added Services Framework Agreement”	the framework agreement entered into between the Company and CR Land on 25 October 2022 in relation to provision of value-added services (community value-added services and value-added services to property developers) for the three years ending 31 December 2025
“2023 CRH Property Management Services Framework Agreement”	the framework agreement entered into between the Company and CRH on 25 October 2022 in relation to provision of property management services for the three years ending 31 December 2025
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“CCT Renewal Announcement”	the announcement of the Company dated 25 October 2022 in relation to the renewal of continuing connected transactions
“Company”	China Resources Mixc Lifestyle Services Limited (華潤萬象生活有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CR Land”	China Resources Land Limited (華潤置地有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock code: 1109)
“CR Land Connected Persons”	CR Land and its associates
“CRH”	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of China Resources Company Limited
“CRH Connected Persons”	CRH, its holding companies, their respective subsidiaries and their associates (excluding CR Land Connected Persons)

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, inter alia, the agreements in respect of the Non-exempt Continuing Connected Transactions
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board 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)
“Independent Financial Adviser” or “Anglo Chinese”	Anglo Chinese Corporate Finance, Limited (英高財務顧問有限公司), a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions
“Independent Shareholder(s)”	Shareholder(s) of the Company who are not required to abstain from voting at the EGM
“Independent Third Party(ies)”	an individual or a company who or which is not a director, chief executive or substantial shareholder of the Company or any of the subsidiaries, or an associate of any of such director, chief executive or substantial shareholder
“Latest Practicable Date”	5 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-exempt Continuing Connected Transactions”	being the transactions contemplated under the Non-exempt Continuing Connected Transaction Agreements
“Non-exempt Continuing Connected Transaction Agreements”	the 2023 CR Land Commercial Operational Services Framework Agreement, the 2023 CR Land Property Management Services Framework Agreement, the 2023 CR Land Value-added Services Framework Agreement, and the 2023 CRH Property Management Services Framework Agreement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended from time to time
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shares”	the ordinary shares in the share capital of the Company
“sq. m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 7 December 2022 entered into between the Company and CR Land to the 2023 CR Land Commercial Operational Services Framework Agreement, details of which are set out in the Supplemental CCT Renewal Announcement
“Supplemental CCT Renewal Announcement”	the announcement of the Company dated 7 December 2022 in relation to the Supplemental Agreement and the revision of the term of the 2023 CR Land Commercial Operational Services Framework Agreement
“%”	per cent



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)

Board of Directors

Executive Directors

Mr. YU Linkang

Mr. WANG Haimin

Ms. WEI Xiaohua

Ms. YANG Hongxia

Non-executive Directors

Mr. LI Xin

Mr. GUO Shiqing

Independent Non-executive Directors

Mr. LAU Ping Cheung Kaizer

Mr. CHEUNG Kwok Ching

Mr. CHAN Chung Yee Alan

Ms. QIN Hong

Registered Office

PO Box 309, Uglan House,

Grand Cayman, KY1-1104,

Cayman Islands

Headquarters and Principal Place of Business in the PRC

30/F., China Resources Land

Building, Tower B

No. 9668 Shennan Avenue

Nanshan District, Shenzhen

PRC

12 December 2022

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

Reference is made to the CCT Renewal Announcement and the Supplemental CCT Renewal Announcement.

This circular gives you further information in relation to the Non-exempt Continuing Connected Transactions and contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions.

LETTER FROM THE BOARD

II. RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Details of the Non-exempt Continuing Connected Transactions are set out below:

1. 2023 CR Land Property Management Services Framework Agreement

Parties	:	The Company and CR Land
Date	:	25 October 2022
Term	:	Commencing from 1 January 2023 to 31 December 2025, subject to the Independent Shareholders' approval
Subject	:	The Group may, from time to time, provide property management services to the CR Land Connected Persons for commercial properties and/or residential properties and other non-commercial properties (such as stadiums and long term leasing apartments) developed and/or owned by them.
Pricing basis	:	Subject to any guidance price which may be imposed by the governmental authorities, the property management fees shall be determined after arm's length negotiations with reference to (i) the type, 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, (v) the customers profile, and (vi) the prevailing market rate for similar services in the open market and the historical charging rates.

Based on the pricing basis under the 2023 CR Land Property Management Services Framework Agreement, parties will enter into specific agreements which shall set out terms and conditions (including the service fee) for the relevant property. Based on the factors in the aforementioned pricing basis, the Group will propose a project pricing model for each project, which would be reviewed and approved internally. Generally speaking, service fees charged will be higher when: (i) the properties are located in city centers and in first tier cities and have large gross floor areas; (ii) the properties have a high-end market position; (iii) a wider scope and a higher standard of services are to be provided; (iv) higher operational costs are anticipated; (v) customer profiles are of a higher quality; and (vi) higher prevailing market rate for similar services in the open market or higher historical charging rates.

LETTER FROM THE BOARD

As of the Latest Practicable Date, government authorities have only imposed guidance prices on property management services for residential properties. If the governmental authorities have set a government-guidance price or government-guidance price range, the transaction price shall be the stipulated government-guidance price or within the government-guidance price range. Where there is no government-guidance price, the transaction price shall be determined based on bidding/selection process or arm's length negotiation. Based on historical transactions, whether there is a bidding/selection process for the relevant services depend on the type of properties. Most of the property management services for residential properties and other non-commercial properties were subject to bidding/selection process while most of the property management services for commercial properties were subject to arm's length negotiation. During the bidding/selection or negotiation process, the Group will take into consideration the factors listed in pricing basis above in order to submit a bid with a competitive price or to agree on a competitive price, which shall provide for a reasonable profit margin to the Group. In identifying the prevailing market rates, the Group will generally obtain the rates of similar services (in terms of scope and/or standard) offered to one to three similar properties (in terms of type, location, size, branding and/or positioning) in the market through publicly available data and interviews and site visits conducted by the local business teams in the vicinity of the relevant property. For services offered to certain non-commercial properties (such as stadiums) where fees offered to similar properties may not be readily available, the Group will primarily make reference to its historical rates.

LETTER FROM THE BOARD

Historical Transaction Amount under the 2020 CR Land Property Management 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 ten months ended 31 October 2022 are set out below:

	For the year ended 31 December						For the	For the ten		
	2020			2021			year ending	months ended		
	Annual cap	Historical amount	Utilization rate	Annual cap	Historical amount	Utilization rate	31 December	31 October		
	RMB'000			RMB'000			RMB'000		<i>(unaudited)</i>	
Property management fees received/to be received by the Group (for commercial properties)	971,489	662,824	68%	662,057	594,752	90%	845,405	572,763	68%	
Property management fees received/to be received by the Group (for residential properties and other non-commercial properties)	378,475	239,138	63%	531,894	228,504	43%	735,832	138,470	19%	
Total	1,349,964	901,962	67%	1,193,951	823,256	69%	1,581,237	711,233	45%	

Annual Caps under the 2023 CR Land Property Management Services Framework Agreement and Basis of Determination

The maximum aggregate annual management fees in respect of the 2023 CR Land Property Management 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		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Property management fees to be received by the Group (for commercial properties)	1,300,000	1,450,000	1,600,000
Property management fees to be received by the Group (for residential properties and other non-commercial properties)	525,000	725,000	1,015,000
Total	1,825,000	2,175,000	2,615,000

LETTER FROM THE BOARD

The above annual caps are determined with reference to:

- (1) the expected increase in the 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;
- (2) the historical transaction amount and utilization rate for the two years ended 31 December 2021 and the ten months ended 31 October 2022 as disclosed under "Historical Transaction Amount under the 2020 CR Land Property Management Services Framework Agreement" of this circular;
- (3) the expected increase in scope and standard of services required by CR Land Connected Persons leading to the expected increase in operational costs (primarily labor costs) to be incurred by the Group;

In respect of property management services for commercial properties specifically

- (4) the Group has entered into contracts with CR Land Connected Persons for 80, 88 and 90 projects (with a GFA under management of approximately 8.4 million sq. m., 9.3 million sq. m. and 9.5 million sq. m.) for the years ending 31 December 2023, 2024 and 2025, respectively and is estimated to have 13, 10 and 8 additional projects (with a GFA under management of approximately 1.3 million sq. m., 1.3 million sq. m. and 0.8 million sq. m.) for the years ending 31 December 2023, 2024 and 2025, respectively. As of 31 December 2021 and 30 June 2022, the Group was providing property management services to commercial properties with GFA under management of approximately 7.0 million sq. m. and 7.9 million sq. m., respectively;
- (5) the Group is expected to further promote its other comprehensive services such as office area cleaning, green plant rental, reception, etc. from 2023 onwards;

In respect of property management services for residential properties and other non-commercial properties specifically

- (6) (a) the estimated GFA of the unsold residential properties for the years ending 31 December 2023, 2024 and 2025, based on the estimated additional total GFA under management for residential properties of approximately 20 million sq. m. being delivered by CR Land Connected Persons each year. As of 31 December 2021 and 30 June 2022, the Group was providing property management services to unsold residential properties and non-commercial properties with GFA under

LETTER FROM THE BOARD

management of approximately 95.8 million sq. m. and 101.2 million sq. m., respectively; (b) the expected increase in average vacancy rate of residential properties as estimated based on the historical average vacancy rate of the residential properties; and (c) the estimated increase in the average monthly property management fees from approximately RMB2.68 per sq. m. for the six months ended 30 June 2022 to approximately RMB3 per sq. m. at which management services will be charged during 2023 to 2025; and

- (7) from 2023 onwards, the Group is expect to provide more property management services (a) to stadiums built and/or operated on behalf of CR Land Connected Persons and (b) to sports events to be held at those stadiums. For example, the Chengdu 2021 FISU World University Games and the Hangzhou 2022 Asian Games are expected to be held at these stadiums in 2023 as a result of postponement due to the COVID-19 pandemic.

2. 2023 CR Land Commercial Operational Services Framework Agreement (as amended by the Supplemental Agreement)

Parties	:	The Company and CR Land
Date	:	25 October 2022
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).

LETTER FROM THE BOARD

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.

Based on the pricing basis under the 2023 CR Land Commercial Operational Services Framework Agreement, parties will enter into specific agreements which shall set out terms and conditions (including the service fee) for the relevant property. Based on the factors in the aforementioned pricing basis, the Group will propose a project pricing model for each project, which would be reviewed and approved internally. Generally speaking, service fees charged will be higher when: (i) the properties are located in city centers and in first tier cities and have large gross floor areas; (ii) the properties have a high-end market position; (iii) a wider scope and a higher standard of services are to be provided; (iv) higher operational costs are anticipated; and (v) higher prevailing market rate for similar services in the open market or higher historical charging rates.

As of the Latest Practicable Date, there is no applicable government-guidance price for services under the 2023 CR Land Commercial Operational Services Framework Agreement. However, if the governmental authorities have set a government-guidance price or government-guidance price range, the transaction price shall be the stipulated government-guidance price or within the government-guidance price range. Where there is no government-guidance price, the transaction price shall be determined based on arm's length negotiation. During the bidding/selection or negotiation process, the Group will take into consideration the factors listed in pricing basis above in order to agree on a competitive price, which shall provide for a reasonable profit margin to the Group. In identifying the prevailing market rates, the Group will generally obtain the rates of similar services (in terms of scope and/or standard) offered by one to three competitors in the market through publicly available data and interviews and site visits conducted by business teams, whichever available.

LETTER FROM THE BOARD

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 ten months ended 31 October 2022 are set out below:

	For the year ended 31 December						For the year ending 31 December	For the ten months ended 31 October		
	2020			2021			Annual cap	2022		
	Annual cap	Historical amount	Utilization rate	Annual cap	Historical amount	Utilization rate		Annual cap	Historical amount	Utilization rate
	RMB'000			RMB'000				RMB'000		
						<i>(unaudited)</i>				
Service fees received/to be received by the Group	904,638	819,190	91%	1,581,347	1,458,262	92%	1,807,973	1,298,809 ⁽¹⁾	72%	

Note:

- (1) Service fees in relation to commercial operational services for all shopping malls and office buildings for the ten months ended 31 October 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 2023 CR Land Commercial Operational Services Framework Agreement and Basis of Determination

The maximum aggregate annual service fees in respect of the 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

LETTER FROM THE BOARD

The above annual caps are determined with reference to:

- (1) the existing contracts and the number of existing pipeline projects with CR Land Connected Persons as of the date of the CCT Renewal Announcement. As of 31 December 2021 and 30 June 2022, the Group was providing commercial operational services to properties with GFA under management of approximately 7.7 million sq. m. and 8.2 million sq. m., respectively. The Group has entered into contracts with CR Land Connected Persons 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 and utilization rate for two years ended 31 December 2021 and the ten months ended 31 October 2022 as disclosed under “Historical Transaction Amount under the 2020 CR Land Commercial Operational Services Framework Agreement” of this circular;
- (3) the expected increase in scope and standard of services required by CR Land Connected Persons leading to the expected increase in operational costs (primarily labor costs) to be incurred by the Group;
- (4) the expected increase of approximately 10% to 20% in the same store sales of the shopping malls to which commercial operational services will be provided by the Group during 2023 to 2025; 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 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 2023 CR Land Commercial Operational Services Framework Agreement. Should the renewal of annual caps for the transactions contemplated under the 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.

LETTER FROM THE BOARD

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

The term of the 2023 CR Land Commercial Operational Services Framework Agreement exceeds three years. Pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser, Anglo Chinese, to explain the reason for a longer term 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 2023 CR Land Commercial Operational Service Framework Agreement should be longer than three years, Anglo Chinese has considered the following factors based on the information provided by the management of the Group as well as 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 Anglo Chinese concurs, that the terms of the 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 2023 CR Land Commercial Operational Services Framework Agreement is beneficial to the Company; and
- (3) a long duration of the 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 2023 CR Land Commercial Operational Services Framework Agreement to have a term of such duration, Anglo Chinese 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

LETTER FROM THE BOARD

- (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, Anglo Chinese is of the opinion that (i) a term of longer than three years is required for the 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.

3. 2023 CR Land Value-Added Services Framework Agreement

Parties	:	The Company and CR Land
Date	:	25 October 2022
Term	:	Commencing from 1 January 2023 to 31 December 2025, subject to the Independent Shareholders' approval
Subject	:	The Group may, from time to time, provide value-added services to the CR Land Connected Persons for the residential properties and other non-commercial properties developed and/or owned by them.

The value-added services include community value-added services (such as community living services and brokerage and assets services) and value-added services to property developers (such as consultancy services, preliminary preparation services and pre-delivery marketing 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 between the parties with reference to (i) the scope and standard of services to be provided, (ii) the type, location and size of the properties, (iii) the anticipated operational cost (including, among others, labor costs, material costs and administrative costs) for providing such services, and (iv) the charging rates generally offered by the Group to Independent Third Parties for similar services, taking into account of the prevailing market rates for similar services in the open market and the historical charging rates.
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LETTER FROM THE BOARD

Based on the pricing basis under the 2023 CR Land Value-Added Services Framework Agreement, parties will enter into specific agreements which shall set out terms and conditions (including the service fee) for the relevant property. Based on the factors in the aforementioned pricing basis, the Group will propose a project pricing model for each project, which would be reviewed and approved internally. Generally speaking, service fees charged will be higher when: (i) the properties are located in city centers and in first tier cities and have large gross floor areas; (ii) a wider scope and a higher standard of services are to be provided; (iii) higher operational costs are anticipated; and (iv) the charging rates generally offered by the Group to Independent Third Parties for similar services are higher.

As of the Latest Practicable Date, there is no applicable government-guidance price for services under the 2023 CR Land Value-Added Services Framework Agreement. However, if the governmental authorities have set a government-guidance price or government-guidance price range, the transaction price shall be the stipulated government-guidance price or within the government-guidance price range. Where there is no government-guidance price, the transaction price shall be determined based on arm's length negotiation. During the bidding/selection or negotiation process, the Group will take into consideration the factors listed in pricing basis above in order to agree on a competitive price, which allows for a reasonable profit margin. In identifying the prevailing market rates, the Group will generally obtain the rates of similar services (in terms of scope and/or standard) offered by one to three competitors in the market through publicly available data and interviews and site visits conducted by business teams, whichever available.

LETTER FROM THE BOARD

Historical Transaction Amount under the 2020 CR Land Value-added 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 ten months ended 31 October 2022 are set out below:

	For the year ended 31 December						For the	For the ten	Utilization rate
	2020			2021			year ending	months ended	
	Annual cap	Historical amount	Utilization rate	Annual cap	Historical amount	Utilization rate	31 December	31 October	
	RMB'000		RMB'000		RMB'000			(unaudited)	
Fees received/to be received by the Group for the community value-added services	51,880	24,614	47%	91,700	46,807	51%	110,604	96,480	87%
Fees received/to be received by the Group for the value-added services to property developers	660,289	532,350	81%	863,897	739,559	86%	915,919	493,035	54%
Total	712,169	556,964	78%	955,597	786,366	82%	1,026,523	589,515	57%

Annual Caps under the 2023 CR Land Value-added Services Framework Agreement and Basis of Determination

The maximum aggregate annual service fees in respect of the 2023 CR Land Value-added 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		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fees to be received by the Group for the community value-added services	300,000	450,000	700,000
Fees to be received by the Group for the value-added services to property developers	1,250,000	1,550,000	1,850,000
Total	1,550,000	2,000,000	2,550,000

LETTER FROM THE BOARD

The above annual caps are determined with reference to:

- (1) the historical transaction amount and utilization rate for the two years ended 31 December 2021 and the ten months ended 31 October 2022 as disclosed under “Historical Transaction Amount under the 2020 CR Land Value-added Services Framework Agreement” of this circular;
- (2) the expected increase in scope and standard of services required by CR Land Connected Persons leading to the expected increase in operational costs (primarily labor costs) to be incurred by the Group;
- (3) the expected increase in CR Land's demand for the services of the Group with reference to its pipeline projects, based on (a) the historical growth trend of the value-added services to property developers and community value-added services segments for the two years ended 31 December 2021 and the ten months ended 31 October 2022; (b) the estimated additional total GFA under management for residential properties being delivered by CR Land Connected Persons of approximately 20 million sq. m. each year for 2023, 2024 and 2025; and (c) according to CR Land's 2022 interim report, as of June 30, 2022, CR Land has 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;

In respect of value-added services to property developers specifically

- (4) the existing contracts as of the date of the CCT Renewal Announcement; and

In respect of community value-added services specifically

- (5) new community value-added services to be offered by the Group. The Group will commence providing maintenance services to properties developed and/or owned by CR Land Connected Persons in 2023 with reference to the business need of CR Land.

LETTER FROM THE BOARD

4. 2023 CRH Property Management Services Framework Agreement

Parties	:	The Company and CRH
Date	:	25 October 2022
Term	:	Commencing from 1 January 2023 to 31 December 2025, subject to the Independent Shareholders' approval
Subject	:	The Group may, from time to time, provide property management services to the CRH Connected Persons for the commercial properties and/or residential properties and other non-commercial properties (such as industrial parks) developed and/or owned by them.
Pricing basis	:	Subject to any guidance price which may be imposed by the governmental authorities, the property management fees shall be determined after arm's length negotiations with reference to (i) the type, 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, (v) the customers profile, and (vi) the prevailing market rate for similar services in the open market and the historical charging rates.

Based on the pricing basis under the 2023 CRH Property Management Services Framework Agreement, parties will enter into specific agreements which shall set out terms and conditions (including the service fee) for the relevant property. Based on the factors in the aforementioned pricing basis, the Group will propose a project pricing model for each project, which would be reviewed and approved internally. Generally speaking, service fees charged will be higher when: (i) the properties are located in city centers and in first tier cities and have large gross floor areas; (ii) the properties have a high-end market position; (iii) a wider scope and a higher standard of services are to be provided; (iv) the operational costs are anticipated to be higher; (v) customer profiles are of a high quality; and (vi) the prevailing market rate for similar services in the open market or the historical charging rates are high.

LETTER FROM THE BOARD

As of the Latest Practicable Date, government authorities have only imposed guidance prices on property management services for residential properties. If the governmental authorities have set a government-guidance price or government-guidance price range, the transaction price shall be the stipulated government-guidance price or within the government-guidance price range. Where there is no government-guidance price, the transaction price shall be determined based on bidding/selection process or arm's length negotiation. Based on historical transactions, whether there is a bidding/selection process for the relevant services depend on the type of properties. Most of the property management services for residential properties and other non-commercial properties were subject to bidding/selection process while most of the property management services for commercial properties were subject to arm's length negotiation. During the bidding/selection or negotiation process, the Group will take into consideration the factors listed in pricing basis above in order to submit a bid with a competitive price or to agree on a competitive price, which allows for a reasonable profit margin. In identifying the prevailing market rates, the Group will generally obtain the rates of similar services (in terms of scope and/or standard) offered to one to three similar properties (in terms of type, location and/or size) in the market through publicly available data and interviews and site visits conducted by the local business teams in the vicinity of the relevant property. For services offered to certain non-commercial properties (such as industrial parks) where fees offered to similar properties may not be readily available, the Group will primarily make reference to its historical rates.

LETTER FROM THE BOARD

Historical Transaction Amount under the 2020 CRH Property Management 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 ten months ended 31 October 2022 are set out below:

	For the year ended 31 December						For the year ending 31 December	For the ten months ended 31 October	
	2020			2021			Annual cap	2022	
	Annual cap	Historical amount	Utilization rate	Annual cap	Historical amount	Utilization rate		Historical amount <i>(unaudited)</i>	Utilization rate
	RMB'000			RMB'000			RMB'000		
Property management fees received/to be received by the Group (for commercial properties)	426,013	201,928	47%	376,173	191,431	51%	230,980 ⁽¹⁾	164,165	71%
Property management fees received/to be received by the Group (for residential properties and other non-commercial properties)	34,421	31,894	93%	48,449	38,175	79%	202,455 ⁽¹⁾	79,907	39%
Total	460,434	233,822	51%	424,622	229,606	54%	433,435⁽¹⁾	244,072	56%

Note:

- (1) Please also refer to the announcement of the Company dated 25 October 2022 in relation to the revision of annual caps for the year ending 31 December 2022 for details.

LETTER FROM THE BOARD

Annual Caps under the 2023 CRH Property Management Services Framework Agreement and Basis of Determination

The maximum aggregate annual management fees in respect of the 2023 CRH Property Management 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management fees to be received by the Group (for commercial properties)	295,000	395,000	495,000
Property management fees to be received by the Group (for residential properties and other non-commercial properties)	<u>570,000</u>	<u>1,000,000</u>	<u>1,250,000</u>
Total	<u>865,000</u>	<u>1,395,000</u>	<u>1,745,000</u>

The above annual caps are determined with reference to:

- (1) the historical transaction amount and utilization rate for the two years ended 31 December 2021 and the ten months ended 31 October 2022 as disclosed under “Historical Transaction Amount under the 2020 CRH Property Management Services Framework Agreement” of this circular;
- (2) the expected increase in scope and standard of services required by CRH Connected Persons leading to the expected increase in operational costs (primarily labor costs) to be incurred by the Group;

In respect of property management services for commercial properties specifically

- (3) the existing contracts and the number of existing pipeline projects with the CRH Connected Persons as of the date of the CCT Renewal Announcement taking into account that an average of two new projects (with an estimated GFA of approximately 100,000 sq. m.) are expected to commence each year during 2023 to 2025;
- (4) further promotion of the Group’s other comprehensive services such as office area cleaning, green plant rental, reception, etc. from 2023 onwards; and

LETTER FROM THE BOARD

In respect of property management services for residential properties and other non-commercial properties specifically

- (5) (a) the historical transaction amount and growth trend for the two years ended 31 December 2021 and the ten months ended 31 October 2022; (b) the GFA under management for residential properties and other non-commercial properties of approximately 6.3 million and 10.1 million sq. m. as of 31 December 2021 and 30 June 2022, respectively, and estimated additional GFA under management of approximately 25 million sq. m. each year during 2023 to 2025 which the Group is expected to provide property management services (in respect of residential properties and other non-commercial properties) to CRH Connected Persons; (c) the historical average vacancy rate of the residential properties; and (d) the estimated increase in the average monthly property management fees from approximately RMB1 for 2021 to approximately RMB1 to RMB1.5 per sq. m. at which management services will be charged during 2023 to 2025 for similar projects, taking into account that the types of properties under management are expected to be mainly industrial parks.

III. REASONS FOR AND BENEFITS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Background

Prior to the spin-off and the separate listing of the Company, the Company was part of CR Land and CRH, which provided supplementary and complementary property management services to properties developed and/or owned by CR Land and CRH. For details of CRH and CR Land, please refer to “V. GENERAL INFORMATION” of this circular. Benefiting from the mutually beneficial and complementary relationship with CR Land and CRH, the Group has become a leading property management and commercial operational services provider and expanded the geographic coverage quickly to major regions in the PRC. On 9 December 2020, the Company was separately listed on the Stock Exchange. As of the Latest Practicable Date, the Group mainly engages in the provision of residential property management services and commercial operational and property management services in the PRC.

The Group has been providing commercial operation services, value-added services and/or property management services to CR Land or CRH for over 25 years, through which the Group is familiar with the requirements and standards as expected from them. Accordingly, the Board believes that the continuous cooperation with CR Land and CRH can (i) further enhance the mutually beneficial and complementary relationship with them; and (ii) foster the growth and development of the Group in the long run. The Group will also endeavour to acquire potential independent third party customers, including small- and medium-sized property developers, enterprises and other institutions who need commercial operational services.

LETTER FROM THE BOARD

Specifically, the reasons for and benefits of each of the Non-exempt Continuing Connected Transactions are as follows:

Provision of Commercial Operational Services

2023 CR Land Commercial Operational Services Framework Agreement offers the Group with additional revenue by providing commercial operational services, which are the principal business activities of the Group. As of 30 June 2022, we were the only commercial operational services provider to all the shopping malls developed by CR Land which are in operation. Given (1) the long history of cooperation between the Group and CR Land as aforementioned; (2) the Group's expertise, experience, branding and market recognition; (3) the Group's understanding that CR Land intends to continue the use of the well-recognized brand, i.e. the "MIXC (萬象城)/MIXONE (萬象匯)" brand, for the market positioning of its commercial property projects; (4) that CR Land has entered into a non-competition undertaking and undertakes not to engage in the competing business in accordance with the terms and conditions of the undertaking, the details of which are disclosed in the prospectus of the Company dated 25 November 2020; and (5) that the Group and CR Land are state-owned enterprises which have relatively stable controlling ownership, the Group's business relationship with CR Land is unlikely to materially and adversely change or terminate.

Provision of Value-added Services

2023 CR Land Value-added Services Framework Agreement offers the Group with additional revenue by providing value-added services, which are the principal business activities of the Group.

Provision of Property Management Services

2023 CR Land Property Management Services Framework Agreement and 2023 CRH Property Management Services Framework Agreement offer the Group with additional revenue by providing property management services, which are the principal business activities of the Group.

IV. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, (1) the Company is held as to approximately 72.29% by CR Land; and (2) 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 and CRH are connected persons of the Company under the Listing Rules.

As one or more of the applicable percentage ratios for the Non-exempt Continuing Connected Transactions exceed 5%, the Non-exempt Continuing Connected Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

V. GENERAL INFORMATION

CRH

China Resources Company Limited is a company established in the PRC with limited liability and is a state-owned enterprise under the supervision of the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC. It is a conglomerate which holds a variety of businesses in the PRC and Hong Kong including but not limited to consumer products, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors. As of the Latest Practicable Date, 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.

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

VI. INTERNAL CONTROL MEASURES

To further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), the Group has implemented the following internal control measures in relation to the continuing connected transactions:

- The Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for the Company to commence the necessary additional assessment and approval procedures and ensure that the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules; and
- the Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by the Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of the Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

LETTER FROM THE BOARD

VII. EGM

A notice convening the EGM to be held at 46th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 28 December 2022 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, ordinary resolution will be proposed to consider and, if thought fit, to approve the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) by way of poll. CRH, CR Land and their respective associates are required to abstain from voting of the resolutions at the EGM.

A proxy form for use in connection with the EGM is accompanied with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

VIII. CLOSURE OF REGISTER OF MEMBERS

The EGM is scheduled to be held on Wednesday, 28 December 2022. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed on Wednesday, 28 December 2022, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 23 December 2022.

LETTER FROM THE BOARD

IX. RECOMMENDATION

The Directors (including the Independent Board Committee whose recommendations are contained in the section headed “Letter from the Independent Board Committee” of this circular) are of the view that the Non-exempt Continuing Connected Transaction Agreements 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 Non-exempt Continuing Connected Transaction Agreements. 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.

The text of the letter from the Independent Board Committee is set out on page 29 to 30 of this circular. The text of the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice is set out on pages 31 to 59 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

X. ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular and the notice of the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to Non-exempt Continuing Connected Transactions Agreements:



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)

12 December 2022

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 12 December 2022 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Non-exempt Continuing Connected Transaction Agreements (including the proposed annual caps) and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Anglo Chinese Corporate Finance, Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 28 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transaction Agreements (including the proposed annual caps) as set out on pages 31 to 59 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

After taking into consideration the advice from the Independent Financial Adviser, we concur with the views of the Independent Financial Adviser and consider that the terms of the Non-exempt Continuing Connected Transaction Agreements (including the proposed annual caps) are fair and reasonable and on normal commercial terms, and the Non-exempt Continuing Connected Transaction Agreements are in the interests of the Company and the Shareholders as a whole and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the proposed resolutions at the EGM.

Yours faithfully
Independent Board Committee

**LAU Ping Cheung
Kaizer**
*Independent non-
executive Director*

**CHEUNG Kwok
Ching**
*Independent non-
executive Director*

**CHAN Chung Yee
Alan**
*Independent non-
executive Director*

QIN Hong
*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
www.anglochinesegroup.com

財務顧問有限公司
英高

*The Independent Board Committee and
the Independent Shareholders of
China Resources Mixc Lifestyle Services Limited*

12 December 2022

Dear Sirs,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed Non-exempt Continuing Connected Transactions (including the proposed annual caps), details of which are set out in the letter from the Board contained in the circular dated 12 December 2022 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context requires otherwise.

As at the Latest Practicable Date, (1) the Company was held as to approximately 72.29% by CR Land; and (2) 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 and CRH are connected persons of the Company under the Listing Rules. As one or more of the applicable percentage ratios for each of the Non-exempt Continuing Connected Transactions exceed 5%, independent shareholders’ approval is required under Chapter 14A of the Listing Rules for each of the Non-exempt Continuing Connected Transactions.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Non-exempt Continuing Connected Transaction Agreements (including the proposed annual caps). We have been appointed to advise the Independent Board Committee and the Independent Shareholders accordingly.

II. BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, amongst other things, (i) the Non-exempt Continuing Connected Transaction Agreements, being the 2023 CR Land Property Management Services Framework Agreement, the 2023 CR Land Commercial Operational Services Framework Agreement (and the Supplemental Agreement), the 2023 CR Land Value-Added Services Framework Agreement and the 2023 CRH Property Management Services Framework Agreement; (ii) the respective framework agreements signed in 2020; (iii) the prospectus of the Company dated 25 November 2020 (the “**Prospectus**”); (iv) the Company’s annual reports for the years ended 31 December 2020 and 2021; (v) the Company’s interim reports for the six months ended 30 June 2021 and 2022; and (vi) the CCT Renewal Announcement, the Supplemental CCT Renewal Announcement and the Circular. We consider the information we have reviewed is sufficient to reach the conclusions set out in this letter and have no reason to doubt the truth, accuracy or completeness of the information provided to us by the Company, and have been advised by the Directors that, to the best of their knowledge, no material information has been omitted or withheld from the information supplied to us or the information relating to the Company referred to in the Circular. We have relied on the accuracy of the information, facts and representations and the opinions expressed by the Company referred to in the Circular. We have relied on the information so provided to us and referred to in the CCT Renewal Announcement, the Supplemental CCT Renewal Announcement and the Circular, and we have not verified it or conducted an independent investigation into the business and affairs of the Group, or any of their respective subsidiaries or associates.

Apart from normal professional fees for our services to the Company in connection with this appointment, no arrangement exists whereby we had received or will receive any other fees or benefits from the Company or any other parties to the transactions that could reasonably be regarded as relevant to our independence. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. In the two years prior to the Latest Practicable Date, we have not previously acted as the independent financial adviser nor the financial adviser to the Company’s other transactions. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

Background

Reference is made to the Prospectus in relation to the continuing connected transaction agreements entered into by the Group in 2020 (the “**2020 Continuing Connected Transaction Agreements**”). Please refer to the section headed “Connected Transactions” to the Prospectus for further details. As the 2020 Continuing Connected Transaction Agreements will expire on 31 December 2022, the Company has entered into certain framework agreements (the “**2023 Continuing Connected Transaction Agreements**”) on 25 October 2022, and the Supplemental Agreement on 7 December 2022, to renew the agreements and the corresponding annual caps. The transactions contemplated under certain 2023 Continuing Connected Transaction Agreements and the Supplemental Agreement, being the Non-exempt Continuing Connected Transactions, are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Information of the Group

The Company is incorporated in the Cayman Islands with limited liability and its Shares are listed on the Stock Exchange. The Group is mainly engaged in the provision of residential property management services and commercial operational and property management services in the PRC. As at the Latest Practicable Date, approximately 72.29% of the Shares issued by the Company were directly held by CR Land.

Financial performance of the Group

The tabulation below shows a summary of selected financial performance of the Group since 2020.

	For the year ended		For the six months ended	
	31 December		30 June	
	2020	2021	2021	2022
	(“FY2020”)	(“FY2021”)	(“1H2021”)	(“1H2022”)
(RMB’000)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	6,778,911	8,875,384	4,014,403	5,277,728
– Residential property management services	3,883,819	5,310,055	2,391,544	3,353,845
– Commercial operational and property management services	2,895,092	3,565,329	1,622,859	1,923,883
Gross profit	1,827,033	2,758,518	1,292,675	1,672,466
Profit for the year, or period	817,710	1,726,070	806,034	1,029,672

Sources: Annual reports and interim reports of the Company for the relevant years, or periods

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1H2022 versus 1H2021

The Group's revenue amounted to approximately RMB5.3 billion for 1H2022, representing an increase of approximately 32% as compared with that in 1H2021. Such increase was primarily because (i) the revenue from residential property management services increased by approximately RMB962.3 million as the number of residential and other non-commercial properties projects managed by the Group increased from 617 in 1H2021 to 1,317 in 1H2022; and (ii) the revenue from the commercial operational and property management services increased by approximately RMB301.0 million as the Group provided services to 72 opened shopping mall projects and 128 office building projects during 1H2022 as compared with 64 opened shopping mall projects and 93 office building projects during 1H2021.

The Group's gross profit amounted to approximately RMB1.7 billion for 1H2022, representing an increase of approximately 29% as compared with that in 1H2021. Such increase was mainly due to the effective cost control and the improvement of operating efficiency.

The Group's profit amounted to approximately RMB1.0 billion for 1H2022, representing an increase of approximately 28% as compared with that in 1H2021.

FY2021 versus FY2020

The Group's revenue for FY2021 amounted to approximately RMB8.9 billion, representing an increase of approximately 31% as compared with that for FY2020. Such increase was primarily because (i) the revenue from the residential property management services increased by approximately RMB1.4 billion, mainly as a result of the expansion in management scale; and (ii) the revenue from the commercial operational and property management services increased by approximately RMB670.2 million as the Group provided services to 69 opened shopping mall projects and 115 office building projects during FY2021 as compared with 57 opened shopping mall projects and 80 office building projects during FY2020.

The Group's gross profit amounted to approximately RMB2.8 billion for FY2021, representing an increase of approximately 51% as compared with that for FY2020. Such increase was mainly due to the effective cost control and the improvement of operating efficiency.

The Group's profit amounted to approximately RMB1.7 billion for FY2021, representing an increase of approximately 111% as compared with that for FY2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position of the Group

The tabulation below shows a summary of selected financial position of the Group as at 31 December 2020 and 2021 and as at 30 June 2022.

	As at 31 December		As at 30 June
	2020	2021	2022
<i>(RMB'000)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Current assets	16,331,769	16,030,149	16,226,203
Non-current assets	2,744,185	5,561,773	9,056,030
Total assets	19,075,954	21,591,922	25,282,233
Current liabilities	5,055,330	6,079,062	8,289,596
Non-current liabilities	1,557,592	1,623,835	2,712,714
Total liabilities	6,612,922	7,702,897	11,002,310
Net assets	12,463,032	13,889,025	14,279,923
Trade and bill receivables	822,240	1,042,609	2,081,129
Other payables and accruals	2,665,222	2,807,313	4,189,386
Cash and cash equivalents	10,312,459	13,698,238	12,851,691

Sources: Annual reports and interim report of the Company for the relevant years, or periods

The Group's current assets amounted to approximately RMB16.2 billion as at 30 June 2022 which remained comparable to that as at 31 December 2021. As at 30 June 2022, the current assets mainly comprised (i) cash and cash equivalents of approximately RMB12.9 billion; and (ii) trade and bill receivables of approximately RMB2.1 billion.

The Group's non-current assets amounted to approximately RMB9.1 billion as at 30 June 2022, mainly comprising (i) time deposits of approximately RMB2.5 billion; and (ii) investment properties of approximately RMB2.3 billion. The increase in non-current assets from 31 December 2021 was mainly attributable to increase in intangible assets and goodwill by approximately RMB3.4 billion as the results of acquisitions of subsidiaries during 1H2022.

The Group's current liabilities amounted to approximately RMB8.3 billion as at 30 June 2022, mainly comprising (i) other payables and accruals of approximately RMB4.2 billion, (ii) contract liabilities of approximately RMB1.7 billion; and (iii) trade payables of approximately RMB1.1 billion. The increase in current liabilities from 31 December 2021 was mainly attributable to increase in other payables and accruals by approximately RMB1.4 billion.

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The Group's non-current liabilities amounted to approximately RMB2.7 billion as at 30 June 2022, mainly comprising (i) lease liabilities of approximately RMB1.3 billion; and (ii) deferred tax liabilities of approximately RMB738.7 million. The increase in non-current liabilities from 31 December 2021 was mainly attributable to an increase in financial liabilities at fair value through profit or loss by approximately RMB685.3 million as the results of acquisitions of subsidiaries during 1H2022.

In relation to some key line items of the Group's financial position, trade and bill receivables increased from approximately RMB1.0 billion as at 31 December 2021 to approximately RMB2.1 billion as at 30 June 2022, primarily due to (i) the consolidation of financial accounts of Yuzhou Property Service Co., Ltd., Jiangsu Zhongnan Property Services Co. Ltd. and Sichuan Jiuzhou Qiancheng Property Service Co. Ltd which the Group acquired; and (ii) the fact that landlords tend to settle the management fees in the second half of the year which usually leads to a higher amount of receivables in the first half of the year. Other payables and accruals also recorded a substantial increase from approximately RMB2.8 billion as at 31 December 2021 to approximately RMB4.2 billion as at 30 June 2022, primarily due to the aforementioned acquisitions and an increase in dividend payable of approximately RMB661.7 million. The amount of cash and cash equivalent of the Group has remained relatively stable.

Information of CR Land

CR Land is incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (Stock code: 1109). 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 at the Latest Practicable Date, CR Land was indirectly held as to approximately 59.55% by CRH, which is in turn indirectly wholly owned by China Resources Company Limited.

Information of CRH

As of the Latest Practicable Date, 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, a company incorporated in Hong Kong with limited liability, which is in turn indirectly wholly owned by China Resources Company Limited. China Resources Company Limited is a company established in the PRC with limited liability and is a state-owned enterprise under the supervision of the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC. It is a conglomerate which holds a variety of businesses in the PRC and Hong Kong including but not limited to consumer products, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors.

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Reasons for, and benefits of, the Non-exempt Continuing Connected Transactions

Prior to the spin-off and the separate listing of the Company, the Company was part of CR Land. Accordingly, the Group has been providing property management services, commercial operational services, and value-added services, all of which are the principal activities of the Group, to CRH and its respective subsidiaries, including CR Land, (the “CRH Group”) for over 25 years and thus the Group is familiar with the requirements and standards expected by them. As shown in the table below, the revenue generated from provision of services corresponding to the Non-exempt Continuing Connected Transactions represented a material source of revenue to the Group. Therefore, the management of the Company considers, and we concur, that based on the mutually beneficial and complementary long-term relationship with the CRH Group, it is beneficial for the Company to enter into the Non-exempt Continuing Connected Transactions Agreements to facilitate the continuous provision of these services to the CRH Group.

<i>(RMB'000)</i>	FY2020	FY2021	1H2022
– Provision of property management services to CR Land Connected Persons	901,962	823,256	409,575
– Provision of commercial operational services to CR Land Connected Persons	819,190	1,458,262	694,001
– Provision of value-added services to CR Land Connected Persons	556,964	786,366	372,841
– Provision of property management services to CRH Connected Persons	233,822	229,606	130,789
	2,511,938	3,297,490	1,607,206
Total revenue of the Group	6,778,911	8,875,384	5,277,728
Contribution from the provision of services corresponding to the Non-exempt Continuing Connected Transactions	37%	37%	30%

Looking forward, project pipelines of CR Land Connected Persons and CRH Connected Persons will benefit the growth of the Group if it manages to secure new contracts under the Non-exempt Continuing Connected Transactions Agreements. According to CR Land’s 2022 interim report, CR Land had 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 development for the next three to five years. It is also stated in the letter from the Board that CRH Connected Persons are expected to deliver GFA of approximately 25 million sq. m. of residential properties and other non-commercial properties for the years ending 31 December 2023, 2024 and 2025. These future projects of CR Land Connected Persons and CRH Connected Persons may require the services of the Group and thus increase the future revenue of the Group.

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Principal terms of the Non-exempt Continuing Connected Transactions

The table below summarises the principal terms of the Non-exempt Continuing Connected Transactions:

	2023 CR Land Property Management Services Framework Agreement	2023 CR Land Commercial Operational Services Framework Agreement	2023 CR Land Value-added Services Framework Agreement	2023 CRH Property Management Services Framework Agreement
Parties	The Company and CR Land	The Company and CR Land	The Company and CR Land	The Company and CRH
Date	25 October 2022 (7 December 2022 for the Supplemental Agreement)			
Term	Commencing from 1 January 2023 to 31 December 2025, subject to the Independent Shareholders' approval	Commencing from 1 January 2023 to 31 December 2037, subject to the Independent Shareholders' approval	Commencing from 1 January 2023 to 31 December 2025, subject to the Independent Shareholders' approval	Commencing from 1 January 2023 to 31 December 2025, subject to the Independent Shareholders' approval
Subject	The Group may, from time to time, provide property management services to the CR Land Connected Persons for commercial properties and/or residential properties and other non-commercial properties (such as stadiums and long term leasing apartments) developed and/or owned by them.	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).	The Group may, from time to time, provide value-added services to the CR Land Connected Persons for the residential properties and other non-commercial properties developed and/or owned by them. The value-added services include community value-added services (such as community living services and brokerage and assets services) and value-added services to property developers (such as consultancy services, preliminary preparation services and pre-delivery marketing services).	The Group may, from time to time, provide property management services to the CRH Connected Persons for the commercial properties and/or residential properties and other non-commercial properties (such as industrial parks) developed and/or owned by them.
Pricing basis	Subject to any guidance price which may be imposed by the governmental authorities, the property management fees shall be determined after arm's length negotiations with reference to (i) the type, 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, (v) the customers profile, and (vi) the prevailing market rate for similar services in the open market and the historical charging rates.	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.	Subject to any guidance price which may be imposed by the governmental authorities, the service fees shall be determined after arm's length negotiations between the parties with reference to (i) the scope and standard of services to be provided, (ii) the type, location and size of the properties, (iii) the anticipated operational cost (including, among others, labor costs, material costs and administrative costs) for providing such services, and (iv) the charging rates generally offered by the Group to Independent Third Parties for similar services, taking into account of the prevailing market rates for similar services in the open market and the historical charging rates.	Subject to any guidance price which may be imposed by the governmental authorities, the property management fees shall be determined after arm's length negotiations with reference to (i) the type, 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, (v) the customers profile, and (vi) the prevailing market rate for similar services in the open market and the historical charging rates.

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For further details of the Non-exempt Continuing Connected Transaction Agreements, please refer to the section headed “II. RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS” in the letter from the Board.

Assessment of the principal terms

For our assessment of the principal terms, we have reviewed and compared the Non-exempt Continuing Connected Transaction Agreements with the respective framework agreements signed in 2020. We note that other than the amounts of annual caps and the term of 15 years for the 2023 CR Land Commercial Operational Services Framework Agreement, all of the principal terms of the Non-exempt Continuing Connected Transaction Agreements continue to follow those of the framework agreements signed in 2020.

Based on our review of the Company’s relevant pricing policies and reference pricing guidelines, and our correspondence with the management of the Company, we note that the Company has established a standard assessment methodology to determine the pricing of its various service offerings for property projects under assessment, details are set out below.

- (a) Property management services: for residential properties and offices, we note that there are prescribed ranges of prices per sq. m. taking into consideration factors including but not limited to, the type and location of the property under assessment, the quality standard of the service offering. For non-residential properties such as shopping malls, the pricing is determined based on the estimated costs the Group has to incur and a reasonable level of profit margin as prescribed in the pricing guideline.
- (b) Commercial operational services: we note that there are prescribed formulae to determine the fees for various services offered. These formulae take into consideration factors including but not limited to, the size and location of the property, and the quality standard of the service offering. For properties to which the Group provides operation management services, the financial performance of the property is also considered as the fees are determined based on a percentage of the revenue and profit generated by the property.
- (c) Value-added services: we note that there are prescribed formulae to determine the fees for various services offered. These formulae take into consideration factors including but not limited to, the size and type of the property, the price range per sq. m. of any associated property management services and the estimated costs the Group has to incur.

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We understand from our correspondence with the management that the aforesaid reference pricing guidelines are set based on prevailing market prices. We further note that, where applicable, the Company would make reference to the local government's guidance prices in determining the pricing of a service offering. The pricing bases stated in the Non-exempt Continuing Connected Transaction Agreements are consistent with the standard assessment methodology and therefore, we are of the view that the pricing basis of each of the Non-exempt Continuing Connected Transactions is fair and reasonable.

We understand from the management of the Company that since the listing of the Company in 2020, the corresponding internal control and pricing policies have remained unchanged, which serves to ensure the terms of transactions in respect of services with CR Land Connected Persons and CRH Connected Persons shall be no less favourable to the Group than those transactions between the Group and Independent Third Parties under the same conditions. For our review of internal control, please refer to the section headed "*Internal Procedures*" in this letter.

We have obtained and reviewed a total 10 sample contracts for each of the Non-exempt Continuing Connected Transactions, five of which correspond to services provided to connected persons and five correspond to similar services provided to Independent Third Parties. The sample contracts were randomly selected based on the criteria that the services to be provided pursuant to the sample contracts were (i) in the ordinary course of business corresponding to the Non-exempt Continuing Connected Transactions; (ii) spread across the period since the listing of the Company in 2020; and (iii) located in different provinces and cities, therefore, we are of the view that the samples we selected are appropriate, fair and representative for assessment.

For each of the sample contracts, we have particularly reviewed the key information including the services to be provided, the size and location of the project, the length of the service period, the service fees and the settlement frequency. We have further discussed with the management of the Company and noted that the sample contracts involving the projects with CR Land Connected Persons and CRH Connected Persons were assessed, evaluated, and approved under a prescribed method in a manner not significantly different from the projects with Independent Third Parties, save for the fact that projects of Independent Third Parties may involve a greater variety of bidding procedures and specific commercial terms which the Group has to cater for. However, we are of the view that such variance does not affect our assessment on the pricing basis and the internal control measures of the Company.

We have further enquired the pricing basis of service fees charged by the Group in respect of the reviewed samples and noted that the Group has taken into account, inter alia, the estimated costs, prevailing rates (including the Company's internal pricing guidelines and the local government's guidance price, where applicable), which is in line with the Non-exempt Continuing Connected Transaction Agreements and the Company's abovementioned pricing procedures and guidelines.

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In view of the above, we are of the view that the principal terms of the Non-exempt Continuing Connected Transaction Agreements are on normal commercial terms which are no less favourable to the Group than those transactions between the Group and Independent Third Parties under the same conditions.

Proposed annual caps

1. 2023 CR Land Property Management Services Framework Agreement

The table below sets out the historical transaction amounts of the provision of property management services to the CR Land Connected Persons under the 2020 CR Land Property Management Services Framework Agreement for FY2020 and FY2021, and the estimated amount for the year ending 31 December 2022 (“FY2022”) with existing caps:

<i>(RMB'000)</i>	FY2020	FY2021	FY2022
Annual caps			
Property management fees received by the Group (for commercial properties)	971,489	662,057	845,405
Property management fees received by the Group (for residential properties and other non-commercial properties)	378,475	531,894	735,832
Total	1,349,964	1,193,951	1,581,237
Historical amount for FY2020 and FY2021 and estimated amount for FY2022 (utilisation rate)			
Property management fees received by the Group (for commercial properties)	662,824 (68%)	594,752 (90%)	770,941 (91%)
Property management fees received by the Group (for residential properties and other non-commercial properties)	239,138 (63%)	228,504 (43%)	319,906 (43%)
Total	901,962 (67%)	823,256 (69%)	1,090,847 (69%)

Source: The Company

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We have discussed with the management in relation to the relatively low utilisation rates for residential properties and other non-commercial properties. We understand that property management fees, corresponding to properties developed and, or owned by CR Land Connected Persons but remaining unsold and vacant, are charged to CR Land Connected Persons by the Group until the properties are sold, upon which such responsibility will be transferred to the respective buyers. Given the sales progress by CR Land Connected Persons between FY2020 and FY2022 exceeded the Company's projections when the Company entered into the 2020 CR Land Property Management Services Framework Agreement, the amounts of unsold units and thus the management fees received from CR Land Connected Persons were lower than expected. Nonetheless, in light of uncertainties in the current PRC property market, the Company expects the number of units to remain vacant will be greater in the approaching several years and lead to increasing property management fees.

The table below sets out the proposed annual caps under the 2023 CR Land Property Management Services Framework Agreement.

<i>(RMB'000)</i>	For the year ending 31 December		
	2023	2024	2025
	("FY2023")	("FY2024")	("FY2025")
Proposed annual caps			
Property management fees to be received by the Group (for commercial properties)	1,300,000	1,450,000	1,600,000
Property management fees to be received by the Group (for residential properties and other non-commercial properties)	525,000	725,000	1,015,000
Total	1,825,000	2,175,000	2,615,000

As set out in the letter from the Board, the proposed annual caps under the 2023 CR Land Property Management Services Framework Agreement are determined with reference to (i) the expected increase in the CR Land's demand with reference to the pipeline projects; (ii) the historical transaction amounts and utilisation rates; (iii) the expected increase in operational costs; (iv) the existing contracts and the number of existing pipeline projects with CR Land Connected Persons; (v) the promotion of further comprehensive property management services, such as office area cleaning and green plant rental, for commercial properties; (vi) the estimated GFA of unsold residential properties to be delivered by CR Land Connected Persons, the expected increase in vacancy rate and estimated management fee for residential properties; and (vii) the expected increase in property management services for residential and other non-commercial properties, such as stadiums.

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To assess the fairness and reasonableness of the proposed annual caps for the 2023 CR Land Property Management Services Framework Agreement, we have reviewed (i) the computation worksheets which calculate the proposed annual caps based on the historical transaction amounts, the projected amounts and the underlying reasons and assumptions, and the relevant buffer to reach to the proposed annual caps; and (ii) the corresponding supporting information, including (1) a list of existing projects and pipeline projects of CR Land Connected Persons which covers the name, location and opening date of each project of shopping malls and offices up to 31 December 2025, (2) relevant independent industry research reports in relation to the residential property market in the PRC issued by international real estate services companies found in the public domain (the “**Industry Reports**”), and (3) contracts and, or meeting notes in relation to services to be provided for stadiums built and, or operated on behalf of CR Land Connected Persons and sports events to be held at those stadiums in order to cross-check against the basis of determining the annual caps and pricing basis.

Based on our review of the calculations and the supporting documents, we understand that the methodology in calculating the annual caps is in general the estimated transaction amount for each of the three years ending 31 December 2025 plus a 15% buffer accounting for any changes in the market, such as inflation, rising operational costs and unexpected demand, and potential new services, such as management of car parks, for each of the three years.

In assessing the fairness and reasonableness of the buffer, we have discussed with and understand from the management of the Company that it intends to avoid the scenario where the Group has to temporarily suspend the provision of the relevant services due to insufficient annual cap. Such possible temporary cessation may be unduly burdensome and lengthy as it will be subject to further administrative and approval procedures of the Company, which would not be in the interests of the Group’s operations as a whole. We have also reviewed the Company’s internal policy which specifies the overall handling procedures for continuing connected transactions, which include but not limited to, duties of each relevant department, procedures for assessing and approving a connected transaction and the procedures for determining proposed annual caps. It is stated in the internal policy that based on the Company’s experience, a buffer ranging between 5% and 20% is necessary to avoid exceeding the annual caps. We note that such level of buffer is within the said range stated in the Company’s internal policy. We have also taken into consideration the current volatility and uncertainty of the Chinese and global economy, for example, inflation rates in some areas such as Europe and the United States have been staying at a high single digit to low teens. Our view echoes with the recent press release of National Bureau of Statistics of China dated 15 November 2022, which stated that China is facing multiple tests of increasingly complex and challenging international environment and new and frequent outbreaks of COVID-19 pandemic at home. In light of the above, we are of the view that a buffer of 15% is fair and reasonable. Set out below is a summary of how the estimated transaction amounts were determined.

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In respect of commercial properties, the Group provides property management services to shopping malls and offices developed and, or owned by CR Land Connected Persons and the estimated transaction amounts of the two types of properties are comparable. The estimated transaction amounts for shopping malls and offices for FY2022 are approximately RMB423 million and RMB348 million, respectively, and approximately RMB771 million combined. Details for the proposed annual caps for commercial properties are as follows:

- (a) The expected transaction amounts for the management of shopping malls are determined based on the estimated number of shopping malls under management of the Group with reference to the business plan of CR Land, which is expected to increase from 67 in FY2022 to over 100 in FY2025, representing a compound annual growth rate (“CAGR”) of approximately 15%. Such estimation is in line with the list of existing projects and pipeline projects which we have reviewed. Based on the estimated transaction amount of approximately RMB423 million in FY2022 and a CAGR of 15%, the estimated transaction amount for FY2023 is approximately RMB499 million and will reach approximately RMB644 million in FY2025.
- (b) While the number of offices under management is estimated to be relatively stable through to FY2025, a significant increase in transaction amount is expected in FY2023. Property management fees in some projects are currently paid by office tenants to the Group directly, the Group intends to adopt a standard practice in FY2023 such that all management fees in the future will be paid to the Group via CR Land Connected Persons. While such change in policy is not expected to cause any changes to the total amount of management fees to be received by the Group, it will increase the transaction amount between the Group and CR Land Connected Persons by approximately RMB177 million in FY2023. Additionally, the Company expects a potential increment in revenue of 20% in FY2023 with reference to historical vacancy rate, projected vacancy rate and expected increase in pricing. We understand from the management that the average occupancy rate of offices under management was on an increasing trend from 71.3% for FY2020 to 83.5% in 1H2022. In addition, the Group is planning of promoting its comprehensive services such as office area cleaning services, green plant rental services and reception services, which may lead to a higher management fees. Therefore, we are of the view that the assumption of such potential increment is fair and reasonable. As a result of the above, the expected transaction amounts for offices will increase from approximately RMB348 million in FY2022 to approximately RMB630 million in FY2023. The estimated transaction amounts thereafter are expected to grow at a relatively lower rate.

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In respect of residential and other non-commercial properties, the Company estimates that the overall transaction amount will grow from approximately RMB320 million in FY2022 to approximately RMB878 million in FY2025 mainly due to the following factors:

- (a) The GFA of unsold properties is estimated to increase during the period. The Company expects that CR Land Connected Persons will deliver approximately 20 million sq. m. of additional GFA of residential properties for the each of FY2023, FY2024 and FY2025. Assuming a vacancy rate of 15% and a monthly management fee of RMB3 per sq. m., the estimated additional management fees to be received by the Group will be approximately RMB108 million each year from FY2023 to FY2025. We have discussed with the management of the Company and we understand that the estimated vacancy rate is determined with reference to the Company's market intelligence and the relevant Industry Reports, which we have reviewed. The estimated monthly management fee is determined based on the fact that the average fee for projects from CR Land Connected Persons in 1H2022 amounted to RMB2.68 per sq. m. and the Company expects that there will be a slight room for price increase in the future. In light of the above, we are of the view that the computation of the additional transaction amount as a result of the increase of GFA of unsold properties is fair and reasonable.
- (b) In addition, from FY2023 onwards, the Group is expected to provide more property management services to stadiums built and, or operated on behalf of CR Land Connected Persons and sports events to be held at those stadiums. For example, the transaction amounts due to the Chengdu 2021 FISU World University Games and the Hangzhou 2022 Asian Games, which have been postponed to 2023, are expected to be in the range of RMB30 million and RMB45 million.

We also note the proposed annual cap of RMB525 million for FY2023 is lower than the annual cap of approximately RMB736 million for FY2022 because the Company has taken into consideration the relevant historical figures and actual utilisation.

Having considered the above, we are of the view that the proposed annual caps in respect of the continuing connected transactions under the 2023 CR Land Property Management Services Framework Agreement for the three years ending 31 December 2025 are in line with the business plans of the Group and CR Land, and are fair and reasonable so far as the Independent Shareholders are concerned.

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2. *2023 CR Land Commercial Operational Services Framework Agreement (as amended by the Supplemental Agreement)*

The table below sets out (i) the historical transaction amounts of the provision of commercial operational services to the CR Land Connected Persons for their commercial properties (including shopping malls and office buildings) under the 2020 CR Land Commercial Operational Services Framework Agreement for FY2020 and FY2021, and the estimated amount for FY2022 with existing caps; and (ii) the proposed annual caps for the three years ending 31 December 2025:

<i>(RMB'000)</i>	FY2020	FY2021	FY2022
Annual caps	904,638	1,581,347	1,807,973
Historical amount for FY2020 and FY2021 and estimated amount for FY2022 (utilisation rate)	819,190 (91%)	1,458,262 (92%)	1,737,255 (96%)
	FY2023	FY2024	FY2025
Proposed annual caps	3,000,000	4,000,000	5,000,000

Source: The Company

As set out in the letter from the Board, the proposed annual caps for the 2023 CR Land Commercial Operational Services Framework Agreement are determined with reference to (i) the existing contracts and the number of existing pipeline projects with CR Land Connected Persons; (ii) the historical transaction amounts and utilisation rates; (iii) the expected increase in the operational costs; (iv) the expected increase of the same store sales of the shopping malls; and (v) the expected increase in CR Land's demand with reference to its pipeline projects.

To assess the fairness and reasonableness of the proposed annual caps for the 2023 CR Land Commercial Operational Services Framework Agreement, we have reviewed (i) the computation worksheets which calculate the proposed annual caps based on the historical transaction amounts, the projected amounts and the underlying reasons and assumptions, and the relevant buffer to reach to the proposed annual caps; and (ii) the corresponding supporting information, including (1) a list of existing projects and pipeline projects with CR Land which covers the three years ending 31 December 2025, which is the same as the one stated under the discussion of the 2023 CR Land Property Management Services Framework Agreement, (2) an internal presentation in relation to the Commercial Information Digitalisation Fee (商業信息化收費), a new type of service charge to be implemented in 2023, prepared by the Company, and (3) internal documents which analysed the historical organic growth in rental income of shopping malls and offices under management in order to cross-check against the basis of determining the annual caps and pricing basis.

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Based on our review of the calculations and the supporting documents, we understand that the methodology in calculating the annual caps is in general the estimated transaction amount for each of the three years ending 31 December 2025 plus a 15% buffer accounting for any changes in the market, such as inflation, rising operational costs and unexpected demand. As stated in the discussion in relation to the 2023 CR Land Property Management Services Framework Agreement, we are of the view that a buffer of 15% is in the interests of the Company's operations as a whole and is therefore fair and reasonable. Set out below is a summary of how the estimated transaction amounts were determined.

The expected transaction amounts can be primarily attributed to the provision of commercial operational services to shopping malls developed and, or owned by CR Land Connected Persons, the number of which, as explained in the earlier section, is expected to increase from 67 in FY2022 to over 100 by FY2025, representing a CAGR of approximately 15% during the period. On top of an increase in the number of shopping malls, the same-store-sales of the shopping malls, which the Group's management fee of each mall correlates, is expected to grow by 10% to 20% each year between FY2022 and FY2025, which is in line with the historical growth based on the internal documents we have reviewed. As a result of the above factors, the estimated transaction amount for shopping malls is expected to increase from approximately RMB1,598 million in FY2022 to approximately RMB2,261 million in FY2023, and further to approximately RMB3,962 million in FY2025.

Two other relatively minor factors which also contributed to the expected growth of transaction amounts include:

- (a) the introduction of the Commercial Information Digitalisation Fee which corresponds to the digitalised information system developed by the Group to enhance efficiency of data synchronisation and information management. Based on our correspondence with the management of the Company and review of the relevant supporting commercial presentation, we understand that the Company will commence charging this fee at a fixed price per square meter on shopping malls which operational services will be provided in FY2023 and the estimated transaction amount will be approximately RMB100 million for each year between FY2023 and FY2025; and
- (b) a potential increment of 10% each year in revenue from offices under management with reference to historical growth in rental income.

Having considered the above, we are of the view that the proposed annual caps in respect of the continuing connected transactions under the 2023 CR Land Commercial Operational Services Framework Agreement for the three years ending 31 December 2025 are in line with the business plans of the Group and CR Land, and are fair and reasonable so far as the Independent Shareholders are concerned.

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In relation to the term of the 2023 CR Land Commercial Operational Services Framework Agreement, which exceeds three years, we understand from the management of the Company that entering into long term contracts for commercial operational services is the market practice and is beneficial to the Group. It is the nature of such business that considerable time and effort are required to cultivate a commercial property, shopping malls in particular, and it takes time to realise the result and return. Therefore, entering into long term contracts will provide (i) stability to the Group's business in the provision of commercial operation 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.

We understand from the management of the Company that the Group have entered into agreements with a similar nature with independent third parties of over three years. Five sample contracts were obtained and reviewed by us. The sample contracts were randomly selected based on the criteria that (i) the projects were located in different provinces and cities; and (ii) the contracts were entered into with different independent third parties, we are of the view that the samples we selected are appropriate, fair and representative for assessment. We note that the term of the sampled contracts ranged from 15 to 20 years, and the term of the 2023 CR Land Commercial Operational Services Framework Agreement of 15 years falls within such range.

In order to understand the market practice, we have checked the relevant contract terms of listed companies which have commercial operational services as one of their major business segments. We have identified an exhaustive list of three companies listed on the Mainboard of the Stock Exchange which (i) had a market capitalisation of more than HK\$1 billion as at the date of the CCT Renewal Announcement; (ii) generated more than 30% of their revenue in the latest financial year from the provision of operation and management services to commercial properties, including shopping malls; and (iii) the respective listing date is within three years from the date of the CCT Renewal Announcement (the "**Selected Property Management Companies**"). We consider the Selected Property Management Companies should serve as a representative set of samples for comparison purposes as the scopes of services are comparable to those under the 2023 CR Land Commercial Operational Services Framework Agreement and the review period, which is within three years from the date of CCT Renewal Announcement, is reasonable for our reference.

The table below summarises the background of the Selected Property Management Companies and the details of their contracts related to commercial operational services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company	Listing date	Market capitalisation on the date of the CCT Renewal Announcement (HK\$ million)	Details of the contracts related to commercial operational services entered into by each Selected Property Management Company	
			Scope of services	Term
SCE Intelligent Commercial Management Holdings Ltd (Stock code: 606)	2 July 2021	3,486	Commercial property management and operational services include basic property management services and pre-opening management services, such as market research and positioning, architectural design consultation, tenant sourcing and opening preparation services, tenant management and property leasing	20 years
Powerlong Commercial Management Holdings Ltd (Stock code: 9909)	30 December 2019	1,691	Commercial property management services comprise tenant sourcing and opening preparation services, property leasing services, market research and positioning, commercial operation and management services	10-37 years, or no fixed term
E-Star Commercial Management Co Ltd (Stock code: 6668)	26 January 2021	1,183	Commercial property management services comprise positioning construction consultancy and tenant sourcing services, operational management services, property leasing services and other value-added services such as management of advertising space	5-20 years
The Company (Stock code: 1209)	9 December 2020	60,144	Commercial operational services include (i) pre-opening management services (such as positioning and design management services, tenant sourcing and management services) and (ii) operation management services (such as opening preparation services, tenant coaching, publicity)	15 years

Sources: Prospectuses of the Selected Property Management Companies and Bloomberg

According to the prospectuses of the Selected Property Management Companies, we note that the terms of commercial operational and related services at the time were 20 years, 10-37 years (or with no fixed terms), and 5-20 years, respectively. Therefore, the term of 15 years for the 2023 CR Land Commercial Operational Services Framework Agreement is within such range.

As a supplemental reference to our research on the market practice stated above, we also noticed examples where a Hong Kong listed company entered into continuing connected transactions of commercial operational services exceeding three years. Country Garden Services Holdings Company Limited (stock code: 6098) (“**Country Garden Services**”) announced on 12 July 2022 that individual contracts under a framework agreement, pursuant to which Country Garden Services will provide business management services, including operation and planning services, to certain connected persons, would be extended to no more than 10 years. Further, Sunac Services Holdings Limited (stock code: 1516) (“**Sunac Services**”) announced on 8 November 2021 that it had entered into a framework agreement pursuant to which Sunac Services will provide operation and management services, among others, to certain connected persons with a term of 20 years. Given the two examples are recent and have the same transaction nature as the 2023 CR Land Commercial Operational Services Framework Agreement, we consider that these examples are relevant and meaningful supplemental information for reference.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, we are of the view that the term of 15 years for the 2023 CR Land Commercial Operational Services Framework Agreement is required and is a normal business practice for agreements of this type, and is also fair and reasonable so far as the Independent Shareholders are concerned.

3. 2023 CR Land Value-added Services Framework Agreement

The table below sets out the historical transaction amounts of the provision of value-added services to the CR Land Connected Persons under the 2020 CR Land Value-added Services Framework Agreement for FY2020 and FY2021, and the estimated amount for FY2022 with existing caps:

<i>(RMB'000)</i>	FY2020	FY2021	FY2022
Annual caps			
Fees received by the Group for the community value-added services	51,880	91,700	110,604
Fees received by the Group for the value-added services to property developers	660,289	863,897	915,919
Total	712,169	955,597	1,026,523
Historical amount for FY2020 and FY2021 and estimated amount for FY2022 (utilisation rate)			
Fees received by the Group for the community value-added services	24,614 (47%)	46,807 (51%)	101,771 (92%)
Fees received by the Group for the value-added services to property developers	532,350 (81%)	739,559 (86%)	662,535 (72%)
Total	556,964 (78%)	786,366 (82%)	764,306 (74%)

Source: *The Company*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our correspondence with the management of the Company, we note that the relatively low utilisation rates for the community value-added services in FY2020 and FY2021 were mainly attributable to the Company's operating strategy for its parking space brokerage services. There are two operating models in relation to such business. The Group can either acquire parking spaces from CR Land Connected Persons and resell them afterwards, or simply act as an agent for CR Land Connected Persons and earn a commission (the "Agency Model"). Given (i) only the transactions adopting the Agency Model fall under the scope of the 2020 CR Land Value-added Services Framework Agreement and the 2023 CR Land Value-added Services Framework Agreement; and (ii) the Group has focused on adopting the other model in FY2020 and FY2021, the transaction amounts and thus the utilisation rates of the community value-added services were lower than expected for the two years. Looking forward, the Group intends to focus on the Agency Model in order to maintain a healthy level of inventory.

The table below sets out the proposed annual caps under the 2023 CR Land Value-added Services Framework Agreement.

<i>(RMB'000)</i>	FY2023	FY2024	FY2025
Proposed annual caps			
Fees to be received by the Group for the community value-added services	300,000	450,000	700,000
Fees to be received by the Group for the value-added services to property developers	1,250,000	1,550,000	1,850,000
Total	1,550,000	2,000,000	2,550,000

As set out in the letter from the Board, the proposed annual caps for the 2023 CR Land Commercial Operational Services Framework Agreement are determined with reference to (i) the historical transaction amount and utilisation rates; (ii) the expected increase in the operational costs; (iii) the expected increase in CR Land's demand for the services of the Group with reference to its pipeline projects; (iv) the existing contracts for value-added services to property developers; and (v) new community value-added services, namely the maintenance services, to be offered by the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To assess the fairness and reasonableness of the proposed annual caps for community value-added services and property developers value-added services under the 2023 CR Land Value-added Services Framework Agreement, we have reviewed (i) the computation worksheets which calculate the proposed annual caps based on the historical transaction amounts, the projected amounts and the underlying reasons and assumptions, and the relevant buffer to reach to the proposed annual caps; and (ii) the corresponding supporting information including (1) a list of the total GFA which CR Land plans to deliver by types of properties from FY2022 to FY2025 and (2) an internal presentation which sets out the business plan in relation to the new service of maintenance services in order to cross-check against the basis of determining the annual caps and pricing basis.

Based on our review of the calculations and the supporting documents, we understand that the methodology in calculating the annual caps is in general the estimated transaction amount for each of the three years ending 31 December 2025 plus a 15% buffer accounting for any changes in the market, such as inflation, rising operational costs and unexpected demand. As stated in the discussion in relation to the 2023 CR Land Property Management Services Framework Agreement, we are of the view that a buffer of 15% is in the interests of the Company's operations as a whole and is therefore fair and reasonable. Set out below is a summary of how the estimated transaction amounts were determined.

In respect of community value-added services, the Company projects that there will be an additional transaction amount of approximately RMB150 million in FY2023, representing a year-on-year growth of 150%. Such increase is primarily because (i) the growth of the historical transaction amounts has been staying at a high level, for example, the transaction amount in FY2021 and 1H2022 grew by approximately 90% and 70% year-on-year, respectively; and (ii) the Group will commence providing maintenance services to properties developed and, or owned by CR Land Connected Persons in FY2023 with reference to the business plan of CR Land and the Company expects that it will be adopting maintenance services appointments for a large number of projects from CR Land Connected Persons during the first year. Subsequent to FY2023, the annual growth rate of the expected transaction amount will be ranging from 50% to 60%, which is reasonable as compared with the historical growth.

In respect of value-added services to property developers, the estimated transaction amounts with CR Land Connected Persons are primarily based on (i) the estimated additional residential properties to be delivered by CR Land Connected Persons, which amounts to approximately 20 million sq. m. for each of FY2023, FY2024 and FY2025, as stated in the letter from the Board; and (ii) the introduction of a cleaning fee for newly decorated homes that is being contemplated by the Group. The Company estimates that the transaction amount in FY2023 will increase by approximately 30% as compared with that in FY2022 due to the two aforesaid factors. In addition, the Company expects that there will be an approximately 10% increment in pricing for FY2022 but very minimal growth in FY2024 and FY2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above, we are of the view that the proposed annual caps in respect of the continuing connected transactions under the 2023 CR Land Value-added Services Framework Agreement for the three years ending 31 December 2025 are in line with the business plans of the Group and CR Land, and are fair and reasonable so far as the Independent Shareholders are concerned.

4. 2023 CRH Property Management Services Framework Agreement

The table below sets out the historical transaction amounts of the provision of property management services to the CRH Connected Persons under the 2020 CRH Property Management Services Framework Agreement for FY2020 and FY2021, and the estimated amount for FY2022 with existing caps:

<i>(RMB'000)</i>	FY2020	FY2021	FY2022
Annual caps			
Property management fees received by the Group (for commercial properties)	426,013	376,173	230,980 <i>(Note)</i>
Property management fees received by the Group (for residential properties and other non-commercial properties)	34,421	48,449	202,455 <i>(Note)</i>
Total	460,434	424,622	433,435 <i>(Note)</i>
Historical amount for FY2020 and FY2021 and estimated amount for FY2022 (utilisation rate)			
Property management fees received by the Group (for commercial properties)	201,928 (47%)	191,431 (51%)	200,852 (87%)
Property management fees received by the Group (for residential properties and other non-commercial properties)	31,894 (93%)	38,175 (79%)	184,050 (91%)
Total	233,822 (51%)	229,606 (54%)	384,902 (89%)

Note: Please refer to the announcement of the Company dated 25 October 2022 in relation to the revision of annual caps for certain continuing connected transactions (the "Revision Announcement") for details.

Source: The Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Revision Announcement, the annual cap for commercial properties management services for FY2022 was reduced from approximately RMB498 million to approximately RMB231 million to better reflect the expected transaction amounts for the year. On the other hand, the Company expects that the transaction amount for residential properties and other non-commercial properties will be approximately RMB184 million for FY2022, which represents a substantial growth as compared with that in FY2021 due to (i) the enhanced synergy between the Group and the CRH Connected Persons after years of cooperation; and (ii) the estimated additional total GFA under management for residential properties and other non-commercial properties to be delivered by the CRH Connected Persons for FY2022. As of 30 September 2022, the Group and the CRH Connected Persons had entered into contracts for 47 projects of residential properties and other non-commercial properties with GFA of approximately 11.3 million sq. m. which was delivered, or is to be delivered in the second half of 2022. Accordingly, the Company has increased the cap for residential properties and other non-commercial properties for FY2022 from approximately RMB67 million to approximately RMB202 million. Please refer to the Revision Announcement for further details.

The proposed annual caps under the 2023 CRH Property Management Services Framework Agreement for the three years ending 31 December 2025 are set out as follows:

<i>(RMB'000)</i>	FY2023	FY2024	FY2025
Proposed annual caps			
Property management fees to be received by the Group (for commercial properties)	295,000	395,000	495,000
Property management fees to be received by the Group (for residential properties and other non-commercial properties)	570,000	1,000,000	1,250,000
Total	865,000	1,395,000	1,745,000

As set out in the letter from the Board, the proposed annual caps under the 2023 CRH Property Management Services Framework Agreement are determined with reference to (i) the historical transaction amounts and utilisation rates; (ii) the expected increase in operational costs; (iii) the existing contracts and the number of existing pipeline projects with CRH Connected Persons for commercial properties; (iv) the introduction of further comprehensive property management services for commercial properties; and (v) the historical transaction amount and growth trend, the additional projects in the future, the historical average vacancy rate and estimated fees for residential and other non-commercial properties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To assess the fairness and reasonableness of the proposed annual caps for the 2023 CRH Property Management Services Framework Agreement, we have reviewed (i) the computation worksheets which calculate the proposed annual caps based on the historical transaction amounts, the projected amounts and the underlying reasons and assumptions, and the relevant buffer to reach to the proposed annual caps; and (ii) the corresponding supporting information, including (1) a list of existing projects of shopping malls and offices and (2) an internal presentation setting out the existing projects of non-commercial properties (mainly factories) developed, or owned by CRH which will potentially be managed by the Group in order to cross-check against the basis of determining the annual caps and the pricing basis. Set out below is a summary of how the estimated transaction amounts and the proposed annual caps and were determined based on our review of the calculations and the supporting documents.

In respect of commercial properties, the Group provides property management services to offices and shopping malls developed and, or owned by CRH Connected Persons with the former contributing almost the entire transaction amount. The number of offices under management is expected to double from three in FY2022 to six in FY2025 according to the business plan of CRH. The Company also expects that there will be a potential increment in revenue of 5% each year during the period from contracted offices with reference to historical vacancy rate, projected vacancy rate and expected increase in pricing. One reason for the expected increase in pricing is the further promotion of comprehensive services such as office area cleaning services, green plant rental services and reception services. As a result of the above factors, the expected transaction amount for offices will steadily increase from approximately RMB198 million in FY2022 to approximately RMB458 million in FY2025. Considering that these offices are for internal use of the CRH Group, the market risks such as vacancy risk are lower, a small buffer of 5% is applied on top of the transaction amounts to reach the annual caps. As stated in the discussion in relation to the 2023 CR Land Property Management Services Framework Agreement, we are of the view that such a buffer is in the interests of the Company's operations as a whole and is therefore fair and reasonable. Transaction amounts of management fees from shopping malls are expected to be a few million RMB each year despite the number of shopping malls under management is expected to increase from eight in FY2022 to 12 in FY2025 according to the business plan of CRH. The combined number of shopping malls and offices under management is expected to increase by two on average each year during FY2023 to FY2025, as stated in the letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of residential properties and other non-commercial properties, the Group mainly provides property management services to industrial parks and factories developed and, or owned by CRH Connected Persons. The proposed annual caps are calculated based on the estimated transaction amounts plus a buffer of 15%, which accounts for any changes in the market, such as inflation, rising operational costs and unexpected demand. As stated in the discussion in relation to the 2023 CR Land Property Management Services Framework Agreement, we are of the view that a buffer of 15% is in the interests of the Company's operations as a whole and is therefore fair and reasonable. Based on the existing projects of non-commercial properties (mainly factories) developed or owned by CRH Connected Persons, it is estimated that the additional GFA which will be potentially managed by the Group amounts to approximately 25 million sq. m. each year from FY2023 to FY2025, or approximately 75 million sq. m. in total for the three years. With an estimated fees of approximately RMB 1 to RMB1.5 per sq. m. per month, the additional transaction amount for each year from FY2023 to FY2025 will be approximately RMB300 million to RMB450 million. We have discussed with the management of the Company that RMB1 per sq. m. per month is the approximate pricing which the Group charged for similar projects in FY2021 and the Group expects that there will be room for a price increase. In light of the above, we are of the view that the computation of the estimated additional transaction amount as a result of the additional GFA from CRH Connected Persons is fair and reasonable.

Having considered the above, we are of the view that the proposed annual caps in respect of the continuing connected transactions under the 2023 CRH Land Property Management Services Framework Agreement for the three years ending 31 December 2025 are in line with the business plans of the Group and CRH, and are fair and reasonable so far as the Independent Shareholders are concerned.

Internal Procedures

In order to ensure the terms, including the pricing principles and the proposed annual caps, contained in the Non-exempt Continuing Connected Transaction Agreements are fair and reasonable and will be complied with, the Company has adopted certain internal control and corporate governance measures, a summary of which has been stated in the Prospectus and the letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed and discussed with the management of the Company the Group's internal control policies in relation to continuing connected transactions. Set forth below is our understanding of these practices based on our review:

1. the specific agreements between the Group and CR Land Connected Parties under the Non-exempt Continuing Connected Transaction Agreements are subject to approval process similar to that of Independent Third Parties. Relevant information of these specific agreements is submitted to the finance department and chief executives at the business units' level for approval before signing and execution;
2. the Group finance department will regularly monitor the implementation of the transactions under the Non-exempt Continuing Connected Transaction Agreements and will keep track of the aggregate transaction amounts thereof to ensure that the pricing principles and the annual caps contained therein are complied with. Where the incurred transaction amount of a particular service under the Non-exempt Continuing Connected Transaction Agreements reaches approximately 90% of the corresponding annual cap or is anticipated to exceed the corresponding annual cap, the Group finance department will order to suspend all connected transactions of the relevant service until the corresponding annual cap is revised;
3. the Company will duly disclose in its annual report the continuing connected transactions conducted during the relevant financial year, together with the conclusion drawn by the independent non-executive Directors on whether the transactions are conducted in the ordinary and usual course of business of the Company, on normal commercial terms or better, and according to the relevant framework agreements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
4. the Company has adopted relevant reporting and record-keeping procedures to allow the independent non-executive Directors and the auditors of the Company to perform annual review of the transactions under the Non-exempt Continuing Connected Transaction Agreements and provide annual confirmations in accordance with the Listing Rules.

In order to assess whether the internal control policies are followed, we have obtained and reviewed 5 samples of approval record of specific agreements corresponding to each of the four Non-exempt Continuing Connected Transactions. The sample records were randomly selected based on the criteria that (i) the samples cover all the services to be provided under the Non-exempt Continuing Connected Transactions, namely property management services, commercial operational services and value-added services; (ii) the projects were spread across the period since the listing of the Company in 2020; and (iii) the projects were located in different provinces and cities, we are of the view that the samples we selected are appropriate, fair and representative for assessment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that the Non-exempt Continuing Connected Transaction Agreements will be processed through various internal departments and personnel of the Company (including the district investment department, district product department, district finance department and the district chief executive). We have reviewed the pricing guidelines of the Company and the reporting and record-keeping procedures of the Company. We are satisfied that the internal control policies of the Company are adequate and the relevant reporting, approval, and record-keeping procedures have complied with the Group's internal control guideline.

We have also reviewed the Company's annual reports for FY2020 and FY2021, and note that the independent non-executive Directors and the auditor of the Company have reviewed the continuing connected transactions, including the transactions under the 2020 Continuing Connected Transaction Agreements conducted during the periods, and provided the relevant confirmations.

Based on the aforementioned compliance record, we are of the view that there are appropriate and effective measures to govern the future execution of the Non-exempt Continuing Connected Transactions and to safeguard the interests of the Independent Shareholders.

IV. CONCLUSIONS AND RECOMMENDATIONS

In considering the Non-exempt Continuing Connected Transactions, we have taken into account the following factors:

- i. The terms and pricing basis of the Non-exempt Continuing Connected Transaction Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned;
- ii. The Non-exempt Continuing Connected Transactions allow the Group to maintain and expand its revenue generating sources by providing services to CR Land Connected Persons and CRH Connected Persons;
- iii. The proposed annual caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 are generally acceptable so far as the Independent Shareholders are concerned; and
- iv. The Company has adopted adequate internal control measures to be able to comply with the Listing Rules requirements with respect to the supervision and monitoring of the proposed annual caps for the Non-exempt Continuing Connected Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, having taken into consideration the above factors, we are of the view that the Non-exempt Continuing Connected Transaction Agreements (including the proposed annual caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transaction Agreements.

Yours faithfully,
For and on behalf of

Anglo Chinese Corporate Finance, Limited

Raymond Cheung
Director

Charles Yim
Assistant Director

1. *Mr. Raymond Cheung is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 11 years of experience in corporate finance.*
2. *Mr. Charles Yim is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. He has over seven years of experience in corporate finance from corporate finance advisory, principal investments, and valuation positions.*

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 Group. 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' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interest and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were 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 contained in Appendix 10 to the Listing Rules were as follows:

(i) *Interests in the shares of the Company*

Name of Director	Nature of Interest	Number of Shares held ⁽¹⁾	Approximately percentage of total issued share capital as at the Latest Practicable Date ⁽³⁾
Mr. YU Linkang	Others ⁽²⁾	358,304(L)	0.02%
Mr. WANG Haimin	Others ⁽²⁾	52,955(L)	0.00%
Ms. WEI Xiaohua	Others ⁽²⁾	263,459(L)	0.01%
Ms. YANG Hongxia	Others ⁽²⁾	358,304(L)	0.02%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Mr. YU Linkang, Mr. WANG Haimin, Ms. WEI Xiaohua and Ms. YANG Hongxia subscribed and hold interests under the employee preferential offering through the asset management schemes established by CICC Financial Trading Limited. For further information on the employee preferential offering, please refer to the prospectus of the Company dated 25 November 2020.
- (3) The calculation is based on the total number of 2,282,500,000 Shares in issue as at the Latest Practicable Date.

(ii) Interests in the shares of associated corporations

Name of associated corporations	Name of Director	Nature of Interest	Number of Shares held as at the Latest Practicable Date ⁽¹⁾	Approximately percentage of total issued share capital of the relevant associated corporation as at the Latest Practicable Date
CR Land	Mr. LI Xin	Beneficial owner	40,000(L)	0.00% ⁽²⁾
Jiangzhong Pharmaceutical Co., Ltd	Mr. GUO Shiqing ⁽⁴⁾	Others	51,700(L)	0.01% ⁽³⁾

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the company.
- (2) The calculation is based on the total number of 7,130,939,579 shares of CR Land in issue as at the Latest Practicable Date.
- (3) The calculation is based on the total number of 629,581,958 shares of Jiangzhong Pharmaceutical Co., Ltd in issue as at the Latest Practicable Date.
- (4) Mr. Guo Shiqing was deemed to be interested 51,700 shares through interest of his spouse.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 short positions which they were taken or deemed to have under such provisions of the SFO); or were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

**(B) SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS
IN SHARES AND UNDERLYING SHARES**

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors or chief executives of the Company) and companies had interests or short positions in the Shares or underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of the Shareholder	Capacity/Nature of interest	Number of ordinary shares ⁽¹⁾	Approximate percentage of holding ⁽²⁾
China Resources Company Limited ⁽³⁾	Interest in controlled corporation	1,682,666,000(L)	73.72%
China Resources Inc. ⁽³⁾	Interest in controlled corporation	1,682,666,000(L)	73.72%
CRC Bluesky Limited	Interest in controlled corporation	1,682,666,000(L)	73.72%
CRH ⁽³⁾	Interest in controlled corporation	1,682,666,000(L)	73.72%
CRH (Land) Limited ⁽³⁾	Interest in controlled corporation	1,650,000,000(L)	73.72%
	Beneficial owner	32,644,400(L)	
CR Land ⁽³⁾	Beneficial owner	1,650,000,000(L)	72.29%
JPMorgan Chase & Co. ⁽⁴⁾	Interest in controlled corporation	5,005,178(L)	0.22%
	Investment manager	2,418,904(S)	0.11%
	Investment manager	71,810,780(L)	3.15%
	Person having a security interest in shares	176,800(L)	0.01%
	Approved lending agent	37,138,962(P)	1.63%
	Subtotal	114,131,720(L)	5.00%
		2,418,904(S)	0.11%
		37,138,962(P)	1.63%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares. The letter “S” denotes the person’s short position in the Shares. The letter “P” denotes the position in lending pool.
- (2) The calculation is based on the total number of 2,282,500,000 Shares in issue as at the Latest Practicable Date.
- (3) CR Land, Commotra Company Limited and CRH (Land) Limited directly held 1,650,000,000 Shares, 21,600 Shares and 32,644,400 Shares, respectively. CR Land is owned as to 59.51% by CRH (Land) Limited. CRH is the sole shareholder of Commotra Company Limited and CRH (Land) Limited. Moreover, CRH is a wholly-owned subsidiary of CRC Bluesky Limited, which is in turn wholly-owned by China Resources Inc.. China Resources Inc. is wholly-owned by China Resources Company Limited. Thus, CRH (Land) Limited, CRH, CRC Bluesky Limited, China Resources Inc. and China Resources Company Limited are deemed to be interested in 1,682,666,000 Shares.
- (4) According to the information disclosed to the Company under Divisions 2 and 3 of Part XV of SFO, these shares were held by JPMorgan Chase & Co. through JPMorgan Asset Management (Asia Pacific) Limited and China International Fund Management Co., Ltd. which are controlled indirectly as to 99.99% and 49% by it respectively and other corporations controlled directly or indirectly as to 100% by it. Among which, 1,142,600 shares (long position) and 1,088,608 shares (short position) are cash settled unlisted derivatives.

Save as aforesaid, as at the Latest Practicable Date, no other person had any interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO.

3. DIRECTORS’ INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

- (a) 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;
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2021, 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
- (c) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competed or might compete with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group has been made up) to the Latest Practicable Date.

6. EXPERT

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

Name	Qualification
Anglo Chinese Corporate Finance, Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the Independent Financial Adviser 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.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which had been, since 31 December 2021 (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 which were proposed to be acquired or disposed of by or leased to any member of the Group.

7. GENERAL

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk/>) and the Company (www.crmixclifestyle.com.cn) from the date of this circular up to the date of the EGM:

- (a) the 2023 CR Land Property Management Services Framework Agreement;
- (b) the 2023 CR Land Commercial Operational Services Framework Agreement and the Supplemental Agreement;
- (c) the 2023 CR Land Value-added Services Framework Agreement; and
- (d) the 2023 CRH Property Management Services Framework Agreement.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of China Resources Mixc Lifestyle Services Limited (the “**Company**”) will be held at 46th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 28 December 2022 at 3:00 p.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. **THAT** the Non-exempt Continuing Connected Transaction Agreements and the proposed annual caps in relation to the transactions contemplated under the Non-exempt Continuing Connected Transaction Agreements be and are hereby approved, confirmed and ratified; and any one of the Directors be and is hereby authorized to do all such further acts and things and execute such further documents and take all such steps which in his/her opinion may be necessary, desirable or expedient to implement and/or give effect to the Non-exempt Continuing Connected Transaction Agreements and/or the transactions contemplated thereunder.

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

The PRC, 12 December 2022

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. Details of the above resolutions are set out in the circular of the Company dated 12 December 2022 (the “Circular”). Unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Circular.
2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies (who must be an individual or individuals) to attend and vote on behalf of him. A proxy need not be a member of the Company.
3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from on Wednesday, 28 December 2022, during which period no transfer of shares will be registered. In order to qualify for attending the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, 23 December 2022.
4. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

As at the date of this notice, 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.