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新城发展

SEAZEN GROUP LIMITED

新城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1030)

CONTINUING CONNECTED TRANSACTIONS 2021 SERVICES FRAMEWORK AGREEMENT

THE 2021 SERVICES FRAMEWORK AGREEMENT

As the Group will continue to engage Xinchengyue Property Services to provide property management services, the 2021 Services Framework Agreement was entered into between Seazen Holdings and Xinchengyue Property Services on 29 October 2020 (after trading hours) in relation to provision of various services, including property management services by Xinchengyue Property Services for a term of one year from 1 January 2021 to 31 December 2021 subject to the Annual Cap of RMB1,350 million.

LISTING RULES IMPLICATION

As at the date of this announcement, Mr. Wang, a controlling shareholder of the Company, is indirectly holding approximately 73.18% of the equity interests in S-Enjoy Service. Accordingly, Xinchengyue Property Services, as a subsidiary of S-Enjoy Service, is an associate of Mr. Wang and a connected person of the Company and the entering into of the 2021 Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions under the 2021 Services Framework Agreement is more than 0.1% but less than 5% on an annual basis, the transactions contemplated thereunder are subject to the reporting and announcement requirements set out in Rule 14A.76(2) of the Listing Rules and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 25 November 2019 in relation to the 2020 Services Framework Agreement. The Company will continue to engage Xinchengyue Property Services to provide various services, including property management services.

THE 2020 SERVICES FRAMEWORK AGREEMENT

As disclosed in the announcement of the Company dated 25 November 2019, the 2020 Services Framework Agreement was entered for the year commencing on 1 January 2020 and ending on 31 December 2020, pursuant to which the Company has engaged Xinchengyue Property Services as part of the ordinary and usual course of business to provide property management services. As the 2020 Services Framework Agreement will expire on 31 December 2020, the Company has entered into the 2021 Services Framework Agreement (through Seazen Holdings) with Xinchengyue Property Services to renew the provision of related services for a period of one year commencing on 1 January 2021 to 31 December 2021.

THE 2021 SERVICES FRAMEWORK AGREEMENT

The 2021 Services Framework Agreement was entered into between Seazen Holdings and Xinchengyue Property Services on 29 October 2020 (after trading hours) in relation to provision of property management services by Xinchengyue Property Services for a term of one year from 1 January 2021 to 31 December 2021 subject to the Annual Cap of RMB1,350 million.

The principal terms of the 2021 Services Framework Agreement are set out below:

Date: 29 October 2020

Parties: (i) Seazen Holdings; and
(ii) Xinchengyue Property Services.

Term: The 2021 Services Framework Agreement shall be effective from 1 January 2021 to 31 December 2021 (both dates inclusive).

Property management services and value-added services: Xinchengyue Property Services is commissioned to provide various property management services, including the maintenance, consultancy and inspection services in connection with the development projects of Seazen Holdings. Xinchengyue Property Services agrees to provide the following services to Seazen Holdings with the pricing policies and payment terms as briefly listed below:

a. Property Management Services

Scope of Services: Xinchengyue Property Services is responsible for providing a wide range of property management services, including property and equipment maintenance, security services, cleaning services, gardening services, public area maintenance and other property management related services.

Pricing Policy: The service fees shall be determined mainly through a bidding process by taking into account factors including the type of the development projects, the guidance price of such services for similar type of development projects issued by the local government, the operational costs (including labour costs, material costs and administrative costs) and the anticipated increase in such costs due to inflation and economic and social development. A higher price will be charged for high-end development projects. The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

Payment Term: Payment shall be made annually, half-yearly, quarterly or monthly (as the case may be) pursuant to the relevant terms in the tender and the subsidiary agreement to be entered into.

b. Intelligent Construction Service

Scope of Services: Xinchengyue Property Services will provide intelligent construction service to the property intelligent system, e.g., surveillance system, access control system, parking system and indoor smart homes, of the properties developed by Seazen Holdings.

Pricing Policy: The service fees shall be determined through a bidding process by taking into account factors including locations of the development projects, the operational costs (including labour costs, material costs and administrative costs, if applicable) with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

Payment Term: Payment shall be made after the delivery of, the inspection and acceptance of the intelligent construction service pursuant to the subsidiary agreement to be entered into.

c. Sales Officers Management Service

Scope of Services: Xinchengyue Property Services is responsible for the cleaning, security and customer services at the sale offices, showrooms, city exhibition halls and clubhouses in the development projects.

Pricing Policy: The service fees shall be operational costs (including but not limited to labour costs and material costs) plus reasonable management fees and determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

Payment Term: Payment shall be made quarterly or monthly pursuant to the terms of the subsidiary agreement to be entered into.

d. Property Inspection Service

Scope of Services: Xinchengyue Property Services is responsible for providing feedbacks based on the quality inspection of development projects of Seazen Holdings, including properties, facilities and securities systems, and based on the aforesaid inspection results.

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including locations of the development projects, the operational costs (including labour costs, material costs and reasonable management fees) with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

Payment Term: Payment shall be made within one month after the delivery of property inspection services pursuant to the subsidiary agreement to be entered into.

e. Property Preliminary Stage Consultancy Service

Scope of Services: Xinchengyue Property Services will (1) provide advice in the preliminary stage of development projects, including marketing strategy and property design; and (2) assist in the preparation for the delivery of properties.

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including locations of the development projects, the operational costs (including labour costs, material costs and administrative costs, if applicable) with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

Payment Term: Lump sum payment within three months after the delivery of properties of the relevant development project.

f. Parking Space Sales Service

Scope of Services: Xinchengyue Property Services will provide sales agency and underwriting services in relation to parking spaces developed by Seazen Holdings.

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including local market in the parking agent sales industry. Xinchengyue Property Services will either (i) charge a certain percentage of commission out of the sales income; or (ii) pay a certain underwriting deposits and therefore receive a discount (the specific discount will be determined by the prevailing market rate for similar transactions in the local market) on the price of the parking space sold by the Company and charge the gap between such discounted price and the final selling price as service fees. In any event the service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available).

Payment Term: Payment shall be made quarterly pursuant to the terms of the subsidiary agreement to be entered into.

g. Property Maintenance and Management Services during the Warranty Period

Scope of Services: Xinchengyue Property Services will provide property maintenance and management service during the warranty period after the delivery of properties developed by Seazen Holdings.

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including locations of the development projects, the operation costs (including labour costs and reasonable management costs) with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

Payment Term: Payment shall be made quarterly pursuant to the terms of the subsidiary agreement to be entered into.

h. Elevator Installation and Maintenance Services

Scope of Services: Seazen Holdings has entrusted Xinchengyue Property Services to carry out elevator installation services in its property development projects, and to provide maintenance services for the elevators in some of the properties under its management.

Pricing Principle: The price shall be determined by Seazen Holdings and Xinchengyue Property Services based on the active market transaction price and the service cost of Xinchengyue Property Services (including but not limited to labor cost, consumable cost, etc.) through negotiation.

Payment Method: The payment shall be made according to the method agreed in the specific construction contract. Generally a part of the payment shall be made upon entry for construction, and the rest shall be paid according to the final amount after the completion of the construction and the acceptance of the project by Seazen Holdings. The payment for elevator maintenance service shall be settled quarterly according to the service contract.

i. On-site Event Planning and Layout Services

Scope of Services: Seazen Holdings has entrusted Xinchengyue Property Services to conduct on-site event planning and layout services for its property development project.

Pricing Principle: The price shall be determined by Seazen Holdings and Xinchengyue Property Services based on the active market transaction price and the service cost of Xinchengyue Property Services (including but not limited to labor cost, consumable cost, etc.) through negotiation.

Payment Method: The payment shall be made in accordance with the specific site service commission contract, and the settlement shall be made based on the service quality within 1 month after the completion of the services.

j. Miscellaneous Entrustment Service

Scope of Services: Xinchengyue Property Services will provide entrustment service in relation to development projects organized by Seazen Holdings.

Pricing Policy: The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including locations of the development projects, the operational costs (including labour costs and material costs, if applicable) with reference to the fees for similar services and similar type of development projects in the market from time to time (if available). The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

Payment Term: Payment shall be made generally after the end of provision of services pursuant to the specific terms of the temporary subsidiary agreement to be entered into.

Subsidiary agreement(s): For each development project of Seazen Holdings which requires the property management services under the 2021 Services Framework Agreement, Seazen Holdings and Xinchengyue Property Services will (directly or through their respective subsidiaries) enter into a subsidiary agreement setting out the specific scope of services required and amount of fees payable in conformity with the principles (including the pricing policy mentioned below) set out in the 2021 Services Framework Agreement.

All transactions contemplated under the 2021 Services Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis. It is agreed that the terms offered by Xinchengyue Property Services to Seazen Holdings should not be less favorable than those offered to other parties for similar services.

Annual Cap and its basis: The Annual Cap of the service fees under the 2021 Services Framework Agreement for the year ending 31 December 2021 shall not exceed RMB1,350 million. The service fees are expected to be satisfied by the internal resources of the Group.

The Annual Cap is determined with reference to, among others, the following factors:

- (1) the aggregate amount of approximately RMB623.69 million settled by Seazen Holdings for property management services and value-added services for the nine months ended 30 September 2020;
- (2) the Group's total contracted sales area of approximately 15.08 million square meters for the nine months ended 30 September 2020;
- (3) the expected sales scale, area and number of the Group's property projects to be managed by Xinchengyue Property Services, as well as the pre-sale and deliver time of such property projects; and
- (4) the estimated demand of the Group for property management services and the price charged by such services.

HISTORICAL TRANSACTION AMOUNTS UNDER THE 2020 SERVICES FRAMEWORK AGREEMENT

The historical transaction amount that the Group settled with Xinchengyue Property Services for the property management services for the nine months ended 30 September 2020 was approximately RMB623.69 million. The annual cap under the 2020 Services Framework Agreement for the year ending 31 December 2020 is RMB1,173 million.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2021 SERVICES FRAMEWORK AGREEMENT

Xinchengyue Property Services is an experienced property management services provider in the PRC. Xinchengyue Property Services has managed many property projects across a number of Chinese cities, including Shanghai, Nanjing, Changzhou, Wuxi and Suzhou. The Board believes that the experiences of Xinchengyue Property Services shall provide reliable support to the Group's expansion of property development business.

As disclosed in the announcement dated 1 April 2016 and the circular dated 18 April 2016 of the Company in relation to the disposal of Xinchengyue Property Services to Wealth Zone, a controlling shareholder of the Company, Xinchengyue Property Services was historically a subsidiary of the Group and also an established partner to Seazen Holdings. After Xinchengyue Property Services ceased to be a subsidiary of the Company following the disposal, Xinchengyue Property Services has continued to provide property management services to the Group in the ordinary and usual course of business. The 2021 Services Framework Agreement hence represents a stable and trusted business relationship which Seazen Holdings can leverage to achieve its business objectives.

DIRECTORS' VIEW

Each of the Directors (including the independent non-executive Directors) is of the view that the 2021 Services Framework Agreement is entered into on an arm's length basis, on normal commercial terms, in the usual and ordinary course of business of the Group. The transactions contemplated under the 2021 Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

In order to ensure that the terms of the property management services provided by Xinchengyue Property Services are not less favourable than those available from independent third parties, the Group has adopted the following measures:

- (i) where applicable and commercially sensible, the Group will continue to request Xinchengyue Property Services to provide property management and other services through a bidding process, on arm's length basis and on the best available terms, with reference to the prevailing market prices;

- (ii) the relevant department of Seazen Holdings in charge of property management of Seazen Holdings will conduct market research on the service fees of relevant comparable services provided by at least three property management companies in the market based on the type of development projects and the scope of services quarterly for ascertaining that the range of the service fees of the property management services provided by Xinchengyue Property Services is mark to market;
- (iii) as part of the internal control procedures, the implementation of the 2021 Services Framework Agreement and the actual number and amount of services provided by Xinchengyue Property Services will be monitored and reviewed by the Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions with the independent third parties;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s);
- (v) the Group shall use the best endeavour to comply with the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the continuing connected transactions;
- (vi) The Company will engage the Company's auditor to review the connected transactions between the Group and Xinchengyue Property Services to ensure that the continuing connected transactions contemplated under the 2021 Services Framework Agreement have been conducted in accordance with the Listing Rules; and
- (vii) the Group will duly disclose in the annual reports and accounts the transactions of provision of property services by Xinchengyue Property Services during each financial period, together with the conclusions (with basis) drawn by the independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND XINCHENGYUE PROPERTY SERVICES

Seazen Holdings is a subsidiary of the Company with its A shares listed on the SSE (stock code: 601155). The principal activities of the Group and Seazen Holdings are property development, property investment and commercial property management in the PRC.

S-Enjoy Service is a company listed on the Stock Exchange and is an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services and public area maintenances. Xinchengyue Property Services is the principal operating subsidiary of S-Enjoy Service providing the same business.

LISTING RULES IMPLICATION

As at the date of this announcement, Mr. Wang, a controlling shareholder of the Company, is indirectly holding approximately 73.18% of the equity interests in S-Enjoy Service. Accordingly, Xinchengyue Property Services, as a subsidiary of S-Enjoy Service, is an associate of Mr. Wang and a connected person of the Company and the entering into of the 2021 Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(i) Mr. Lv Xiaoping and Mr. Lu Zhongming, being the non-executive directors of S-Enjoy Service and the executive Directors of the Company; and (ii) Mr. Wang Xiaosong, being the son of Mr. Wang, the chairman of the Board and the non-executive Director of the Company, are considered to be interested in the 2021 Services Framework Agreement and the transactions contemplated thereunder and have abstained from voting on the Board resolutions for approving the 2021 Services Framework Agreement and the transactions contemplated thereunder.

As each of the applicable percentage ratios (other than profits ratio) in respect of the transactions under the 2021 Services Framework Agreement is more than 0.1% but less than 5% on an annual basis, the transactions contemplated thereunder are subject to the reporting and announcement requirements set out in Rule 14A.76(2) of the Listing Rules and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The provision of services under the 2021 Services Framework Agreement beyond a certain monetary limit will be subject to S-Enjoy Service obtaining necessary shareholders' approval.

DEFINITIONS

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

“2020 Services Framework Agreement”	the services framework agreement dated 25 November 2019 entered into between Seazen Holdings and Xinchengyue Property Services in relation to the provision of property management service and value-added services for the property projects of Seazen Holdings;
“2021 Services Framework Agreement”	the services framework agreement dated 29 October 2020 entered into between Seazen Holdings and Xinchengyue Property Services in relation to the provision of property management service and value-added services for the property projects of Seazen Holdings;
“Annual Cap”	the annual cap of RMB1,350 million for the service fees under the 2021 Services Framework Agreement;
“associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors of the Company;

“Company”	Seazen Group Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Wang”	Mr. Wang Zhenhua, a controlling shareholder of the Company;
“PRC”	The People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Seazen Holdings”	Seazen Holdings Co., Ltd.* (新城控股集團股份有限公司), a subsidiary of the Company with its A shares listed on the SSE (stock code: 601155);
“S-Enjoy Service”	S-Enjoy Service Group Co., Limited (新城悅服務集團有限公司), a company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 1755). It is indirectly owned as to approximately 73.18% by Mr. Wang and therefore a connected person of the Company;
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of HK\$0.001 each;
“Shareholder(s)”	the holder(s) of the shares of the Company;
“SSE”	Shanghai Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Wealth Zone”	Wealth Zone Hong Kong Investments Limited (富域香港投資有限公司), a company established in the British Virgin Islands with limited liability and a controlling shareholder of the Company holding 4,223,794,000 Shares (representing approximately 68.02% of the issued shares of the Company as at the date of the announcement);
“Xinchengyue Property Services”	Tibet Xinchengyue Property Management Services Co., Ltd.* (西藏新城悅物業服務股份有限公司), a company incorporated in the PRC with limited liability. It is a subsidiary of S-Enjoy Service and a connected person of the Company; and
“%”	per cent.

* *The English name is a translation of its Chinese name and is included in this announcement for identification purposes only.*

By order of the Board
Seazen Group Limited
Wang Xiaosong
Chairman

The PRC, 29 October 2020

As at the date of this announcement, the Directors are Mr. Lv Xiaoping and Mr. Lu Zhongming as executive Directors, Mr. Wang Xiaosong, Mr. Qu Dejun and Mr. Zhang Shengman as non-executive Directors and Mr. Chen Huakang, Mr. Zhu Zengjin and Mr. Zhong Wei as independent non-executive Directors.