
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ever Sunshine Lifestyle Services Group Limited, you should at once hand this circular, together with the enclosed form of proxy, 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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Ever Sunshine Lifestyle Services Group Limited
永升生活服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1995)

CONTINUING CONNECTED TRANSACTION
REVISION OF ANNUAL CAP AND
RENEWAL OF PROPERTY MANAGEMENT SERVICES
MASTER AGREEMENT
AND
NOTICE OF EGM

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



红日资本有限公司

RED SUN CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from Red Sun Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 37 of this circular.

A notice convening the EGM of the Company to be held at Signing Room, 2/F, Building 39 Henderson CIFI Centre, Lane 1088, Shenhong Road, Minhang District, Shanghai, the PRC on Wednesday, 25 November 2020 at 2:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>).

Whether or not you are able to attend the EGM, you are advised to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 2:00 p.m. on Monday, 23 November 2020) or any adjournment thereof. Completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish and in such event, the proxy shall be deemed to be revoked.

All times and dates specified herein refers to Hong Kong local times and dates.

6 November 2020

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DEFINITIONS

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

“2018 Lin Brothers Property Management Services Master Agreement”	the property management services master agreement entered into between the Company and the Ultimate Controlling Shareholders on 22 November 2018
“2021 UCS Property Management Services Master Agreement”	the property management services master agreement entered into between the Company and the Ultimate Controlling Shareholders on 25 September 2020 as amended by a supplemental agreement dated 5 November 2020 to renew the transactions contemplated under the 2018 Lin Brothers Property Management Services Master Agreement
“associate(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Best Legend”	Best Legend Development (PTC) Limited, a private trust company limited by shares incorporated in the BVI and is one of the controlling shareholders of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CIFI Group”	CIFI Holdings and its subsidiaries
“CIFI Holdings”	CIFI Holdings (Group) Co. Ltd. (stock code: 00884), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange
“Company”	Ever Sunshine Lifestyle Services Group Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules
“controlling shareholders”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	1 January 2021 or the date of passing of the resolution by the Independent Shareholders at the EGM (whichever is later)
“Elite Force”	Elite Force Development Limited, a limited liability company incorporated in the BVI and is one of the controlling shareholders of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at Signing Room, 2/F, Building 39 Henderson CIFI Centre, Lane 1088, Shenhong Road, Minhang District, Shanghai, the PRC on Wednesday, 25 November 2020 at 2:00 p.m. or any adjournment thereof (as the case may be), the notice of which is set out on pages EGM-1 to EGM-3 of this circular
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established by the Board, comprising all the independent non-executive Directors, namely Mr. Ma Yongyi, Mr. Wang Peng and Mr. Cheung Wai Chung, to advise the Independent Shareholders in respect of the continuing connected transactions under the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions under the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the relevant resolution with respect to the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates

DEFINITIONS

“Latest Practicable Date”	5 November 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Specific Agreement(s)”	the specific individual agreement(s) that may be entered into between members of the Group and the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) in accordance with the principles and terms of the 2021 UCS Property Management Services Master Agreement
“Spectron”	Spectron Enterprises Limited, a limited liability company incorporated in the BVI and is one of the controlling shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	shall have the same meaning as ascribed to it under the Listing Rules
“Supplemental Property Management Services Master Agreement”	the supplemental agreement dated 25 September 2020 and entered into between the Company and the Ultimate Controlling Shareholders, which amended and supplemented the 2018 Lin Brothers Property Management Services Master Agreement
“Ultimate Controlling Shareholders”	Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei
“%”	per cent.

* *for identification purpose only*

LETTER FROM THE BOARD



Ever Sunshine Lifestyle Services Group Limited

永升生活服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1995)

Executive Directors:

Mr. LIN Zhong (*Chairman*)
Mr. ZHOU Hongbin
Mr. ZHOU Di

Non-executive Director:

Mr. LIN Feng

Independent Non-executive Directors:

Mr. MA Yongyi
Mr. WANG Peng
Mr. CHEUNG Wai Chung

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

6 November 2020

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
REVISION OF ANNUAL CAP AND
RENEWAL OF PROPERTY MANAGEMENT SERVICES
MASTER AGREEMENT
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcements of the Company dated 25 September 2020 and 5 November 2020, respectively, in relation to the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement.

LETTER FROM THE BOARD

The purposes of this circular are to provide the Shareholders with, among other things, (i) further information on the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM to consider and, if thought fit, to approve the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder.

SUPPLEMENTAL PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

Since the COVID-19 outbreak, and due to the business expansion of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), the Group has been providing additional services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group). Therefore, the Directors found that the transaction amount under the 2018 Lin Brothers Property Management Services Master Agreement is approaching the existing annual cap for the year ending 31 December 2020.

On 25 September 2020 (after trading hours), the Company entered into the Supplemental Property Management Services Master Agreement with the Ultimate Controlling Shareholders, to revise the existing annual cap for the year ending 31 December 2020 from RMB90.0 million to RMB185.0 million, determined with reference to the historical transaction amount under the 2018 Lin Brothers Property Management Services Master Agreement for the six months ended 30 June 2020, representing an increase of approximately 135.3% as compared to that with the same period in 2019. Save for such revision in the annual cap, other terms of the 2018 Lin Brothers Property Management Services Master Agreement shall remain valid and in full force and effect.

Based on the Company's management account as at 30 June 2020, the total actual transaction amount under the 2018 Lin Brothers Property Management Services Master Agreement amounted to approximately RMB75.6 million. The Board confirms that as at the Latest Practicable Date, the transaction amount for the 2018 Lin Brothers Property Management Services Master Agreement has not exceeded the original annual cap for the year ending 31 December 2020.

2021 UCS PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

As the 2018 Lin Brothers Property Management Services Master Agreement will be expiring on 31 December 2020 and the Company is expected to carry on the transactions contemplated thereunder upon its expiry, the Company and the Ultimate Controlling Shareholders entered into the 2021 UCS Property Management Services Master Agreement on 25 September 2020 (after trading hours) (and amended by a supplemental agreement dated 5 November 2020), pursuant to which the Group shall provide property management services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), and such associates mainly comprise the joint ventures and associated companies of CIFI Group.

LETTER FROM THE BOARD

The principal terms of the 2021 UCS Property Management Services Master Agreement are set out as below:

Date: 25 September 2020 (after trading hours) (and supplemented on 5 November 2020)

Parties: (1) the Company
(2) the Ultimate Controlling Shareholders

Scope of service: Property management services to be provided by the Group, including but without limitation to (i) property management services for unsold properties, car parking lots and the properties held by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group); (ii) on-site security, cleaning, greening, as well as customer services to property sales offices; (iii) preliminary planning and design consultancy services; and (iv) cleaning and house inspection services to the property projects developed by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group) upon completion of construction and before delivery of the same to homeowners, and other value-added services such as additional security, cleaning, greening, as well as repair and maintenance services.

Preliminary planning and design consultancy services include, but not limited to, the planning consulting of the construction sites, on-site inspection as to the construction progress and delivery preparation.

Term: Three years commencing from the Effective Date and ending on 31 December 2023 (both days inclusive).

Pricing and other terms: The parties to the 2021 UCS Property Management Services Master Agreement have agreed as follows:

- (i) the parties shall enter into the Specific Agreements to set out the detailed terms for the relevant transactions contemplated under the 2021 UCS Property Management Services Master Agreement in the ordinary course of business after arm's length negotiations on normal commercial terms;
- (ii) the Specific Agreements shall conform with the principals and provisions set out in the 2021 UCS Property Management Services Master Agreement;
- (iii) fees for the property management services to be provided by the Group shall be determined in the Specific Agreements and should be set, after arm's length negotiations with reference to the prevailing market rate (taking into consideration the location of the property, the condition of the property and the scope of the property management services) and the price charged by the Group when providing similar services to the Independent Third Parties; and

LETTER FROM THE BOARD

(iv) the terms and conditions of the Specific Agreements shall be no less favourable to the Group than those offered by any Independent Third Parties.

Historical aggregate amount:

The approximate historical aggregate amount of service fees^(Note) received by the Group for the two financial years ended 31 December 2019 and the six months ended 30 June 2020 are as follows:

For the year ended 31 December 2018	For the year ended 31 December 2019	For the six months ended 30 June 2020
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
52,700	75,600	75,600

Note: For the two years ended 31 December 2019 and the six months ended 30 June 2020, the provision of preliminary planning and design consultancy services contributed approximately RMB5.4 million, RMB7.9 million and RMB7.6 million, respectively.

Annual caps:

Pursuant to the 2021 UCS Property Management Services Master Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for each of the three financial years ending 31 December 2021, 2022 and 2023 are expected not to exceed the following:

	For the year ending 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management services; on-site security, cleaning, greening and customer services; and cleaning and housing inspection services and other value-added services	164,000	173,000	173,000
Preliminary planning and design consultancy services	26,000	27,000	27,000
Total	190,000	200,000	200,000

LETTER FROM THE BOARD

The proposed annual caps for the transactions contemplated under the 2021 UCS Property Management Services Master Agreement were determined after considering the following factors:

- (i) the historical transaction amount under the 2018 Lin Brothers Property Management Services Master Agreement;
- (ii) the estimated revenue to be recognised based on the existing signed contracts between the Group and the Ultimate Controlling Shareholders and their associates (excluding CIFI Group);
- (iii) the expected volume of sale, size and number of the properties held by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) to be managed by the Group based on the total GFA of properties developed by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) under the Group's management as of 30 June 2020; and
- (iv) the expected demand of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) for property management services, the relevant property management services and standard being proposed by the Group, and the price to be charged by the Group for the provision of such services.

The annual caps for the three years ending 31 December 2023 are further elaborated as follows:

For the services to be provided under the 2021 UCS Property Management Services Master Agreement, the key factor for projecting the annual cap is the total GFA of the properties which would be developed and completed by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group), and managed or serviced by the Group in each year. Therefore, the Group has used the total contracted GFA developed and completed by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group) and will be delivered during the years ending 31 December 2021, 2022 and 2023 for projecting such areas for management and servicing by the Group. According to the existing signed contracts between the Group and the Ultimate Controlling Shareholders (excluding CIFI Group) and without taking into account new contracts that the Group may enter for the three years ending 31 December 2023, such contracted GFA for the year ending 31 December 2020 will be increased by approximately 95% as compared to that for the year ended 31 December 2019 and the Board estimates that, on a cautious and prudent approach, it will continue to increase with an average growth rate of approximately 3% for the three years ending 31 December 2023.

LETTER FROM THE BOARD

PRICING POLICY

During the term of the 2021 UCS Property Management Services Master Agreement, the Group shall from time to time enter into the Specific Agreements with the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) for the provision of relevant property management services in accordance with the terms of the 2021 UCS Property Management Services Master Agreement. The Group adopts the following pricing policy to ensure that the terms offered to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) under the 2021 UCS Property Management Services Master Agreement are on normal commercial terms and shall not be less favourable to the Group than terms offered by the Group to Independent Third Parties as follows:

- (a) for all property management services except for those for unsold properties, car parking lots and the properties owned by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) and preliminary planning and design consultancy services under the 2021 UCS Property Management Services Master Agreement, the Group would charge the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) at prices based on a standard price list prepared by the Group which is applicable to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) as well as Independent Third Parties after taking into account:
 - (i) the Group's other contemporaneous transactions of similar services (in terms of the scope and requirement of services, the location and condition of properties, and level of difficulty of management, etc.) carried out with Independent Third Parties; and
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with independent third parties (if available).

The standard price list shall be compiled based on the above by obtaining at least three transactions for reference by relevant operating departments, and reviewed and approved semi-annually by the heads of relevant operating departments, the chief financial officer and president of the Group to ensure the price list maintained by the Group reflecting the prevailing market conditions.

- (b) for preliminary planning and design consultancy services, the Group would charge the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) at a fixed amount per square metre based on the standard price list mentioned above and for the initial project acceptance fee, fixed amount per site for the first 200,000 square metres, and a fixed rate per an extra square metre after the initial 200,000 square metres in accordance with such standard price list after taking into account:
 - (i) the Group's other contemporaneous transactions of similar services (in terms of the scope and requirement of services, the size and condition of construction site, and level of difficulty of planning and design, etc.) carried out with Independent Third Parties; and
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with independent third parties (if available).

LETTER FROM THE BOARD

- (c) for property management services for unsold properties, car parking lots and the properties owned by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), before determining the price for the provision of services, the Group would make reference to:
- (i) the Group's other contemporaneous transactions of similar services (in terms of the scope and requirement of services, the location and condition of properties, and level of difficulty of management, etc.) carried out with Independent Third Parties;
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with independent third parties; and
 - (iii) guidance prices issued by the government in this connection (if any) depending on the location of the property project.

After the relevant information is collected, the marketing department of the Group would determine a price to be offered to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) which would not be less than the prices offered to Independent Third Parties by the Group. Relevant information together with the Specific Agreement will be submitted to the heads of the marketing department and the accounting department of the Group, and president of the Group for approval.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT AND THE 2021 UCS PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

Since the COVID-19 outbreak, and due to the business expansion of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), the Group has been providing additional services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group). Based on the current estimation by the Group, the original cap of RMB90 million for the year ending 31 December 2020 is not sufficient. In order for the Group to provide the property management services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) until the end of this year, the Group has entered into the Supplemental Property Management Services Master Agreement to revise the annual cap for the year ending 31 December 2020 under the 2018 Lin Brothers Property Management Services Master Agreement with the Ultimate Controlling Shareholders.

As the 2018 Lin Brothers Property Management Services Master Agreement is due to expire on 31 December 2020, the 2021 UCS Property Management Services Master Agreement is being entered to enable the Group to continue to provide property management services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), which could result in satisfactory synergy effect and further promote the business growth of the Group.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

INTERNAL CONTROL MEASURES

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure the relevant continuing connected transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The relevant personnel and management of the Group will review and assess the terms before entering to the Specific Agreements to ensure they are consistent with the principles and provisions set out in the 2021 UCS Property Management Services Master Agreement.

Regular checks will be conducted on a quarterly basis to review and assess whether the transactions contemplated under the 2021 UCS Property Management Services Master Agreement are conducted in accordance with the terms of its respective agreement and the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy.

The independent non-executive Directors will continue to review the transactions contemplated under the 2021 UCS Property Management Services Master Agreement and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps of the relevant continuing connected transactions thereof.

In view of the foregoing, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the 2021 UCS Property Management Services Master Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE SUPPLEMENTAL PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT AND THE 2021 UCS PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

The Group

The Group is a property management service provider offering a comprehensive portfolio of quality services to its customers in the PRC with over 18 years of experience. It has three business lines, namely property management services, value-added services to non-property owners and community value-added services, covering the entire value chain of property management.

LETTER FROM THE BOARD

The Ultimate Controlling Shareholders

Other than the Group and the CIFI Group, the Ultimate Controlling Shareholders have invested in the business of property development, property investment, operation of service apartment and educational consultation.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Ultimate Controlling Shareholders, acting in a consensual manner, are entitled to exercise the voting rights of approximately 56.43% of the issued share capital of the Company through CIFI Holdings and other investment holding companies controlled by them, and together they constitute a group of controlling shareholders of the Company. The Ultimate Controlling Shareholders are therefore connected persons of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the announcement and shareholders' approval requirements.

As one or more of the applicable percentage ratios (excluding the profit ratio) as defined in Rule 14.07 of the Listing Rules for the annual caps contemplated under each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements in accordance with Chapter 14A of the Listing Rules.

Board Approval

Save for Mr. Lin Zhong, the executive Director, and Mr. Lin Feng, the non-executive Director, who are the parties to each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement, none of the other Directors has or is deemed to have a material interest in each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder. Mr. Lin Zhong and Mr. Lin Feng are therefore required to abstain, and have abstained, from voting on the relevant Board resolutions.

Independent Board Committee and Independent Financial Adviser

An Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders on the terms of each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

EGM

Set out on pages EGM-1 to EGM-3 of this circular is a notice convening the EGM which will be held at Signing Room, 2/F, Building 39 Henderson CIFI Centre, Lane 1088, Shenhong Road, Minhang District, Shanghai, the PRC on Wednesday, 25 November 2020 at 2:00 p.m.. At the EGM, ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder.

Pursuant to 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. Any Shareholders and his/her/its associate(s) who are involved or interested in each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder are required to abstain from voting on the relevant resolution approving each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each share registered in his/her name in the register. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same way.

As at the Latest Practicable Date, Elite Force Development, Spectron and Best Legend directly holds 363,180,000, 406,820,000 and 171,683,500 Shares, representing approximately 21.74%, 24.35% and 10.28% of the total number of Shares in issue, respectively. Since 30 June 2020, Elite Force Development entrusted Spectron to exercise voting rights of 363,180,000 shares directly held by Elite Force Development, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. Spectron and Best Legend and their respective associates, holding voting rights of 942,683,500 Shares in total, representing approximately 56.43% of the total number of Shares in issue, shall abstain from voting on the proposed resolution to approve each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for Spectron and Best Legend and their respective associates, none of the Shareholders is required to abstain from voting on the resolution to be proposed at the EGM.

An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

Closure of register of members

The EGM will be held on Wednesday, 25 November 2020. For the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from 20 November 2020 to 25 November 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all Share transfer documents, together with the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 19 November 2020.

Form of proxy

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you are able to attend the EGM, you are advised to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event no less than 48 hours before the time appointed for holding the EGM (i.e. before 2:00 p.m. on Monday, 23 November 2020) or any adjournment thereof.

Completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish and in such event, the proxy shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 16 to 17 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolution to approve each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder; and (ii) the letter from the Independent Financial Adviser as set out on pages 18 to 37 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder.

The Independent Board Committee, having taken into account, among other things, the advice of the Independent Financial Adviser, is of the view that the terms of each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder are fair and reasonable, on normal commercial terms or better and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM in respect of the approval of each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder.

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole and therefore recommends you to vote in favour of the relevant resolution to be proposed at the EGM.

GENERAL INFORMATION

Your attention is drawn to the appendix headed “General Information” to this circular.

Yours faithfully
By order of the Board
Ever Sunshine Lifestyle Services Group Limited
Lin Zhong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders in respect of approving the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder (including the proposed annual caps therefor).



Ever Sunshine Lifestyle Services Group Limited **永升生活服务集团有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1995)

6 November 2020

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION REVISION OF ANNUAL CAP AND RENEWAL OF PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

We refer to the circular dated 6 November 2020 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

Red Sun Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in connection with each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Management Services Master Agreement and the transactions contemplated respectively thereunder. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out in its letter on pages 18 to 37 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 15 of the Circular and the general information set out in the appendix of the Circular.

Having considered the information as set out in the letter from the Board, the terms and conditions of each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we are of the view that the terms of each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder are fair and reasonable, on normal commercial terms or better and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the approval of each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions contemplated respectively thereunder to be proposed at the EGM.

Yours faithfully

For and on behalf of the
the Independent Board Committee

Ever Sunshine Lifestyle Services Group Limited

Mr. Ma Yongyi

*Independent Non-executive
Director*

Mr. Wang Peng

*Independent Non-executive
Director*

Mr. Cheung Wai Chung

*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Red Sun Capital Limited to the Independent Board Committee and the Shareholders in relation to the Continuing Connected Transactions prepared for the purpose of incorporation in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

6 November 2020

To: The independent board of committee and the independent shareholders of
Ever Sunshine Lifestyle Services Group Limited

CONTINUING CONNECTED TRANSACTION REVISION OF ANNUAL CAP AND RENEWAL OF PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders with regard to the continuing connected transactions in connection with the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the transactions respectively contemplated thereunder (the “**Continuing Connected Transactions**”). Details of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement with the Ultimate Controlling Shareholders are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 6 November 2020 (the “**Circular**”). Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

Reference is made to the prospectus of the Company dated 4 December 2018 (the “**Prospectus**”) in respect of, among other things, the 2018 Lin Brothers Property Management Services Master Agreement entered into between the Company and the Ultimate Controlling Shareholders, and the annual caps thereunder on 22 November 2018 for a term which commenced from 17 December 2018 and ending on 31 December 2020.

Since the COVID-19 outbreak, and due to the business expansion of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), the Group has been providing additional services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group). Therefore, the Directors found that the transaction amount under the 2018 Lin Brothers Property Management Services Master Agreement is approaching the existing annual cap for the year ending 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 25 September 2020 (after trading hours), the Company entered into the Supplemental Property Management Services Master Agreement with the Ultimate Controlling Shareholders, to revise the existing annual cap for the year ending 31 December 2020 from RMB90.0 million to RMB185.0 million, determined with reference to the historical transaction amount under the 2018 Lin Brothers Property Management Services Master Agreement for the six months ended 30 June 2020, representing an increase of approximately 135.3% as compared to that with the same period in 2019. Save for such revision in the annual cap, other terms of the 2018 Lin Brothers Property Management Services Master Agreement shall remain valid and in full force and effect.

As the 2018 Lin Brothers Property Management Services Master Agreement will be expiring on 31 December 2020 and the Company is expected to carry on the transactions contemplated thereunder upon its expiry, the Company and the Ultimate Controlling Shareholders entered into the 2021 UCS Property Management Services Master Agreement on 25 September 2020 (after trading hours) and amended by a supplemental agreement dated 5 November 2020, pursuant to which the Group shall provide property management services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), and such associates mainly comprise the joint ventures and associated companies of CIFI Group.

As at the Latest Practicable Date, the Ultimate Controlling Shareholders, acting in a consensual manner, are entitled to exercise the voting rights of approximately 56.43% of the issued share capital of the Company through CIFI Holdings and other investment holding companies controlled by them, and together they constitute a group of controlling shareholders of the Company. The Ultimate Controlling Shareholders are therefore connected persons of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the announcement and shareholders' approval requirements.

As one or more of the applicable percentage ratios (excluding the profit ratio) as defined in Rule 14.07 of the Listing Rules for the annual caps contemplated under each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements in accordance with Chapter 14A of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of seven Directors, namely Mr. Lin Zhong, Mr. Zhou Hongbin and Mr. Zhou Di as executive Directors, Mr. Lin Feng as non-executive Director, Mr. Ma Yongyi, Mr. Wang Peng and Mr. Cheung Wai Chung as independent non-executive Directors.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Ma Yongyi, Mr. Wang Peng and Mr. Cheung Wai Chung, has been established to advise the Shareholders as to whether the terms of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement and the respective transactions contemplated thereunder are fair and reasonable, and whether the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have been appointed to advise the Independent Board Committee and the Shareholders in these respects and to give our opinion in relation to the Continuing Connected Transactions for the Independent Board Committee's consideration when making their recommendation to the Shareholders.

III. 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 previous two years, we have been engaged as independent financial adviser to the independent board committee and independent shareholders of the Group for the continuing connected transactions with CIFI Holdings (Group) Co. Ltd, details of which are set out in the circular of the Company dated 9 December 2019, and the subsequent renewal of the annual caps as set out in the announcement of the Company dated 5 November 2020. Save as disclosed above, we have not acted in any capacity for the Group in the past two years.

Apart from the normal advisory fee paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we have received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice to the Independent Board Committee and Independent Shareholders, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and the Ultimate Controlling Shareholders contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the "**Management**") and/or the Directors. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, and the Ultimate Controlling Shareholders Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

information provided, nor have we conducted any independent investigation into the business and affairs of the Company, the Ultimate Controlling Shareholders and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

V. BACKGROUND INFORMATION OF THE CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion on the Continuing Connected Transactions (together with the annual caps), we have taken into consideration the following factors and reasons.

1. Background information of the Group

As disclosed in the Letter from the Board, the Group is a property management service provider offering a comprehensive portfolio of quality services to its customers in the PRC with over 18 years of experience. It has three business lines, namely property management services, value-added services to non-property owners and community value-added services, covering the entire value chain of property management.

Set out below is the summary of the Group's (i) audited consolidated statements of profit or loss and comprehensive income and consolidated statements of financial position for the years ended 31 December 2018 and 2019 as extracted from the Company's annual report for the year ended 31 December 2019 (the "2019 Annual report"); and (ii) unaudited consolidated financial results of the Group for the six months ended 30 June 2019 and 2020 as set out in the interim report of the Group for the six months ended 30 June 2020 (the "2020 Interim Report"):

Summary of consolidated statements of profit or loss and comprehensive income

	For the year ended		For the six months	
	31 December		ended 30 June	
	2018	2019	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue				
— Property management services	666.9	1,070.0	436.3	801.4
— Community value-added services	198.4	483.2	141.3	260.8
— Value-added services to non-property owners	210.5	324.6	130.2	282.7
	<u>1,075.8</u>	<u>1,877.8</u>	<u>707.8</u>	<u>1,344.9</u>
Total Revenue				
	100.2	249.0	90.5	200.0
Profit after tax				
Profit attributable to owners of the Company	100.5	223.8	90.5	171.2

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2020 compared to the six months ended 30 June 2019

For the six months ended 30 June 2020, the revenue increased by approximately RMB637.1 million or approximately 90.0%, from approximately RMB707.8 million for the six months ended 30 June 2019 to approximately RMB1,344.9 million for the six months ended 30 June 2020.

As set out in the 2020 Interim Report, the revenue from property management services was approximately RMB801.4 million, accounted for approximately 59.6% of the Group's total revenue. Such increase was primarily driven by the growth of the total GFA under management. The total GFA under management was approximately 77.2 million square meter as at 30 June 2020, compared to approximately 49.0 million square meter as at 30 June 2019. The increase in revenue from community value-added services was mainly due to the increase of the Group's management area which brought about a growing customer base, as well as the Group's expansion in the scope of value-added services provided such as decoration services and community repairing and facility maintenance services to meet diversified customer needs. The revenue from value-added services to non-property owners increased by approximately 117.1% from approximately RMB130.2 million for the six months ended 30 June 2019 to approximately RMB282.7 million for the six months ended 30 June 2020, which was mainly driven by the increase in the revenue generated from sales assistance services, additional tailored services, as well as preliminary planning and design consultancy services.

It is also noted that profit attributable to owners of the Company increased by approximately RMB80.7 million or approximately 89.1%, from approximately RMB90.5 million for the six months ended 30 June 2019 to approximately RMB171.2 million for the six months ended 30 June 2020. Such increase was mainly attributable to the increase in revenue as analysed above as well as a slight improvement in the gross profit margin and net profit margin of the Group as a result of continuous enhancement in cost control and management efficiency.

For the year ended 31 December 2019 compared to the year ended 31 December 2018

For the year ended 31 December 2019, the revenue of the Group increased by approximately RMB802.0 million or approximately 74.5%, from approximately RMB1,075.8 million for the year ended 31 December 2018 to approximately RMB1,877.8 million for the year ended 31 December 2019.

As disclosed in the 2019 Annual Report, the revenue from property management services was approximately RMB1,070.0 million, accounted for approximately 57.0% of the Group's total revenue for the year ended 31 December 2019. The increase in revenue from property management services was primarily driven by the growth of its total GFA under management. The Group's total GFA under management increased from approximately 40.2 million square metre as of 31 December 2018 to approximately 65.2 million square metre as of 31 December 2019. The increase in revenue from community value-added services was mainly due to its expansion in the scope of value-added services provided such as community repairing and facility maintenance services to meet diversified customer needs, the increase of the Group's management area as well as a broader customer base. The revenue from value-added services to non-property owners increased by approximately 54.2% from approximately RMB210.5 million for 2018 to approximately RMB324.6 million for 2019, which was mainly driven by the increase in the revenue generated from sales assistance services and preliminary planning and design consultancy services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, profit attributable to owners of the Company also increased by approximately RMB123.3 million or approximately 122.7%, from approximately RMB100.5 million for the year ended 31 December 2018 to approximately RMB223.8 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in revenue and a relatively stable gross profit margin.

Summary of consolidated statement of financial position

	As at 31 December		As at
	2018	2019	30 June
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Total assets	1,492.9	2,478.1	4,186.3
— Bank balance, deposits and cash	1,160.1	1,283.6	2,832.7
— Trade and bills receivables	162.0	342.0	477.9
— Goodwill	17.2	431.1	471.0
— Other intangible assets	—	100.6	130.9
— Deposits, prepayments and other receivables	51.3	139.3	122.9
 Total liabilities	 590.3	 1,250.2	 1,404.0
— Trade payables	71.8	284.6	369.3
— Accruals and other payables	286.6	490.2	474.2
— Contract liabilities	171.3	334.3	390.6
 Total equity attributable to owners of the Company	 898.9	 1,147.9	 2,671.9

Note: For the avoidance of doubt, only selected major asset and liability components of the Group are disclosed in the table above.

Financial position of the Group as at 30 June 2020 compared to 31 December 2019

The Group's total assets increased by approximately RMB1,708.2 million or approximately 68.9% from approximately RMB2,478.1 million as at 31 December 2019 to approximately RMB4,186.3 million as at 30 June 2020. Such increase was primarily attributable to the increase in bank balance, deposits and cash from approximately RMB1,283.6 million as at 31 December 2019 to approximately RMB2,832.7 million as at 30 June 2020. As at 30 June 2020, assets of the Group mainly comprised of bank balance, deposits and cash of approximately RMB2,832.7 million, trade and bills receivables of approximately RMB477.9 million and goodwill of approximately RMB471.0 million, which accounted for approximately 67.7%, 11.4% and 11.3% of the total assets, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's total liabilities increased by approximately RMB153.8 million or approximately 12.3%, from approximately RMB1,250.2 million as at 31 December 2019 to approximately RMB1,404.0 million as at 30 June 2020. Such increase was mainly attributable to (i) the increase in trade payables of approximately RMB84.7 million or 29.8% from approximately RMB284.6 million as at 31 December 2019 to approximately RMB369.3 million as at 30 June 2020; and (ii) the increase in contract liabilities of approximately RMB56.3 million or 16.8% from approximately RMB334.3 million as at 31 December 2019 to approximately RMB390.6 million as at 30 June 2020. As at 30 June 2020, liabilities of the Group mainly comprised of accruals and other payables of approximately RMB474.2 million, contract liabilities of approximately RMB390.6 million and trade payables of approximately RMB369.3 million, which accounted for approximately 33.8%, 27.8% and 26.3% of the total liabilities, respectively.

Financial position of the Group as at 31 December 2019 compared to 31 December 2018

The Group's total assets increased by approximately RMB985.2 million or approximately 66.0% from approximately RMB1,492.9 million as at 31 December 2018 to approximately RMB2,478.1 million as at 31 December 2019. Such increase was primarily attributable to (i) the increase in goodwill from approximately RMB17.2 million as at 31 December 2018 to approximately RMB431.1 million as at 31 December 2019; and (ii) the increase in trade and bills receivables from approximately RMB162.0 million as at 31 December 2018 to approximately RMB342.0 million as at 31 December 2019. As at 31 December 2019, assets of the Group mainly comprised of bank balance, deposits and cash of approximately RMB1,283.6 million and goodwill of approximately RMB431.1 million, which accounted for approximately 51.8% and 17.4% of the total assets of the Group, respectively.

The Group's total liabilities increased by approximately RMB659.9 million or approximately 111.8%, from approximately RMB590.3 million as at 31 December 2018 to approximately RMB1,250.2 million as at 31 December 2019. Such increase was mainly attributable to (i) the increase in trade payables of approximately RMB212.8 million or 296.4% from approximately RMB71.8 million as at 31 December 2018 to approximately RMB284.6 million as at 31 December 2019; (ii) the increase in accruals and other payables of approximately RMB203.6 million or 71.0% from approximately RMB286.6 million as at 31 December 2018 to approximately RMB490.2 million as at 31 December 2019; and (iii) the increase in contract liabilities of approximately RMB163.0 million or 95.2% from approximately RMB171.3 million as at 31 December 2018 to approximately RMB334.3 million as at 31 December 2019. As at 31 December 2019, liabilities of the Group mainly comprised of accruals and other payables of approximately RMB490.2 million, contract liabilities of approximately RMB334.3 million and trade payables of approximately RMB284.6 million, which accounted for approximately 39.2%, 26.7% and 22.8% of the total liabilities, respectively.

2. Background information on the Ultimate Controlling Shareholders

Other than the Group and the CIFI Group, the Ultimate Controlling Shareholders have invested in the business of property development, property investment, operation of service apartment and educational consultation.

3. Background information on the property management industry in the PRC

As set out on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>), year-on-year growth in gross domestic product (“GDP”) for the PRC in 2019 was approximately 7.8% (2018: 6.6%). Pursuant to the Thirteenth Five Year Plan* (十三五規劃) set out by the PRC government, the target annual growth in GDP for the subsequent five years from 2016 was approximately 6.5%. However, attributable to the ongoing development and impact of the COVID-19 outbreak, which is expected to be temporary in nature, the GDP of the PRC for 2020 is expected to be lower. Nonetheless, despite the short-term challenging environment, the PRC economy is still expected to achieve positive growth for 2020¹.

As stated in the Thirteenth Five Year Plan, the PRC government targets to, among others, (i) accelerate the agricultural population urbanisation (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system* (深化戶籍制度改革), implementation of the residence permit system* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) optimise urbanisation layout* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration* (加快城市群建設發展), enhance the drive of activities by central cities* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristic towns* (加快發展中小城市和特色鎮). Furthermore, the PRC government has implemented various policy measures, at national and regional level, to promote long term sustainability of the PRC property market, which included but was not limited to (i) making adjustments to the benchmark interest rate by the People’s Bank of China; (ii) amending the minimum down payment for buyers of second homes; (iii) impose limitation on property purchases* (限購令); and (iv) minimum holding period before resale. Accordingly, the development of the PRC property market continues to be exposed to changes in PRC government policies at a national and regional level, as well as market volatility and to an extent affected by the overall economic development of the PRC. In view of the above, it is expected that rapid urbanisation in the PRC as well as growth in per capita disposable income shall continue to drive growth for the PRC property management industry, as the Management expects the middle-to-high income class consumers to continue demanding for better living conditions and higher quality property management services.

¹ Publication of World Economic Forum dated 16 September 2020.
(Source: <https://www.weforum.org/agenda/2020/09/key-quotes-from-chinas-premier-li-on-covid-19-the-economy-and-us-relations/>)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

Reasons for and benefits of entering into the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement

We understand from the Company that the Continuing Connected Transactions contemplated under the respective master agreements are a furtherance of the Group's existing business and will be subject to terms of the subject master agreement, including without limitation, the relevant pricing policy to ensure that the terms of the transactions with the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) are conducted on normal commercial terms and the relevant annual caps are to facilitate the effective execution of the Continuing Connected Transactions.

As disclosed in the Letter from the Board, since the COVID-19 outbreak, and due to the business expansion of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), the Group has been providing additional services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) including, among others, extra cleaning services in the common areas of the subject properties, additional security services for the subject properties as well as over-time services in cleaning and security services requested by and arranged for the relevant parties. Based on the current estimation by the Group, the original cap of RMB 90 million for the year ending 31 December 2020 is not sufficient. In order for the Group to provide the property management services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) until the end of this year, the Group has entered into the Supplemental Property Management Services Master Agreement to revise the annual cap for the year ending 31 December 2020 under the 2018 Lin Brothers Property Management Services Master Agreement with the Ultimate Controlling Shareholders.

Moreover, as the 2018 Lin Brothers Property Management Services Master Agreement is due to expire on 31 December 2020, the 2021 UCS Property Management Services Master Agreement is being entered to enable the Group to continue to provide property management services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), which could result in a satisfactory synergy effect and further promote the business growth of the Group.

Having considered that, (i) the Group has been providing additional services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) due to the business expansion of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group); (ii) the original annual cap for the year ending 31 December 2020 is estimated to be insufficient as approximately RMB75.6 million out of the original annual cap of RMB90 million for the year ending 31 December 2020, representing approximately 84.0% of the original annual cap, has already been utilised during the first half of 2020. In this connection, the Management considered the need to revise the annual cap; (iii) the Group is a property management service provider offering a comprehensive portfolio of quality services to its customers in the PRC with over 18 years of experience; (iv) the Continuing Connected Transactions are a furtherance of the Group's principal businesses; (v) the revised annual caps for the year ending 31 December 2020 together with the proposed annual caps for the three years ending 31 December 2021, 2022 and 2023, if approved, would generate more revenue to the Group and facilitate the Continuing Connected Transactions to be conducted in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

transaction-by-transaction basis; and (vi) the Group has the right but not the obligation to seek or provide the relevant services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) at terms determined in accordance with the respective pricing policies, we concur with the Directors' view that the Continuing Connected Transactions are in the interests of the Company as a whole.

1. Principal terms of the 2021 UCS Property Management Services Master Agreement

The following information has been extracted from the Letter from the Board:

Date: 25 September 2020 (after trading hours) (and supplemented on 5 November 2020)

Parties: (1) the Company
(2) the Ultimate Controlling Shareholders

Scope of service: Property management services to be provided by the Group, including but without limitation to (i) property management services for unsold properties, car parking lots and the properties held by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group); (ii) on-site security, cleaning, greening, as well as customer services to property sales offices; (iii) preliminary planning and design consultancy services; and (iv) cleaning and house inspection services to the property projects developed by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group) upon completion of construction and before delivery of the same to homeowners, and other value-added services such as additional security, cleaning, greening, as well as repair and maintenance services.

Preliminary planning and design consultancy services include, but not limited to, the planning consulting of the construction sites, on-site inspection as to the construction progress and delivery preparation.

Term: Commencing from the Effective Date and ending on 31 December 2023 (both days inclusive).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing and other terms:

The parties to the 2021 UCS Property Management Services Master Agreement have agreed as follows:

- (i) the parties shall enter into the Specific Agreements to set out the detailed terms for the relevant transactions contemplated under the 2021 UCS Property Management Services Master Agreement in the ordinary course of business after arm's length negotiations on normal commercial terms;
- (ii) the Specific Agreements shall conform with the principals and provisions set out in the 2021 UCS Property Management Services Master Agreement;
- (iii) fees for the property management services to be provided by the Group shall be determined in the Specific Agreements and should be set, after arm's length negotiations with reference to the prevailing market rate (taking into consideration the location of the property, the condition of the property and the scope of the property management services) and the price charged by the Group when providing similar services to the Independent Third Parties; and
- (iv) the terms and conditions of the Specific Agreements shall be no less favourable to the Group than those offered by any Independent Third Parties.

Further details of the principal terms of the 2021 UCS Property Management Services Master Agreement is set out in the Letter from the Board.

Pricing Policy

During the term of the 2021 UCS Property Management Services Master Agreement, the Group shall from time to time enter into the Specific Agreements with the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) for the provision of relevant property management services in accordance with the terms of the 2021 UCS Property Management Services Master Agreement. The Group adopts the following pricing policy to ensure that the terms offered to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) under the 2021 UCS Property Management Services Master Agreement are on normal commercial terms and shall not be less favourable to the Group than terms offered by the Group to Independent Third Parties as follows:

- (a) for all property management services except for those for unsold properties, car parking lots and the properties owned by Ultimate Controlling Shareholders and their associates (excluding CIFI Group) and preliminary planning and design consultancy services under the 2021 UCS Property Management Services Master Agreement, the Group would charge

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Ultimate Controlling Shareholders and their associates (excluding CIFI Group) at prices based on a standard price list prepared by the Group which is applicable to Ultimate Controlling Shareholders and their associates (excluding CIFI Group) as well as Independent Third Parties after taking into account:

- (i) the Group's other contemporaneous transactions of similar services (in terms of the scope and requirement of services, the location and condition of properties, and level of difficulty of management, etc.) carried out with Independent Third Parties; and
- (ii) prices charged by other property management companies in the PRC of comparable transactions with Independent Third Parties (if available).

The standard price list shall be compiled based on the above by obtaining at least three transactions for reference by the Group's relevant operating departments, and reviewed and approved semi-annually by the heads of relevant operating departments, the chief financial officer and president of the Group to ensure the price list maintained by the Group reflecting the prevailing market conditions.

- (b) for preliminary planning and design consultancy services, the Group would charge the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) at a fixed amount per square metre based on the standard price list mentioned above and for the initial project acceptance fee, fixed amount per site for the first 200,000 square metres, and a fixed rate per an extra square metre after the initial 200,000 square metres in accordance with such standard price list after taking into account:
 - (i) the Group's other contemporaneous transactions of similar services (in terms of the scope and requirement of services, the size and condition of construction site, and level of difficulty of planning and design, etc.) carried out with Independent Third Parties; and
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with independent third parties (if available).
- (c) for property management services for unsold properties, car parking lots and the properties owned by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), before determining the price for the provision of services, the Group would make reference to:
 - (i) the Group's other contemporaneous transactions of similar services (in terms of the scope and requirement of services, the location and condition of properties, and level of difficulty of management, etc.) carried out with Independent Third Parties;
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with Independent Third Parties; and
 - (iii) guidance prices issued by the government in this connection (if any) depending on the location of the property project.

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After the relevant information is collected, the marketing department of the Group would determine a price to be offered to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) which would not be less than the prices offered to the Independent Third Parties by the Group. Relevant information together with the Specific Agreement will be submitted to the heads of the marketing department and the accounting department of the Group, and president of the Group for approval.

2. Analysis on the principal terms of the 2021 UCS Property Management Services Master Agreement and work performed on the internal control procedures

We have discussed with the Management and were advised that the service fees under the 2021 UCS Property Management Services Master Agreement for the property management services to be provided by the Group to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), including, without limitation (i) property management services for unsold properties, car parking lots and the properties held by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group); (ii) on-site security, cleaning, greening, as well as customer services to property sales offices; (iii) preliminary planning and design consultancy services; and (iv) cleaning and house inspection services to the property projects developed by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group) upon completion of construction and before delivery of the same to homeowners, and other value-added services such as additional security, cleaning, greening, as well as repair and maintenance services. Preliminary planning and design consultancy services include, but not limited to, the planning consulting of the construction sites, on-site inspection as to the construction progress and delivery preparation.

In respect of the property management services; on-site security, cleaning, greening and customer services; cleaning and housing inspection services and other value-added services, we have obtained and reviewed 19 samples of historical transactions in aggregate, which were selected on a non-exhaustive and random basis and considered to be sufficient for the purpose of our analysis hereunder, the aforesaid samples included transactions with Independent Third Party and with the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) on property management services, except for unsold properties, car parking and the properties owned by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) and preliminary planning and design consultancy services which are covered in the subsequent paragraphs (the “**Property Management Samples**”), which included (i) six samples of on-site security, cleaning, greening service as well as customer services to property sales offices; (ii) six samples of house inspection services upon completion of construction and before delivery of the same to homeowners; and (iii) seven samples of other valued added services. We noted that the rates of service fee of the Property Management Samples were (i) charged based on labour costs for the on-site security, cleaning, greening service as well as customer services to property sales offices plus a profit margin in accordance with the standard pricing terms maintained by the Group, which applies to transactions with both Independent Third Parties and connected parties (the “**Standard Pricing Terms**”); (ii) fixed at a fixed amount per square metre in accordance with the Standard Pricing Terms for the house inspection services upon completion of construction and before delivery of the same to homeowners; and (iii) charged at costs plus a profit margin in accordance with the Standard Pricing Terms for other valued added services.

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In respect of the preliminary planning and design consultancy services, we have obtained and reviewed nine samples of historical transactions in aggregate, which were selected on a non-exhaustive and random basis and considered to be sufficient for the purpose of our analysis hereunder, the aforesaid samples included transactions with Independent Third Party and with the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) on preliminary planning and design consultancy services (the “**Preliminary Planning Samples**”), which included (i) six samples of preliminary planning and design consultancy services; and (ii) three samples of initial project acceptance fee. We noted that the rates of service fee of the Preliminary Planning Samples were (i) charged at a fixed amount per square metre in accordance with the Standard Pricing Terms for preliminary planning and design consultancy services; and (ii) fixed amount per site for the first 200,000 square metres in accordance with the Standard Pricing Terms and charged at a fixed rate per an extra square metre after the initial 200,000 square metres which was also charged in accordance with the Standard Pricing Terms for the initial project acceptance fee.

Based on our work performed as set out above, the service fees charged by the Group to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) complied with the Standard Pricing Terms of the Company, which was also applied to the basis of which the service fees were charged to the Independent Third Parties and therefore the terms under which the Continuing Connected Transactions were conducted were no less favourable to the Group than those charged to Independent Third Parties for similar transactions. On this basis, the Continuing Connected Transactions were conducted on normal commercial terms and considered to be fair and reasonable.

We understand from the Management that prior to the sales of individual property units and/or car parking lots in a new residential community or commercial building by property developers, the Group would typically compete for and, subject to acceptable terms, be engaged as a service provider to provide property management services under the agreed terms with the property developer. If the individual property unit and/or car parking lot is subsequent sold, the Group would enter into a separate contract with the subject owner for the provision of property management services on the same rate as previously charged to the property developer and the relevant property management fee would be borne by the property owner. For property units and/or car parking lots that remained unsold upon completion of such residential community or commercial building, the relevant property management service fees would be borne by the relevant property developer until the subject property units and/or car parking lots are sold.

We have also reviewed eight sampled transactions in aggregate, which were selected on a non-exhaustive and random basis and considered to be sufficient for the purpose of our analysis hereunder, the aforesaid samples included transactions between the Group with the Independent Third Parties (the “**I3P Samples**”) and with the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) (the “**Connected Samples**”) on the property management services for unsold properties, car parking lots and the properties. We noted from the I3P Samples that the service fees ranged (i) between RMB0.75 per month per square metre to RMB3.6 per month per square metre for the provision of property management services for unsold properties; and (ii) between RMB24 to RMB150 per lot per month for the provision of property management services for car parking lots. We also noted from the Connected Samples that the service fees ranged (i) between RMB1.44 per month per square metre to RMB10 per month per square metre for the provision of property management services for unsold properties owned by the Ultimate Controlling Shareholders; and (ii) between RMB70 to RMB160 per lot per month for the provision of property management services for

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car parking lots. We understand from the Management that factors such as locations and nature of the property units or car parking lots may have a bearing on the rate of the service fees charged to its customers. Hence, the rate of service fees charged may differ from properties to properties, car parking lots to car parking lots. Nonetheless, based on the samples reviewed, we further noted that the service fees charged in connection with the provision of management services for unsold properties and car parking lots to the Independent Third Parties and to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) within the same residential community or commercial building were charged on the same basis.

In relation to the property management services for unsold properties and car parking lots with the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), we have reviewed sampled transactions which covered the respective services provided to the Ultimate Controlling Shareholders and Independent Third Parties. Based on the sample transactions reviewed, the service fees charged by the Group to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) are no less favourable to the Group than those charged to Independent Third Parties for similar transactions. On this basis, the Continuing Connected Transactions were conducted on normal commercial terms and considered to be fair and reasonable.

In addition, we have also obtained and reviewed the internal procedures of the Group governing the transactions contemplated under the 2018 Lin Brothers Property Management Services Master Agreement which involves, among others, the review of terms of relevant transactions, a feedback mechanism by the approval personnel, segregation of duties and approval by the relevant personnel from accounting department of the Group. With a view to ensure that the transactions pursuant to the 2018 Lin Brothers Property Management Services Master Agreement will be conducted on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders as a whole, the relevant personnel and the management of the Group shall review and assess whether the transactions contemplated under the 2018 Lin Brothers Property Management Services Master Agreement are conducted in accordance with the terms of the 2018 Lin Brothers Property Management Services Master Agreement. We have obtained and reviewed sample checks performed by the Group on the relevant transactions, which sets out, among others, (i) information of the contracts, (ii) type of transaction and scope of services to be provided by the Group; and (iii) whether the price and terms are comparable to the standard price. We understand from the Management that similar internal procedures will be applied to transactions contemplated under the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement.

Furthermore, we have obtained and reviewed the Standard Pricing Terms maintained by the Group. The Standard Pricing Terms sets out the price for different property management services provided by the Group, such pricing is determined with reference to the market information collected by the Management. As per the Standard Pricing Terms and the relevant samples reviewed by us, certain services, such as preliminary planning and design consultancy services, the house inspection services and initial project acceptance fee, shall be transacted at a prescribed amount, and for other services, such as on-site security, cleaning, greening services as well as customer services to property sales offices and other value added services, the fee was determined on a cost-plus profit margin basis. The Management advised that transactions between the Group and Independent Third Parties or the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) also have to comply with the pricing set out in the Standard Pricing Terms. The Company performed review of the

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Standard Pricing Terms on a semi-annual basis, and we have obtained supporting documents in connection with the semi-annual review, which sets out the pricing terms of other property management service providers in the PRC. We noted that for services, such as preliminary planning and design consultancy services, the house inspection services and initial project acceptance fee, which were transacted at a prescribed amount, and for other services, such as the on-site security, cleaning, greening services as well as customer services to property sales offices and other value added services, which was determined on a cost-plus profit margin basis, are aligned with the industry practice as set out in the supporting documents in connection with the semi-annual review. As advised by the Management, if there is significant price change noted in the market by the designated personnel from relevant operating departments, the relevant pricing terms would be updated accordingly. For the semi-annual review samples reviewed by us, we noted that (i) for the semi-annual review dated 30 June 2019 and 30 June 2020, the Company has assessed relevant market information and was not aware of any significant price change in the market, no updates were required to be made to the Standard Pricing Terms; and (ii) for the semi-annual review dated 31 December 2019, the Standard Pricing Terms were updated accordingly after the Company has assessed the relevant information such as the Company's market positioning and market price.

Based on our work and analysis performed and as set out above, the sample transactions obtained and reviewed were conducted in accordance with the applicable stated pricing policies of the Group. In view of the above, in particular, our analysis and work performed on the pricing policies and internal control procedures implemented by the Group including (i) the basis of service fees charged for property management services, except for unsold properties, car parking lots, were determined in accordance with the Standard Pricing Terms for both Independent Third Parties and the Ultimate Controlling Shareholders and their associates (excluding CIFI Group); and (ii) the service fees charged in connection with the provision of management services for unsold properties and/or car parking lots to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) were on a basis consistent with the service fees charged to Independent Third Parties for the provision of similar property management services for property units and/or car parking lots that were sold to and possessed by Independent Third Parties within the same residential community or commercial building sampled, we are of the view that the transactions contemplated under the 2021 UCS Property Management Services Master Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

In addition, we have discussed and understand from the Management that the transactions contemplated under the 2021 UCS Property Management Services Master Agreement would be subject to the review of the independent non-executive Directors and the auditor of the Company would also conduct an annual review on the pricing terms and the annual caps under the 2021 UCS Property Management Services Master Agreement. We further understand from the Management that the accounting department of the Group will monitor the actual transactions amount contemplated under the 2021 UCS Property Management Services Master Agreement and report to the Management if the aggregate transaction amount under the annual caps are close to its limit. The Management has also confirmed that the transactions between the Group and the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) under the 2018 Lin Brothers Property Management Services Master Agreement have been in compliance with the relevant internal control procedures.

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3. Rationale for determining the annual cap in connection with the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement

Pursuant to the Supplemental Property Management Services Master Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for the financial year ending 31 December 2020 be revised from RMB90.0 million to RMB185.0 million.

As set out in the Letter from the Board, the revised annual cap for the year ending 31 December 2020 was determined with reference to the historical transaction amount under 2018 Lin Brothers Property Management Services Master Agreement for the six months ended 30 June 2020 (the “1H2020”), being the latest available historical transaction information at the relevant time, and a buffer of 5% to the projected transaction amounts for the six months ending 31 December 2020 (the “2H2020”). Based on information provided by the Management, it was noted that the aforesaid historical transaction amount for the 1H2020 represented an increase of approximately 135.3% compared to the corresponding period in the prior year and the Company expects the transaction amount for the provision of property management services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) to be at a similar level for the 2H2020 as compared to the 1H2020.

As discussed with the Management, we understand that the expected increase in transaction amounts with the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) in the 2H2020 are driven by various factors including, among others, (i) the additional services such as cleaning and security services that may be requested by customers (including the Ultimate Controlling Shareholders and their associates (excluding CIFI Group)) from time to time; (ii) the expected increase in transaction amounts for the provision of property management services in the 2H2020 based on the latest available information to the Management; and (iii) the expected increase in the GFA under management for properties owned by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group). In this connection, we have reviewed the 2019 Annual Report and 2020 Interim Report and noted that, the Group recorded a period-on-period growth in revenue of approximately 74.5% and 90.0%, respectively, mainly as a result of the increase in total GFA under management and increase in customer base. In addition, we also obtained a schedule from the Company, which sets out the GFA of properties of which the Group is providing ongoing property management services to under the existing 2018 Lin Brothers Property Management Services Master Agreement (the “**Property Management Services Schedule**”). We noted from the ongoing projects as set out in the Property Management Services Schedule that the expected increase in the GFA under management for properties owned by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) is approximately 63.1% for the 2H2020.

In relation to the 5% buffer applied, we understand from the Management that such was intended to cater for any unforeseen changes in market conditions including an unexpected increase in demand of property management services and/or unexpected increase in the prevailing service fees to be charged to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), thereby providing a degree of flexibility.

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Having taken into account (i) the aforesaid growth in revenue of the Group from the provision of property management services during the year ended 31 December 2019 and the six months ended 30 June 2020; (ii) the information on the ongoing projects as set out in the Property Management Services Schedule supporting the expected increase in GFA under management for properties owned by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) of approximately 63.1% for the 2H2020; (iii) the pricing basis, in particular, the pricing terms shall follow the pricing procedure as discussed under the heading “2. Analysis on the principal terms of the 2021 UCS Property Management Services Master Agreement and work performed on the internal control measures” above; (iv) the reasons and benefits of entering into the Supplemental Property Management Services Master Agreement which would allow the Group to provide property management services to the Ultimate Controlling Shareholders and generate more service fee for the Group; and (v) the buffer providing flexibilities for the Group to provide property management services to the Ultimate Controlling Shareholders under unexpected circumstances, we consider the growth rate as mentioned above, the 5% buffer and the basis of determining the revised annual cap for the transactions contemplated under the 2018 Lin Brothers Property Management Services Master Agreement for the year ending 31 December 2020 to be reasonable.

Pursuant to the 2021 UCS Property Management Services Master Agreement, it is proposed that the respective annual caps for the transactions contemplated thereunder for each of the financial years ending 31 December 2021, 2022 and 2023 are as follows:

	For the year ending 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Property management services; on-site security, cleaning, greening and customer services; cleaning and housing inspection services and other value-added services	164,000	173,000	173,000
Preliminary planning and design consultancy services	26,000	27,000	27,000
Total	190,000	200,000	200,000

As set out in the Letter from the Board, the Directors have determined the respective annual caps for (i) property management services; on-site security, cleaning, greening and customer services; cleaning and housing inspection services and other value added services; and (ii) preliminary planning and design consultancy services for the three years ending 31 December 2021, 2022 and 2023 with reference to a number of factors including, among other things, (i) the historical transaction amount under the 2018 Lin Brothers Property Management Services Master Agreement; (ii) the estimated revenue to be recognised based on the existing contracts entered into between the Group and the Ultimate Controlling Shareholders and their associates (excluding CIFI Group); (iii) the expected

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volume of sale, size and number of the properties held by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) to be managed by the Group based on the total GFA of properties developed by the Ultimate Controlling Shareholders under the Group's management as of 30 June 2020; and (iv) the expected demand of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) for property management services, the relevant property management services and standard being proposed by the Group, and the price to be charged by the Group for the provision of such services.

In connection to the above, we had reviewed a schedule prepared by the Management for the years ending 31 December 2021, 2022 and 2023 and noted that the annual caps for (i) property management services; on-site security, cleaning, greening and customer services; cleaning and housing inspection services and other value-added services; and (ii) preliminary planning and design consultancy services were primarily based on (i) the amount of service fees derived by the Group for the year ending 31 December 2020 from the provision of property management services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) under the Supplemental Property Management Services Master Agreement; and (ii) the estimated GFA of properties of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) expected to be managed by the Group during each of the three years ending 31 December 2021, 2022 and 2023. We noted that the increase in estimated GFA of properties of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) for the years ending 31 December 2021, 2022 and 2023 represents a year-to-year increase of approximately 21.8%, 19.8% and 3.7%, respectively. We further noted from the Management that given the year-to-year increase of approximately 3.7% in GFA of properties of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) was considered to be insignificant, the Management has prudently assumed no growth in the annual caps for the year ending 31 December 2023 as compared to the year ending 31 December 2022.

We had discussed and understood from the Management that the estimated GFA of properties of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) to be managed by the Group and the expected number of properties under development and held for future development of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) which will be completed during the years ending 2021, 2022 and 2023 were arrived at after taking into consideration of factors including but not limited to, the existing signed portfolio of unsold properties of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), the property development projects of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) currently being sold in the market, the upcoming scheduled property development projects of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group), during the years ending 31 December 2021, 2022 and 2023.

Having considered, (i) the expected year-to-year growth increase in GFA of properties of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) during the years ending 2021, 2022 and 2023; (ii) the recent growth in revenue of the Group from the provision of property management services of approximately 74.5% and 90.0% during the year ended 31 December 2019 and the six months ended 30 June 2020, respectively; (iii) the annual caps are primarily based on ongoing projects with the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) and a moderate increase in expected GFA under management; (iv) the Group has no control over the development and/or completion progress of the projects of the Ultimate Controlling

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Shareholders and their associates (excluding CIFI Group), in particular, those expected to be completed during the years ending 2021, 2022 and 2023; and (v) the Group has the right but not the obligation to transact with the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) under the 2021 UCS Property Management Services Master Agreement, we consider the basis for determining the annual caps under the 2021 UCS Property Management Services Master Agreement to be fair and reasonable.

VII. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement;
- (ii) the provision of services under the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement is a furtherance and continuance of the Group's existing principal businesses;
- (iii) based on our work performed, the sampled transactions under the 2018 Lin Brothers Property Management Services Master Agreement were conducted on terms not less favourable to the Group than those terms transacted with Independent Third Parties; and
- (iv) the value of, and the basis for determining, the respective annual caps are reasonable as discussed in this letter above,

we are of the view that the transactions contemplated under the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement with the Ultimate Controlling Shareholders, are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the annual caps of each of the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Supplemental Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement (including the respective annual caps) at the EGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has around 13 years of experience in the corporate finance industry.

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) Interests of Directors

As at the Latest Practicable Date, the Directors and chief executives of the Company had the following interests or short positions 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 are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares

Name of Director	Nature of interest	Number of Shares/ underlying shares held ⁽¹⁾	Approximate percentage of shareholding in the Company ⁽¹⁾
Mr. LIN Zhong ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation, and co-founder of a discretionary trust	942,683,500	56.43%
Mr. LIN Feng ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation, and co-founder of a discretionary trust	942,683,500	56.43%
Mr. ZHOU Hongbin	Beneficial owner	35,383,500	2.12%
Mr. ZHOU Di	Beneficial owner	1,290,000	0.08%

Notes:

- (1) As at the Latest Practicable Date, the Company had issued 1,670,400,000 Shares.
- (2) Elite Force is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force entrusted Spectron to exercise voting rights of 363,180,000 shares directly held by Elite Force since 30 June 2020, while Elite Force continues to

beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus dated 4 December 2018 and the announcements of the Company dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force.

- (3) Spectron is indirectly wholly owned by CIFI Holdings. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Spectron.
- (4) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Best Legend.
- (5) Rosy Fortune Investments Limited (“**Rosy Fortune**”) is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust (Singapore) Limited (“**Standard Chartered Trust**”) as the trustee of the Lin’s Family Trust via SCTS Capital Pte. Ltd. (“**SCTS Capital**”). The Lin’s Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin’s Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Rosy Fortune.

Interest in associated corporations

Name of Director	Associated corporation	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding interest
Mr. LIN Zhong ⁽¹⁾⁽²⁾	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust and beneficial owner	3,605,055,603	43.86%
Mr. LIN Feng ⁽²⁾⁽³⁾⁽⁴⁾	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust, interest in a controlled corporation and beneficial owner	2,615,124,155	31.81%
Mr. ZHOU Hongbin	CIFI Holdings	Beneficial owner	630,000	0.01%
Mr. ZHOU Di	CIFI Holdings	Beneficial owner	230,000	0.00%
Mr. LIN Zhong ⁽⁵⁾	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Feng ⁽⁵⁾	Xu Sheng	Interested in a controlled corporation	1	100%

Name of Director	Associated corporation	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding interest
Mr. LIN Zhong ⁽⁶⁾	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Feng ⁽⁶⁾	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Zhong ⁽⁷⁾	Elite Force	Beneficial owner	100	100%
Mr. LIN Feng ⁽⁷⁾	Elite Force	Beneficial owner	100	100%
Mr. LIN Zhong ⁽⁸⁾	Best Legend	Beneficial owner	1	100%
Mr. LIN Feng ⁽⁸⁾	Best Legend	Beneficial owner	1	100%

Notes:

- (1) 1,210,244,037 shares of CIFI Holdings are held by Ding Chang Limited (“**Ding Chang**”). The entire issued share capital of Ding Chang is wholly owned by Eternally Success International Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun Success Trust via SCTS Capital. The Sun Success Trust is a discretionary trust set up by Mr. Lin Zhong as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun Success Trust include certain family members of Mr. Lin Zhong. Mr. Lin Zhong as founder of the Sun Success Trust is taken to be interested in the 1,210,244,037 shares of CIFI Holdings held by Ding Chang pursuant to Part XV of the SFO.
- (2) 2,386,937,975 shares of CIFI Holdings are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin’s Family Trust via SCTS Capital. The Lin’s Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin’s Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin’s Family Trust is taken to be interested in the 2,386,937,975 shares of CIFI Holdings held by Rosy Fortune pursuant to Part XV of the SFO.
- (3) 215,950,580 shares of CIFI Holdings are held by Rain-Mountain Limited (“**Rain-Mountain**”). The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the 215,950,580 shares of CIFI Holdings held by Rain-Mountain pursuant to Part XV of the SFO.

- (4) 5,335,600 shares of CIFI Holdings are held by Towin Resources Limited. Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the shares of CIFI Holdings held by Towin Resources Limited.
- (5) Xu Sheng Limited (“**Xu Sheng**”) is wholly owned by CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares of Xu Sheng held by CIFI Holdings.
- (6) Spectron is wholly owned by Xu Sheng, which is a wholly-owned subsidiary of CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares of Spectron held by CIFI Holdings.
- (7) The entire issued share capital of Elite Force is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei has entered into an acting in concert deed on 6 August 2018. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Elite Force pursuant to Part XV of the SFO.
- (8) The entire issued share capital of Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Best Legend pursuant to Part XV of the SFO.

Interests in Debentures of Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Principal amount of relevant debentures held	Approximate percentage of aggregate principal amount of the relevant debentures issued
Mr. LIN Zhong ⁽¹⁾⁽²⁾	CIFI Holdings	Co-founder of a discretionary trust	US\$1 million	0.18%
Mr. LIN Feng ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	CIFI Holdings	Founder of a discretionary trust, and interest in a controlled corporation	US\$25 million	8.33%
		Co-founder of a discretionary trust	US\$1 million	0.18%

Notes:

- (1) The 6% senior notes due 2025 issued by CIFI Holdings with the aggregate amount of US\$567 million (the “**6% Senior Notes**”) were freely transferable but not convertible in any shares or other securities of CIFI Holdings. For details of the 6% Senior Notes, please refer to the announcements of CIFI Holdings dated 8 January 2020 and 10 January 2020 respectively.

- (2) The principal amount of US\$1 million of the 6% Senior Notes is held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the principal amount of of the 6% Senior Notes held by Rosy Fortune pursuant to Part XV of the SFO.
- (3) The senior perpetual capital securities issued by CIFI Holdings with the aggregate amount of US\$300 million at a distribution rate of 5.375% per annum (the "5.375% Perpetual Securities") are listed on the Stock Exchange.
- (4) Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the principal amount of US\$15 million of the 5.375% Perpetual Securities held by Towin Resources Limited.
- (5) The principal amount of US\$10 million of the 5.375% Perpetual Securities is held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the principal amount of the 5.375% Perpetual Securities held by Rain-Mountain pursuant to Part XV of the SFO.

Save from disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had interests or short positions 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 are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors, as indicated by the register recording share interests and short positions required to be kept under Section 336 of Part XV of the SFO, the persons (not being Directors or chief executives of the Company) listed in the following table had interest and/or short positions in the Shares or underlying shares of the Company:

Long Position in the Shares

Name of Shareholder	Nature of interest	Number of shares	Approximate percentage of shareholding interest ⁽¹⁾
Mr. LIN Wei ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Interest in a controlled corporation, and co-founder of a discretionary trust	942,683,500	56.43%
Elite Force ⁽²⁾	Beneficial owner	363,180,000	21.74%

Name of Shareholder	Nature of interest	Number of shares	Approximate percentage of shareholding interest ⁽¹⁾
Spectron ⁽³⁾	Beneficial owner	406,820,000	24.35%
Xu Sheng ⁽⁴⁾	Interest in a controlled corporation	406,820,000	24.35%
CIFI Holdings	Interest in a controlled corporation	406,820,000	24.35%
Best Legend ⁽⁵⁾	Beneficial owner	171,683,500	10.28%

Notes:

- (1) As at Latest Practicable Date, the Company had issued 1,670,400,000 Shares.
- (2) Elite Force is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force entrusted Spectron to exercise voting rights of 363,180,000 shares directly held by Elite Force since 30 June 2020, while Elite Force continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus dated 4 December 2018 and the announcements dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force.
- (3) Spectron is wholly owned by Xu Sheng. By virtue of the SFO, Xu Sheng is deemed to be interested in Shares held by Spectron.
- (4) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, CIFI Holdings is deemed to be interested in Shares held by Xu Sheng.
- (5) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Best Legend.
- (6) Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin’s Family Trust via SCTS Capital. The Lin’s Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin’s Family Trust include certain family members of Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Rosy Fortune.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executive of the Company are not aware of any other person (other than the Directors or chief executives of the Company) having an interest or short position in the Shares or underlying Shares which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of SFO.

3. DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTOR'S INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made.

9. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given its opinion or advice contained in this circular:

Name	Qualification
Red Sun Capital Limited	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) 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; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Supplemental Property Management Services Master Agreement;
- (b) the 2021 UCS Property Management Services Master Agreement;
- (c) the supplemental agreement to the 2021 UCS Property Management Services Master Agreement dated 5 November 2020;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 16 and 17 of this circular;
- (e) the letter of advice from Red Sun Capital Limited, the text of which is set out on pages 18 to 37 of this circular;
- (f) the written consent of Red Sun Capital Limited as referred to in the section headed "Expert and Consent" in this appendix; and
- (g) this circular.

11. MISCELLANEOUS

This circular and the accompanying proxy form have been prepared in both English and Chinese. In the event of discrepancies, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EGM



Ever Sunshine Lifestyle Services Group Limited 永升生活服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1995)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Ever Sunshine Lifestyle Services Group Limited (the “**Company**”) will be held at Signing Room, 2/F, Building 39 Henderson CIFI Centre, Lane 1088, Shenhong Road, Minhang District, Shanghai, the PRC on Wednesday, 25 November 2020 at 2:00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the supplemental agreement dated 25 September 2020 entered into among the Company and Mr. Lin Zhong, Mr. Lin Feng, and Mr. Lin Wei (the “**Supplemental Property Management Services Master Agreement**”) and the transactions contemplated thereunder be and are hereby confirmed and approved;
- (b) the revised annual cap in relation to the transactions contemplated under the Supplemental Property Management Services Master Agreement for the year ending 31 December 2020 be and is hereby approved;
- (c) the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Supplemental Property Management Services Master Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

2. “THAT

- (a) the property management services master agreement dated 25 September 2020 and the supplemental agreement dated 5 November 2020 entered into among the Company and Mr. Lin Zhong, Mr. Lin Feng, and Mr. Lin Wei (the “**2021 UCS Property Management Services Master Agreement**”) and the transactions contemplated thereunder be and are hereby confirmed and approved;
- (b) the proposed annual caps in relation to the transactions contemplated under the 2021 UCS Property Management Services Master Agreement (as supplemented) for each of the three years ending 31 December 2023 be and are hereby approved; and
- (c) the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the 2021 UCS Property Management Services Master Agreement (as supplemented) and the transactions contemplated thereunder.”

By order of the Board
Ever Sunshine Lifestyle Services Group Limited
Lin Zhong
Chairman

Hong Kong, 6 November 2020

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong
40th Floor, Sunlight Tower
No. 248 Queen’s Road East
Wanchai, Hong Kong

Notes:

- (i) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company.
- (ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) In order to be valid, the form of proxy must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 2:00 p.m. on Monday, 23 November 2020) or any adjournment thereof. The completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM (or any adjourned meeting thereof) if they so wish.

NOTICE OF EGM

- (iv) The register of members of the Company will be closed from Friday, 20 November 2020 to Wednesday, 25 November 2020, both days inclusive, to determine the entitlement of the shareholders of the Company to attend and vote at the EGM, during which period no share transfers will be registered. All share transfer documents together with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 19 November 2020.

As at the date of this circular, the executive Directors are Mr. LIN Zhong, Mr. ZHOU Hongbin and Mr. ZHOU Di, the non-executive Director is Mr. LIN Feng; and the independent non-executive Directors are Mr. MA Yongyi, Mr. WANG Peng and Mr. CHEUNG Wai Chung.