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 you should take, you should consult your licensed securities dealer or other registered institution in securities, 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 with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
55% EQUITY INTERESTS IN THE TARGET COMPANY
AND
NOTICE OF EGM

Financial Adviser to the Company

SOMERLEY CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board containing details of the Acquisition is set out on pages 6 to 21 of this circular. A notice convening the EGM to be held at No.1 Conference Room, 9/F., Building 39 Henderson CIFI Centre, 1088 Nong, Shen Hong Road, Minhang District, Shanghai, the PRC on Monday, 2 September 2019 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

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 Shops 1712-1716, 17th 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 the holding of the meeting (i.e. before 2:00 p.m. on Saturday, 31 August 2019) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting 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 refer to Hong Kong local times and dates.

14 August 2019

CONTENTS

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

"Acquisition"	the acquisition of Sale Interests as contemplated under the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement entered into between the Purchasers, the Vendors and the Warrantors on 18 June 2019 in relation to the sale and purchase of the 55% equity interests in the Target Company
"Announcement"	the announcement of the Company dated 18 June 2019 in relation to the Acquisition
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Acquisition Agreement and upon issuance of the new business registration certificate of the Target Company
"Company"	Ever Sunshine Lifestyle Services Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1995)
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"Consideration"	the consideration for the Sale Interests, being RMB462 million
"Corporate Guarantee"	the corporate guarantee executed by the branch company of the Target Company in favour of a bank in the PRC in respect of Warrantor I's obligations under the Loan Agreement
"Deed of Indemnity"	the deed of indemnity dated 18 June 2019 executed by the Vendors and the Warrantors in favour of the Purchasers, pursuant to which the Vendors and the Warrantors agreed to indemnify the Purchasers from and against certain matter as more particularized in the letter from the Board to this circular
"Directors"	the directors of the Company

"EGM"	the extraordinary general meeting of the Company to be held at No.1 Conference Room, 9/F., Building 39 Henderson CIFI Centre, 1088 Nong, Shen Hong Road, Minhang District, Shanghai, the PRC on Monday, 2 September 2019 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-2 of this circular
"Enlarged Group"	the Group as enlarged by the Target Group
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of China
"Independent Third Party(ies)"	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
"Jiazhao"	上海新地嘉兆物聯網有限公司 (Shanghai Sunny World Jiazhao Internet of Things Company Limited*), a company established in the PRC with limited liability and an associate of the ultimate beneficial owner of Vendor II
"Latest Practicable Date"	13 August 2019, 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
"Loan Agreement"	the loan agreement entered into between Warrantor I as borrower and a bank in the PRC as lender for a loan facility up to RMB1,390 million
"Mortgage"	the mortgage dated 27 June 2019 executed by Vendor II in favour of Shanghai Yongsheng over certain properties in the PRC owned by Vendor II to secure the obligations owed by the Vendors to the Purchasers under the Acquisition Agreement
"Net Profit"	in respect of a Relevant Period (as defined in the letter from the Board), the consolidated net profit after taxation and excluding extraordinary items of the Target Group as to be shown in the audited consolidated accounts of the Target Group for such Relevant Period

"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, Macau and Taiwan
"Purchasers"	the Company and Shanghai Yongsheng
"Regulatory Agreement"	the regulatory agreement executed by the branch company of the Target Company and Warrantor I in favour of a bank in the PRC in respect of Warrantor I's obligations under the Loan Agreement
"Sale Interests"	55% of the equity interests of the Target Company held by the Vendors
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Yongsheng"	上海永升物業管理有限公司 (Shanghai Yongsheng Property Management Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) in the issued share capital of the Company
"Share Charge"	the share charge dated 19 June 2019 executed by the Vendors and the Warrantors in favour of Shanghai Yongsheng over the entire equity interests of the Target Company to secure the obligations owed by the Vendors to the Purchasers under the Acquisition Agreement
"Shareholder(s)"	holder(s) of the Share(s)
"Shenyang WTC"	世貿廣場(瀋陽)置業有限公司 (World Trade Centre (Shenyang) Real Estate Company Limited*), a company established in the PRC with limited liability and is wholly-owned by Vendor II and its associates. The principal business of Shenyang WTC includes, inter alia, property development and management, leasing, hotel management, accommodation and catering services and Shenyang WTC recorded an audited net assets value of approximately RMB980 million as at 31 December 2018
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning as ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

"Suzhou Yayuan"	蘇州雅園物業管理有限公司 (Suzhou Yayuan Property Management Company Limited*), a company established in the PRC with limited liability and is wholly-owned by the Target Company
"Target Company"	青島雅園物業管理有限公司 (Qingdao Yayuan Property Management Company Limited*), a company established in PRC with limited liability and is wholly-owned by the Vendors and the Warrantors prior to Completion
"Target Group"	Target Company and Suzhou Yayuan
"Vendor I"	瀋陽新地陽光百貨有限公司 (Shenyang Sunny World Department Store Company Limited*), a company established in the PRC with limited liability
"Vendor II"	新世界(青島)置地有限公司 (New World (Qingdao) Real Estate Company Limited*), a company established in the PRC with limited liability
"Vendor II's Share Charge"	the share charge dated 19 June 2019 executed by Vendor II and its associates in favour of Shanghai Yongsheng over the entire equity interests of Shenyang WTC to secure the obligations owed by the Vendors to the Purchasers under the Acquisition Agreement
"Vendor III"	青島陽光新地置業有限公司 (Qingdao Sunny World Real Estate Company Limited*), a company established in the PRC with limited liability
"Vendor IV"	陽光百貨股份有限公司 (Sunny World Department Store Company Limited*), a company established in the PRC with limited liability
"Vendor V"	江西新地酒店有限公司 (Jiangxi Sunny World Hotel Company Limited*), a company established in the PRC with limited liability
"Vendor VI"	蘇州陽光新地置業有限公司 (Suzhou Sunny World Real Estate Company Limited*), a company established in the PRC with limited liability
"Vendor VII"	蘇州新住大酒店有限公司 (Suzhou Xinzhu Hotel Company Limited*),a company established in the PRC with limited liability

"Vendor VIII"	蘇州新地陽光百貨有限公司 (Suzhou Sunny World Department Store Company Limited*), a company established in the PRC with limited liability
"Vendors"	Vendor I, Vendor II, Vendor III, Vendor IV, Vendor V, Vendor VI, Vendor VII and Vendor VIII
"Warrantor I"	南京陽光新地置業有限公司 (Nanjing Sunny World Real Estate Company Limited*), a company established in the PRC with limited liability
"Warrantor II"	青島新地集團有限公司 (Qingdao Sunny World Group Company Limited*), a company established in the PRC with limited liability
"Warrantor III"	南昌陽光新地置業有限公司 (Nanchang Sunny World Real Estate Company Limited*), a company established in the PRC with limited liability
"Warrantors"	Warrantor I, Warrantor II and Warrantor III
"Working Day(s)"	any day which banks in the PRC are open for business, except Saturdays, Sundays and statutory holidays as announced by the PRC government
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"45% Share Charge"	the share charge to be executed by the Vendors and the Warrantors in favour of Shanghai Yongsheng over the 45% equity interests of the Target Company to secure the obligations owed by the Vendors and the Warrantors to the Purchasers under the Acquisition Agreement and Deed of Indemnity
"%"	per cent

Unless otherwise specified in this circular, translation of RMB into HK$ is made in this circular, for illustration purpose only, at the rate of RMB1 to HK$1.14. No representation is made that any amount in RMB could have been or could be converted at such rate or any other rates.

* *For translation and identification purposes only*

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

Non-executive Directors:
Mr. LIN Feng
Mr. GE Ming

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

14 August 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
55% EQUITY INTERESTS IN THE TARGET COMPANY
AND
NOTICE OF EGM

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among others, (i) further details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) the accountant's report on the financial information of the Target Group; (iv) management discussion and analysis of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) other information as required under the Listing Rules and (vii) a notice of EGM.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are summarized as follows:

Date:

18 June 2019 (after trading hours)

Parties:

Vendors:	(1)	Shenyang Sunny World Department Store Company Limited* (瀋陽新地陽光百貨有限公司) (Vendor I)
	(2)	New World (Qingdao) Real Estate Company Limited* (新世界 (青島) 置地有限公司) (Vendor II)
	(3)	Qingdao Sunny World Real Estate Company Limited* (青島陽光新地置業有限公司) (Vendor III)
	(4)	Sunny World Department Store Company Limited* (陽光百貨股份有限公司) (Vendor IV)
	(5)	Jiangxi Sunny World Hotel Company Limited* (江西新地酒店有限公司) (Vendor V)
	(6)	Suzhou Sunny World Real Estate Company Limited* (蘇州陽光新地置業有限公司) (Vendor VI)
	(7)	Suzhou Xinzhu Hotel Company Limited* (蘇州新住大酒店有限公司) (Vendor VII)
	(8)	Suzhou Sunny World Department Store Company Limited* (蘇州新地陽光百貨有限公司) (Vendor VIII)
Purchasers:	(1)	the Company
	(2)	Shanghai Yongsheng Property Management Company Limited* (上海永升物業管理有限公司) (a wholly-owned subsidiary of the Company)
Warrantors:	(1)	Nanjing Sunny World Real Estate Company Limited* (南京陽光新地置業有限公司) (Warrantor I)
	(2)	Qingdao Sunny World Group Company Limited* (青島新地集團有限公司) (Warrantor II)
	(3)	Nanchang Sunny World Real Estate Company Limited* (南昌陽光新地置業有限公司) (Warrantor III)

The Vendors and the Warrantors are ultimately and beneficially owned by Mr. Qi Hong Bo and Ms. Lin Xia (the spouse of Mr. Qi Hong Bo). To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, as at the Latest Practicable Date, the Vendors, the Warrantors and their respective ultimate beneficial owners are Independent Third Parties.

ASSETS TO BE ACQUIRED

Pursuant to the Acquisition Agreement, the Purchasers have conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Interests, being 55% equity interests in the Target Company.

The Sale Interests shall comprise:

(1) 11.5% equity interests to be transferred by Vendor I;

(2) 4% equity interests to be transferred by Vendor II;

(3) 10% equity interests to be transferred by Vendor III;

(4) 6% equity interests to be transferred by Vendor IV;

(5) 5% equity interests to be transferred by Vendor V;

(6) 8.5% equity interests to be transferred by Vendor VI;

(7) 5% equity interests to be transferred by Vendor VII; and

(8) 5% equity interests to be transferred by Vendor VIII.

The Warrantors shall guarantee and warrant the profit guarantee (as detailed in the paragraph headed "Profit Guarantee" below) and the due performance by the Vendors of all their respective obligations, responsibilities, representations, undertakings and warranties under the Acquisition Agreement and assist the Vendors in compliance of the conditions precedent set out in the Acquisition Agreement.

CONSIDERATION

The Consideration shall be RMB462 million (equivalent to approximately HK$526.7 million) and shall be paid in the following manner:

1st Instalment

RMB220 million (equivalent to approximately HK$250.8 million) shall be payable by the Purchasers to the Vendors within 15 Working Days upon all the following conditions precedent set out in the Acquisition Agreement having been complied with:

(1) all necessary relevant approvals and consents in relation to the Acquisition having been obtained by the Vendors, the Warrantors and the Target Company;

(2) resolutions in relation to the Acquisition having been passed by the respective board of directors of the Purchasers;

(3) the Vendors and the Warrantors having executed the Share Charge in favour of Shanghai Yongsheng and the Target Company having applied to the relevant government authority for registration of the Share Charge;

(4) Vendor II having executed the Vendor II's Share Charge in favour of Shanghai Yongsheng and Shenyang WTC having applied to the relevant government authority for registration of the Vendor's II Share Charge;

(5) Vendor II having executed the Mortgage in favour of Shanghai Yongsheng and Vendor II having applied to the relevant government authority for registration of the Mortgage; and

(6) there having been no material adverse change on the Acquisition since the date of the Acquisition Agreement.

As at the Latest Practicable Date, all the conditions precedent above have been satisfied and the 1st instalment has been paid.

Pursuant to the Acquisition Agreement, Completion shall take place within 20 Working Days upon fulfillment of the all the conditions precedent as set out therein. The Share Charge and the Vendor II's Share Charge were entered into for the purpose to secure the obligations owed by the Vendors to the Purchasers under the Acquisition Agreement, as well as to minimize the risk of the Purchasers in making the payment of the 1st instalment of the Consideration of RMB220 million prior to Completion. The Share Charge shall be released upon fulfillment of conditions (2) and (3) as more particularized in the paragraph headed "Completion" below for the purpose of Completion and replaced by the 45% Share Charge. The Vendor II's Share Charge shall be released upon Completion.

Completion

Completion shall take place when all the following conditions precedent set out in the Acquisition Agreement having been complied with:

(1) all necessary legal procedures required for the registration of the Share Charge, the Vendor II's Share Charge and the Mortgage having been completed within 20 Working Days from the date of the Acquisition Agreement;

(2) the Corporate Guarantee and the Regulatory Agreement having been terminated and released within 90 calendar days from the date of the payment of the 1st instalment of the Consideration;

(3) the passing by the Shareholders, who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM to be convened and held, of the necessary ordinary resolution(s) to approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder;

(4) there having been no material adverse change to the business, results of operations, financial position, assets, liabilities or prospects of the Target Company since the date of the Acquisition Agreement;

(5) the representations, warranties and undertakings given by the Vendors and the Warrantors under the Acquisition Agreement being true, correct and complete when made and remaining true, correct and complete and not misleading; and

(6) subject to the fulfillment of conditions (2) and (3) above, the Share Charge having been released and discharged and the remaining 45% equity interests in the Target Company having been re-charged in favour of Shanghai Yongsheng pursuant to the 45% Share Charge and the necessary legal procedures required for its registration having been completed.

None of the above conditions precedent may be waived by either parties to the Acquisition Agreement. If the conditions precedent as stated above have not been satisfied within the time specified in the relevant conditions precedent, the Purchasers may terminate the Acquisition Agreement and the transactions contemplated thereunder and the Vendors shall, refund all the instalments paid under the Acquisition Agreement before the date to be specified by the Purchasers.

As at the Latest Practicable Date, conditions precedent (1) has been satisfied, and conditions (4) and (5) have been fully complied with.

The 45% Share Charge will be entered into upon fulfillment of conditions (2) and (3) above in replacement of the Share Change for the purpose to secure (i) Completion; (ii) the obligations owed by the Vendors to the Purchasers under the Acquisition Agreement (including but not limited to the warranties and representations as set out in the Acquisition Agreement); (iii) the profit guarantee set out in the section headed "Profit Guarantee" below; and (iv) the obligations owed by the Vendors and the Warrantors to the Purchasers under the Deed of Indemnity. The 45% Share Charge shall be released within six months upon fulfillment of the profit guarantee set out in the section headed "Profit Guarantee" below (or such other longer period as may be agreed among the Purchasers, the Vendors and the Warrantors).

Within 20 Working Days upon fulfillment of the above conditions precedent, the Vendors, the Warrantors and the Target Company shall apply to the relevant government authority, and complete, all necessary legal procedures for transfer of the Sale Interests to the Purchasers and its registration.

Upon Completion, the Group will be interested in 55% equity interests in the Target Group (18% equity interests to be directly held by the Company and 37% equity interests to be indirectly held by the Company through Shanghai Yongsheng) and the Target Group will become non-wholly-owned subsidiaries of the Company. The financial results of the Target Group will be consolidated into the Group's financial statements.

2nd Instalment

After Completion, RMB242 million (equivalent to approximately HK$275.9 million) shall be payable by the Purchasers to the Vendors upon all the following conditions precedent set out in the Acquisition Agreement having been complied with:

(1) the Vendors, the Warrantors and the Target Company having completed all necessary legal procedures required for the change of board composition and constitutional documents of the Target Company;

(2) the Vendors and the Warrantors having delivered to the Purchasers all the relevant certificates, chops and keys in relation to the Target Company;

(3) the Vendors and the Warrantors having delivered to the Purchasers all the legal documents in relation to the business operations of the Target Company;

(4) all warranties and undertakings given by the Vendors and the Warrantors having been complied with;

(5) the Vendors and the Warrantors having provided relevant information to the Purchasers to conduct field audit on the financial information of the Target Company as at the month immediately preceding to Completion; and

(6) the Vendors and the Warrantors shall ensure that the audited net assets value and cash and cash equivalents of the Target Company as at the month immediately preceding to Completion shall not be less than RMB5 million and RMB156.3 million respectively and the deficiency of which shall be paid by the Vendors and the Warrantors to the Target Company in cash.

As at the Latest Practicable Date, expect for condition (4) which has been fully complied with, none of the other conditions precedent above have been satisfied.

The audited net assets value of the Target Company of not less than RMB5 million as set out in condition precedent (6) above was determined after arm's length negotiations between the Purchasers and the Vendors with reference to the registered and paid-up capital of the Target Company of RMB5 million. The cash and cash equivalents of the Target Company of not less than RMB156.3 million was determined after arm's length negotiations between the Purchasers and the Vendors with reference to the aggregate amount of (i) the Target Group's obligation under certain debts and borrowings which include bill payables of approximately RMB103.0 million and the outstanding bank borrowings of approximately RMB28.3 million; (ii) the registered and paid-up capital of the Target Company of RMB5 million; and (iii) the estimated required general working capital of the Target Group of approximately RMB20 million. For further details, please also refer to the section headed "Appendix I — Financial Information of the Group — 2. Indebtedness statement and contingent liabilities" in the circular.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Purchasers and the Vendors with reference to, among other things, (i) the profit guarantee, in particular, the guaranteed profit of RMB60 million for the year ending 2019, the compensation mechanism in case the Net Profit is less than the guaranteed profit set out in the section headed "Profit Guarantee" below and the price-to-earnings ratio of the Target Group of 14 times based on the guaranteed profit of RMB60 million for the year ending 31 December 2019 which is within the range of price-to-earnings ratios of similar property management companies acquired by other Hong Kong listed companies (the "**Comparable Transactions**") which were announced in the past 24 months prior to the date of the Acquisition Agreement. Details of the Comparable Transactions are set out below; (ii) the future business prospects of the Target Group and the industry in which the Target Group is engaging; and (iii) other reasons and benefits of the Acquisition as stated under the section headed "Reasons for the benefits of the Acquisition" below. The Consideration will be financed by the Group's internal resources.

Set out below is a summary of the Comparable Transactions considered by the Company in point number (i) of the basis of the Consideration above,

Date of announcement	Name of Company *(Stock code)*	Sale Interests	Consideration *(RMB million)*	Price-to-earnings ratio *(times)*
2017/10/20	China Overseas Property Holdings Limited (2669)	100%	190	27.9
2018/04/09	A-Living Services Co. Ltd. (3319)	51%	205	11.9
2018/07/11	A-Living Services Co. Ltd. (3319)	51%	148	13.1
2019/01/23	A-Living Services Co. Ltd. (3319)	89.66%	134	11.9
2019/02/26	A-Living Services Co. Ltd. (3319)	60%	114	10.5
2019/03/19	Country Garden Services Holdings Company Limited (6098)	30%	90	7.8
2019/03/28	A-Living Services Co. Ltd. (3319)	51%	195	10.0
			Maximum:	**27.9**
			Minimum:	**7.8**
			Average:	**13.3**

Source: Announcement published by the relevant listed companies in the website of the Stock Exchange

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

PROFIT GUARANTEE

Pursuant to the Acquisition Agreement, the Vendors and the Warrantors irrevocably warrant and guarantee, on a joint and several basis, to the Purchasers that the Net Profit for the relevant period below (the "**Relevant Periods**" and each a "**Relevant Period**") will not be less than the following amounts ("**Guaranteed Profit**"):

Relevant Period	Guaranteed Profit
For the year ending 31 December 2019	RMB60,000,000
For the year ending 31 December 2020	RMB70,000,000
For the year ending 31 December 2021	RMB73,000,000
For the year ending 31 December 2022	RMB76,000,000

If the Net Profit for a Relevant Period is less than the Guaranteed Profit for the Relevant Period, then the Vendors shall compensate to the Purchasers an amount calculated as follows:

A = ((Guaranteed Profit — Net Profit) / Guaranteed Profit) x RMB462 million x (1/4) x 2

Should the Target Group record an actual consolidated loss for any of the Relevant Periods, "A" = (RMB462 million + (actual consolidated loss for any of the Relevant Periods x 55%)) x (1/4) x 2

In such event, the Vendors and the Warrantors shall compensate to the Purchasers a sum in cash equivalent to "A" pro-rata to their respective Sales Interests within 15 Working Days after the issue of the consolidated audited accounts of the Target Group for that Relevant Period.

The Purchasers shall nominate auditors to complete the consolidated audited accounts of the Target Group for each Relevant Period within 4 months after the end of the Relevant Period. Such consolidated audited accounts of the Target Group will be prepared based on Hong Kong Financial Reporting Standards."

As of the end of 2018, the Target Group's gross floor area under management was around 1.4 million square meters. Since the beginning of 2019 and up to the Latest Practicable Date, it has brought in three new management projects in relation to three new high-end commercial properties, adding an additional of under management 450,000 square meters to its management portfolio, which represented around 32.1% growth in the total gross floor area under management as compared to that in the end of 2018. As the average contracted management fee per square meter chargeable by the three new high-end commercial projects is higher than the average management fee of other existing projects of the Target Group, it is expected that when the tenants start to move into the three new high-end commercial properties in the second half of 2019, it will contribute a substantial growth in the Target Group's revenue and net profit in the second half 2019 and year 2020. The Company expects that the occupancy rate of the Target Group's management portfolio will continue to increase steadily subsequent to 2020 and thereby resulting in a moderate increment in its profitability respectively in 2021 and 2022.

In addition, the vacancy fees currently charged by the Target Group on unleased gross floor area under management are minimal or far below the prevailing market rate. It is the plan of the Company to unify the pricing of vacancy fees charged by the Target Group with reference to the market rate upon Completion. It is expected that the aggregate vacancy fees in 2019 will be around 2.7 times of that of around RMB6.0 million in 2018 and will achieve further 60% growth in 2020. As the Board believes that the change in pricing of vacancy fees will not involve significant costs, the expected increase in revenue derived from the vacancy fee is expected to have a direct contribution to the Target Group's profitability in 2019 and 2020.

Having considered the above, the Board is of the view that the Guaranteed Profit ranging from RMB60 million to RMB76 million during the Relevant Periods could be achieved by the Target Group.

Given that the Vendors were confident on the business prospects of the Target Group based on the above assessment and the Company would like to have extra comfort in case there will be any shortfalls in Guaranteed Profit, the compensation multiplier of 2 for each of the Relevant Period was determined after arm's length commercial negotiation between the Purchasers and the Vendors.

The Company will make further announcement as to the satisfaction of the Profit Guarantee as and when necessary.

INDEMNITY

Pursuant to the Deed of Indemnity, each of the Vendors and the Warrantors has agreed to indemnify the Purchasers for losses, suffered by the Purchasers due to, among others, (i) claims and proceedings arising from any causes or facts existing prior to Completion; (ii) any breaches or non-compliance of the relevant laws and regulations of the PRC or contracts by members of the Target Group (including the branch companies) prior to Completion; (iii) the renewal of service contracts entered into by members of the Target Group (including the branch companies) prior to Completion.

The Deed of Indemnity shall become effective upon Completion.

POST-COMPLETION MANAGEMENT OF THE TARGET COMPANY

After Completion, the board of directors of the Target Company shall comprise five directors, and they shall be nominated by shareholders of the Target Company and be elected at the shareholders' meeting. The Purchasers are entitled to nominate three directors and the remaining shareholders of the Target Company are entitled to nominate the remaining two directors. The chairman and the legal representative of the Target Company shall be elected from the directors nominated by the Purchasers.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has three business lines, namely (i) property management services, (ii) value-added services to non-property owners and (iii) community value-added services, which form an integrated service offering to its customers and cover the entire value chain of property management.

Increasing the Group's market share and geographical presence in the PRC

The Board believes that the Acquisition can further expand the geographic scope of the Group's business operations, increase its market share and enhance its competitiveness in regional markets. The projects of the Target Group are mainly located in first-tier and second-tier cities in the PRC such as Qingdao, Nanjing, Shanghai, Shenyang, Weifang, Nanchang and Suzhou, which are the key development areas of the Group's business. The Acquisition will facilitate the in-depth regional development in these cities.

Strengthening brand awareness and competitiveness in regional markets

The Acquisition is expected to enhance the brand awareness of the Group. All of the Target Group's projects are property management projects of high-end properties with excellent management quality. The Target Group's property management portfolio mainly consists of commercial and office buildings and the Acquisition will allow the Group to diversify its business scope and accumulate experiences in managing commercial properties. Moreover, through providing high-end property management service, the Group's reputation in the regional markets and competitiveness in the commercial property market will be further enhanced.

Enhancing the overall revenue, profit and the profit margin

According to the accountants' report of the Target Group as set out in Appendix II to this circular, for the year ended 31 December 2018, its revenue amounted to approximately RMB205.7 million and its net profit amounted to approximately RMB33.8 million with a net profit margin of approximately 16.4%. As of the end of 2018, the Target Group's gross floor area of under management was around 1.4 million square meters. Since the beginning of 2019, it has brought in three new management projects, adding an additional of under management 450,000 square meters to its management portfolio. The revenue of the Target Group is expected to continue to grow steadily. Therefore, the Acquisition will allow the Group to enhance the revenue and profit and increase its overall profitability.

Optimizing the business structure and expanding the service scope

Currently, most of the revenue of Target Group is derived from commercial property management projects. The Acquisition is expected to optimize the business structure of the Group and extend the value-added services for commercial properties. It will enhance the Group's capability to further explore the property management service in commercial market.

Enhancing management and operational efficiency

The Target Group is well-established in the property management business focusing on commercial and office properties with high management efficiency and remarkable operating output. The Acquisition will allow the Group to strengthen the management capabilities for commercial property projects, gain experiences from effective management by the Target Group and further improve the Group's operational efficiency.

Creating values for shareholders

The Acquisition is expected to optimize the Group's business structure, market share, property portfolio and influence in the commercial property management market and the overall quality of its services. The Acquisition will produce synergy effect especially in increasing the corporate competitiveness in regions like Nanjing and Shanghai. It will allow the Group to create greater benefits, value and rewards for its shareholders.

Having considered the nature of and the benefits resulting from the Acquisition, the Directors believe that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP

The Group is a property management service provider in the PRC and its business covers a wide spectrum of properties, including residential properties and non-residential properties such as office buildings, shopping malls, schools and government buildings, and provides customers with access to quality tailored services.

INFORMATION OF THE VENDORS AND THE WARRANTORS

Vendor I is established in the PRC with limited liability and is principally engaged in the business of department store operations.

Vendor II is established in the PRC with limited liability and is principally engaged in the business of property development.

Vendor III is established in the PRC with limited liability and is principally engaged in the business of property development.

Vendor IV is established in the PRC with limited liability and is principally engaged in the business of department store operations and management.

Vendor V is established in the PRC with limited liability and is principally engaged in the business of hotel operations.

Vendor VI is established in the PRC with limited liability and is principally engaged in the business of property development.

Vendor VII is established in the PRC with limited liability and is principally engaged in the business of hotel operations.

Vendor VIII is established in the PRC with limited liability and is principally engaged in the business of retail.

Warrantor I is established in the PRC with limited liability and is principally engaged in the business of property development.

Warrantor II is established in the PRC with limited liability and is principally engaged in the business of investment holding.

Warrantor III is established in the PRC with limited liability and is principally engaged in the business of property development.

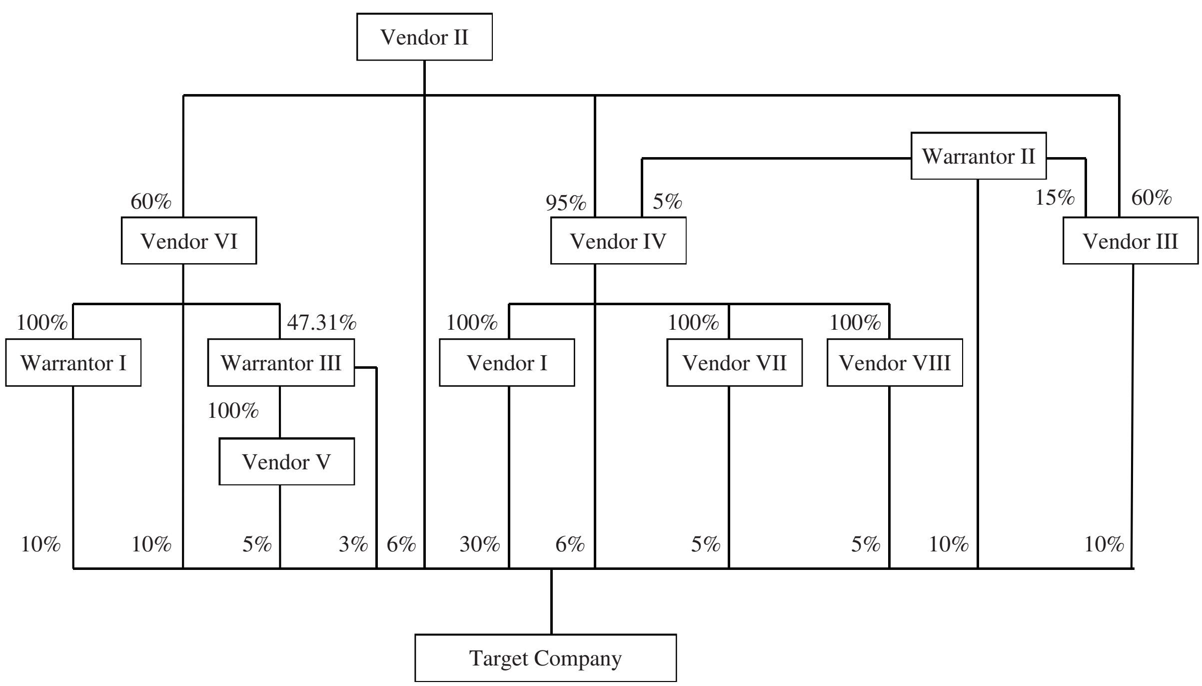
INFORMATION OF THE TARGET GROUP

The Target Company is a company established in the PRC with limited liability and is principally engaged in, inter alia, public car park operation, property management and rental services.

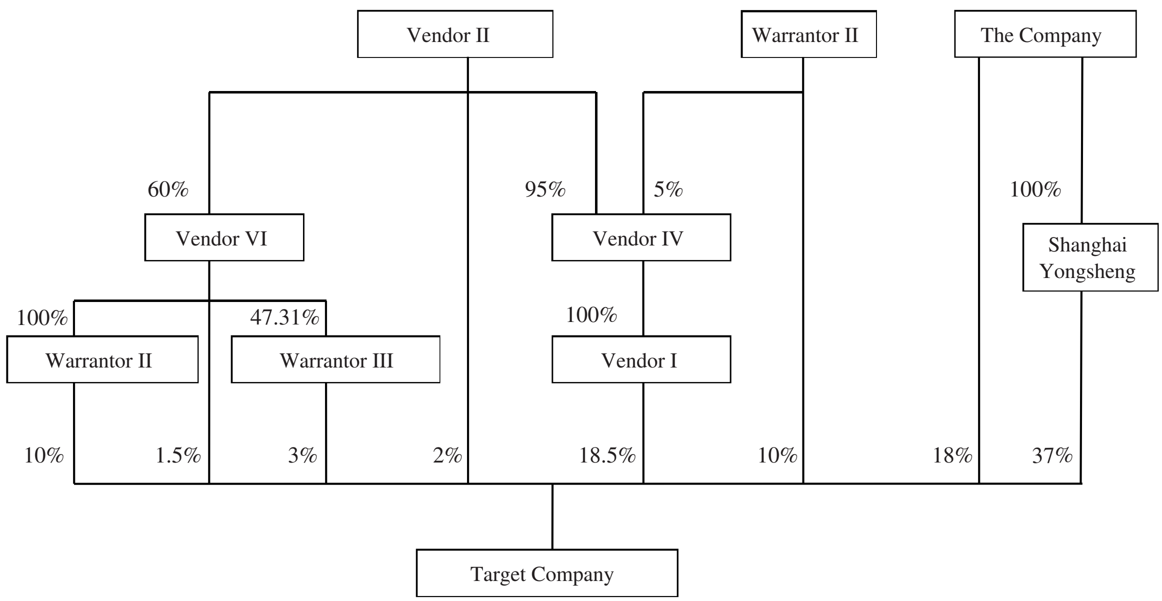
Suzhou Yayuan is a company established in the PRC with limited liability and is principally engaged in the provision of property management services. Suzhou Yayuan is a direct wholly-owned subsidiary of the Target Company.

As at the Latest Practicable Date, apart from Suzhou Yayuan, the Target Company has 7 branches in the PRC (one of which is in the process of deregistration subsequent to the date of the Announcement as it was no longer in operation prior to the date of the Acquisition Agreement) to manage and operate property management projects in Qingdao, Shenyang, Nanjing, Suzhou, Shanghai, Weifang and Nanchang, the PRC.

Shareholding structure chart of the Target Company prior to Completion



Shareholding structure chart of the Target Company upon Completion



FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the consolidated audited financial information of the Target Group for the financial years ended 31 December 2017, 2018 and the five months ended 31 May 2019 respectively:

	For the financial year ended 31 December		For the five months ended 31 May
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(approximately)	*(approximately)*	*(approximately)*
Revenue	172,744	205,669	94,602
Net profit before taxation	34,666	45,628	16,864
Net profit after taxation	26,922	33,830	12,159

Based on the consolidated audited financial information of the Target Group, the total assets value and net assets value of the Target Group were approximately RMB229.0 million and RMB23.4 million respectively as at 31 May 2019.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon Completion, the Group will be interested in 55% equity interests in the Target Group (18% equity interests to be directly held by the Company and 37% equity interests to be indirectly held by the Company through Shanghai Yongsheng) and the Target Group will become non-wholly-owned subsidiaries of the Company. The financial results of the Target Group will be consolidated into the Group's financial statements.

Earnings

The audited net profit after tax of the Group for the financial year ended 31 December 2018, as disclosed in 2018 annual report of the Company, was approximately RMB100.2 million.

As set out in Appendix II to this circular, the Target Group recorded an audited net profit after tax of approximately RMB33.8 million for the financial year ended 31 December 2018 and approximately RMB12.2 million for the five months ended 31 May 2019.

The Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, if the Acquisition had been taken place at 31 December 2018, the Group's total assets would increase from approximately RMB1,492.9 million to approximately RMB1,763.1 million and total liabilities would increase from approximately RMB590.3 million to approximately RMB819.7 million, representing a total consolidated net assets position of approximately RMB943.4 million upon Completion.

Further details of the financial effect of the Acquisition together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition Agreement and the transactions contemplated thereunder are more than 25% but less than 100%, the transactions contemplated under the Acquisition Agreement constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement requirements and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM which will be held at No.1 Conference Room, 9/F., Building 39 Henderson CIFI Centre, 1088 Nong, Shen Hong Road, Minhang District, Shanghai, the PRC on Monday, 2 September 2019 at 2:00 p.m.. At the EGM, an ordinary resolution will be proposed to the Shareholders to approve the Acquisition Agreement and the transactions contemplated thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, voting on all resolutions set out in the Notice of EGM shall be taken by way of poll. Any Shareholders who are involved in or interested in the Acquisition Agreement and the transactions contemplated thereunder are required to abstain from voting on the relevant ordinary resolution(s) approving the Acquisition Agreement and the transactions contemplated 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, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders will be required to abstain from voting at the EGM to be convened for the purpose of considering and, if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder.

Closure of register of members

The EGM will be held on Monday, 2 September 2019. 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 Wednesday, 28 August 2019 to Monday, 2 September 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for tending 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 Tuesday, 27 August 2019.

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 Shops 1712-1716, 17th 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 the holding of the meeting (i.e. before 2:00 p.m. on Saturday, 31 August 2019) or any adjournment thereof.

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

RECOMMENDATIONS

The Directors are of the view that the terms of, and the transactions contemplated, under the Acquisition Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the resolution to be proposed the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group (i) for the financial years ended 31 December 2016 and 31 December 2017 are set out in the Accountant's Report included in the prospectus of the Company dated 4 December 2018 ("**Prospectus**"); and (ii) for the financial year ended 31 December 2018 are disclosed on pages 72 to 146 of the 2018 annual report of the Company. All of these financial statements have been published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at http://www.ysservice.com.cn/:

(i) the Prospectus can be accessed by the direct hyperlink below:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1204/LTN20181204007.pdf

(ii) the 2018 annual report of the Company can be accessed by the direct hyperlink below:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0423/LTN20190423723.pdf

2. INDEBTEDNESS STATEMENT AND CONTINGENT LIABILITIES

As at the close of business on 30 June 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this indebtedness statement, the Target Group had outstanding bank borrowings of approximately RMB28.3 million which was guaranteed by a shareholder of the Target Group and its related company and secured by a pledged bank deposit of approximately RMB28.3 million; and bills payables of approximately RMB103.0 million which was secured by a pledge bank deposit of approximately RMB44.7 million. As at 30 June 2019, the Group had outstanding bank borrowings of approximately HK$10.6 million (equivalent to approximately RMB9.3 million) which was secured by a pledge bank deposit of approximately RMB10.0 million. As of 30 June 2019, the Group had unutilized banking facilities of approximately HK$14.4 million (equivalent to approximately RMB12.6 million).

As at 30 June 2019, the Enlarged Group had no contingent liabilities which have not been properly accrued for. The Enlarged Group is involved in certain legal claims mainly related to property damage compensation due to water leakage. The Enlarged Group does not expect that it will incur any material adverse effect on our business, financial condition or operating results and has made best estimation of the liability after considering legal advice.

As at 30 June 2019, a branch company of the Target Company executed the Corporate Guarantee and Regulatory Agreement in favor of a bank in the PRC in respect of Warrantor I's obligations for a loan facility up to RMB1,390 million under the Loan Agreement. The Corporate Guarantee and the Regulatory Agreement will be terminated and released within 90 calendar days from the date of the payment of the 1st instalment of the Consideration and before Completion pursuant to the terms of the Acquisition Agreement.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, at the close of the business on 30 June 2019, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade bills and payables), acceptance credits, or any guarantees or other material contingent liabilities.

The Directors confirm that, save as disclosed above, there have been no material changes in the indebtedness or contingent liabilities of the Enlarged Group as at the Latest Practicable Date.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the existing banking and other borrowing facilities available, the existing cash and bank balances and the effects of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company is a reputable and fast-growing property management service provider in China. It embraces a concept of "Build a Better Life with Heart (用心構築美好生活)" and is committed to providing all of its clients with comprehensive and considerate professional property management services.

The Target Group is primarily engaged in mid-range and high-end commercial property management services and has approximately 20 years of experience in this area, establishing a quality commercial property service brand image. As at 30 June 2019, the total gross floor area of properties under management of the Target Group was approximately 1.85 million square meters. The service projects were mainly located in core cities such as Shanghai, Suzhou, Qingdao and Nanjing.

Upon Completion, the Group may combine the Target Group's existing strength and experience in commercial property management market to enhance the management efficiency of commercial property projects of the Group, expand the scope and size of its property management business, and further improve the market shares and brand influence of the Group in core regions such as first-tier and second-tier cities. This could increase the profitability and continue to promote the business growth of the Group.

Looking forward, the Group will continue to actively explore cooperation opportunities with quality property management service enterprises and optimize its diversified industrial structure and regional roadmap. The Group will further expand market shares in commercial property services area, implement the Yueze Commercial (悅澤商辦) service system and service grading standards system and upgrade the value-added services provided for commercial property in order to leverage opportunities in diversified business growth. The Group will continue to develop diversified property management services and enhance its service quality, so as to solidify and further enhance the Group's competitiveness and brand awareness in property management service industry in the PRC to create greater values for the community and greater returns for shareholders.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, having considered the development on its financial position, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

Set out below is the text of a report received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EVER SUNSHINE LIFESTYLE SERVICES GROUP LIMITED

Introduction

We were engaged to report on the historical financial information of 青島雅園物業管理有限公司 (the "**Target Company**") and its subsidiary (hereinafter collectively referred to as the "**Target Group**") set out on pages II-4 to II-58, which comprises the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 31 May 2019, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2016, 2017 and 2018 and 31 May 2019 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-58 forms an integral part of this report, which has been prepared for inclusion in the circular of Ever Sunshine Lifestyle Services Group Limited (the "**Company**") dated 14 August 2019 in connection with the proposed acquisition of 55% equity interests in the Target Group by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to conduct work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ("**HKSIR 200**") "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Based on our work done, we express an opinion on the Historical Financial Information and report our opinion to you. HKSIR 200 requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Group's consolidated financial position as at 31 December 2016, 2017 and 2018 and 31 May 2019 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE HISTORICAL FINANCIAL INFORMATION

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2018 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in notes 3 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

BDO Limited
Certified Public Accountants
Wan Che Bun
Practising Certificate Number P05804

Hong Kong
14 August 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the Historical Financial Information of the Target Group prepared by the directors of the Company and forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods (the "**Underlying Financial Statements**"), on which the Historical Financial Information of the Target Group is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousands ("**RMB'000**") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	6	142,067	172,744	205,669	79,411	94,602
Cost of sales		(122,310)	(129,159)	(146,509)	(57,682)	(64,369)
Gross profit		19,757	43,585	59,160	21,729	30,233
Other income		1,229	1,836	994	422	1,738
Administrative expenses		(9,624)	(10,408)	(13,334)	(4,892)	(12,795)
Other operating expenses		(202)	(347)	(447)	(186)	(184)
Finance costs	7	—	—	(745)	—	(2,128)
Profit before income tax	8	11,160	34,666	45,628	17,073	16,864
Income tax expense	9	(3,310)	(7,744)	(11,798)	(4,474)	(4,705)
Profit and total comprehensive income for the year/period		7,850	26,922	33,830	12,599	12,159

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 May
		2016	**2017**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	2,523	2,350	2,002	2,038
Deferred tax assets	15	387	889	1,327	2,011
		2,910	3,239	3,329	4,049
Current assets					
Inventories	16	661	699	694	755
Trade receivables	17	8,577	17,902	28,280	19,865
Prepayments, deposits and other receivables	18	8,371	8,120	9,073	10,256
Amounts due from related companies	19	76,570	203,465	200,353	98,433
Income tax recoverable		85	673	853	901
Pledged bank deposit	20	—	—	86,000	73,000
Cash and cash equivalents	20	31,562	32,590	23,324	21,708
		125,826	263,449	348,577	224,918
Current liabilities					
Trade payables	21	6,861	3,716	5,287	3,399
Contract liabilities	6	15,135	17,990	24,985	26,293
Accruals and other payables	22	26,167	27,168	34,170	37,172
Amounts due to related companies	23	47,226	54,659	41,155	—
Bills payables	24	—	100,000	116,000	103,000
Bank loan	25	—	—	28,300	28,300
Income tax payables		1,238	4,124	9,148	7,062
		96,627	207,657	259,045	205,226
Net current assets		29,199	55,792	89,532	19,692
Total assets less current liabilities		32,109	59,031	92,861	23,741
Non-current liability					
Lease liabilities		—	—	—	310
		—	—	—	310
NET ASSETS		32,109	59,031	92,861	23,431
EQUITY					
Paid-up capital	26	5,000	5,000	5,000	5,000
Reserves	27	27,109	54,031	87,861	18,431
TOTAL EQUITY		32,109	59,031	92,861	23,431

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016	5,000	2,500	32,033	39,533
Dividends (note 12)	—	—	(15,274)	(15,274)
Transaction with owners	—	—	(15,274)	(15,274)
Profit and total comprehensive income for the year	—	—	7,850	7,850
Balance at 31 December 2016 and 1 January 2017	5,000	2,500	24,609	32,109
Profit and total comprehensive income for the year	—	—	26,922	26,922
Balance at 31 December 2017 and 1 January 2018	5,000	2,500	51,531	59,031
Profit and total comprehensive income for the year	—	—	33,830	33,830
Balance at 31 December 2018	5,000	2,500	85,361	92,861
Dividends (note 12)	—	—	(81,589)	(81,589)
Transaction with owners	—	—	(81,589)	(81,589)
Profit and total comprehensive income for the period	—	—	12,159	12,159
Balance at 31 May 2019	5,000	2,500	15,931	23,431
(Unaudited)				
As at 1 January 2018	5,000	2,500	51,531	59,031
Profit and total comprehensive income for the period	—	—	12,599	12,599
Balance at 31 May 2018	5,000	2,500	64,130	71,630

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from operating activities					
Profit before income tax	11,160	34,666	45,628	17,073	16,864
Adjustments for:					
Finance costs	—	—	745	—	2,120
Interest income	(275)	(158)	(151)	(29)	(917)
Depreciation of property, plant and equipment	393	553	1,227	588	298
Depreciation of right-of-use assets	—	—	—	—	42
Expected credit loss on financial assets	45	2,008	1,750	1,128	2,737
Loss on disposals of property, plant and equipment	—	21	—	—	—
Operating profit before working capital changes	11,323	37,090	49,199	18,760	21,144
Decrease/(Increase) in inventories	33	(38)	5	4	(61)
Decrease/(Increase) in trade receivables	2,156	(10,899)	(12,420)	(4,768)	5,376
Decrease/(Increase) in prepayment, deposits and other receivables	1,651	263	(672)	81	(1,235)
Increase/(Decrease) in trade payables	2,784	(3,145)	1,571	2,204	(1,888)
Increase in accruals and other payables	8,572	1,001	7,002	1,298	3,002
(Decrease)/Increase in contract liabilities	(3,073)	2,855	6,995	4,252	1,308
Cash generated from operations	23,446	27,127	51,680	21,831	27,646
Income tax paid	(6,837)	(5,948)	(7,392)	(4,254)	(7,523)
Net cash generated from operating activities	16,609	21,179	44,288	17,577	20,123

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from investing activities					
Purchase of property, plant and equipment	(1,559)	(401)	(879)	(664)	(74)
(Increase)/Decrease in amounts due from related companies	(1,381)	(127,341)	3,123	153	102,274
Interest received	275	158	151	29	917
Net cash (used in)/ generated from investing activities	(2,665)	(127,584)	2,395	(482)	103,117
Cash flows from financing activities					
Net change in bills payables	—	100,000	16,000	56,000	(13,000)
Proceeds from bank loan	—	—	28,300	—	—
(Decrease)/Increase in amounts due to related companies	(32,596)	7,433	(13,504)	(18,731)	(41,155)
(Decrease)/Increase in pledged bank deposits	—	—	(86,000)	(56,000)	13,000
Interest on lease liabilities	—	—	—	—	8
Loan interest paid	—	—	(745)	—	(2,120)
Distribution paid	(15,274)	—	—	—	(81,589)
Net cash (used in)/generated from financing activities	(47,870)	107,433	(55,949)	(18,731)	(124,856)
Net (decrease)/increase in cash and cash equivalents	(33,926)	1,028	(9,266)	(1,636)	(1,616)
Cash and cash equivalents at the beginning of year	65,488	31,562	32,590	32,590	23,324
Cash and cash equivalents at the end of year/period	31,562	32,590	23,324	30,954	21,708

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 May
		2016	2017	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	2,351	2,165	1,820	1,860
Investment in a subsidiary	14	500	500	500	500
Deferred tax assets	15	325	676	1,163	1,900
		3,176	3,341	3,483	4,260
Current assets					
Inventories	16	661	699	694	755
Trade receivables	17	8,099	17,065	26,500	18,783
Prepayments, deposits and other receivables	18	6,897	6,714	7,551	8,776
Income tax recoverable		—	—	—	59
Amounts due from related companies	19	75,438	104,026	143,386	37,276
Amount due from a subsidiary	14	700	700	700	700
Cash and cash equivalents	20	25,197	26,180	18,489	17,713
		116,992	155,384	197,320	84,062
Current liabilities					
Trade payables	21	2,526	2,539	3,630	3,016
Contract liabilities	6	14,562	17,990	24,985	26,293
Accruals and other payables	22	23,184	23,615	28,570	33,277
Amounts due to related companies	23	46,634	54,659	44,338	—
Amount due to a subsidiary	14	—	383	—	—
Income tax payable		1,238	4,125	9,148	7,062
		88,144	103,311	110,671	69,648
Net current assets		28,848	52,073	86,649	14,414
Total assets less current liabilities		32,024	55,414	90,132	18,674
Non-current liability					
Lease liabilities		—	—	—	310
		—	—	—	310
NET ASSETS		32,024	55,414	90,132	18,364
EQUITY					
Paid-up capital	26	5,000	5,000	5,000	5,000
Reserves	27	27,024	50,414	85,132	13,364
TOTAL EQUITY		32,024	55,414	90,132	18,364

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1. GENERAL INFORMATION

青島雅園物業管理有限公司 (the "**Target Company**") was incorporated in the People's Republic of China (the "**PRC**") with limited liability on 24 September 1999. Its registered office and principal place of business are located at 40 Xianggang Zhong Lu, Shinan Qu, Qingdao Shi, Shandong Province, the PRC.

The principal activities of the Target Company and its subsidiary (collectively referred to as the "**Target Group**" hereafter) are the provision of property management services and community value-added services in the PRC. Details of the activities of its subsidiary are set out in note 14.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New standards, interpretations and amendments adopted by the Target Group

The accounting policies adopted in the preparation of the Historical Financial Information are consistent with those followed in the preparation of the Target Group's consolidated financial statement for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Target Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Target Group adopted HKFRS 16 — *Leases* ("**HKFRS 16**") using the modified retrospective approach with a date of initial application of 1 January 2019, under which the cumulative effect of initial application is recognised as at 1 January 2019. As a result, the Historical Financial Information presented for the years ended 31 December 2016, 2017 and 2018 have not been restated. HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of HKFRS 16 on the Historical Financial Information is described below.

Impact of the new definition of a lease

The Target Group has made use of the practical expedient available on transition to HKFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with HKAS 17 — *Leases* ("**HKAS 17**") and HK(IFRIC)-Int 4 — *Determining whether an Arrangement contains a Lease* ("**HK(IFRIC)-Int 4**") will continue to be applied to leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. HKFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

In preparation for the first-time application of HKFRS 16, the Target Group assessed that the new definition in HKFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Target Group.

Impact on lessee accounting

HKFRS 16 changes how the Target Group accounts for leases previously classified as operating leases under HKAS 17, which were off-balance-sheet. Upon initial application of HKFRS 16, for all leases (except for short-term leases and leases of low value assets), the Target Group (a) recognises right-of-use assets and lease liabilities in the consolidated statements of financial position, initially measured at the present value of future lease payments; (b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statements of profit or loss and other comprehensive income; and (c) separately presented the total amount of cash paid into a principal portion and interest within financing activities and investing activities in the statements of cash flows.

Under HKFRS 16, right-of-use assets are tested for impairment in accordance with HKAS 36 — *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

As at 31 December 2018, the Target Group had operating lease commitment of approximately RMB1,560,000. On transition to HKFRS 16, the Target Group has taken advantage of the following practical expedients to leases previously classified as operating leases under HKAS 17 and recognised right-of-use assets measured at the amount equal to the lease liability.

The aggregate lease liability recognised in the consolidated statements of financial position as at 1 January 2019 and the Target Group's operating lease commitment as at 31 December 2018 is reconciled as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	1,560
Recognition exemption for short-term leases	(1,200)
Gross lease liabilities as at 1 January 2019	360
Discounting effect	(58)
Lease liabilities as a result of the initial application of HKFRS 16 as at 1 January 2019	302

The adjustment of the opening balances (affected items only) resulting from the initial application of the HKFRS 16 as at 1 January 2019 is set out in the table below. The prior-year amounts were not adjusted.

	As at 31 December 2018	Leases capitalisation	As at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
	(Originally stated)		*(Restated)*
Assets			
- Property, plant and equipment (Right-of-use assets)	—	302	302
Liabilities			
- Lease liabilities	—	302	302

Impacts for the five-month period ended 31 May 2019

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Target Group and the Target Company recognised approximately RMB260,000 of right-of-use assets and approximately RMB310,000 of lease liabilities as at 31 May 2019.

In relation to those leases under HKFRS 16, instead of charging operating lease expense, the Target Group and the Target Company recognised depreciation expense on right-of-use assets of approximately RMB42,000 and interest expense on lease labilities of approximately RMB8,000 during the five months ended 31 May 2019.

	Right-of-use assets	Lease liabilities
	RMB'000	*RMB'000*
As at 1 January 2019	302	302
Depreciation charge	(42)	—
Interest expense	—	8
As at 31 May 2019	260	310

For the short-term leases, the Target Group and Target Company recognised expenses relating to short term-lease amounting to approximately RMB367,000 for the five months ended 31 May 2019.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

The Target Group in the process of making assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact to the Target Group's Historical Financial Information.

3. BASIS OF PREPARATION AND PRESENTATION

(a) Basis of preparation

The principle accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA are set out in note 4. The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates and key sources of estimation uncertainty. It also requires management of the Target Group to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

All relevant standards, amendments and interpretations to the existing standard that are effective during the Relevant Periods have been adopted by the Target Group consistently throughout the Relevant Periods. New standards, amendments to standards and interpretations which have been issued but are not yet effective during the Relevant Periods is set out in note 2.

(b) Basis of measurement and going concern assumption

The Historical Financial Information have been prepared under the historical cost basis.

(c) Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("**RMB**") which is also the functional currency of the Target Company and all values are rounded to the nearest thousands ("**RMB'000**") except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of Target Company and its subsidiary comprising the Target Group for Relevant Periods.

Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date that control ceases. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of the disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Target Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Target Group.

Changes in the Target Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Target Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company's statement of financial position, investment in a subsidiary is carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The result of the subsidiary is accounted for by the Target Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Target Company's profit or loss.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other expenses, such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost, net of expected residual value, over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Motor vehicles	4 years
Furniture, fixtures and equipment	4-5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Impairment of assets (other than financial assets)

At the end of each reporting period, the Target Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

4.5 Leases

Leases

The Target Group has applied HKFRS 16 using the modified retrospective approach and therefore the Historical Financial Information for the years ended 31 December 2016, 2017 and 2018 have not been restated and continues to be reported under HKAS 17 and HK(IFRIC) Int-4.

Accounting policy applicable from 1 January 2019

At inception of a contract, the Target Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Target Group assesses whether:

- the contract involves the use of an identified asset — this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Target Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Target Group has the right to direct the use of the asset. The Target Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Target Group has the right to direct the use of the asset if either:

    - the Target Group has the right to operate the asset; or

    - the Target Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Target Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Target Group's incremental borrowing rate. Generally, the Target Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Target Group has applied judgement to determine the lease term for some lease contracts in which it is a lease that include renewal options. The assessment of whether the Target Group is reasonably certain to exercise such options impacts the lease terms, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Target Group has elected not to recognise right-of-use assets and lease liabilities for some leases that have a lease term of 12 months or less and leases of low-value assets. The Target Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Accounting policy applicable prior to 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Target Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets.

Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.6 Financial Instruments

Financial assets and financial liabilities are recognized when a Target Group's entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. The Target Group classifies its debt instruments into the following measurement category.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Expected credited loss on financial assets

The Target Group recognises loss allowances for expected credit losses ("**ECLs**") on trade receivables and financial assets measured at amortised. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

The Target Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Group has established a provision matrix that is based on the Target Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Group's historical experience and informed credit assessment and including forward-looking information.

The Target Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Target Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Target Group on terms that the Target Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amount due to related companies, bills payable and bank loans are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Paid-up capital

The paid-up capital of the Target Group are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Target Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.8 Revenue recognition

The Target Group provides property management services and community value-added services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

For property management services, the Target Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Target Group has a right to invoice and that corresponds directly with the value of performance completed.

Property management services

Property management services income from properties managed are on lump sum basis, where the Target Group acts as principal and is primary responsible for providing the property management services to the property owners, the Target Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

Community value-added services

For community value-added services, revenue is recognised when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Target Group presents the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between the Target Group's performance and the customer's payment.

A contract asset is the Target Group's right to consideration in exchange for services that the Target Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Target Group has a right to an amount of consideration that is unconditional, before the Target Group transfers services to the customer, the Target Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Target Group's obligation to transfer services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Target Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

4.9 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

4.10 Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.11 Employee benefits

Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Target Group participates in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the subsidiary of the Target Company in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Target Company. The only obligation of the Target Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognized in the year when the employees render the related service.

4.12 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Target Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.13 Segment reporting

The Target Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors for their decisions about resource allocation to the Target Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the directors are determined following the Target Group's major business lines.

4.14 Related parties

(a) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of key management personnel of the Target Group or the Target Group's parent.

(b) An entity is related to the Target Group if any of the following conditions apply:

(i) The entity and the Target Group are members of the same company (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a company of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a company of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(a) Useful lives, residual values and depreciation of property, plant and equipment

The Target Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write- down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(b) Impairment of property, plant and equipment

The impairment loss of property, plant and equipment and intangible assets is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount of the assets, or, where appropriate, the cash generating unit to which they belong, is the higher of its fair value less costs of disposal and value-in-use. The recoverable amounts are determined based on value in use. The Target Group's management estimates future cash flows from the cash-generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimations at the end of each reporting period.

(d) Impairment of financial assets

The measurement of expected credited losses on financial assets under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining expected credited losses on financial assets and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, The Target Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

6. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Target Company.

Information about major customer

The Target Group has a large number of customers, none of whom contributed 10% or more of the Target Group's revenue during the Relevant Periods.

Operating segment Information

During the Relevant Periods, the Target Group is principally engaged in the provision of property management services and community value-added services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief operating decision maker of the Target Company regards that there is only one segment which is used to make strategic decisions.

Information about geographical area

The major operating entity of the Target Group is domiciled in the PRC. Accordingly, all of the Target Group's revenue were derived in the PRC during the Relevant Periods.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, all of the non-current assets were located in the PRC.

Revenue mainly comprises proceeds from property management services and community value-added services. An analysis of the Target Group's revenue by category during the Relevant Periods is as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue from contracts with customers					
- Property management services	128,687	156,331	185,835	70,665	84,847
- Community value-added services	13,380	16,413	19,834	8,746	9,755
	142,067	172,744	205,669	79,411	94,602
Geographical markets					
Mainland China	142,067	172,744	205,669	79,411	94,602
Time of revenue recognition					
Services transferred over time	142,067	172,744	205,669	79,411	94,602

Unsatisfied performance obligations

For property management services, the Target Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Target Group's performance to date, on a monthly basis. The Target Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts does not have a fixed term. For community value-added services, they are rendered in short period of time and there is no unsatisfied performance obligation at the end of respective periods.

Assets recognised from incremental costs to obtain a contract

During the relevant periods, there were no signification incremental costs to obtain a contract.

Details of contract liabilities

The Target Group and the Target Company have recognised the following revenue-related contact liabilities:

The Target Group

	31 December 2016	31 December 2017	31 December 2018	31 May 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	15,135	17,990	24,985	26,293

The Target Company

	31 December 2016	31 December 2017	31 December 2018	31 May 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	14,562	17,990	24,985	26,293

(i) Significant changes in contract liabilities

Contract liabilities of the Target Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increase as a result of the growth of the Target Group's business.

(ii) Revenue recognised in relation to contract liabilities

The following table shows the movements in contract liabilities:

	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January	18,208	15,135	17,990	24,985
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at beginning of the year/period	(18,208)	(15,135)	(17,990)	(21,754)
Increase in contract liabilities as a result of billing in advance of the services	15,135	17,990	24,985	23,062
Balance at 31 December/31 May	15,135	17,990	24,985	26,293

7. FINANCE COSTS

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on lease liabilities	—	—	—	—	8
Interest on secured bank loan (note 25)	—	—	745	—	2,120
	—	—	745	—	2,128

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Depreciation on property, plant and equipment	393	553	1,227	588	298
Depreciation on right-of-use assets	—	—	—	—	42
Loss on disposal of property, plant and equipment	—	21	—	—	—
Expected credit loss on financial assets	45	2,008	1,750	1,128	2,737
Operating lease charges in respect of rented premises	428	899	993	358	—
Expenses relating to short term lease	—	—	—	—	367
Staff costs (note 10)	51,065	52,807	60,228	25,148	27,227

9. INCOME TAX EXPENSE

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax - PRC EIT					
PRC income tax for current year	3,299	7,242	11,360	4,192	4,021
Deferred tax					
Credited to profit or loss for the year (note 15)	11	502	438	282	684
	3,310	7,744	11,798	4,474	4,705

The PRC income tax for the Relevant Periods was calculated at 25% of the estimated assessable profits arising from the PRC.

A reconciliation of income tax expense and accounting profits at applicable tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	11,160	34,666	45,628	17,073	16,864
Tax on profit before tax, calculated at tax rate applicable	2,790	8,666	11,406	4,268	4,216
Tax effect of non-deductible expense	75	86	103	21	826
Utilisation of tax losses previously not recognised	—	(1,008)	—	—	(337)
Tax effect of tax losses not recognised	445	—	289	185	—
	3,310	7,744	11,798	4,474	4,705

Deferred tax assets in respect of unused tax losses has not been recognised in the financial statements due to the unpredictability of future profit stream against which the tax losses can be utilised. The tax losses of the entities operating in Mainland China can be carried forward for 5 years.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Group had unused tax losses of approximately RMB4.0 million, RMB nil, RMB1.3 million and RMB nil respectively, available to offset against future profits. No deferred tax asset has been recognized in respect of those tax losses due to the unpredictability of future profit streams.

10. STAFF COSTS

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Staff costs (including directors) comprise:					
- Salaries and allowances	42,423	43,573	49,937	21,072	22,597
- Pension scheme contributions	8,642	9,234	10,291	4,076	4,630
	51,065	52,807	60,228	25,148	27,227

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments paid to each of the directors of the Target Group during the Relevant Periods is as follows:

Year ended 31 December 2016

Name of directors	**Fees** *RMB'000*	**Salaries and other benefits** *RMB'000*	**Pension scheme contribution** *RMB'000*	**Total** *RMB'000*
Zhou Huaizhong (appointed on 26 May 2016)	—	800	60	860
Qi Hongbo	—	—	—	—
Zheng Huacheng	—	—	—	—
Xing Bojing (resigned on 26 May 2016)	—	—	—	—
Zhou Xiaohua (resigned on 26 May 2016)	—	—	—	—
Wang Haichen (resigned on 26 May 2016)	—	—	—	—
	—	800	60	860

Year ended 31 December 2017

Name of directors	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Pension scheme contribution *RMB'000*	Total *RMB'000*
Zhou Huaizhong	—	931	63	994
Qi Hongbo	—	—	—	—
Zheng Huacheng	—	—	—	—
	—	931	63	994

Year ended 31 December 2018

Name of directors	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Pension scheme contribution *RMB'000*	Total *RMB'000*
Zhou Huaizhong	—	1,076	111	1,187
Qi Hongbo	—	—	—	—
Zheng Huacheng	—	—	—	—
	—	1,076	111	1,187

Five months ended 31 May 2018 (Unaudited)

Name of directors	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Pension scheme contribution *RMB'000*	Total *RMB'000*
Zhou Huaizhong	—	230	25	255
Qi Hongbo	—	—	—	—
Zheng Huacheng	—	—	—	—
	—	230	25	255

Five months ended 31 May 2019

Name of directors	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Pension scheme contribution *RMB'000*	Total *RMB'000*
Zhou Huaizhong	—	230	25	255
Qi Hongbo	—	—	—	—
Zheng Huacheng	—	—	—	—
	—	230	25	255

(b) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Target Group for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018 and 2019 include one, one, one and one and one directors whose emoluments is reflected in the analysis presented above, respectively. The emoluments payables to the remaining four, four, four, four and four individuals during the Relevant Periods, respectively, are as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and other employee benefits	1,581	1,561	1,910	406	406

The emoluments paid to the above non-director individuals during the Relevant Periods fell within the following band:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
				(Unaudited)	
Nil to RMB1,000,000	4	4	4	4	4

During the Relevant Periods, no emoluments were paid by the Target Group to the directors and supervisors of the Target Group or employees for services rendered or as an inducement to join or upon joining or as a compensation for loss of office. There was no arrangement under which the directors and supervisors of the Target Group waived or agreed to waive any remuneration during the Relevant Periods.

12. DIVIDENDS AND EARNINGS PER SHARE

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Dividends recognised as distribution	15,274	—	—	—	81,589

During the three years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018 and 2019, the Target Group distributed out of its retained profits a total of approximately RMB15,274,000, RMB nil, RMB nil, RMB nil and RMB 81,589,000 respectively, to its equity holders based on their respective equity interest percentage.

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

The Target Group

	Motor vehicles *RMB'000*	Furniture, fixture and equipment *RMB'000*	Right-of-use asset *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2016	215	4,857	—	5,072
Additions	—	1,559	—	1,559
At 31 December 2016 and 1 January 2017	215	6,416	—	6,631
Additions	50	351	—	401
Disposal	(210)	—	—	(210)
At 31 December 2017 and 1 January 2018	55	6,767	—	6,822
Additions	—	879	—	879
At 31 December 2018 and 1 January 2019	55	7,646	—	7,701
Additions	—	74	302	376
At 31 May 2019	55	7,720	302	8,077
Depreciation				
At 1 January 2016	192	3,523	—	3,715
Charge for the year	1	392	—	393
At 31 December 2016 and 1 January 2017	193	3,915	—	4,108
Charge for the year	1	552	—	553
Disposals	(189)	—	—	(189)
At 31 December 2017 and 1 January 2018	5	4,467	—	4,472
Charged for the year	9	1,218	—	1,227
At 31 December 2018 and 1 January 2019	14	5,685	—	5,699
Charged for the year	4	294	42	340
At 31 May 2019	18	5,979	42	6,039
Carrying amounts				
At 31 December 2016	22	2,501	—	2,523
At 31 December 2017	50	2,300	—	2,350
At 31 December 2018	41	1,961	—	2,002
At 31 May 2019	37	1,741	260	2,038

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimate resided residual values.

The Target Company

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimate resided residual values.

	Motor vehicles	Furniture, fixture and equipment	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 1 January 2016	5	3,577	—	3,582
Additions	—	1,534	—	1,534
At 31 December 2016 and 1 January 2017	5	5,111	—	5,116
Additions	50	304	—	354
At 31 December 2017 and 1 January 2018	55	5,415	—	5,470
Additions	—	863	—	863
At 31 December 2018 and 1 January 2019	55	6,278	—	6,333
Additions	—	70	302	372
At 31 May 2019	55	6,348	302	6,705
Depreciation				
At 1 January 2016	3	2,378	—	2,381
Charge for the year	1	383	—	384
At 31 December 2016 and 1 January 2017	4	2,761	—	2,765
Charge for the year	1	539	—	540
At 31 December 2017 and 1 January 2018	5	3,300	—	3,305
Charged for the year	9	1,198	—	1,207
At 31 December 2018 and 1 January 2019	14	4,498	—	4,512
Charged for the period	4	287	42	333
At 31 May 2019	18	4,785	42	4,845
Carrying amounts				
At 31 December 2016	1	2,350	—	2,351
At 31 December 2017	50	2,155	—	2,165
At 31 December 2018	41	1,780	—	1,820
At 31 May 2019	37	1,563	260	1,860

14. INVESTMENT IN A SUBSIDIARY

The Target Company

Investment in a subsidiary by the Target Company represents an unlisted equity interest stated at cost as at 31 December 2016, 2017 and 2018 and 31 May 2019 respectively.

Particulars of the subsidiary held by the Target Company as at 31 December 2016, 2017, 2018 and 31 May 2019 are set out as follows:

Name	**Place of incorporation**	**Percentage of interest held directly**	**Particulars of registered capital**	**Principal activities**
蘇州雅園物業管理有限公司	The PRC	100%	Registered capital of RMB500,000	Provision of property management services and community value-added services in the PRC

The amount due from/to a subsidiary is unsecured, interest fee and repayable on demand.

15. DEFERRED TAX ASSETS

The Target Group

	Allowance for doubtful debts
	RMB'000
As at 1 January 2016	376
Credited to profit or loss for the year (note 9)	11
As at 31 December 2016 and 1 January 2017	387
Credited to profit or loss for the year (note 9)	502
As at 31 December 2017 and 1 January 2018	889
Credited to profit or loss for the year (note 9)	438
As at 31 December 2018 and 1 January 2019	1,327
Credited to profit or loss for the period (note 9)	684
As at 31 May 2019	2,011

The Target Company

	Allowance for doubtful debts
	RMB'000
As at 1 January 2016	315
Credited to profit or loss for the year	10
As at 31 December 2016 and 1 January 2017	325
Credited to profit or loss for the year	351
As at 31 December 2017 and 1 January 2018	676
Credited to profit or loss for the year	487
As at 31 December 2018	1,163
Credited to profit or loss for the year	737
As at 31 May 2019	1,900

16. INVENTORIES

The Target Group and the Target Company

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consumables	661	699	694	755

17. TRADE RECEIVABLES

The Target Group

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
- Related parties	3,522	5,480	10,899	—
- Third parties	5,480	14,421	21,421	26,944
	9,002	19,901	32,320	26,944
Less: allowance for impairment	(425)	(1,999)	(4,040)	(7,079)
	8,577	17,902	28,280	19,865

The Target Company

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
- Related parties	3,114	4,708	9,787	—
- Third parties	5,399	14,334	20,613	25,675
	8,513	19,042	30,400	25,675
Less: allowance for impairment	(414)	(1,977)	(3,900)	(6,892)
	8,099	17,065	26,500	18,783

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the trade receivables of the Target Group and the Target Company were denominated in RMB, and the fair value of trade receivables approximated its carrying amounts.

Trade receivables of the Target Group and the Target Company mainly arise from property management services income under lump sum basis. Property management services income under lump sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by the residents upon the issuance of demand note.

The ageing analysis of the trade receivables, based on invoice dates, as of the end of each Relevant Periods is as follows:

The Target Group

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	8,627	13,374	15,693	7,271
1 - 2 years	375	6,156	11,388	9,444
2 - 3 years	—	371	4,880	8,798
Over 3 years	—	—	359	1,431
	9,002	19,901	32,320	26,944

The Target Company

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	8,138	12,922	14,545	6,002
1 - 2 years	375	5,749	11,023	9,444
2 - 3 years	—	371	4,473	8,798
Over 3 years	—	—	359	1,431
	8,513	19,042	30,400	25,675

The Target Group and the Target Company recognised expected credited loss on financial assets based on the accounting policy stated in note 4.6(ii).

18. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

The Target Group

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment	3,655	4,478	6,111	8,167
Other tax recoverable	459	2,217	1,437	424
Deposits and other receivables	5,112	2,269	2,088	2,280
Less: allowance for impairment	(855)	(844)	(563)	(615)
	8,371	8,120	9,073	10,256

The Target Company

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment	3,341	4,160	5,667	7,409
Other tax recoverable	459	1,943	1,209	424
Deposits and other receivables	3,719	973	924	1,291
Less: allowance for impairment	(622)	(362)	(249)	(348)
	6,897	6,714	7,551	8,776

19. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

20. CASH AND CASH EQUIVALENTS

The Target Group

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged bank deposit (note)	—	—	86,000	73,000
Cash at banks and on hands	31,562	32,590	23,324	21,708

The Target Company

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and on hands	25,197	26,180	18,489	17,713

Note: Bank deposits have been pledged for bills payables (note 24) and bank loans (note 25). The pledged bank deposit will be released upon the settlement of relevant bills payables.

Cash at banks and on hands of the Target Group and the Target Company are denominated in RMB placed in the PRC. RMB is not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for foreign currencies only through banks that are authorised to conduct foreign exchange business.

21. TRADE PAYABLES

The Target Group

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties	4,218	808	1,141	312
Third parties	2,643	2,908	4,146	3,087
	6,861	3,716	5,287	3,399

The Target Company

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties	539	333	105	312
Third parties	1,987	2,206	3,525	2,704
	2,526	2,539	3,630	3,016

Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Target Group's and the Target Company's trade payables as at the end of each of the Relevant Periods is as follows:

The Target Group

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	6,543	3,257	5,000	3,121
1 - 2 years	318	189	61	34
2 - 3 years	—	270	73	22
Over 3 years	—	—	153	222
	6,861	3,716	5,287	3,399

The Target Company

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,241	2,129	3,422	2,822
1 - 2 years	285	146	30	15
2 - 3 years	—	264	30	1
Over 3 years	—	—	148	178
	2,526	2,539	3,630	3,016

22. ACCRUALS AND OTHER PAYABLES

The Target Group

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals and other payables	17,788	17,717	22,730	21,475
Salary payables	8,079	8,942	10,710	7,203
Other tax payables	300	509	730	8,494
	26,167	27,168	34,170	37,172

The Target Company

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals and other payables	15,996	15,147	18,313	18,108
Salary payables	6,919	7,968	9,536	6,826
Other tax payables	269	500	721	8,343
	23,184	23,615	28,570	33,277

23. AMOUNTS DUE TO RELATED COMPANIES

The amounts are unsecured, interest free and repayable on demand.

24. BILLS PAYABLES

The Target Group

Bills payables refer to payables guaranteed by a bank and are non-interest bearing, secured by the pledged bank deposit (note 20) and are normally settled on terms of 1 year.

25. BANK LOANS

The Target Group

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans (note)	—	—	28,300	28,300
	—	—	28,300	28,300

Note: As at 31 December 2018 and 31 May 2019, bank loan of the Target Group were guaranteed by a shareholder of the Target Group and its related company and secured by the pledged bank deposit (note 20), arranged at interest rates at 5.16% per annum.

26. PAID-UP CAPITAL

The Target Group and the Target Company

The Target Company was incorporated in the PRC on 24 September 1999 as a limited liability under the Target Company Law of the PRC. The registered and paid-up capital of the Target Company upon incorporation was RMB5,000,000. The balance as at 31 December 2016, 2017 and 2018 and 31 May 2019 represented the paid-up capital of the Target Company contributed by its equity holders.

27. RESERVES

The Target Group

Details of the movements of the Target Group's reserves for the Relevant Periods are presented in the consolidated statements of changes in equity.

The Target Company

	Statutory reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2016	2,500	30,176	32,676
Dividends (note 12)	—	(15,274)	(15,274)
Transaction with owners	—	(15,274)	(15,274)
Profit and total comprehensive income for the year	—	9,622	9,622
Balance at 31 December 2016 and 1 January 2017	2,500	24,524	27,024
Profit and total comprehensive income for the year	—	23,390	23,390
Balance at 31 December 2017 and 1 January 2018	2,500	47,914	50,414
Profit and total comprehensive income for the year	—	34,718	34,718
Balance at 31 December 2018	2,500	82,632	85,132
Dividends (note 12)	—	(81,589)	(81,589)
Transaction with owners	—	(81,589)	(81,589)
Profit and total comprehensive income for the period	—	9,821	9,821
Balance at 31 May 2019	2,500	10,864	13,364

28. OPERATING LEASE COMMITMENTS

The following aggregate minimum rentals receivable under non-cancellable operating leases are as follow:

The Target Group and Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	736	1,105	1,200
Over one year but within five years	1,852	747	360
	2,588	1,852	1,560

The operating lease of the Target Group runs from a period of 1 to 5 years. During the years ended 31 December 2016, 2017 and 2018, these rental payments was recognised as an operating lease expense in consolidated statement of profit or loss and other comprehensive income according to HKAS 17.

29. CONTINGENT LIABILITIES

As at 31 December 2016, the Target Group did not have any contingent liabilities.

As at 31 December 2017, 2018 and 31 May 2019, a branch of the Target Group executed a corporate guarantee and a regulatory Agreement in favor of a bank in the PRC in respect of a related company's obligations for a loan facility up to RMB1,390 million under a loan agreement (the "**Corporate Guarantee and Regulatory Agreement**"). The Corporate Guarantee and the Regulatory Agreement will be terminated and released within 90 calendar days from the date of the payment of the 1st instalment of the consideration and before completion of such transaction pursuant to the terms of the sale and purchase agreement in relation to the sale of 55% equity interests in the Target Company owned by the fellow subsidiaries of the related company.

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Target Group undertook the following transactions with the related companies controlled by the ultimate controlling shareholder during the Relevant Periods:

	Year ended 31 December			**Five months ended 31 May**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Rental expense paid to related companies	419	834	859	310	311
Property management fee received from related companies	3,322	1,848	5,112	2,130	1,640
Service fee paid to related companies	4,741	6,566	6,480	2,990	3,276

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bills payables	Bank borrowings	Amounts due to related companies	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2016	—	—	79,822	—	79,822
Net changes in amounts due to related companies	—	—	(32,596)	—	(32,596)
Total changes from financing cash flows	—	—	(32,596)	—	(32,596)
As at 31 December 2016 and 1 January 2017	—	—	47,226	—	47,226
Increase in bills payables	100,000	—	—	—	100,000
Net changes in amounts due to related companies	—	—	7,433	—	7,433
Total changes from financing cash flows	100,000	—	7,433	—	107,433
As at 31 December 2017 and 1 January 2018	100,000	—	54,659	—	154,659
Decrease in bills payables	(100,000)	—	—	—	(100,000)
Increase in bills payables	116,000	—	—	—	116,000
New bank loan	—	28,300	—	—	28,300
Net changes in amounts due to related companies	—	—	(13,504)	—	(13,504)
Total changes from financing cash flows	16,000	28,300	(13,504)	—	30,796
Other changes:					
Interest expenses	—	745	—	—	745
Interest paid	—	(745)	—	—	(745)
Total other changes	—	—	—	—	—

	Bills payables	Bank borrowings	Amounts due to related companies	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018	116,000	28,300	41,155	—	185,455
Decrease in bills payables	(13,000)	—	—	—	(13,000)
Net changes in amounts due to related companies	—	—	(41,155)	—	(41,155)
Total changes from financing cash flows	(13,000)	—	(41,155)	—	(54,155)
Other changes:					
Interest expenses	—	2,120	—	8	2,128
Interest paid	—	(2,120)	—	—	(2,120)
Total other changes	—	—	—	8	8
As at 31 May 2019	103,000	28,300	—	8	131,308

32. FINANCIAL RISK MANAGEMENT

The Target Group's major financial instruments include trade receivables, other receivables, amounts due from related companies, pledged bank deposit, cash and cash equivalents, trade payables, accruals and other payables, amounts due to related companies and borrowings. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Target Group is exposed to credit risk in relation to its trade and other receivables, amount due from related companies, pledged bank deposits and cash at banks. The carrying amounts of trade and other receivables, amounts due from related companies, pledged bank deposit and cash and cash equivalents represent the Target Group's maximum exposure to credit risk in relation to financial assets.

The Target Group expects that there is no significant credit risk associated with pledged bank deposit and cash at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Target Group has large number of customers and there was no concentration of credit risk. The Target Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate expected credited losses on financial assets are made for irrecoverable amounts.

The Target Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Target Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

(a) Credit risk

Trade receivables

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Group applies the general approach to provide for expected credit losses prescribed by HKFRS 9, which permits to recognise 12-month expected credit losses for trade receivables from related parties. Trade receivables from third parties applies the simplified approach to provide for expected losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the loss allowance provision for trade receivable was determined as follows. The expected credit losses below also incorporated forward looking information:

	Third parties					
Trade receivables	**Up to 1 year**	**1 to 2 year**	**2 to 3 year**	**Over 3 year**	**Related parties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016						
Expected loss rate	6.5%	14.4%	—	—	1.0%	
Gross carrying amount	5,105	375	—	—	3,522	9,002
Loss allowance provision	333	54	—	—	38	425
At 31 December 2017						
Expected loss rate	12.8%	14.9%	29.1%	—	1.2%	
Gross carrying amount	11,414	2,636	371	—	5,480	19,901
Loss allowance provision	1,433	392	108	—	66	1,999
At 31 December 2018						
Expected loss rate	14.1%	16.3%	32.0%	100%	2.4%	
Gross carrying amount	10,274	9,429	1,359	359	10,899	32,320
Loss allowance provision	1,444	1,541	434	359	262	4,040
At 31 May 2019						
Expected loss rate	14.8%	17.2%	33.6%	100%	—	
Gross carrying amount	7,271	9,444	8,798	1,431	—	26,944
Loss allowance provision	1,073	1,621	2,954	1,431	—	7,079

Deposits and other receivables (including amounts due from related companies)

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the loss allowance provision for deposit and other receivables (including amounts due from related companies) was determined as follows. The expected credit losses below also incorporated forward looking information:

Deposit and other receivables (including amounts due from related companies)	**Third parties**	**Amounts due from related companies**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2016			
Expected loss rate	16.7%	0.4%	
Gross carrying amount	5,111	76,838	81,949
Loss allowance provision	855	269	1,124
As at 31 December 2017			
Expected loss rate	37.2%	0.4%	
Gross carrying amount	2,269	204,179	206,448
Loss allowance provision	844	715	1,559
As at 31 December 2018			
Expected loss rate	27.0%	0.4%	
Gross carrying amount	2,088	201,057	203,145
Loss allowance provision	563	703	1,266
As at 31 May 2019			
Expected loss rate	27.0%	0.4%	
Gross carrying amount	2,280	98,783	101,063
Loss allowance provision	615	350	965

Movement in loss allowance account

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the loss allowance account in respect of trade receivables, deposits and other receivables and amounts due from related companies reconcile to the opening loss allowance for that provision as follows:

	Trade receivables *RMB'000*	**Deposits and other receivables** *RMB'000*	**Amounts due from related companies** *RMB'000*	**Total** *RMB'000*
At 1 January 2016	397	842	264	1,503
Provision for loss allowance recognised in profit or loss	27	13	5	45
At 31 December 2016 and 1 January 2017	424	855	269	1,548
Provision for loss allowance recognised in profit or loss	1,574	—	446	2,020
Reversal of loss allowance previously recognised	—	(12)	—	(12)
At 31 December 2017 and 1 January 2018	1,998	843	715	3,556
Provision for loss allowance recognised in profit or loss	2,042	—	—	2,042
Reversal of loss allowance previously recognised	—	(281)	(11)	(292)
At 31 December 2018 and 1 January 2019	4,040	562	704	5,306
Provision for loss allowance recognised in profit or loss	3,039	52	—	3,091
Reversal of loss allowance previously recognised	—	—	(354)	(354)
At 31 May 2019	7,079	614	350	8,043

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group is exposed to interest rate risk primarily arising from bank loan. The bank loan is arranged at variable rates which expose the Target Group to cash flow interest rate risk. The interest rates and repayment terms of the bank loan outstanding at the end of each Relevant Periods are disclosed in note 25.

The Target Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table illustrates the sensitivity of the profit/(loss) for the Relevant Periods and retained profits to a change in interest rates of +100 basis point and -100 basis point with effect from the beginning of the year. The calculations are based on the Target Group's bank balances and bank loan held at the end of each Relevant Periods. All other variables are held constant.

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
If interest rates were 100 basis point higher					
Net profit for the year/period and retained profits would increase/(decrease) by	316	326	(50)	129	(27)
If interest rates were 100 basis point lower					
Net profit for the year/period and retained profits would (decrease)/increase by	(316)	(326)	50	(129)	27

The policies to manage interest rate risk have been followed by the Target Group and are considered to be effective.

(c) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Target Group mainly operates and invests in the PRC with all the transactions denominated and settled in RMB and hence, the Target Group is not subject to any foreign currency risk.

The measures to manage foreign currency risk have been followed by the Target Group and are considered to be effective.

(d) Liquidity risk

Liquidity risk related to the risk that the Target Group will not able to meet its obligation associated with its financial liabilities. In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows in the short and long term. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The liquidity policies have been followed by the Target Group and are considered to have been effective in managing liquidity risk. The following tables show the remaining contractual maturities at the reporting date of the Target Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Target Group can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2016			
Trade and other payables	32,728	32,728	32,728
Amounts due to related companies	47,226	47,226	47,226
	79,954	79,954	79,954

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2017			
Trade and other payables	30,375	30,375	30,375
Amounts due to related companies	54,659	54,659	54,659
Bills payables	100,000	100,000	100,000
	185,034	185,034	185,034

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2018			
Trade and other payables	38,726	38,726	38,726
Amounts due to related companies	41,155	41,155	41,155
Bills payables	116,000	116,000	116,000
Bank loan	28,300	29,100	29,100
	224,181	224,981	224,981

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 May 2019				
Trade and other payables	32,077	32,077	32,077	—
Bills payables	103,000	103,000	103,000	—
Lease liabilities	310	360	—	360
Bank loan	28,300	29,100	29,100	—
	163,687	163,737	163,377	360

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities as defined in notes 4.6(ii) and 4.6(iii) respectively.

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Amortised costs:				
- Trade and other receivables	12,834	19,327	29,805	21,979
- Amounts due from related companies	76,570	203,465	200,353	98,433
- Pledged deposit	—	—	86,000	73,000
- Cash and cash equivalents	31,562	32,590	23,324	21,708
	120,966	255,382	339,482	215,120
Financial liabilities				
Financial liabilities measured at amortised cost:				
- Trade and other payables	32,728	30,375	38,726	32,077
- Amounts due to related companies	47,226	54,659	41,155	—
- Bills payables	—	100,000	116,000	103,000
- Lease liabilities	—	—	—	310
- Bank loan	—	—	28,300	28,300
	79,954	185,034	224,181	163,687

The directors of the Target Group consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost approximate their fair values.

34. CAPITAL RISK MANAGEMENT

The Target Group's objective of managing capital is to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is calculated as sum of the bills payables and bank loan less sum of pledged bank deposit and cash equivalents. The Target Group aims to maintain the gearing ratio at a reasonable level. The gearing ratio at the end of each of the reporting periods was as follows:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills payables	—	100,000	116,000	103,000
Bank loan	—	—	28,300	28,300
Less: Pledged bank deposit	—	—	(86,000)	(73,000)
Cash and cash equivalents	(31,562)	(32,590)	(23,324)	(21,708)
Net debt	N/A	67,410	34,976	36,592
Total equity plus net debt	32,109	126,441	127,837	60,023
Gearing ratio	N/A	53.3%	27.4%	61.0%

35. EVENT AFTER THE RELEVANT PERIODS

There is no significant event subsequent to the reporting date.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and its subsidiary in respect of any period subsequent to 31 May 2019.

Set out below is the management discussion and analysis on the Target Group for the three years ended 31 December 2018 and the five months ended 31 May 2019 (the "Track Record Period"). The following financial information is based on the audited financial information of the Target Group as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Group is a property management service provider, which mainly provides quality services to projects such as high-end office buildings, apartments and shopping malls. It has obtained the first-grade property management qualification certificate, which is the highest level of qualification in property management industry in China. The Target Group aims to provide property management services to high-end commercial projects, and to enhance the market value of its properties under management by providing quality services. Several of the Target Group's properties under management are urban landmarks, such as No. 9 Donghai Road Qingdao, Hongqiao International Exhibition Center (虹橋國際展匯), Hongqiao Sunnyworld Center (虹橋新地中心), Shenyang Sunnyworld Center (瀋陽新地中心) and Nanjing Sunnyworld Center (南京新地中心).

FINANCIAL REVIEW

Revenue

During the Track Record Period, the revenue of Target Group increased steadily. During the years ended 31 December 2016, 2017, 2018, and the five months ended 31 May 2018 and 2019, the Target Group's total revenue amounted to approximately RMB142.1 million, RMB172.7 million, RMB205.7 million, RMB79.4 million and RMB94.6 million, respectively. The increase in revenue was mainly due to (i) the introduction of new projects and expansion of gross floor area under management; (ii) rising occupancy rates, which contributed to the increase in Target Group's revenue from property management services; and (iii) the expansion of community value-added services.

The following table sets forth a breakdown of the Target Group's revenue by business line for the periods indicated:

	For the years ended 31 December						For the five months ended 31 May			
	2016		2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Property management services	128,687	90.6	156,331	90.5	185,835	90.4	70,665	89.0	84,847	89.7
Community value-added services	13,380	9.4	16,413	9.5	19,834	9.6	8,746	11.0	9,755	10.3
Total	142,067	100.0	172,744	100.0	205,669	100.0	79,411	100.0	94,602	100.0

Cost of sales

For the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2018 and 2019, the Target Group's cost of sales amounted to approximately RMB122.3 million, RMB129.2 million, RMB146.5 million, RMB57.7 million and RMB64.4 million, respectively. The increase in cost of sales mainly resulted from the scale-up of the Target Group's business.

Gross profit

During the Track Record Period, the Target Group's gross profit increased rapidly. For the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2018 and 2019, the Target Group recorded gross profit of approximately RMB19.8 million, RMB43.6 million, RMB59.2 million, RMB21.7 million and RMB30.2 million, respectively; and overall gross profit margins of approximately 13.9%, 25.2%, 28.8%, 27.4% and 32.0%, respectively.

The increase in the Target Group's gross profit margin was primarily attributable to economies of scale, effective cost control, and the growth of community value-added services which has a higher gross profit margin. Certain newly contracted high-end properties with higher property management fees also drove the overall improvement in gross profit margin.

Other income

For the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2018 and 2019, the Target Group's other income amounted to approximately RMB1.2 million, RMB1.8 million, RMB1.0 million, RMB0.4 million and RMB1.7 million, respectively. Other income and other net gain of the Target Group mainly consisted of non-recurring items such as government grants.

Administrative expenses

For the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2018 and 2019, the Target Group's total administrative expenses amounted to approximately RMB9.6 million, RMB10.4 million, RMB13.3 million, RMB4.9 million and RMB12.8 million, respectively. The increase in the Target Group's administrative expenses was mainly due to the increase in staff costs and expected credited loss on financial assets.

The following table sets forth a summary of the Target Group's administrative expenses for the periods indicated:

	For the years ended 31 December			For the five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Staff cost	6,356	6,631	9,375	2,797	4,788
Traveling and entertainment	582	395	551	258	198
Office and communication expenses	363	470	648	273	194
Rental expense	114	170	248	85	101
Bank charge	300	215	227	94	83
Expected credited loss on financial assets	45	2,008	1,750	1,128	2,737
Legal and professional service fees	1,268	213	278	134	4,285
Others	596	306	257	123	409
Total	9,624	10,408	13,334	4,892	12,795

The increase in staff costs was mainly caused by the increase in both the headcount and average salary of employees. More employees were recruited to deal with the expanded business. The increase in expected credited loss on financial assets was mainly due to the increase in trade receivables, which was caused by the revenue growth from property management services. In the first five months of 2019, the Target Group purchased certain consulting services to improve its marketing ability and service quality, which led to the increase in legal and professional service fees.

Profit for the year/period

The profit for the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2018 and 2019 was approximately RMB7.9 million, RMB26.9 million, RMB33.8 million, RMB12.6 million and RMB12.2 million, respectively, representing a constant upward trend.

Trade receivables

As at 31 December 2016, 2017, 2018, and 31 May 2019, trade receivables of the target Group amounted to approximately RMB8.6 million, RMB17.9 million, RMB28.3 million and RMB19.9 million, respectively. The increase in trade receivables was in consistency with the increase in the Target Group's revenue.

Prepayments, deposits and other receivables

The prepayments, deposits and other receivables of the target Group mainly consist of payments made on behalf of residents such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities for providing property management services in accordance with the local law requirements and rental deposits.

Amounts due from related companies

Amounts due from related companies of the Target Group mainly arise from the advances to related companies and the property management services provided to related companies.

Pledged bank deposits

As at 31 December 2018 and 31 May 2019, the pledged bank deposits were pledged for bills payables and bank loans.

Contract liabilities

Contract liabilities of the target Group were property management fees paid by customers in advance for the services which had not been provided and not been recognised as revenue. As at 31 December 2016, 2017, 2018, and 31 May 2019, contract liabilities of the Target Group amounted to approximately RMB15.1 million, RMB18.0 million, RMB25.0 million and RMB26.3 million, respectively. The increase in contract liabilities primarily due to the increase in the Target Group's gross floor area under management and customer base during the Track Record Period.

Amounts due to related companies

As at 31 December 2016, 2017, 2018 and 31 May 2019, the amount due to related companies amounted to approximately RMB47.2 million, RMB54.7 million, RMB41.2 million and nil, respectively. The amount due to related companies had been settled during the five months ended 31 May 2019.

Gearing ratio and the basis of calculation

As at 31 December 2016, 2017, 2018, and 31 May 2019, the gearing ratio of the Target Group was nil, 53.3%, 27.4%, 61.0%, respectively. The gearing ratio is equal to net debt divided by total equity plus net debt. Net debt is calculated as sum of the bills payables and bank loan less sum of pledged bank deposit and cash and cash equivalents. The change in gearing ratio was mainly attributable to bank loan and the pledged bank deposit as at 31 December 2018 and dividend paid as at 31 May 2019.

Capital structure

As at 31 December 2016, 2017, 2018, and 31 May 2019, the Target Group's cash and bank balances were mainly denominated in Renminbi, and the Target Group's bank loan as at 31 December 2018 and 31 May 2019 were denominated in Renminbi with floating interest rate.

As at 31 December 2016, 2017, 2018, and 31 May 2019, equity attributable to the owners of the Target Group amounted to approximately RMB32.1 million, RMB59.0 million, RMB92.9 million and RMB23.4 million, respectively.

During the Track Record Period, the financial position of the Target Group remained stable. As at 31 December 2016, 2017, 2018, and 31 May 2019, the Target Group's net current assets were approximately RMB29.2 million, RMB55.8 million, RMB89.5 million and RMB19.7 million, respectively.

In the first five months of 2019, the Target Group distributed out of its retained profits a total of approximately RMB81.6 million to its equity holders based on its respective equity interest percentage, which led to the decrease in equity attributable to owners of the Target Group as well as the net current assets.

Liquidity and financial resources

During the Track Record Period, the Target Group's principal use of cash was working capital, which was mainly funded from cash flow generated from operations. In the foreseeable future, it is expected that cash flow generated from operations will continue to be the principal source of liquidity.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Group did not have any capital commitment.

As at 31 December 2018 and 31 May 2019, the bank loans of the Target Group amounted to approximately RMB28.3 million, which were denominated in Renminbi with floating interest rate, while the amount was nil as at 31 December 2016 and 2017. All bank loans are repayable within one year from the respective drawdown dates and guaranteed by a shareholder of the Target Group and its related companies and secured by the pledged bank deposit.

Pledging of assets

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Group's pledged bank deposits amounted to approximately nil, nil, RMB86.0 million and RMB73.0 million respectively, which were to secure the bills payable and bank loans of the Target Group. The pledged bank deposits will be released upon the settlement of relevant bills payables and bank loans.

Significant investments, material acquisitions and disposals

During the Track Record Period, the Target Group did not have any significant investments, material acquisitions and disposals.

Contingent liabilities

As at 31 December 2016, the Target Group did not have any contingent liabilities.

As at 31 December 2017, 2018 and 31 May 2019, a branch company of the Target Company executed the Corporate Guarantee and Regulatory Agreement in favor of a bank in the PRC in respect of Warrantor I's obligations for a loan facility up to RMB1,390 million under the Loan Agreement. The Corporate Guarantee and the Regulatory Agreement will be terminated and released within 90 calendar days from the date of the payment of the 1st instalment of the Consideration and before Completion pursuant to the terms of the Acquisition Agreement.

Foreign exchange risk

The principal activities of the Target Group are conducted in the PRC, and the Target Group's income and expenses were denominated in Renminbi. Therefore, the Target Group is not exposed to material risks directly relating to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign exchange risks.

Employment and remuneration policy

The Target Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to the staff of the Target Group is fixed by reference to the duties and prevailing market rates in the region. Discretionary performance bonuses after assessments are paid to employees to reward their contributions. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Target Group has participated in different social welfare plans for its employees.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Group had 766, 794, 814 and 818 employees, respectively.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.

Introduction

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group ("**Unaudited Pro Forma Financial Information**"), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the effect of the proposed acquisitions of 55% equity interests in 青島雅園物業管理有限公司 (the "**Target Company**") and its subsidiary (together referred as to the "**Target Group**") (the "**Acquisitions**") on the Group for inclusion in this circular.

The Unaudited Pro Forma Financial Information has been prepared to illustrate the effects of the Acquisitions on the financial position of the Enlarged Group as at 31 December 2018 as if the Acquisitions had taken place at 31 December 2018. The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisitions been completed as at 31 December 2018, where applicable, or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial statements of the Group as set out in the published annual report of the Group for the year ended 31 December 2018, and other financial information included elsewhere in the circular.

(A) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2018	Audited consolidated statement of assets and liabilities of the Target Group as at 31 May 2019	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3(b)(i))*	*(Note 3(b)(ii))*	*(Note 4)*	
Non-current assets						
Interest in a joint venture	6,986	—				6,986
Interest in an associate	4,642	—				4,642
Property, plant and equipment	27,007	2,038	1,543			30,588
Management contracts	—	—	43,000			43,000
Customer relationship	—	—	51,000			51,000
Investment properties	49,279	—				49,279
Goodwill	17,230	—		348,109		365,339
Deferred tax assets	3,819	2,011				5,830
	108,963	4,049				556,664
Current assets						
Inventories	—	755				755
Trade and bills receivables	162,032	19,865				181,897
Deposits, prepayments and other receivables	51,323	10,256				61,579
Amounts due from related companies	—	98,433				98,433
Income tax recoverable	451	901				1,352
Pledged bank deposit	9,969	73,000				82,969
Bank balance, deposits and cash	1,160,122	21,708		(400,408)	(2,000)	779,422
	1,383,897	224,918				1,206,407

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2018	Audited consolidated statement of assets and liabilities of the Target Group as at 31 May 2019	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3(b)(i))*	*(Note 3(b)(ii))*	*(Note 4)*	
Current liabilities						
Trade payables	71,844	3,399				75,243
Accruals and other payables	286,627	37,172				323,799
Contract liabilities	171,339	26,293				197,632
Bills payables	—	103,000				103,000
Bank loans	9,281	28,300				37,581
Provision for taxation	34,935	7,062				41,997
	574,026	205,226				779,252
Net current assets	809,871	19,692				427,155
Total assets less current liabilities	918,834	23,741				983,819
Non-current liabilities						
Lease liabilities	—	310				310
Deferred tax liabilities	16,234	—	23,886			40,120
	16,234	310				40,430
Net assets	902,600	23,431				943,389

(B) Notes to the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

1) The consolidated statement of assets and liabilities of the Group as at 31 December 2018 is extracted from the published annual report of the Company for the year ended 31 December 2018.

2) The consolidated statement of assets and liabilities of the Target Group as at 31 May 2019 are extracted from the Historical Financial Information of the Target Group included on page II-5 of this circular.

3) In accordance with the Acquisition Agreement, the cash consideration for the Acquisition amounted to of RMB462,000,000. Upon completion of the Acquisition, the Group will own 55% equity interest in the Target Group.

(a) The consideration shall be settled in the following manner:

(i) a cash of approximately RMB220,000,000 within 15 working days upon all the following conditions precedent set out in the Acquisition Agreement having been complied with:

(1) all necessary relevant approvals and consents in relation to the Acquisition having been obtained by the Vendors, the Warrantors and the Target Company;

(2) resolutions in relation to the Acquisition having been passed by the respective board of directors of the Purchasers;

(3) the Vendors and the Warrantors having executed the Share Charge in favour of Shanghai Yongsheng and the Target Company having applied to the relevant government authority for registration of the Share Charge;

(4) Vendor II having executed the Vendor II's Share Charge in favour of Shanghai Yongsheng and Shenyang WTC having applied to the relevant government authority for registration of the Vendor II's Share Charge;

(5) Vendor II having executed the Mortgage in favour of Shanghai Yongsheng and Vendor II having applied to the relevant government authority for registration of the Mortgage; and

(6) there having been no material adverse change to the Acquisition since the date of the Acquisition Agreement.

(ii) After Completion, the remaining cash of RMB242,000,000 shall be payable by the Purchasers to the Vendors upon all the following conditions precedent set out in the Acquisition Agreement having been complied with:

(1) the Vendors, the Warrantors and the Target Company having completed all necessary legal procedures required for the change of board composition and constitutional documents of the Target Company;

(2) the Vendors and the Warrantors having delivered to the Purchasers all the relevant certificates, chops and keys in relation to the Target Company;

(3) the Vendors and the Warrantors having delivered to the Purchasers all the legal documents in relation to the business operations of the Target Company;

(4) all warranties and undertakings given by the Vendors and the Warrantors having been complied with;

(5) the Vendors and the Warrantors having provided relevant information to the Purchasers to conduct field audit on the financial information of the Target Company as at the month immediately preceding to Completion; and

(6) the Vendors and the Warrantors shall ensure that the audited net assets value and cash and cash equivalents of the Target Company as at the month immediately preceding to Completion shall not be less than RMB5,000,000 and RMB156,300,000 respectively and the deficiency of which shall be paid by the Vendors and the Warrantors to the Target Company in cash.

(iii) Pursuant to the Acquisition Agreement, the Vendors and the Warrantors irrevocably warrant and guarantee, on a joint and several basis, to the Purchasers that the Net Profit for the relevant period below (the "**Relevant Periods**" and each a "**Relevant Period**") will not be less than the following amounts ("**Guaranteed Profit**") (the "**Profit Guarantee**"):

Relevant Periods	**Guaranteed Profit**
For the year ending 31 December 2019	RMB60,000,000
For the year ending 31 December 2020	RMB70,000,000
For the year ending 31 December 2021	RMB73,000,000
For the year ending 31 December 2022	RMB76,000,000

If the Net Profit for a Relevant Period is less than the Guaranteed Profit for the Relevant Period, then the Vendors shall compensate to the Purchasers an amount calculated accordingly to the formula set out on page 13 of this circular.

(b) The identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values under the acquisition method of accounting in accordance with HKFRS 3 "Business Combinations". For the purpose of the unaudited pro forma consolidated assets and liabilities of the Enlarged Group, the allocation of the purchase consideration is determined based on the estimates of the fair values of the identifiable assets and liabilities of the Target Group made the by the directors of the Company, and by reference to a valuation report issued by Jiangsu Zhongqihua Zhongtian Asset Evaluation Company Limited ("**Jiangsu Zhongqihua**"), an independent qualified valuer, as if the Acquisition was completed on the 31 December 2018.

Pro forma adjustments made represent:

(i) Recognition of fair values of the identifiable assets acquired and liabilities assumed of the Target Group:

	Notes	**Carrying amounts**	**Fair value adjustments**	**Fair value**
		HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	(1)	2,038	1,543	3,581
Deferred tax assets		2,011		2,011
Management contracts	(2)	—	43,000	43,000
Customer relationship	(3)	—	51,000	51,000
Inventories		755		755
Trade receivables		19,865		19,865
Prepayment, deposits and other receivables		10,256		10,256
Amounts due from related companies		98,433		98,433
Income tax recoverable		901		901
Pledged bank deposit		73,000		73,000
Cash and cash equivalents		21,708		21,708
Trade payables		(3,399)		(3,399)
Accruals and other payables		(37,172)		(37,172)
Contract liabilities		(26,293)		(26,293)
Bills payables		(103,000)		(103,000)
Bank loan		(28,300)		(28,300)
Income tax payables		(7,062)		(7,062)
Lease liabilities		(310)		(310)
Deferred tax liabilities	(4)	—	(23,886)	(23,886)
		23,431	71,657	95,088

Notes:

(1) This represents the fair value adjustments of the Target Group's property, plant and equipment of approximately RMB1,543,000 which is determined based on replacement cost method. The fair values of the Target Group's property, plant and equipment were based on the valuation report issued by Jiangsu Zhongqihua.

(2) This represent the fair value adjustment for the expected net cash flows arising from the remaining periods of the Target Group's existing management contracts. The fair value of the management contracts is estimated by adopting multi-period excess earnings method through the sum of the present values of future excess earnings attributable to the existing management contracts over their remaining contractual periods. Key assumptions adopted for the fair value estimation of the management contracts are summarised as follows:

Expected revenue	Net cash flows arising from the remaining periods of existing property management contracts
Net profit margin for property management income	7.20%
Discount rate	13%

(3) Customer relationship represents net cash flows arising from the expected renewals of the Target Group's existing management contracts upon their expiry dates. The fair value of the customer relationship is estimated by adopting multi-period excess earnings method through the sum of the present values of future excess earnings attributable to the expected renewal periods of existing management contracts. Key assumptions adopted for the fair value estimation of customer relationship are summarised as follows:

Expected revenue	Net cash flows arising from the expected renewals of the existing property management contracts, with customer loss rate of 10% for each renewal of respective management contract
Net profit margin for property management income	7.20%
Discount rate	13%

(4) The adjustment represents the deferred tax liabilities in relation to the total fair value adjustments of the property, plant and equipment, management contracts and customer relationship which amounted to approximately RMB95,543,000 which was determined at the PRC income tax rate of 25%.

(ii) Recognition of goodwill:

	RMB'000
Fair value of consideration:	
Cash (notes 3(a)(i)-(ii))	462,000
Adjustment for the deficiency in cash and cash equivalents of the Target Group (note 3(a)(ii)(6))	(61,592)
Contingent consideration arising from Profit Guarantee* (note 3(a)(iii))	—
	400,408
Net identifiable assets acquired:	
Carrying amounts of net assets of the Target Group (note 3(b)(i))	23,431
Fair value adjustments (note 3(b)(i))	71,657
Total net assets acquired	95,088
Less: Non-controlling interests of the Target Group**	(42,789)
Identifiable assets acquired and liabilities assumed	52,299
Goodwill arising from the Acquisition (note 3(c))	348,109

* The fair value of the Profit Guarantee was assessed by the directors of the Company with reference to the valuation report issued by Jiangsu Zhongqihua based on the best estimate of the profit forecast made by the management of the Target Group. The fair value of the Profit Guarantee, which recognised as a financial asset at fair value through profit or loss, is estimated to be nil as at 31 December 2018.

** The amount of non-controlling interests of approximately RMB42,789,000 is calculated as 45% of the total fair value of identifiable assets and liabilities of approximately RMB95,088,000 attributable to owners of the Target Group.

(c) In the preparation of the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group, fair values of the net assets of the Target Group as at 31 May 2019 were used to determine the goodwill of the Acquisition. Upon completion of the Acquisition, the fair values of the net assets of the Target Group as at the date of completion will be used to determine the actual amount of goodwill of the Acquisition. Such actual amount may be different from the amount presented herein and such difference may be significant. The directors of the Company have assessed whether there is any impairment in respect of the pro forma goodwill expected to arise from the Acquisition, on a pro forma basis, in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the assessment results, the directors of the Company concluded that there is no impairment on the cash generating unit, comprising the identifiable assets acquired and liabilities assumed of the Target Group in which the pro forma goodwill have been allocated. The auditor of the Company has considered the impairment assessment on the pro forma goodwill conducted by the directors of the Company as part of its engagement to report on the pro forma financial information of the Enlarged Group.

The amount of goodwill and fair values of the identifiable assets and liabilities of the Target Group are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Group on the date of completion of the Acquisition. Consequently, the resultant goodwill, the actual allocation of the purchase consideration and the resultant non-controlling interests at the date of completion for subsequent periods, will likely be different amounts from those stated in this unaudited pro forma consolidated assets and liabilities of the Enlarged Group.

4) Estimated legal and professional fees and other direct expenses in relation to the Acquisitions of approximately RMB2,000,000.

5) The above pro forma adjustments are not expected to have a continuing effect on the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group.

6) No adjustments has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2018.

REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report from BDO Limited, the independent reporting accountant, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Ever Sunshine Lifestyle Services Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ever Sunshine Lifestyle Services Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2018 and related notes as set out on pages 1 to 9 of Appendix IV of the Company's circular dated 14 August 2019 (the "**Circular**") in connection with the proposed acquisitions of 55% equity interests in 青島雅園物業管理有限公司 (hereinafter collectively referred to as the "**Acquisitions**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page 1 of Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisitions on the Group's financial position as at 31 December 2018 as if the Acquisitions had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Company's consolidated financial statements for the year ended 31 December 2018, on which an independent auditor's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisitions at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

14 August 2019

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 have 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 Directors	Nature of interest	Number of shares/ underlying shares held	Approximate percentage of shareholding in the Company(1)
Mr. LIN Zhong	Interest of controlled corporation(2)(3)	1,057,000,000	68.80%
Mr. LIN Feng	Interest of controlled corporation(2)(3)	1,057,000,000	68.80%

Notes:

(1) As at the Latest Practicable Date, the Company has issued 1,536,400,000 Shares.

(2) Spectron Enterprises Limited ("**Spectron**"), which owned 330,000,000 Shares, was a wholly-owned subsidiary of Xu Sheng Limited ("**Xu Sheng**"), which was in turn wholly-owned by CIFI Holdings (Group) Co. Ltd. ("**CIFI Holdings**"). As CIFI Holdings was ultimately and beneficially held as to 44.88% by the Lin's Family Trust jointly set up by Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei were all deemed to be interested in the 330,000,000 Shares held by Spectron.

Elite Force Development Limited ("**Elite Force**"), which owned 440,000,000 Shares, was 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 in respect of Elite Force. Accordingly, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei were all deemed to be interested in the 440,000,000 Shares held by Elite Force.

Mr, Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018 in respect of Best Legend Development (PTC) Limited ("**Best Legend**"). Accordingly, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei were all deemed to be interested in 287,000,000 Shares held by Best Legend.

(3) Best Legend, which owned 287,000,000 Shares, was wholly-owned by Mr. Lin Feng. Accordingly, Mr. Lin Feng was deemed to be interested in the 287,000,000 Shares held by Best Legend.

Short positions in the Shares

Name of Directors	Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholding in the Company (1)
Mr. LIN Zhong	Interest of controlled corporation(2)	57,000,000	3.71%
Mr. LIN Feng	Other(3)	57,000,000	3.71%

Notes:

(1) As at the Latest Practicable Date, the Company has issued 1,536,400,000 Shares.

(2) In connection with a global offering, the particulars of which are set out in the Prospectus, Elite Force lent up to 57,000,000 Shares to the sole global coordinator in order to cover the over-allocation of Shares. Since Elite Force was owned as to 50% by Mr. Lin Zhong, Mr. Lin Zhong was deemed to be interested in the 57,000,000 Shares which have since been returned to Elite Force.

(3) Mr. Lin Feng was also deemed to be interested in the 57,000,000 Shares that were returned to Elite Force as a party to the acting in concert deed entered into with Mr. Lin Zhong and Mr. Lin Wei on 6 August 2018.

Interest in associated corporation

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	3,536,419,237	44.88%
Mr. LIN Feng (2)(3)	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust and beneficial owner	2,554,438,555	32.41%
Mr. Ge Ming	CIFI Holdings	Beneficial owner	1,062,801	0.01%
Mr. LIN Zhong (4)	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Feng (4)	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Zhong (5)	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Feng (5)	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Zhong (6)	Elite Force	Beneficial owner	100	100%
Mr. LIN Feng (6)	Elite Force	Beneficial owner	100	100%
Mr. LIN Zhong (7)	Best Legend	Beneficial owner	1	100%
Mr. LIN Feng (7)	Best Legend	Beneficial owner	1	100%

Note:

(1) 1,192,677,671 issued shares of CIFI Holdings were held by Ding Chang Limited ("**Ding Chang**"). The entire issued share capital of Ding Chang was wholly owned by Eternally Success International Limited, the entire issued share capital of which was in turn held by Standard Chartered Trust (Singapore) Limited ("**Standard Chartered Trust**") as the trustee

of the Sun Success Trust via SCTS Capital Pte. Ltd. ("**SCTS Capital**"). The Sun Success Trust was 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 included certain family members of Mr. Lin Zhong. Mr. Lin Zhong as founder of the Sun Success Trust was taken to be interested in the 1,192,677,671 issued shares of CIFI Holdings held by Ding Chang pursuant to Part XV of the SFO.

(2) 2,336,437,975 issued shares of CIFI Holdings were held by Rosy Fortune Investments Limited ("**Rosy Fortune**"). The entire issued share capital of Rosy Fortune was wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which was in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust was a discretionary trust set up jointly by Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei (together, the "**Ultimate Controlling Shareholders**") as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust included 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 was taken to be interested in the 2,336,437,975 issued shares of CIFI Holdings held by Rosy Fortune pursuant to Part XV of the SFO.

(3) 210,600,580 issued shares of CIFI Holdings were held by Rain-Mountain Limited ("**Rain-Mountain**"). The entire issued share capital of Rain-Mountain was wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which was in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust was 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 included certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust was taken to be interested in the 210,600,580 issued shares of CIFI Holdings held by Rain-Mountain pursuant to Part XV of the SFO.

(4) Xu Sheng was wholly owned by CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng were deemed to be interested in the shares held by Xu Sheng.

(5) Spectron was wholly owned by Xu Sheng, which was a wholly-owned subsidiary of CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng were deemed to be interested in the shares held of Spectron.

(6) The entire issued share capital of Elite Force was owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. The Ultimate Controlling Shareholders entered into an acting in concert deed on 6 August 2018. Mr. Lin Zhong and Mr. Lin Feng were taken to be interested in the shares of Elite Force pursuant to Part XV of the SFO.

(7) The entire issued share capital of Best Legend was wholly owned by The Ultimate Controlling Shareholders signed an acting in concert deed on 6 August 2018. Mr. Lin Zhong and Mr. Lin Feng were taken to be interested in the shares of Best Legend 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 positions in the Shares

Name	Nature of interest	Number of shares/ underlying shares held	Approximate percentage of shareholding in the Company(1)
Mr. LIN Wei	Interest of controlled corporation(2)	1,057,000,000	68.80%
Elite Force	Beneficial owner	440,000,000	28.64%
CIFI Holdings	Interest of controlled corporation(3)	330,000,000	21.48%
Spectron	Beneficial owner	330,000,000	21.48%
Xu Sheng	Interest of controlled corporation(3)	330,000,000	21.48%
Best Legend	Beneficial owner	287,000,000	18.68%

Notes:

(1) As at Latest Practicable Date, the Company has issued 1,536,400,000 Shares.

(2) Please refer to notes (2) and (3) under the paragraph headed "2. Disclosure of Interests — (a) Interests of Directors" above. Accordingly Mr. Lin Wei was deemed to be interested in the 440,000,000 Shares held by Elite Force, the 330,000,000 Shares held by Spectron and the 287,000,000 Shares held by Best Legend.

(3) Spectron, which owned 330,000,000 Shares, was a wholly-owned subsidiary of Xu Sheng. As Xu Sheng was wholly-owned by CIFI Holdings, both Xu Sheng and CIFI Holdings were deemed to be interested in the 330,000,000 Shares held by Spectron.

Short positions in the Shares

Name	Nature of interest	Number of shares/ underlying shares held	Approximate percentage of shareholding in the Company[(1)]
Elite Force	Beneficial owner[(2)]	57,000,000	3.71%

Notes:

(1) As at Latest Practicable Date, the Company has issued 1,536,400,000 Shares.

(2) In connection with a global offering, the particulars of which are set out in the Prospectus, Elite Force lent up to 57,000,000 Shares to the sole global coordinator in order to cover the over-allocation of Shares. The 57,000,000 Shares have since been returned to Elite Force.

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 Enlarged Group.

4. DIRECTOR'S 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 Enlarged Group or were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged 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. DIRECTORS 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 Enlarged 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 Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(i) an equity interest transfer agreement dated 22 June 2018 entered into between Zhang Lixian (張麗嫻) and City Lights Assets Limited ("**City Lights**"), pursuant to which Zhang Lixian transferred 0.580357% of equity interest in Shanghai Yongsheng to City Lights at a consideration of RMB1,332,500;

(ii) an equity interest transfer agreement dated 22 June 2018 entered into between Zhang Lili (張莉莉) and City Lights, pursuant to which Zhang Lili transferred 0.446429% of equity interest in Shanghai Yongsheng to City Lights at a consideration of RMB1,025,000;

(iii) an equity interest transfer agreement dated 22 June 2018 entered into between Luo Xingzhi (羅杏枝) and City Lights, pursuant to which Luo Xingzhi transferred 0.401786% of equity interest in Shanghai Yongsheng to City Lights at a consideration of RMB922,500;

(iv) an equity interest transfer agreement dated 22 June 2018 entered into between Ma Li (馬莉) and City Lights, pursuant to which Ma Li transferred 0.357143% of equity interest in Shanghai Yongsheng to City Lights at a consideration of RMB820,000;

(v) an equity interest transfer agreement dated 2 July 2018 entered into between Shanghai Jingzhu Corporate Management Consultation Center (Limited Partnership)* (上海景助企業管理諮詢中心(有限合夥)) ("**Shanghai Jingzhu**") and Elite Force International Limited ("**Elite Force International**"), pursuant to which Shanghai Jingzhu transferred 19.642857% of equity interest in Shanghai Yongsheng to Elite Force International at a consideration of RMB45,100,000;

(vi) an equity interest transfer agreement dated 2 July 2018 entered into between Shanghai CIFI Enterprises Development Co., Ltd.* (上海旭輝企業發展有限公司) ("**CIFI Development**") and Elite Force International, pursuant to which CIFI Development transferred 39.285714% of equity interest in Shanghai Yongsheng to Elite Force International at a consideration of RMB90,200,000;

(vii) an equity interest transfer agreement dated 2 July 2018 entered into between CIFI Group Co., Ltd. (旭輝集團股份有限公司)("**CIFI (PRC)**") and Elite Force International, pursuant to which CIFI (PRC) transferred 29.464286% of equity interest in Shanghai Yongsheng to Elite Force International at a consideration of RMB67,650,000;

(viii) an equity interest transfer agreement dated 2 July 2018 entered into between Shanghai Jingjun Corporate Management Partnership (Limited Partnership)* (上海璟鈞企業管理合夥企業(有限合夥)) ("**Shanghai Jingjun**") and Elite Force International, pursuant to which Shanghai Jingjun transferred 9.821429% of equity interest in Shanghai Yongsheng to Elite Force International at a consideration of RMB22,550,000;

(ix) a share transfer agreement dated 6 July 2018 entered into between Wise-man Development International Limited ("**Wise-man Development**") and our Company, pursuant to which Wise-man Development transferred one share of Prominent Intellectuals Limited to our Company at a consideration of HK$5,100,000;

(x) the deed of indemnity dated 26 November 2018 entered into by the Ultimate Controlling Shareholders in favor of the Company (for itself and as a trustee for each of the subsidiaries) to provide certain indemnities, particulars of which are set out in the Prospectus;

(xi) the deed of non-competition dated 26 November 2018 given by the Ultimate Controlling Shareholders in favor of the Company (for itself and as a trustee for each of the subsidiaries), particulars of which are set out in the Prospectus;

(xii) the underwriting agreement dated 3 December 2018 and entered into by, among others, the Company, the Ultimate Controlling Shareholders and the executive Directors, as well as the sole global coordinator, the joint bookrunners and the underwriters in connection with a Hong Kong public offering of the Company's Shares, the particulars of which are set out in the Prospectus;

(xiii) the underwriting agreement dated 8 December 2018 and entered into by, among others, the Company, the Ultimate Controlling Shareholders, and the executive Directors, as well as the sole global coordinator, the joint bookrunners and the underwriters in connection with an international placing of the Company's Shares, the particulars of which are set out in the Prospectus;

(xiv) the Acquisition Agreement;

(xv) the Corporate Guarantee;

(xvi) the Deed of Indemnity;

(xvii) the Share Charge;

(xviii) the Vendor's II Share Charge;

(xix) the Mortgage; and

(xx) the Regulatory Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice, which are contained or referred to in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants
Jiangsu Zhongqihua Zhongtian Asset Evaluation Company Limited	Independent professional valuer

As at the Latest Practicable Date, each of the above experts:

(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 2018 (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 memorandum of association and articles of association of the Company;

(b) the Prospectus;

(c) the annual report of the Company for the year ended 31 December 2018;

(d) the letter from the Board, the text of which is set out on pages 6 to 21 of this circular;

(e) the accountants' report on the Target Group, the texts of which are set out in Appendix II to this circular;

(f) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the material contracts referred to in the paragraph headed "8. Material Contracts" above in this Appendix;

(h) the written consent referred to in the paragraphs headed "9. Expert and Consent" above in this Appendix; and

(i) this circular.

11. GENERAL INFORMATION

(a) The company secretary is Ms. Yeung Ching Man (楊靜文). Ms. Yeung Ching Man is vice president of SW Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司). Ms. Yeung is currently a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The headquarters of the Company is 6F, Henderson CIFI Center, No. 20 Lane, 1188 Shenhong Road, Minhang District, Shanghai, PRC.

(d) The principal place of business in Hong Kong of the Company is 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

(e) The share registrar and transfer office in the Cayman Islands of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(f) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

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 the extraordinary general meeting (the "**Meeting**") of EVER SUNSHINE LIFESTYLE SERVICES GROUP LIMITED (the "**Company**") will be held at No.1 Conference Room, 9/F., Building 39 Henderson CIFI Centre, 1088 Nong, Shen Hong Road, Minhang District, Shanghai, the PRC on Monday, 2 September 2019 at 2:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

"**THAT**

(a) the acquisition agreement (the "**Acquisition Agreement**") dated 18 June 2019 entered into amongst (I) (i) 瀋陽新地陽光百貨有限公司 (Shenyang Sunny World Department Store Company Limited*); (ii) 新世界 (青島) 置地有限公司 (New World (Qingdao) Real Estate Company Limited*); (iii) 青島陽光新地置業有限公司 (Qingdao Sunny World Real Estate Company Limited*); (iv) 陽光百貨股份有限公司 (Sunny World Department Store Company Limited*); (v) 江西新地酒店有限公司 (Jiangxi Sunny World Hotel Company Limited*); (vi) 蘇州陽光新地置業有限公司 (Suzhou Sunny World Real Estate Company Limited*); (vii) 蘇州新住大酒店有限公司 (Suzhou Sunny World Real Estate Company Limited*); and (viii) 蘇州新地陽光百貨有限公司 (Suzhou Sunny World Department Store Company Limited*) collectively as vendors; (II) (i) 南京陽光新地置業有限公司 (Nanjing Sunny World Real Estate Company Limited*); (ii) 青島新地集團有限公司 (Qingdao Sunny World Group Company Limited*); and (iii) 南昌陽光新地置業有限公司 (Nanchang Sunny World Real Estate Company Limited*) collectively as warrantors; (III) (i) the Company; and (ii) 上海永升物業管理有限公司 (Shanghai Yongsheng Property Management Company Limited*) collectively as purchasers in relation to the sale and purchase of 55% equity interests in 青島雅園物業管理有限公司 (Qingdao Yayuan Property Management Company Limited*) (a copy of which is produced to the Meeting and marked "A" and initialed by the chairman of the Meeting for identification purpose) at the total consideration of RMB462 million and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the directors of the Company be and are hereby authorized 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 Acquisition Agreement and the transactions contemplated thereunder respectively."

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

Shanghai, 14 August 2019

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, a form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 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 above meeting (i.e. before 2:00 p.m. on Saturday, 31 August 2019) or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(iv) The register of members of the Company will be closed from Wednesday, 28 August 2019 to Monday, 2 September 2019, both days inclusive, to determine the entitlement of the shareholders to attend and vote at the above meeting, 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 Center, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 27 August 2019.

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

** for identification purposes only*