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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your shares in **S-Enjoy Service Group Co., Limited**, you should at once hand this circular to the purchaser or the transferee 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.

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**S-ENJOY SERVICE GROUP CO., LIMITED****新城悅服務集團有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 1755)****CONTINUING CONNECTED TRANSACTION  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING****Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**

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A letter from the Board is set out on pages 4 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. A letter from Gram Capital, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 50 of this circular.

A notice convening the EGM of the Company to be held at Room 1211, 12th Floor, Seazen Holdings Tower B, No. 5, Lane 388, Zhongjiang Road, Putuo, Shanghai on Monday, 21 December 2020 at 10:00 a.m. is set out on page EGM-1 to EGM-2 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed. Such form of proxy is also published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). If you intend to attend the extraordinary general meeting by proxy, you are required to duly complete the enclosed proxy form according to the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting (i.e. before 10:00 a.m. on Saturday, 19 December 2020) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof if they so wish.

30 November 2020

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## DEFINITIONS

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*In this circular (other than those set out in the Notice of EGM), unless the context otherwise requires, the following expressions shall have the following meanings:*

“2020 Services Framework Agreement”	the services framework agreement dated 25 November 2019 entered into between Tibet Xinchengyue and Mr. Wang Xiaosong (as attorney for and on behalf of Mr. Wang) in relation to the provision of certain property related services to Mr. Wang’s Associated Companies
“2021 Services Framework Agreement”	the services framework agreement dated 29 October 2020 entered into between Tibet Xinchengyue and Mr. Wang Xiaosong (as attorney for and on behalf of Mr. Wang) in relation to the provision of certain property related services to Mr. Wang’s Associated Companies
“Annual Cap”	the annual cap of RMB1,500 million for the service fees payable by Mr. Wang’s Associated Companies to the Group for the year ending 31 December 2021 under the 2021 Services Framework Agreement
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Chengdu Chengyue”	Chengdu Chengyue Times Property Services Ltd.* (成都誠悅時代物業服務有限公司), a company established in the PRC and owned by the Company as to 61.5% as at the Latest Practicable Date
“Company”	S-Enjoy Service Group Co., Limited, a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Dalian Hua’an”	Dalian Hua’an Property Management Co., Ltd.* (大連華安物業管理有限公司), a company established in the PRC with limited liability and owned by the Company as to 60% as at the Latest Practicable Date
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 1211, 12th Floor, Seazen Holdings Tower B, No. 5, Lane 388, Zhongjiang Road, Putuo, Shanghai on Monday, 21 December 2020 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, to approve the resolution in relation to the 2021 Services Framework Agreement and the transactions contemplated thereunder and the Annual Cap
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board of committee, comprising the independent non-executive Directors, established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the 2021 Services Framework Agreement and the Annual Cap
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the 2021 Services Framework Agreement
“Independent Shareholders”	the Shareholders, other than Mr. Wang and his associates, and all other Shareholders interested in the 2021 Services Framework Agreement
“Latest Practicable Date”	25 November 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Zhenhua, the founder of the Company and a controlling Shareholder

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## DEFINITIONS

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“Mr. Wang’s Associated Companies”	companies (including the Seazen Group) in which Mr. Wang can exercise or control the exercise of 30% or more of the voting power at their general meetings and their subsidiaries
“Notice of EGM”	the notice convening the EGM as set out on pages EGM-1 to EGM-2 of this circular
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Seazen”	Seazen Group Limited (新城發展控股有限公司), a company listed on the Stock Exchange (stock code: 1030)
“Seazen Group”	Seazen and its subsidiaries
“Seazen Holdings”	Seazen Holdings Co., Ltd. (新城控股集團股份有限公司), a subsidiary of Seazen with its A shares listed on the Shanghai Stock Exchange (stock code: 601155)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.01 each
“Shareholder(s)”	the holder(s) of the shares of the Company
“sq.m.”	the measurement unit of square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tibet Xinchengyue”	Tibet Xinchengyue Property Services Co., Ltd. (西藏新城悅物業服務股份有限公司), a company incorporated in the PRC, and the principal operating subsidiary of the Group
“%”	per cent

\* For identification purpose only

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LETTER FROM THE BOARD

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**S-ENJOY SERVICE GROUP CO., LIMITED**

**新城悅服務集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1755)**

***Directors:***

*Executive Directors:*

Qi Xiaoming (*Chairman and  
Chief Executive Officer*)

Wu Qianqian

Lan Ziyong

*Registered office in Cayman Islands:*

PO Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Non-executive Directors:*

Wang Xiaosong

Lv Xiaoping

Lu Zhongming

*Headquarters in the PRC:*

12th Floor, Seazen Holdings Tower B

No. 5, Lane 388, Zhongjiang Road

Putuo, Shanghai

*Independent Non-executive Directors:*

Zhang Yan

Zhu Wei

Xu Xinmin

*Principal Place of Business in Hong Kong:*

31/F, Tower Two

Times Square

1 Matheson Street, Causeway Bay

Hong Kong

30 November 2020

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

References are made to: (i) the announcement of the Company dated 29 October 2020 in relation to the proposed continuing connected transactions under the 2021 Services Framework Agreement for one year ending 31 December 2021; and (ii) the notice of the EGM.

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## LETTER FROM THE BOARD

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The main purpose of this circular is, among other things, to provide the Shareholders with the following information, so that the Shareholders can make properly informed decisions on the resolution proposed at the EGM:

1. details of the 2021 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap);
2. the opinion and recommendation of the Independent Board Committee on the 2021 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap); and
3. a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its opinion and recommendation on the 2021 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap).

## II. 2021 SERVICES FRAMEWORK AGREEMENT

### 1. Background

The 2021 Services Framework Agreement was entered into between Tibet Xinchengyue and Mr. Wang on 29 October 2020 (after trading hours) in relation to provision of certain property related services to Mr. Wang's Associated Companies (including the Seazen Group), for a term of one year from 1 January 2021 to 31 December 2021 subject to the Annual Cap.

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

<b>Date:</b>	29 October 2020
<b>Parties:</b>	(i) Tibet Xinchengyue; and (ii) Mr. Wang Xiaosong (as attorney for and on behalf of Mr. Wang)
<b>Term:</b>	The 2021 Services Framework Agreement shall be effective from 1 January 2021 to 31 December 2021 (both dates inclusive).
<b>Property Management Services:</b>	Tibet Xinchengyue is responsible for providing Mr. Wang's Associated Companies with a wide range of property management services, including maintenance, conservation and management of public areas of properties, ancillary facilities and other relevant locations, preserving the cleanliness and maintaining order of the relevant areas.

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## LETTER FROM THE BOARD

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**Value-added Services:**

The value-added services provided by Tibet Xinchengyue to Mr. Wang's Associated Companies entail:

- (a) provision of engineering and maintenance services of intelligent security equipments, e.g., surveillance system, access control system, parking system and indoor smart home system for properties developed by Mr. Wang's Associated Companies;
- (b) provision of on-site sales assistance services, including on-site and sample room cleaning, security and customer services at the sale offices, exhibition halls, showrooms and clubhouses in the development projects;
- (c) provision of property inspection services for development projects, including inspections on the properties, facilities and security systems in accordance with the acceptance standards of Mr. Wang's Associated Companies and provision of feedbacks on improvement measures;
- (d) provision of property preliminary consultancy services including advising in the preliminary stage of property development, such as market positioning, project design and its functionality; giving opinions in relation to property management services on the engineering, procurement and design throughout the development process of the project; conducting risk assessment on the construction progress and pre-delivery site condition;
- (e) provision of parking lots sales agency services for the parking lots developed by Mr. Wang's Associated Companies after the delivery of such parking lots;
- (f) project management services for the property maintenance works during the warranty period after the delivery of the property developed by Mr. Wang's Associated Companies;

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## LETTER FROM THE BOARD

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- (g) provision of elevator installation services and maintenance services for elevators in some of the properties developed by Mr. Wang's Associated Companies;
- (h) provision of on-site event planning and layout services for properties developed by Mr. Wang's Associated Companies; and
- (i) provision of ad hoc services ancillary to the property management services and value-added services provided by Tibet Xinchengyue to Mr. Wang's Associated Companies for properties developed by Mr. Wang's Associated Companies, e.g., organising social events for residents of such properties.

**Pricing policies:**

The pricing policies under each of the different type of services to be offered by Tibet Xinchengyue are as follows:

The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including the type of the development projects, the prevailing market rate, the guidance price of such services for similar type of development projects issued by the local government (if applicable) and the fees charged to the third party customers independent of the Group, the operational costs (including labor costs, material costs and administrative costs) to be incurred in the course of the provision of the services plus a profit margin and the anticipated increase in such costs due to inflation and economic and social development. The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

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## LETTER FROM THE BOARD

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- (a) For property management services, the Group generally prices by taking into account a number of factors, including (i) the type and location of properties, (ii) the Group's budgeted costs, (iii) the contracted scope of services and standard, (iv) the Group's brand recognition in the cities, (v) local government policies and pricing guidance (if applicable), (vi) the property management fee charged by preceding property management service providers if applicable, and (vii) future profitability after taking into consideration the increase in labor cost in the foreseeable future. In particular, the fees charged by property management companies nationwide are regulated by the price administration department and construction administration department of the State Council. The price administration department of the local people's governments above the county level and the competent property administration departments at the same level are responsible for regulating the fees charged by property management companies in their respective administrative regions. Therefore, different administrative regions may have different government guidance prices for different types of properties and service standards and local government policies and pricing guidance apply to most of the preliminary property management service agreements entered into between the property developers and the Group at the preliminary stage. As of 31 December 2019 and 30 September 2020, the average property management fee charged to Mr. Wang's Associated Companies (as owners of completed but unsold properties) for the residential properties under the Group's management was RMB2.12 and RMB2.03 per sq.m. per month, respectively, which (i) are identical to the average property management fee charged to other property owners for the same residential properties under the Group's management at either the preliminary stage<sup>1</sup> or property owners' associations stage, and (ii) are generally in line with the average property management fees charged to property developers other than Mr. Wang's Associated Companies (as owners of completed but unsold properties) for similar types of properties and service standards with slight adjustments depending on factors as mentioned in (a)(i) to (a)(vii) above. Further, as confirmed by the Board, the average property management fees charged by the Company to Mr. Wang's Associated Companies are no less favourable than the management fees charged by the Company to property developers other than Mr. Wang's Associated Companies.

<sup>1</sup> Preliminary stage refers to the period starting from the date when the property management services agreement with the property developer becomes effective and ending on the date when such agreement expires/terminates and the property management services agreement with owners' association becomes effective.

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## LETTER FROM THE BOARD

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- (b) For valued-added services, the Group generally prices by taking into account a number of factors, including the services required, period of agreement, cost of sales, the local market conditions and the nature and requirements of individual properties.

Pursuant to the 2021 Service Framework Agreement and as confirmed by the Directors, detailed pricing policies for transactions contemplated under the 2021 Service Framework Agreement will be as follows:

- (i) Engineering and maintenance services

Tibet Xinchengyue will deploy appropriate equipment with relevant materials based on the request of Mr. Wang's Associated Companies, and make bids/quotations after taking into account factors including, prevailing market prices, technical skills and know-how required and Tibet Xinchengyue's costs of services (including the manpower required for construction and the installation procedures requirement based on the construction blueprints of the relevant projects). Such price shall be the service fee for intelligent construction services upon Mr. Wang's Associated Companies and Tibet Xinchengyue reaching an agreement in respect of such price;

- (ii) On-site sales assistance services

the service fee shall be determined by arm's length negotiation between Mr. Wang's Associated Companies and Tibet Xinchengyue with reference to various factors including the market prices and Tibet Xinchengyue's costs of services (including but not limited to labour costs and material costs) plus reasonable management fees. In determining the market price in a particular region, the Group will take into account (a) the level of fees charged by the Group for other projects in the same region of similar scale, (b) the number of staff members needed, (c) whether the staff is required to have any specific skill or qualification, (d) the applicable minimum wage in the same region, and (e) the costs of deploying local staff members of the Group;

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## LETTER FROM THE BOARD

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- (iii) Property inspection services for development projects

the service fee shall be determined by arm's length negotiation between Mr. Wang's Associated Companies and Tibet Xinchengyue with reference to various factors including the market prices and Tibet Xinchengyue's costs of services (including but not limited to labour costs and material costs) plus reasonable management fees. In particular, the Group will make reference to the prices charged by at least two other medium to large scale property management companies listed on the Stock Exchange for similar projects, which are obtained from industry experts and the business development department of the Group, the number of staff members required to complete the projects as well as the facilities required to be inspected;

- (iv) Property consultancy services

the service fee shall be determined by arm's length negotiation between Mr. Wang's Associated Companies and Tibet Xinchengyue with reference to various factors including the market prices and Tibet Xinchengyue's costs of services. In particular, the Group will make reference to the prices charged by at least two other medium to large scale property management companies listed on the Stock Exchange for similar projects, which are obtained from industry experts and the business development department of the Group and the number of staff members needed and whether the staff is required to have any specific qualification such as graduated from any specific faculty;

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## LETTER FROM THE BOARD

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(v) Parking lots sales agency services

the Group obtains new parking space sales projects from Mr. Wang's Associated Companies through either a process of tendering or a process of appointment through agreement. There are generally two approaches for settlement, being (i) sales commission and (ii) exclusive distribution<sup>#</sup> by the Group. Under both settlement approaches, the fees are charged on a commission basis. For the nine months ended 30 September 2020, 63% of the revenue derived from the provision of the parking lots sales agency services were based on the sales commission approach with the remaining 37% of the revenue derived from exclusive distribution approach.

During 2020, the commission charged by the Group for provision of parking lots sales agency services ranged from 16% to 30% of the sales amount (the “**2020 Commission Range**”). For 2021, it is expected that the commission to be charged by the Group will be similar to those charged in the previous years, and such range is in line with the market practice.

The parties shall negotiate the approaches for settlement of the parking space sales agency services based on the then market conditions of local parking space sales agency services. The adoption of sales commission approach or exclusive distribution approach depends on arm's length negotiation between the parties. From the perspective of the Group, the Group often prefers an approach which brings greater profit to the Group, while the counter party is often more cost conscious. For appointment through a process of tendering, the counter parties will usually include their preferred approach in the tender documents. If the Group considers the profitability of such particular project is comparatively low, the Group will not participate in the tender;

(vi) Project management services for the property maintenance works during the warranty period

service fee shall be determined by arm's length negotiation between both parties after taking into account various factors including the costs of staff deployed by Tibet Xinchengyue and reasonable management costs; and

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<sup>#</sup> Exclusive distribution is an agreement between the Group and the relevant customer, whereby an exclusive right to sell all parking lots of a particular project is granted to the Group.

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## LETTER FROM THE BOARD

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- (vii) elevator installation services and maintenance services for elevators in some of the properties

service fee shall be determined by arm's length negotiation between both parties after taking into account various factors including the costs of staff deployed by Tibet Xinchengyue and reasonable management costs. In determining the market price in a particular region, the Group will take into account (a) the location and conditions of the elevators and the properties, (b) the purchasing cost of the elevators and the anticipated operational costs including labour costs and material costs and (c) the costs of deploying local staff members of the Group;

- (viii) provision of on-site event planning and layout services for properties developed by Mr. Wang's Associated Companies

service fee shall be determined by arm's length negotiation between both parties after taking into account various factors including the costs of staff deployed by Tibet Xinchengyue and reasonable management costs. In determining the market price in a particular region, the Group will take into account (a) the level of fees charged by the Group for other projects in the same region of similar scale, (b) the number of staff members needed, (c) whether the staff is required to have any specific skill or qualification, (d) the applicable minimum wage in the same region, and (e) the costs of deploying local staff members of the Group;

- (ix) Provision of ad hoc services ancillary to the property management services and value-added services

service fee shall be determined by arm's length negotiation between both parties after taking into account various factors including the market prices and Tibet Xinchengyue's costs of services (including but not limited to labour costs and material costs) plus reasonable management costs. In determining the market price in a particular region, the Group will take into account (a) the level of fees charged by the Group for other projects in the same region of similar scale, (b) the number of staff members needed, (c) whether the staff is required to have any specific skill or qualification, (d) the applicable minimum wage in the same region and (e) the costs of deploying local staff members of the Group.

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## LETTER FROM THE BOARD

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The Group has a unified system for the pricing of services under which the pricing policies are uniformly formulated by the headquarter of the Group. Prior to the determination of any price(s) of the services to be provided to Mr. Wang's Associated Companies (which include the reasonableness of the management costs charged on the projects), the project management personnel, procurement management personnel, and programme management personnel of the local branches of the Group will obtain and assess, among other things, (a) the prices charged by at least two other medium to large scale property management companies listed on the Stock Exchange for similar projects from industry experts and the business development department of the headquarter of the Group and (b) the level of fees charged by the Group for other projects in the same region of similar scale (including the fees of at least 3 projects from customers other than Mr. Wang's Associated Companies). In determining the reasonableness of the management costs, the aforementioned personnels will ensure that such costs are within the range of the prevailing average management costs charged under (a) and (b) in the preceding sentence. The relevant personnel will proceed to plan and budget for a particular subsidiary service agreement and then produce a suggested price. The managers of the local branches of the Group are authorised to approve and determine the price(s) for a particular service agreement in accordance with the applicable pricing policies.

As confirmed by the Directors, the terms offered by the Group to Mr. Wang's Associated Companies should not be more favourable than those offered to other parties for similar services.

There is no exclusivity between Mr. Wang's Associated Companies and the Group. As such, the customer network of the Company is not affected by the transactions contemplated under the 2021 Service Framework Agreement.

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## LETTER FROM THE BOARD

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**Subsidiary agreement(s):** For each development project of Mr. Wang's Associated Companies which requires the property management services under the 2021 Services Framework Agreement, the relevant Mr. Wang's Associated Company and Tibet Xinchengyue or its subsidiaries will enter into a subsidiary agreement setting out the specific scope of services required and amount of fees payable in conformity with the principles (including the pricing policy mentioned above) set out in the 2021 Services Framework Agreement.

All transactions contemplated under the 2021 Services Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis.

### 3. Annual Cap and its Basis

The maximum annual service fees payable to the Group by Mr. Wang's Associated Companies for the property management services and value-added services contemplated under the 2021 Services Framework Agreement for the year ending 31 December 2021 shall not exceed RMB1,500 million.

For reasons set out below and in the section headed "Reasons for and Benefits of the 2021 Services Framework Agreement", the estimated allocation of the Annual Cap to the property management services and value-added services is as follows:

- (i) RMB78,313,000 will be allocated to the property management services;
- (ii) RMB356,811,000 will be allocated to the provision of engineering and maintenance services of intelligent security equipment;
- (iii) RMB486,491,000 will be allocated to the provision of on-site sales assistance services;
- (iv) RMB143,811,000 will be allocated to the provision of property inspection services for development projects;
- (v) RMB125,801,000 will be allocated to the provision of property consultancy services;
- (vi) RMB47,925,000 will be allocated to the provision of parking lots sales agency services;
- (vii) RMB29,079,000 will be allocated to the provision of project management services for the property maintenance works during the warranty period;

## LETTER FROM THE BOARD

- (viii) RMB50,000,000 will be allocated to the provision of elevator installation and maintenance services for properties developed by Mr. Wang's Associated Companies; and
- (ix) RMB14,500,000 will be allocated to the provision of on-site event planning and layout services for properties developed by Mr. Wang's Associated Companies.

The remaining portion represents approximately 10%-buffer for all categories of services to be provided by the Group to Mr. Wang's Associated Companies and rounding up to the nearest 100 million, including ad hoc services ancillary to property management services and value-added services, in order to accommodate any unexpected increase in demand for any of the Group's services and/or unexpected increase in the cost of supply of such services during 2021.

In determining the Annual Cap, the Directors have considered, among other factors:

- (a) the aggregate amount of approximately RMB790 million settled by Mr. Wang's Associated Companies for property management services and value-added services for the nine months ended 30 September 2020;

The table below shows the annual cap and the actual amount charged for each of the property management services and value-added services provided to Mr. Wang's Associated Companies (including Seazen Group) for the three years ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2020:

	For the year ended		For the year ended		For the year ended		For the nine	
	31 December 2017 <sup>(1)</sup>		31 December 2018 <sup>(2)</sup>		31 December 2019 <sup>(3)</sup>		months ended	
	(RMB million)		(RMB million)		(RMB million)		(RMB million)	
	Actual	Annual	Actual	Annual	Actual	Annual	Actual	Annual
	Amount	Cap	Amount	Cap	Amount	Cap	Amount	Cap
Property Management	46.42	-	43.17	-	45.08	53.95	30.75	76.36
Value-added service								
fees	175.68	-	302.46	-	953.18	1,016.63	760.69	1,102.59
Total	222.10	-	345.63	354.00	998.26	1,070.58	791.44	1,178.95

*Notes:*

- (1) The Company was listed on 6 November 2018 and therefore there were no annual cap for the year.
- (2) It was not disclosed in the prospectus of the Company as to the respective annual caps for property management and value-added services fees.
- (3) The annual caps for property management and value-added service fees respectively for the year ended 31 December 2019 and the nine months ended 30 September 2020 stated in the said table had not taken into consideration of a 10%-buffer for all categories of services to be provided by the Group to Mr. Wang's Associated Companies.

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## LETTER FROM THE BOARD

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In arriving to the Annual Caps, the Directors have considered that (1) the growth in the annual cap for the three years ended 31 December 2017, 2018 and 2019 are in line with the growth in the historical amount charged to Mr. Wang's Associated Companies; and (2) the historical amounts for the nine months ended 30 September 2020 represented approximately 60.9% of the existing annual cap for the year ending 31 December 2020, or approximately 81.2% of the existing annual cap for the year ending 31 December 2020 after annualising.

- (b) the increase in the estimated demand of Mr. Wang's Associated Companies for property management services and value-added services for the year ending 31 December 2021: based on the public information disclosed by the Seazen Group, the plot ratio-based floor area of newly acquired lands of the Seazen Group from January to September 2020 represented an increase of approximately 28% over the corresponding period of 2019. Further, Seazen Group has a total of gross floor area of 39,361,180 sq.m. of pre-sold but not delivered properties as at 30 June 2020. Based on such information of the Seazen Group in 2020, it is expected that the demand of Mr. Wang's Associated Companies for our property management services and value-added services (including intelligent construction service) will increase for the year ending 31 December 2021;

As set out in the 2020 interim report of Seazen, as at 30 June 2020, the total land bank of the Seazen Group was approximately 137,062,832 sq.m., covering a total of 115 cities, and it had around 349 property projects which were under development or under proposed development with a total construction area of approximately 87,598,557 sq.m. As set out in an announcement published by Seazen on 14 October 2020, the aggregate contracted sales from January to September 2020 of the Seazen Group represented approximately RMB163.047 billion while the contracted sales area was approximately 15,081,500 sq.m. The aforesaid data is referred to as the "Seazen Group Data" below. Based on such figures of the Seazen Group in 2020, it is expected that the demand of Mr. Wang's Associated Companies for our property management services and value-added services (including intelligent construction service) will increase for the year ending 31 December 2021.

Based on the above, it is expected that:

- (i) for property management services, since the service fee is to be calculated based on the sq.m under management, the increasing contracted GFA has a positive and direct impact on the revenue of the Group. Based on the Seazen Group Data in 2020 and the increasing contracted GFA from properties developed by Mr. Wang's Associated Companies for the years ended 31 December 2018 and 31 December 2019 and for the nine months ended 30 September 2020, namely approximately 74,259,300 sq.m, approximately 106,008,986 sq.m. and approximately 112,900,000 sq.m. respectively, it is expected that the service fee to be derived from the property management

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## LETTER FROM THE BOARD

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services provided to the Seazen Group's completed but unsold properties will increase and as such, an amount of RMB78,313,000 from the Annual Cap has been allocated for this service;

- (ii) for engineering and maintenance services of intelligent security equipment, the increasing land bank of the Seazen Group has a positive and direct impact on the number of property projects that the Seazen Group will launch in 2021. The estimated demand on engineering and maintenance services of intelligent security equipment was determined based on (i) potential contract value of certain intelligent engineering projects; (ii) estimated construction progress for such projects; and (iii) revenue to be recognized in 2021 (certain projects were expected to complete in 2022). The total estimated demand of engineering and maintenance services of intelligent security equipment in 2021 was based on the sum of revenue of the intelligent engineering projects estimated to be recognized in 2021. As at 30 September 2020, the Group has been working on 205 projects which are yet to be completed and 124 projects are expected to start in 2021, which generated an unaudited revenue of approximately RMB196,532,592 for the nine months ended 30 September 2020. In light of the number of existing projects that the Group has been working on since 2020 (but yet to be completed till now) or will start to work on in 2021, and (c) the Group will continue to participate in all tenders for intelligent security equipment projects of the Seazen Group in 2021, which is expected to be around 200 projects (such expectation is based on the Seazen Group Data), an amount of RMB356,811,000 from the Annual Cap has therefore been allocated for this service;
- (iii) for on-site sales assistance services, the increasing land bank of the Seazen Group has a positive and direct impact on the number of property projects that the Seazen Group will sell in 2021 and the subsequent years. In the nine months ended 30 September 2020, the Company provided on-site sales assistance services to 288 projects, which generated an unaudited revenue of approximately RMB305,759,254. In light of (a) the number of existing property projects that the Group has been working on since 2020 but yet to be completed till now, being 220 projects, and (b) the number of property projects that the Group expects it will be engaged by the Seazen Group (being approximately 223 projects) to provide on-site sales assistance services in 2021 based on the Seazen Group Data, an amount of RMB486,491,000 from the Annual Cap has therefore been allocated for this service; and
- (iv) for property inspection services, property consultancy services, parking lots sales agency services and project management services for the property maintenance works during the warranty period, the increasing land bank of the Seazen Group has a positive and direct impact on the number of property projects that the Seazen Group will sell and deliver to property owners in 2021 and subsequent years. In light of the Group's expectation that the number of

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## LETTER FROM THE BOARD

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property projects that the Seazen Group will sell and deliver to property owners in 2021 will increase (such expectation is based on the Seazen Group Data), an amount of RMB143,811,000, RMB125,801,000, RMB47,925,000 and RMB29,079,000, respectively, from the Annual Cap has therefore been allocated for each of these services;

- (c) the expansion of our value-added services to cover two new services, namely the provision of elevator installation and maintenance services and provision of on-site event planning and layout services for the delivery of property units. The Group anticipates that these new services will cause an increase in the utilisation of their services and in turn an increase in the Annual Cap. The Group has entered into a certain number of contracts for on-site event planning and layout services while no contracts has been entered into for provision of elevator installation and maintenance services. In arriving to the estimated allocations for the aforesaid two new services, the management of the Company has made the following assumptions: (1) the number of property projects and the potential contract value of these projects that the Group expects it will be engaged by Mr. Wang's Associated Companies in 2021. Insofar as elevator installation and maintenance services are concerned, the Company anticipates that there will be approximately 10 to 50 projects of contract value in the region of RMB1 million to RMB5 million which is assumed on the basis that the progress of the number of projects will be delivered as scheduled for elevators installation and for projects on maintenance services that is projected on the current projects under the management of the Company; (2) the prevailing market prices for contracts for similar sized projects; and (3) there are no substantial change in the costs involved for the provisions of the services, which include the location and the conditions of the properties, purchasing cost of the elevators and the anticipated operational costs including labor costs and material costs;
- (d) the historical amounts for property management services and value-added services for the two years ended 31 December 2018 and 2019 settled between the parties as more particularly disclosed in (a) above; and
- (e) other factors such as our Group's business plans and inflation.

#### **4. Historical Transaction Amount under the 2020 Services Framework Agreement**

The historical transaction amount that the Group settled with Mr. Wang's Associated Companies for the property management services and value-added services for the nine months ended 30 September 2020 was approximately RMB790 million. The annual cap under the 2020 Services Framework Agreement for the year ending 31 December 2020 is RMB1,300 million.

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## LETTER FROM THE BOARD

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### **5. General Information**

The Company is an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services, and public area maintenances.

Mr. Wang is a controlling Shareholder. Mr. Wang has been involved in property development and property investment in the PRC via the Seazen Group. The principal business activities of Mr. Wang's associated companies are property development and property investment in the PRC.

### **6. Reasons for and Benefits of the 2021 Services Framework Agreement**

The Company is an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services, public area maintenances, whereas Mr. Wang has been involved in property development and property investment in the PRC via the Seazen Group. The Company has been providing such property management services to Mr. Wang's Associated Companies (including the Seazen Group) since 1996 and the Directors believe such services are of great assistance to Mr. Wang's Associated Companies (including the Seazen Group), as well as providing a steady stream of income to the Company. The 2021 Services Framework Agreement hence represents a stable and trustworthy business relationship which the Group can leverage to achieve its business objectives.

## LETTER FROM THE BOARD

### *Reducing Reliance on Mr. Wang's Associated Companies*

Reference is made to the section headed “Summary – Our Relationship with Future Land Group” in the Prospectus.

In light of the reasons below, the Directors are of the view that the risk of potential reliance on the Seazen Group is low:

The table below sets forth a breakdown of the Group's revenue from Mr. Wang's Associated Companies (including the Seazen Group) and customers other than Mr. Wang's Associated Companies for the periods indicated:

	For the year ended 31 December 2017		For the year ended 31 December 2018		For the year ended 31 December 2019		For the nine months ended 30 September 2020 (unaudited)	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
<i>(in thousands, except for percentages)</i>								
<i>Revenue from Mr. Wang's Associated Companies</i>								
<b>Property management services<sup>2</sup></b>								
Property management services fee in respect of completed but unsold properties	37,076	4.3	33,393	2.9	33,620	1.7	23,688	1.2
Property management services fees in respect of the office buildings of Seazen Holdings	9,345	1.1	9,781	0.9	11,457	0.5	7,063	0.4
Subtotal	46,421	5.4	43,174	3.8	45,077	2.2	30,751	1.6
<b>Value-added Services</b>								
Provision of engineering and maintenance services of intelligent security equipment	14,123	1.6	25,758	2.2	297,130	14.7	196,533	10.1
Provision of on-site sales assistance services	116,247	13.4	218,410	19.0	475,057	23.5	305,759	15.8
Provision of property inspection services for development projects	6,512	0.7	17,789	1.6	68,713	3.4	108,941	5.6
Provision of property consultancy services	34,676	4.0	32,166	2.8	66,198	3.3	96,540	5.0
Provision of parking lots sales agency services	4,125	0.5	8,332	0.7	46,089	2.3	41,432	2.1
Provision of project management services for the property maintenance works during the warranty period	–	–	–	–	–	–	11,483	0.6
Subtotal	222,104	25.6	345,629	30.1	998,264	49.3	791,439	40.8

2 The revenue from Mr. Wang's Associated Companies for the provision of property management services was derived from property management services fees collected from Mr. Wang's Associated Companies in respect of (i) completed but unsold properties and (ii) office buildings of Seazen Holdings.

## LETTER FROM THE BOARD

	For the year ended		For the year ended		For the year ended		For the	
	31 December 2017		31 December 2018		31 December 2019		nine months ended	
							30 September 2020	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
(in thousands, except for percentages)								
<i>Revenue from customers other than Mr. Wang's Associated Companies</i>								
<b>Property management services</b>								
Property management services fees derived from properties developed by Mr. Wang's Associated Companies	408,736	47.2	537,964	46.8	650,815	32.2	679,598	35.1
Property management services fees derived from properties developed by other property developers	112,020	12.9	150,887	13.1	153,063	7.6	194,201	10.0
Subtotal	520,756	60.1	688,851	59.9	803,878	39.8	873,799	45.1
<b>Value-added Services<sup>3, 4</sup></b>								
Provision of engineering and maintenance services of intelligent security equipment	-	-	-	-	311	-	12,498	0.7
Provision of on-site sales assistance services	11,739	1.4	22,973	2.0	23,240	1.1	22,944	1.2
Provision of property inspection services for development projects	655	0.1	1,999	0.2	3,772	0.2	2,795	0.1
Provision of property consultancy services	1,144	0.1	3,409	0.3	10,768	0.5	10,353	0.5
Provision of parking lots sales agency services	399	0.1	-	-	14,834	0.7	-	-
Provision of project management services for the property maintenance works during the warranty period	-	-	-	-	-	-	3,175	0.2
Other community-related services	109,573	12.6	87,088	7.5	168,959	8.4	221,050	11.4
Subtotal	644,266	74.4	804,320	69.9	1,025,762	50.7	1,146,614	59.2
<b>Total</b>	<b>866,370</b>	<b>100</b>	<b>1,149,949</b>	<b>100</b>	<b>2,024,026</b>	<b>100</b>	<b>1,938,053</b>	<b>100</b>

3 The number of customers (which is not one of Mr. Wang's Associated Companies) for value-added services for the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2020 is 10, 26, 53 and 62, respectively. For the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2020, the revenue derived from the five largest customers (which exclude Mr. Wang's Associated Companies) accounted for approximately 1.1%, 1.3%, 1.1% and 0.8%, respectively, of our total revenue and the services provided to them include provision of engineering and maintenance services of intelligent security equipment, provision of on-site sales assistance services, and other value-added services. The aforesaid customers are mainly property developers based in the PRC.

4 The number of projects (which is not one of Mr. Wang's Associated Companies) for value-added services for the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2020 is 10, 26, 53 and 62, respectively.

While it is the Company's intention to increase the number of independent customers and projects in 2021, the Company expects that the number of independent customers and projects for 2020 shall more or less be maintained, absent any unforeseeable factors or events.

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## LETTER FROM THE BOARD

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For the year ended 31 December 2019 and the nine months ended 30 September 2020, the breakdown for the revenue generated from property management services fees from Mr. Wang's Associated Companies into (1) revenue from preliminary stage and (2) revenue from property owners' association stage are as follows:

	<b>For the year ended 31 December 2019 (RMB'000)</b>	<b>For the nine months ended 30 September 2020 (RMB'000)</b>
Revenue generated from property management services fees derived from Mr. Wang's Associated Companies	45,077	30,751
– Revenue from preliminary stage	41,003	28,773
– Revenue from property owners' association stage	4,074	1,978

For the year ended 31 December 2019 and the nine months ended 30 September 2020, the breakdown for the revenue generated from property management services fees of the properties developed by Mr. Wang's Associated Companies and thereafter sold to independent third parties into (1) revenue from preliminary stage and (2) revenue from property owners' association stage are as follows:

	<b>For the year ended 31 December 2019 (RMB'000)</b>	<b>For the nine months ended 30 September 2020 (RMB'000)</b>
Revenue generated from property management services fees derived from the properties developed by Mr. Wang's Associated Companies and sold to independent third parties	650,815	679,598
– Revenue from preliminary stage	435,396	490,926
– Revenue from property owners' association stage	215,419	188,672

The revenue derived from Mr. Wang's Associated Companies for the nine months ended 30 September 2020 have decreased. The percentage for revenue derived from Mr. Wang's Associated Companies over the total revenue of the Group for the nine months ended 30 September 2020 has decreased by 8.5 percentage points to 40.8% (for the year

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## LETTER FROM THE BOARD

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ended 31 December 2020: 49.3%) due to the successful measures adopted by the Group in reduction of its reliance on Mr. Wang's Associated Companies as explained below under "Measures Implemented by the Company in Reducing Reliance on Mr. Wang's Associated Companies".

It is anticipated that the expected revenue contribution from Mr. Wang's Associated Companies for the year ending 31 December 2021 will be approximately 35% of the Group's total revenue (as opposed to 40.8% for the nine months ended 30 September 2020), which is based on (i) the projection on the year-on-year growth of the revenue from independent third parties against the revenue from Mr. Wang's Associated Companies based on the available financial information; (ii) the consolidation of the financial results of the two newly acquired property management companies, namely Chengdu Chengyue and Dalian Hua'an (as more particularly described below) in May and November 2020; (iii) the substantial increase in the successful tenders for other independent customers made as at 30 September 2020; (iv) the increase in joint venture companies established for the year, will all in turn contribute to the increase in the revenue of other than Mr. Wang's Associated Companies. For further details on the aforementioned basis, please refer to the heading titled "Measures Implemented by the Company in Reducing Reliance on Mr. Wang's Associated Companies" below.

### *Measures Implemented by the Company in Reducing Reliance on Mr. Wang's Associated Companies*

Throughout 2020, the Group has continued its efforts in developing its relationship with other independent customers. In 2019, the Group participated in 54 tenders (2018: 24 tenders). The Group participated in 79 tenders in the nine months ended 30 September 2020, representing a 46.3% increase from the total number of tenders participated by the Group for the year ended 31 December 2019. The tender success rate for securing property management projects of developers other than Mr. Wang's Associated Companies for 2019 is 63.0% (2018: 70.8%) and for the nine months ended 30 September 2020 is 70.9%.

In recent years, the Group has maintained a high customer retention rate, i.e. the property owners have continued to select the Group as their property management service provider at the property owners' association stage<sup>5</sup>. For the nine months ended 30 September 2020, the Group has achieved 100% customer retention rate<sup>6</sup> at the property owners' association stage at which property owners could freely select their property management service provider and decide whether to enter into a property management services agreement with the Group on a case by case basis. The general term of the property management contracts with property owners at the property owners' association stage will be usually for 1-3 years.

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5 The property owner's association stage will commence when the property owner's association is formed. However, there is not legal requirement on timing as to when a property owners' association has to be formed.

6 not including projects which the Company voluntary withdrew. There were 10 projects withdrawn by the Company due to internal evaluation of economic costs.

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## LETTER FROM THE BOARD

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The Company has also been successful in exploring market opportunities to diversify its property management portfolio and service offerings with a wide source of revenue. In 2020, the contracted GFA for property management services from customers other than Mr. Wang's Associated Companies has increased by approximately 14.4 million sq.m., which results in the increase of the total contracted GFA for property management services from customers other than Mr. Wang's Associated Companies from approximately 46.8 million sq.m. as at 31 December 2019 to approximately 61.2 million sq.m. as at 30 September 2020. As a result of which, the contracted GFA of the Group with customers other than Mr. Wang's Associated Companies has increased from approximately 16.1 million sq.m. as of 31 December 2017 to approximately 61.2 million sq.m. as of 30 September 2020, recording a CAGR of 56.1%. The growth of such records indicates the Company's capability in market expansion with third-party property developers, property owners' associations and individual property owners.

The Company was also successful in diversifying its property management portfolio and service offerings through acquisitions. On 7 May 2020, the Company acquired 61.5% of equity interests in Chengdu Chengyue, a company primarily engaged in the provision of comprehensive property services in mainly residential, commercial, office buildings and industrial parks. As at year end of 2019, the total gross floor area of the Target Company is approximately 5.22 million sq.m., which consists of management projects such as Chengdu Times Square\* (成都時代廣場), a landmark office building project in Chengdu Chunxi Road Commercial District\* (成都市春熙路商圈).

On 9 November 2020, the Company has further announced an acquisition of 60% of Dalian Hua'an which currently has a total GFA under management exceeding 10 million square meters. The acquisition further expands the Company's market share and brand influence in the Bohai Rim area. Through the acquisitions, the Company has been able to enhance the Company's market share and brand influences of various regions in the PRC and further reduces the reliance on Mr. Wang's Associated Companies.

### ***Measures to be implemented by the Company for the upcoming year***

The Company will continue to adopt the measures that were successful in the past year, namely the following:

- (1) the Company will continue to participate in tenders for projects of property developers other than Mr. Wang's Associated Companies which are expected to be no less than 90. As at 30 September 2020, there is a total contracted GFA of 61.2 million sq.m. signed with customers other than Mr. Wang's Associated Companies. The Company anticipates that the contracted GFA will be subsequently delivered in 2021 and will increase revenue from customers other than Mr. Wang's Associated Companies.

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## LETTER FROM THE BOARD

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- (2) At the same time, the Group will strive to maintain a high customer retention rate, i.e. it is expected that the property owners will continue to select the Group as their property management service provider at the property owners' association stage. Also, the Company intends to procure additional opportunities for the provision of community-related value-added services.
  
- (3) In addition, if appropriate targets could be identified, the Group may consider expanding its business through merger and acquisitions. As at the Latest Practicable Date, the Group has acquired 61.5% of equity interests in Chengdu Chengyue and has acquired 60% of Dalian Hua'an. As at 30 September 2020, the Company has established 8 joint venture companies with independent property developers. The 8 joint venture companies are established by the Group with 8 different independent property developers located in 7 different provinces of the PRC. Each of the joint venture companies has a registered capital of RMB1 million, which is owned as to 51%-70% by the Group, respectively. Through the establishment of the joint venture companies with influential independent local property developers, the Group forms strategic alliances with them, whereby such property developers will engage the Group to provide value-added and property management services for their newly developed properties, and the Group, through the provision of such services, would be able to increase its revenue from customers other than Mr. Wang's Associated Companies. Since the amount of registered capital contributed by the Group for each joint venture company is less than RMB1 million, the establishment of each joint venture company does not constitute notifiable transaction under Chapter 14 of the Listing Rules. The revenue generated for the provision of property management services and value-added services from such cooperation will contribute positively to the revenue from customers other than Mr. Wang's Associated Companies. Also, the merger and acquisitions of independent companies providing property management services will increase the Group's revenue from customers other than Mr. Wang's Associated Companies. The Group will continue to look for further opportunities for the year 2021 with other independent third parties and comply with the relevant requirements under the Listing Rules as and when appropriate.

In light of the disclosure above, namely, the continual increase in revenue from customers other than Mr. Wang's Associated Companies, the continual increase in the GFA from customers other than Mr. Wang's Associated Companies and continual increase in the number of customers, which is not one of Mr. Wang's Associated Companies, the Directors consider that the risk on reliance on the Seazen Group is low and the existing measures in addressing the potential reliance issue are effective.

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## LETTER FROM THE BOARD

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In light of each of the factors as stated above, each of the Directors is of the view that the 2021 Services Framework Agreement is entered into on an arm's length basis, on normal commercial terms, in the usual and ordinary course of business of the Group. The transactions contemplated under the 2021 Services Framework Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

### **7. Internal control measures**

In order to ensure that the transactions contemplated under the 2021 Services Framework Agreement will be on normal commercial terms, and that the relevant fees will not fall below the prevailing market rate, the guidance price of such services for similar type of development projects issued by the local government (if applicable) and the fees charged to the third party customers independent of the Group, the Group will continue to apply the following measures adopted by the Group for the performance of the 2020 Services Framework Agreement:

- (i) the finance department of the Group, will be responsible for regular monitoring of the continuing connected transactions contemplated under the 2021 Services Framework Agreement to ensure that the Annual Cap will not be exceeded, in particular, the Group will cease to enter into any new subsidiary agreement if such will cause the total contractual income to exceed the Annual Cap for that financial year;
- (ii) internal review will be conducted by the finance department of the Group to assess, on a monthly basis, whether the provision of property management services and value-added services have been made in accordance with the terms of the 2021 Services Framework Agreement and in accordance with the aforesaid pricing policy;
- (iii) prior to entering into any subsidiary agreements, the personnel of various departments including the legal department, finance department and operation department of the Company will review and assess the specific terms and conditions of the transactions to ensure their consistency with the 2021 Service Framework Agreement. During such internal review process, the relevant personnel will examine, among others, (a) information of the parties; (b) the term of the agreement; (c) the type and scope of services to be provided by the Group thereunder; and (d) whether the contract price is in line with the aforesaid pricing policy, in order to ensure comments (if any) from various departments of the Group will be properly addressed;
- (iv) the Company will engage its auditors to conduct an annual review of the continuing connected transactions to be conducted pursuant to the 2021 Services Framework Agreement; and
- (v) the independent non-executive Directors will review the continuing connected transactions to be conducted pursuant to the 2021 Services Framework Agreement on an annual basis and confirm in the annual report of the Company for the year

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## LETTER FROM THE BOARD

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ending 31 December 2021 whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the 2021 Services Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors consider that the personnel authorised to execute the above internal control measures possess relevant experience and expertise in relation thereto, and the above internal control measures can ensure that the continuing connected transactions contemplated under the 2021 Services Framework Agreement will be conducted on normal commercial terms in a manner not prejudicial to the interests of the Company and its Shareholders.

### **8. Implications under the Listing Rules**

As at the Latest Practicable Date, Mr. Wang is the controlling Shareholder, and thus is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the 2021 Services Framework Agreement constitute continuing connected transactions for the Company.

As the applicable ratios for the Annual Cap for the 2021 Services Framework Agreement are more than 5%, the 2021 Services Framework Agreement and the Annual Cap are subject to the announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of the Board meeting, Mr. Wang Xiaosong, a non-executive Director and the son of Mr. Wang, was considered to have a material interest in the transactions under the 2021 Services Framework Agreement. As such, he has abstained from voting on the Board resolutions approving the relevant agreement and the transactions contemplated thereunder (including the proposed Annual Cap). Save as mentioned above, none of the other Directors have a material interest in the transactions contemplated under the 2021 Services Framework Agreement, and therefore, no Director has abstained from voting on approval of the relevant resolutions.

### **III. EGM**

An EGM will be convened for the Independent Shareholders to consider and, if appropriate, to approve the 2021 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap).

Mr. Wang and Mr. Wang's Associated Companies, which directly hold 600,000,000 Ordinary Shares, representing an aggregate of approximately 73.18% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting at the EGM on the resolution in relation to the 2021 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap). Save as disclosed above, there is no other Shareholder who has any material interest in the transactions

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## LETTER FROM THE BOARD

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contemplated under the 2021 Services Framework Agreement. As such, no other Shareholder is required to abstain from voting at the EGM on the resolution in relation to the 2021 Services Framework Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been formed in accordance with the Listing Rules to advise the Independent Shareholders on the 2021 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap). In this connection, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2021 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap).

#### IV. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the view that the terms of continuing connected transactions contemplated under the 2021 Services Framework Agreement are fair and reasonable, the relevant continuing connected transactions (including the proposed Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the EGM.

#### V. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 30 to 31 of this circular containing the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the 2021 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap). The advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, on the fairness and reasonableness of the terms of the continuing connected transactions contemplated under the 2021 Services Framework Agreement (including the respective proposed Annual Cap) is set out on pages 32 to 50 of this circular.

Your attention is also drawn to the information set out in the appendix to this circular.

**The financial information for the nine months ended 30 September 2020 is only based on the preliminary assessment by the Board on the management accounts of the Group and information currently available to the Group, which has not been audited or reviewed by the auditors and/or audit committee of the Company and may be subject to amendments or adjustments. Shareholders and potential investors are advised to refer to detailed financial information to be disclosed in the Company's announcement in respect of the annual results for the year ending 31 December 2020 to be published in due course.**

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## LETTER FROM THE BOARD

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In addition, the proposed allocation of the Annual Cap as set out in the section headed “II. 2021 Services Framework Agreement – 3. Annual Cap and its Basis” in this Circular is yet to be realised and subject to change.

By order of the Board  
**S-Enjoy Service Group Co., Limited**  
**Qi Xiaoming**  
*Chairman*  
*Executive Director*  
*Chief Executive Officer*



**S-ENJOY SERVICE GROUP CO., LIMITED**

**新城悅服務集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1755)**

30 November 2020

**CONTINUING CONNECTED TRANSACTION**

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company dated 30 November 2020 (the “**Circular**”), of which this letter forms a part. Terms defined therein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether in our opinion, the terms of the 2021 Services Framework Agreement (including the proposed Annual Cap) are fair and reasonable so far as the Independent Shareholders are concerned, the relevant continuing connected transactions (including the proposed Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the continuing connected transactions contemplated under the 2021 Services Framework Agreement (including the proposed Annual Cap). Details of the advice from Gram Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 32 to 50 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 4 to 29 of the Circular. Having considered the information contained in the letter from the Board, the interests of the Independent Shareholders and the advice and recommendations given by Gram Capital, we consider that the terms of continuing connected transactions contemplated under the 2021 Services Framework Agreement (including the proposed Annual Cap) are on normal commercial terms, fair and reasonable, and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution regarding the 2021 Services Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Cap) to be proposed at the EGM.

Yours faithfully,

**Zhang Yan**  
*Independent non-executive  
Director*

**Zhu Wei**  
*Independent non-executive  
Director*

**Xu Xinmin**  
*Independent non-executive  
Director*

*Independent Board Committee of S-Enjoy Service Group Co., Limited*

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

30 November 2020

*To: The independent board committee and the independent shareholders  
of S-Enjoy Service Group Co., Limited*

Dear Sir/Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2021 Services Framework Agreement (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 November 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 29 October 2020 (after trading hours), Tibet Xinchengyue (an indirect subsidiary of the Company) entered into the 2021 Services Framework Agreement with Mr. Wang Xiaosong (as attorney for and on behalf of Mr. Wang), pursuant to which Tibet Xinchengyue has conditionally agreed to provide or procure the subsidiaries of the Group to provide certain property related services to Mr. Wang’s Associated Companies (including the Seazen Group) for a term of one year expiring on 31 December 2021.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and shall be subject to announcement, annual review and Independent Shareholders’ approval requirements under chapter 14A of the Listing Rules.

The Independent Board Committee comprising Ms. Zhang Yan, Mr. Zhu Wei, and Mr. Xu Xinmin has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the

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## LETTER FROM GRAM CAPITAL

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Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in (i) the Company's circular dated 18 January 2019 in respect of the services framework agreement dated 14 December 2018; and (ii) the Company's circular dated 27 December 2019 in respect of the 2020 Services Framework Agreement (the "**Previous Circular**").

Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

Besides, apart from the advisory fee and expenses payable to us in connection with our aforesaid engagements and this engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, there was no arrangement whereby we shall receive any other fees or benefits from the Company.

Having considered the above, in particular (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagements, we are of the view that we are independent to act as the Independent Financial Adviser.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private

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agreements/arrangements or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Mr. Wang, Mr. Wang's Associated Companies and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

#### **Information on the Company**

With reference to the Board Letter, the Company is an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services, and public area maintenances.

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## LETTER FROM GRAM CAPITAL

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Set out below are the financial information of the Group for the six months ended 30 June 2020 and the two years ended 31 December 2019 as extracted from the Company's interim report for the six months ended 30 June 2020 and the Company's annual report for the year ended 31 December 2019, respectively:

	<b>For the six months ended 30 June 2020</b>	<b>For the year ended 31 December 2019</b>	<b>For the year ended 31 December 2018</b>	<b>Change from 2018 to 2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	
Revenue	1,221,648	2,024,026	1,173,388	72.49
– <i>Property management service</i>	529,793	848,955	732,025	15.97
– <i>Value-added services</i>	691,855	1,175,071	441,363	166.24
Profit attributable to owners of the Company	188,931	282,011	152,154	85.35

As depicted from the table above, the Group's revenue for the year ended 31 December 2019 (“**FY2019**”) amounted to approximately RMB2,024.03 million, representing an increase of approximately 72.49% as compared to that for the year ended 31 December 2018 (“**FY2018**”). Revenue derived from property management services and value-added services for FY2019 amounted to approximately RMB848.96 million and RMB1,175.07 million respectively, representing increases of approximately 15.97% and 166.24% respectively as compared to those for FY2018. The Group also recorded substantial increase in profit attributable to owners of the Company for FY2019.

### **Information on Mr. Wang**

With reference to the Board Letter, Mr. Wang is a controlling Shareholder of the Company. Mr. Wang has been involved in property development and property investment in the PRC via Seazen Group.

### **Reasons for and benefits of the Transactions**

With reference to the Board Letter, the Company is an experienced property management services provider in the PRC engaging in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services, public area maintenances, whereas Mr. Wang has been involved in property development and property investment in the PRC via the Seazen Group. The Company has been providing such property management services to Mr. Wang's Associated Companies (including the Seazen Group) since 1996 and the Directors believe such services are of great assistance

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to Mr. Wang's Associated Companies (including the Seazen Group), as well as providing a steady stream of income to the Company. The 2021 Services Framework Agreement hence represents a stable and trustworthy business relationship which the Group can leverage to achieve its business objectives.

Furthermore, as confirmed by the Directors, the 2021 Services Framework Agreement is entered into in the ordinary and usual course of business of the Group and on a frequent and regular basis. As such, it would be costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules, if necessary. Accordingly, the Directors are of the view that the entering into of 2021 Services Framework Agreement will be beneficial to the Company and the Shareholders as a whole.

Having considered the above factors, we consider the Transactions are in the interest of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

As stated in the Previous Circular, in 2020, the Company will continue to participate in tenders for projects of property developers other than Mr. Wang's Associated Companies and strive to maintain a high customer retention rate. Also, the Company intends to procure additional independent third parties for the provision of the value-added services. In addition, if appropriate targets could be identified, the Group proposes to expand its business through merger and acquisitions.

With reference to the Board Letter, the number of customers (which is not one of Mr. Wang's Associated Companies) for value-added services for the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2020 is 10, 26, 53 and 62, respectively. In respect of the property management services, the Group participated in 79 tenders in the nine months ended 30 September 2020, representing an increase of approximately 46.3% as compared to the total number of tenders participated by the Group for the year ended 31 December 2019 (i.e. 54 tenders).

For the nine months ended 30 September 2020, the Group has achieved 100% customer retention rate at the property owners' association stage at which property owners could freely select their property management service provider and decide whether to enter into a property management services agreement with the Group on a case by case basis.

In respect of diversifying the Group's property management portfolio and service offerings through acquisitions, the Company acquired 61.5% of equity interests in 成都誠悅時代物業服務有限公司 (Chengdu Chengyue Times Property Services Ltd.\*, "**Chengdu Chengyue**"), being a company established in October 2004 and is primarily engaged in the provision of comprehensive property services in mainly residential, commercial, office buildings and industrial parks) in 2020. As at year end of 2019, the total gross floor area under management of Chengdu Chengyue is approximately 5.22 million sq.m.. (which represented approximately 8.7% to the Group's GFA under management of 60.2 million square metres in total as at 31 December 2019).

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In addition, as announced by the Company on 9 November 2020, Tibet Xinchengyue (a subsidiary of the Company), 上海立沐商務諮詢中心(有限合夥)(Shanghai Limu Business Consultation Centre (Limited Liability Partnership)\*, being the vendor) and 大連華安物業管理有限公司 (Dalian Hua'an Property Management Co., Ltd.\*, "**Dalian Hua'an**") entered into an equity acquisition and cooperation management agreement, pursuant to which Tibet Xinchengyue agreed to acquire 60% of the total equity interests of Dalian Hua'an. Dalian Hua'an is a property service company primarily focusing on residential property services and urban services business. Dalian Hua'an has obtained a first-class qualification for property management and won the title of "China's Top 100 Property Service Enterprises" by the China Index Academy in 2020. As at 9 November 2020, the total GFA under management of Dalian Hua'an exceeds 10 million square meters (which represented more than approximately 16.6% to the Group's GFA under management of 60.2 million square metres in total as at 31 December 2019), and more than 70% of the management projects are located in Dalian and Shenyang.

As advised by the Directors, none of Chengdu Chengyue's and Dalian Hua'an's current client is one of Mr. Wang's Associated Companies.

Having considered (i) the measures adopted in 2019 and 2020 with abovementioned figures recorded during 2020; (ii) that total revenue derived from customers (which is not one of Mr. Wang's Associated Companies) for the Services<sup>(Note)</sup> (excluding revenue derived from other community-related services (i.e. approximately RMB221.05 million)) during nine months ended 30 September 2020 (i.e. approximately RMB925.56 million) exceeded those for the full financial year of 2019 (i.e. approximately RMB856.80 million); (iii) the percentage of revenue derived from Mr. Wang's Associated Companies to the Group's total revenue also decreased from 2019 (i.e. approximately 49.3%) to 2020 (i.e. approximately 40.8%) (based on information for FY2019 and nine months ended 30 September 2020), we consider the measures in reducing reliance on Mr. Wang's Associated Companies were in place.

As confirmed by the Directors, the Company will continuously adopt such measures for reducing reliance on Mr. Wang's Associated Companies. Accordingly, we do not doubt the effectiveness of such measures in 2021.

### Principal terms of the Transactions

Set out below are the summaries of 2021 Services Framework Agreement. Details of the 2021 Services Framework Agreement are set out under the section headed "The 2021 Services Framework Agreement" of the Board Letter.

Date:	29 October 2020
Parties:	Tibet Xinchengyue; and Mr. Wang Xiaosong (as attorney for and on behalf of Mr. Wang)

*Note:* The Services does not include other community-related services as the Group did not provide other community-related services to Mr. Wang's Associated Companies for FY2019 and nine months ended 30 September 2020. For information purpose only, total revenue derived from customers (which is not one of Mr. Wang's Associated Companies) during nine months ended 30 September 2020 (i.e. approximately RMB1,146.6 million) also exceeded those for the full financial year of 2019 (i.e. approximately RMB1,025.8 million).

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

Nature of transactions: Tibet Xinchengyue has conditionally agreed to provide or procure the subsidiaries of the Group to provide certain property management services (i.e. property management services and value-added services) to Mr. Wang's Associated Companies (including the Seazen Group).

Property management services: a wide range of property management services, including maintenance, conservation and management of public areas, ancillary facilities and other relevant locations, preserving the cleanliness and maintaining order of the relevant areas.

Value-added services: (i) provision of engineering and maintenance service of intelligent security equipment; (ii) provision of on-site sales assistance service; (iii) provision of property inspection services for development projects; (iv) provision of property consultancy services; (v) provision of parking lots sales agency services for the parking lots developed by Mr. Wang's Associated Companies after the delivery of such parking lots; (vi) project management services for the property maintenance works during the warranty period after the delivery of the property developed by Mr. Wang's Associated Companies; (vii) provision of elevator installation services and maintenance services for elevators in some of the properties developed by Mr. Wang's Associated Companies; (viii) provision of on-site event planning and layout services for properties developed by Mr. Wang's Associated Companies; and (ix) provision of ad hoc services ancillary to the property management services and value-added services.

As confirmed by the Directors, the terms offered by the Group to Mr. Wang's Associated Companies should not be more favourable than those offered to other parties for similar services.

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### *Pricing policy*

The pricing policies under each of the different type of services to be offered by Tibet Xinchengyue are summarised as follows:

The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including the type of the development projects, the prevailing market rate, the guidance price of such services for similar type of development projects issued by the local government (if applicable) and the fees charged to the third party customers independent of the Group, the operational costs (including labor costs, material costs and administrative costs) to be incurred in the course of the provision of the services plus a profit margin and the anticipated increase in such costs due to inflation and economic and social development. The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event. Details of the pricing policies are set out under the sub-section headed "Pricing policy" of the Board Letter.

For our due diligence purpose, we compared the pricing policies for Services under the 2021 Services Framework Agreement with the pricing policies for services under the 2020 Services Framework Agreement. We noted that pricing policies for Services under the 2021 Services Framework Agreement were in line with the pricing policies for same services under the 2020 Services Framework Agreement, which we considered terms of which were fair and reasonable after our analyses and approved by the then independent shareholders of the Company.

Upon our request, we obtained the following documents:

- six preliminary property management contracts in total regarding the provision of property management services by the Group to (i) Mr. Wang's Associated Companies; and (ii) proposed individual property owners (being independent third parties). The aforesaid preliminary property management services were provided by the Group in three different cities of the PRC. We noted from the aforesaid contracts that the service fees for same properties for same services charged by the Group to Mr. Wang's Associated Companies were the same as those charged by the Group to proposed individual property owners (being independent third parties).
- four contracts for each of the provision of (i) on-site sales assistance services; (ii) property inspection services; and (iii) property consultancy services by the Group to (a) Mr. Wang's Associated Companies; and (b) independent third parties. We noted from the aforesaid contracts (i.e. 12 contracts in total) that with available comparison information, the service fees/costs for same services charged by the Group to Mr. Wang's Associated Companies were not lower than those charged by the Group to independent third parties.

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- four contracts in respect of provision of engineering and maintenance service of intelligent security equipment in total entered into between the Group and (a) independent third parties; and (b) Mr. Wang's Associated Companies. The Directors further advised us the estimated cost of the services contemplated under the aforesaid contracts. We noted that the implied gross profit margins (calculated by the estimated cost of the services contemplated under the contracts over the contracts value (value-added tax exclusive)) of the contracts with Mr. Wang's Associated Companies were not lower than the implied gross profit margins of the contracts with independent third parties in respect of project management services for the provision of engineering and maintenance service of intelligent security equipment.
- four parking lots sales agency services contracts in total entered into between the Group and (a) an independent third party; and (b) Mr. Wang's Associated Companies. The Directors further advised us the actual commission rate bore by the independent third party and Mr. Wang's Associated Companies. We noted that the actual commission rate borne by Mr. Wang's Associated Companies were not lower than the actual commission rate borne by the independent third party.
- four contracts in respect of project management services for the property maintenance works during the warranty period after the delivery of the property in total entered into between the Group and (a) independent third parties; and (b) Mr. Wang's Associated Companies. The Directors further advised us the estimated cost of the services contemplated under the aforesaid contracts. We noted that the implied gross profit margins (calculated by the estimated cost of the services contemplated under the contracts over the contracts value (value-added tax exclusive)) of the contracts with Mr. Wang's Associated Companies were not lower than the implied gross profit margins of the contracts with independent third parties in respect of project management services for the property maintenance works during the warranty period after the delivery of the property.

We understood that in order to ensure that the transactions contemplated under the 2021 Services Framework Agreement will be on normal commercial terms, and that the relevant fees will not fall below the prevailing market rate, the guidance price of such services for similar type of development projects issued by the local government (if applicable) and the fees charged to the third party customers independent of the Group, the Group adopted certain measures, details of which are set out under the section headed "Internal control measures" of the Board Letter. Having considered the internal control measures, in particular, prior to entering into any subsidiary agreements, personnel of the Group's various departments will be involved in the review and assess specific terms and conditions of the transactions (including the contract price), we are of the view that the effective implementation of the internal control mechanism would help to ensure fair pricing of the 2021 Services Framework Agreement according to the pricing policy.

With reference to the Company's 2019 annual report, during the 2019, the independent non-executive Directors have reviewed the non-exempt continuing connected transactions and confirmed that such transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing such transactions on terms that are fair and reasonable and in

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## LETTER FROM GRAM CAPITAL

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the interests of the Shareholders as a whole. In addition, the Company's auditor has carried out a number of scheduled auditing procedures for the continuing connected transactions entered into by the Group during the year ended 31 December 2019 and confirmed that nothing has come to their attention that caused them to believe the continuing connected transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services; (iii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing the transactions; and (iv) have exceeded the relevant cap amounts disclosed in the relevant announcements of the Company for the year ended 31 December 2019.

For our due diligence purpose, we discussed with senior management, staff of Company's relevant departments (including the Company's chief financial officer, and board secretary) /subsidiaries and understood that the Company's senior management and staff of the Company's relevant departments/subsidiaries were aware of the internal control measures as mentioned above (which have been adopted and effectively implemented during the past years) and would continuously comply with such measures when conducting the transactions contemplated under 2021 Services Framework Agreement. Having considered our findings in respect of the contracts, our discussion with relevant staffs and the independent non-executive Directors' and auditors' confirmation as mentioned above and that the internal control procedures have been adopted during the past years, we do not doubt the effectiveness of the implementation of the internal control procedures as mentioned above.

With reference to the Board Letter, the Group has a unified system for the pricing of services under which the pricing policies are uniformly formulated by the headquarter of the Group. Prior to the determination of any price(s) of the services to be provided to Mr. Wang's Associated Companies, the project management personnel, procurement management personnel, and programme management personnel of the local branches of the Group will obtain and assess, among other things, (a) the prices charged by at least two other medium to large scale property management companies listed on the Stock Exchange for similar projects from industry experts and the business development department of the headquarter of the Group and (b) the level of fees charged by the Group for other projects in the same region of similar scale (including the fees of at least 3 projects from customers other than Mr. Wang's Associated Companies). The relevant personnel will proceed to plan and budget for a particular subsidiary service agreement and then produce a suggested price. The managers of the local branches of the Group are authorised to approve and determine the price(s) for a particular service agreement in accordance with the applicable pricing policies. As the purpose of the unified system is to ensure the terms offered by the Group to Mr. Wang's Associated Companies should not be more favourable than those offered to other parties for similar services, having considered our findings in respect of the above contracts, we do not doubt the effectiveness of the unified system for the pricing of services.

In light of the above factors, including:

- (i) pricing policies for Services under the 2021 Services Framework Agreement were in line with the pricing policies for same services under the 2020 Services Framework Agreement;

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- (ii) prior to entering into any subsidiary agreements, personnel of the Group's various departments will be involved in the review and assess specific terms and conditions of the transactions (including the contract price);
- (iii) the effective implementation of the internal control mechanism would help to ensure fair pricing of the 2021 Services Framework Agreement according to the pricing policies;
- (iv) according to our findings in respect of the contracts, the independent non-executive Directors' and auditors' confirmation as stated in the 2019 Annual Report and our discussion with senior management, staff of Company's relevant departments/subsidiaries in respect of the internal control measures, we do not doubt the effectiveness of the implementation of the internal control procedures as mentioned above;
- (v) the Group's unified system for the pricing of services as mentioned above; and
- (vi) as stated in the Board Letter and as confirmed by the Directors, the terms offered by the Group to Mr. Wang's Associated Companies should not be more favourable than those offered to other parties for similar services,

we are of the view that the terms of the Transactions (including the pricing policies) are on normal commercial terms and are fair and reasonable.

### **The proposed annual caps under the Transactions**

Set out below are (i) the historical amounts in respect of the provision of Property Management Services and Value-added Services for the nine months ended 30 September 2020 with existing annual cap for the year ending 31 December 2020; and (ii) the proposed annual cap under the 2021 Services Framework Agreement for the year ending 31 December 2021 (the "**Services Cap**"). Details of the historical amounts and estimated demand of the Services are set out in the Board Letter.

#### **For the year ending 31 December 2020**

*RMB'000*

Historical amounts	791,439 ( <i>Note 1</i> )
Existing annual cap	1,300,000

#### **For the year ending 31 December 2021**

*RMB'000*

Services Cap	1,500,000
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*Note:* The figure was for the nine months ended 30 September 2020.

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## LETTER FROM GRAM CAPITAL

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The basis for determining Services Cap for the year ending 31 December 2021 are set out in sub-section headed “Annual cap and its basis” of the Board Letter.

As depicted from the table above, we noted that the historical amounts for the nine months ended 30 September 2020 represented approximately 60.9% of the existing annual cap for the year ending 31 December 2020, or approximately 81.2% of the existing annual cap for the year ending 31 December 2020 after annualising.

To assess the fairness and reasonableness of the Services Cap for the year ending 31 December 2021, we conducted the following analyses.

For our due diligence purpose, we obtained a list, showing the estimated amounts of the Property Management Services and Value-added Services for the year ending 31 December 2021 (the “**List**”). According to the List, the Directors estimated the possible demand of Property Management Services and Value-added Services for the year ending 31 December 2021 (the “**Total Estimated Demands**”) in ten aspects, i.e. (i) property management services; (ii) provision of engineering and maintenance services of intelligent security equipment; (iii) provision of on-site sales assistance services; (iv) provision of property inspection services for development projects; (v) provision of property consultancy services; (vi) provision of parking lots sales agency services for the parking lots developed by Mr. Wang’s Associated Companies after the delivery of such parking lots; (vii) project management services for the property maintenance works during the warranty period after the delivery of the property developed by Mr. Wang’s Associated Companies; (viii) provision of elevator installation services and maintenance services for elevators in some of the properties developed by Mr. Wang’s Associated Companies; (ix) provision of on-site event planning and layout services for properties developed by Mr. Wang’s Associated Companies; and (x) provision of ad hoc services ancillary to the property management services and value-added services.

According to the List, the implied increase in the Total Estimated Demands for the year ending 31 December 2021 as compared to the annualised total demand of Property Management Services and Value-added Services for the year ending 31 December 2020 was approximately 26.3% , which was obviously lower than the previous annual increases for the total demand of such services. The aforesaid increase was mainly due to the increase in estimated demand on-site sales assistance services and engineering and maintenance services of intelligent security equipment for the year ending 31 December 2021, which represented approximately 36.5% and 26.8% to the Total Estimated Demands, being the two largest portion to the Total Estimated Demands. The estimated demand of provision of property inspection services for development projects accounted for approximately 10.8% to the Total Estimated Demands while each of the remaining services accounted for less than 10% of the Total Estimated Demands (collectively, the “**Other Services**”).

### *On-site sales assistance services*

As advised by the Directors, services under the on-site sales assistance services mainly includes cleaning, and customer services at the sale offices, show rooms and clubhouses in the development projects.

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The Group recorded revenue generated from provision of on-site sales assistance services amounted to approximately RMB305.76 million for the nine months ended 30 September 2020. According to the list, the estimated demand on on-site sales assistance services for the year ending 31 December 2021 represented an increase of approximately 19.3% as compared to the annualized amounts of on-site sales assistance services for the year ending 31 December 2020.

Based on the historical amounts of on-site sales assistance services, the Group recorded increases of approximately 65.5%, 87.9% and 117.5% in actual demand of on-site sales assistance services for 2017, 2018 and 2019 as compared to those of 2016, 2017 and 2018 respectively. Therefore, we consider the implied increase of approximately 19.3% as mentioned above to be acceptable.

The Directors further provided us a list, showing existing/proposed property projects that the Group has been working and expected to continue to work during 2021, with expected on-site sales assistance services fees for each of the projects to be received in 2021. As advised by the Directors, the aforesaid list was prepared by the Company based on information obtained from Mr. Wang's Associated Companies. Based on the aforesaid information, we noted the followings:

- (i) estimated on-site sales assistance services fees of existing property projects for 2021 was determined with reference to (a) monthly on-site sales assistance services fees for such existing projects; (b) expected number of months for provision on-site sales assistance services for such existing property projects in 2021;

As advised by the Directors, the duration of such services were normally 12 months to 18 months, which were summarized based on the Group's experience in provision of on-site sales assistance service;

We further obtained three contracts of on-site sales assistance service for existing property projects, which were expected to continue 2021. We noted that the expected monthly on-site sales assistance service fees for such existing property projects were in line with the on-site sales assistance service fees as shown in the contracts. In addition, the maximum duration of such services for the existing property projects would not exceed 18 months assuming no additional work would be required during 2022;

- (ii) estimated on-site sales assistance services fees of existing property projects to be recorded in 2021 represented approximately 68% of the total estimated on-site sales assistance services fees to be recorded in 2021; and
- (iii) estimated on-site sales assistance services fees of proposed property projects to be recorded in 2021 represented approximately 32% of the total estimated on-site sales assistance services fees to be recorded in 2021, which was not deviated from the portion of estimated on-site sales assistance services fees of proposed property projects to be recorded in 2020 to the total estimated on-site sales assistance services

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fees to be recorded in 2020 (i.e. approximately 25%) when determining the existing annual cap for the year ending 31 December 2020. The actual amounts of the then proposed property projects recorded for the nine months ended 30 September 2020 represented approximately 38% to the then estimated amounts for such projects when determining the existing annual cap for the year ending 31 December 2020.

In addition, we also noted that when determining the previous annual cap for the year ended 31 December 2019, the Directors also estimated the previous annual cap based on estimated on-site sales assistance services fees for existing property projects (i.e. approximately 73%) and proposed property projects (i.e. approximately 27%). The actual on-site sales assistance services fees for FY2019 accounted for approximately 85.5% to the then estimated amounts of such services for FY2019.

Based on the above factors, we consider the implied portion of on-site sales assistance services fees of proposed property projects to be recorded in 2021 to the total estimated on-site sales assistance services fees to be recorded in 2021 (i.e. approximately 32%) to be acceptable.

Having considered the above, we consider that the estimated demand on on-site sales assistance services for the year ending 31 December 2021 to be acceptable.

### ***Engineering and maintenance services of intelligent security equipment***

As advised by the Directors, services under the intelligent security equipment engineering and maintenance services include intelligent engineering services to the property intelligent system, e.g., surveillance system, access control system and parking system, of the properties developed by Mr. Wang's Associated Companies.

The Group recorded revenue generated from intelligent security equipment engineering and maintenance services amounted to approximately RMB196.53 million for the nine months ended 30 September 2020. According to the List, the estimated demand on engineering and maintenance services of intelligent security equipment for the year ending 31 December 2021 represented an increase of approximately 36.2% as compared to the annualized amounts of engineering and maintenance services of intelligent security equipment for the year ending 31 December 2020.

The Directors further advised us the estimated demand on engineering and maintenance services of intelligent security equipment was determined based on (i) possible contract value of certain intelligent engineering projects; (ii) estimated construction progress for such projects; and (iii) revenue to be recognized in 2021 (certain projects were expected to complete in 2022). The total estimated demand of engineering and maintenance services of intelligent security equipment in 2021 was based on the sum of revenue of the intelligent engineering projects estimated to be recognized in 2021.

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For our further due diligence purpose, we obtained a list from the Company showing, among other things, (i) a total of around 300 intelligent engineering projects of Mr. Wang's Associated Companies including intelligent engineering projects (for which the services would be continuously provided or revenue would be continuously recognized by the Group during 2021) and possible intelligent engineering projects (for which services expected to be provided and revenue expected to be recognized by the Group during 2021); (ii) estimated revenue to be recognized during 2021; and (iii) accumulated revenue recognized as at the end of September 2020 and to be recognized during the fourth quarter of 2020. As also advised by the Directors, the Group was involved in Seazen Group's 298 intelligent engineering projects during the ten months ended 31 October 2020 (for the avoidance of doubt, the Group expected to continuously recognized revenue from most of the aforesaid projects (which were also included in the aforementioned around 300 intelligent engineering projects)).

We further discussed with the relevant personnel (the "**Relevant Personnel**"), who is general manager of the Company's subsidiary and is responsible for intelligent equipment engineering business. The Relevant Personnel has approximately 10 years' experience in intelligent projects management. During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimated construction progress and revenue to be recognized in 2021. Having considered the experience of Relevant Personnel and our discussion as mentioned above, we consider the estimated construction progress and revenue to be recognized in 2021 to be acceptable.

Upon our further request, we obtained two contracts of engineering and maintenance service of intelligent security equipment for existing property projects (which were selected by us on a random basis from the aforesaid list). We noted that the contracts value as stated on the list were in line with those as shown in the contracts and the revenues to be recognized in 2021 were less than the remaining amount of such projects (which indicated the estimation not being over-estimated). Therefore, we do not doubt the contract value/expected contract value of the possible intelligent engineering projects of Mr. Wang's Associated Companies in 2021.

As also advised by the Directors, the duration of intelligent engineering projects were normally three years to four years.

In light of the above factors, we consider the estimated demand on engineering and maintenance services of intelligent security equipment for 2021 to be acceptable.

### *The Other Services*

Upon our further request, the Directors advised that:

- In respect of property management services, the Directors provided us the expected property projects (which may require property management service and included two parts, (i) Seazen Group's completed but unsold properties projects (the "**Expected Properties Projects**"); and (ii) office buildings of Seazen Holdings) with names, locations and estimated property management services fees for each of

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## LETTER FROM GRAM CAPITAL

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the projects. The total estimated property management services fees for the projects accounted for approximately 76% to the total estimated demand on the Group's property management services fees for 2021.

We noted the estimated demand of property management services for office buildings of Seazen Holdings for the year ending 31 December 2021 represented an increase of approximately 9.8% as compared to that for FY2019, which was in line with the average increase of such demand of approximately 10.9% from 2017 to 2019. As also confirmed by the Directors, the Seazen Group indicated their demand of property management services from the Group for the Expected Properties Projects.

With reference to the Seazen's previous annual report, Seazen Group recorded properties with a total gross floor area of approximately 6,878,657 sq.m. which was delivered during the year ended 31 December 2019, representing an increase of 54.4% compared to 2018.

- In respect of property inspection services and property consultancy services, we noted that the estimated demand of each of property inspection services and property consultancy services for the year ending 31 December 2021 was close to their respective annualized amount for the year ending 31 December 2020 (based on the annualized amount of such services for the nine months ended 30 September 2020) (i.e. differences between the estimated demand and annualized amount of property inspection services and property consultancy services were approximately 1.0% and 2.3% respectively).
- In respect of parking lots sales agency services, the Directors determined the expected demand of parking lots sales agency services for the year ending 31 December 2021 based on the actual demand of parking lots sales agency services for the year ended 31 December 2019. We noted that the estimated demand of parking lots sales agency services for the year ending 31 December 2021 represented an increase of approximately 4% to the actual demand of such services for the year ended 31 December 2019, which represented such demand for a full financial year. For reference purpose, the implied amount of such services for the year ending 31 December 2020 (based on the annualized amount of such services for the nine months ended 30 September 2020) was approximately 15.3% more than the estimated demand of such services for the year ending 31 December 2021.
- In respect of project management services for the property maintenance works during the warranty period, the estimated demand of such services for the year ending 31 December 2021 represented a substantial increase of approximately 90% as compared to that for the year ending 31 December 2020 (based on the annualized amount of such services for the nine months ended 30 September 2020). As advised by the Directors, the aforesaid increase was mainly determined with reference to the increase in property delivery by Seazen Group in recent years, in particular, the

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## LETTER FROM GRAM CAPITAL

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delivery of Wuyue Plaza (residential properties part) in various cities of the PRC. As also advised by the Directors, based on their understanding, Wuyue Plazas normally includes residential properties part and commercial properties part. The increase in property delivery by Seazen Group also indicated the possible increase in demand of project management services for such property maintenance works during the warranty period, which normally be a two-year period from the project completion date.

We noted from Seazen's previous annual reports that Seazen Group recorded an increase of approximately 54.4% in properties with a total GFA for FY2019 as compared to that for FY2018. In addition, the Seazen Group continued to speed up the expansion of Wuyue Plazas by obtaining 24 Wuyue Plazas, and opening a total of 21 Wuyue Plazas during 2019, accumulated to opening a total of 63 Wuyue Plazas by the end of 2019 (2018: 42).

Despite that the estimated demand of such services for the year ending 31 December 2021 represented a substantial increase of approximately 90% as compared to that for the year ending 31 December 2020 (based on the annualized amount of such services for the nine months ended 30 September 2020), having considered that (i) the implied increase amount of such services for the year ending 31 December 2021 was immaterial (i.e. approximately 1.0%) to the Total Estimated Demands for the year ending 31 December 2021; (ii) the implied increase amount of such services for the year ending 31 December 2021 was immaterial (i.e. approximately 4.9%) to the implied increased amount of Total Estimated Demands for the year ending 31 December 2021 as compared to that for the year ending 31 December 2020 (based on the annualized amount of such services for the nine months ended 30 September 2020); and (iii) the increase in property delivery by Seazen Group in recent years may increase the demand of the project management services for property maintenance works during the warranty period, which normally be a two-year period from the project completion date, we consider the abovementioned substantial increase of 90% (which was immaterial to the Total Estimated Demands for the year ending 31 December 2021 and implied increased amount of the Total Estimated Demands for the year ending 31 December 2021 respectively) to be acceptable.

- With reference to the Board Letter, the expansion of the Group's valued-added services to cover two new services, namely the provision of elevator installation and maintenance services and provision of on-site event planning and layout services for the delivery of property units. We noted that the estimated demand of the two new services in total represented less than 5% of the Total Estimated Demands, which was determined based on the Directors' prudential estimation.

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## LETTER FROM GRAM CAPITAL

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- In respect of provision of ad hoc services ancillary to the property management services and value-added services, there was no demand of provision of such services for the three years ended 31 December 2019 and for the nine months ended 30 September 2020. However, in the event that there will be any demand/further demand on such services, the Directors reserved a buffer (as discussed below).

Based on the above factors, we consider that the estimated demands on Other Services for the year ending 31 December 2021 to be acceptable.

In light of the above factors, we consider that the Total Estimated Demands to be acceptable.

As further advised by the Directors, when determining the Services Cap for the year ending 31 December 2021, a buffer of approximately 10% was applied on the Total Estimated Demands so as to accommodate (i) any unexpected increase in the demands on such services and/or unexpected increase in the cost of supply of such services during 2021; or (ii) any demand on ad hoc services ancillary to the property management services and value-added services (e.g. organising social events for residents of such properties) during 2021. Having considered (i) that the unexpected circumstances may take place during 2021; and (ii) the buffer would provide flexibility in the event that the actual demand was more than the Total Estimated Demands (which was estimated based on various assumptions), we consider that the buffer to be acceptable.

In light of the above factors, we consider that the Services Cap for the year ending 31 December 2021 to be fair and reasonable.

Shareholders should note that as the Services Cap is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2021, and they do not represent forecasts of revenue/cost to be incurred from the Transactions. Consequently, we express no opinion as to how closely the actual revenue/cost to be incurred from the Transactions will correspond with the Services Cap.

### **Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by their respective proposed annual cap for the period concerned under the 2021 Services Framework Agreement; (ii) the terms of the Transactions (including their respective proposed annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

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## LETTER FROM GRAM CAPITAL

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Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the transactions contemplated under the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

In the event that the total amounts of the transactions contemplated under the Transactions are anticipated to exceed the annual caps, or that there are any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions (including the Services Cap) are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*\* For identification purpose only*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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

As at Latest Practicable Date, the Directors and chief executive of the Company had the following interests in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning 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 (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

### Interest in Shares

Name of Director	Nature of interest	Class of Shares	Number of Shares	Percentage of the Company's issued share capital
Qi Xiaoming	Beneficial owner	Ordinary shares	2,680,000	0.33%
	Beneficiary of a trust ( <i>note</i> )	Ordinary shares	1,000,000	0.12%
Lan Ziyong	Beneficial owner	Ordinary shares	30,000	0.00%
	Beneficiary of a trust ( <i>note</i> )	Ordinary shares	120,000	0.01%
Wu Qianqian	Beneficial owner	Ordinary shares	30,000	0.00%
	Beneficiary of a trust ( <i>note</i> )	Ordinary shares	250,000	0.03%

*Note:* Mr. Qi Xiaoming, Mr. Lan Ziyong and Ms. Wu Qianqian were granted 1,000,000, 120,000 and 250,000 award shares respectively pursuant to the share award scheme adopted on 15 November 2019.

**Interest in share options**

Under the share option scheme of the Company, options may be granted to the Directors and employees and also to certain eligible participants as defined in the share option scheme to subscribe for the Shares. As at the Latest Practicable Date, the following Directors had personal interests in the following share options granted to them to subscribe for Shares:

Name of Director	Number of share options	Date of grant of share options	Exercise period of share options (both dates inclusive)	Exercise price of share options (in HK\$)	Percentage of the Company's issued share capital
Qi Xiaoming	900,000	02/09/2019	02/09/2019 to 19/10/2024	6.180	0.10
Lan Ziyong	1,000,000	02/09/2019	02/09/2019 to 19/10/2024	6.180	0.12
Wu Qianqian	1,000,000	02/09/2019	02/09/2019 to 19/10/2024	6.180	0.12

Save as disclosed above, as at the Latest Practicable Date, neither any of the Directors had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

#### **4. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date:

- (i) none of the Directors had any interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) Mr. Wang Xiaosong, a non-executive Director and the son of Mr. Wang, was considered to have a material interest in the transactions under the 2020 Services Framework Agreement. Save as the aforesaid, none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

#### **5. COMPETING INTERESTS**

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

#### **6. MATERIAL ADVERSE CHANGE**

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

#### **7. QUALIFICATION AND CONSENT OF EXPERT**

Gram Capital is a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they respectively appear.

As at the Latest Practicable Date, Gram Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Gram Capital did not have any interest, direct or indirect, in any assets which since 31 December 2019, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## **8. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

## **9. MISCELLANEOUS**

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

## **10. DOCUMENT AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during the normal business hours at the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular:

- (a) the 2020 Services Framework Agreement;
- (b) the 2021 Services Framework Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from Gram Capital; and
- (e) this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### S-ENJOY SERVICE GROUP CO., LIMITED

### 新城悅服務集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1755)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING TO BE HELD ON 21 DECEMBER 2020

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of S-Enjoy Service Group Co., Limited (the “Company”, together with its subsidiaries, the “Group”) will be held at Room 1211, 12th Floor, Seazen Holdings Tower B, No. 5, Lane 388, Zhongjiang Road, Putuo, Shanghai on Monday, 21 December 2020 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without amendment, passing the following resolution:

#### ORDINARY RESOLUTION

**1. “THAT:**

- (a) the 2021 Services Framework Agreement, a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder, be and are hereby confirmed and approved;
- (b) the Annual Cap be and is hereby approved; and
- (c) any one Director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and completion of the 2021 Services Framework Agreement.”

By Order of the Board  
**S-Enjoy Service Group Co., Limited**  
**Qi Xiaoming**  
*Chairman*  
*Executive Director*  
*Chief Executive Officer*

Hong Kong, 30 November 2020

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

- (1) A member entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and, on a poll, to vote instead of him. A member holding two or more shares may appoint more than one proxy. A proxy need not be a member of the Company, but must attend the EGM in person to represent him.
- (2) A form of proxy for use at the EGM is enclosed with the circular dated 30 November 2020 despatched to members of the Company.
- (3) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the EGM (i.e before 10:00 a.m. on Saturday, 19 December 2020) or any adjournment thereof failing which the form of proxy will not be valid. Completion and return of the form of proxy will not preclude a member from attending the EGM and voting in person if he so wishes. In the event that a member attends and votes at the EGM after having lodged his form of proxy, his form of proxy shall be deemed to be revoked.
- (4) In the case of joint holders of a share, 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 will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

The register of members of the Company will be closed from Wednesday, 16 December 2020 to Monday, 21 December 2020 (both days inclusive) and during such period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, 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, 15 December 2020.

Unless otherwise stated, the capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 30 November 2020.

*As at the date of this notice, the Board comprises nine members, being Mr. Qi Xiaoming<sup>^</sup> (Chairman and Chief Executive Officer), Ms. Wu Qianqian<sup>^</sup>, Mr. Lan Ziyong<sup>^</sup>, Mr. Wang Xiaosong<sup>^^</sup>, Mr. Lv Xiaoping<sup>^^</sup>, Mr. Lu Zhongming<sup>^^</sup>, Ms. Zhang Yan<sup>^^^</sup>, Mr. Zhu Wei<sup>^^^</sup> and Mr. Xu Xinmin<sup>^^^</sup>.*

<sup>^</sup> Executive Directors

<sup>^^</sup> Non-executive Directors

<sup>^^^</sup> Independent non-executive Directors