

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in CIFI Holdings (Group) Co. Ltd., you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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CIFI Holdings (Group) Co. Ltd.
旭輝控股（集團）有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00884)

**CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAP AND RENEWAL OF
PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

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A letter from the Board is set out on pages 7 to 24 of this circular. A letter from the Independent Board Committee containing its recommendation to the CIFI Independent Shareholders is set out on pages 25 to 26 of this circular. A letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the CIFI Independent Shareholders is set out on pages 27 to 56 of this circular.

A notice convening the CIFI EGM to be convened and held at Contract Signing Room, 2/F., CIFI Center, Lane 1088, No. 39 Shenhong Road, Minhang District, Shanghai, PRC on Friday, 23 December 2022 at 10:00 a.m. is set out on pages 69 to 70 of this circular. A form of proxy for use at the CIFI EGM is also enclosed with this circular. Whether or not you are able to attend the CIFI EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the CIFI EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the CIFI EGM or any adjourned meeting should you so desire.

8 December 2022

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DEFINITIONS

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

“2019 Property Management Services Master Agreement”	the property management services master agreement dated 11 November 2019 (as amended and supplemented by the First Supplemental Property Management Services Master Agreement and the Second Supplemental Property Management Services Master Agreement) entered into between the Company and CIFI Ever Sunshine in relation to provision of property management services for the property projects of the Group in the PRC for a term of three years from 1 January 2020 to 31 December 2022
“2022 Property Management Services Master Agreement”	the property management services master agreement dated 10 October 2022 entered into between the Company and CIFI Ever Sunshine in relation to provision of property management services for the property projects of the Group in the PRC for a term of three years from 1 January 2023 to 31 December 2025
“Announcement”	the announcement made by the Company dated 10 October 2022
“applicable percentage ratio”	has the same meaning as ascribed to it under Rule 14.07 of the Listing Rules
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Best Legend”	Best Legend Development (PTC) Limited (formerly known as Best Legend Development Limited), a private trust company limited by shares incorporated in the BVI and one of the controlling shareholders of CIFI Ever Sunshine
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CIFI EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held for the purpose of considering and, if thought fit, approving the transactions contemplated under each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement

DEFINITIONS

“CIFI Ever Sunshine”	CIFI Ever Sunshine Services Group Limited (旭輝永升服務集團有限公司) (formerly known as Ever Sunshine Lifestyle Services Group Limited (永升生活服務集團有限公司)), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01995)
“CIFI Ever Sunshine EGM”	the extraordinary general meeting of CIFI Ever Sunshine convened and held on 29 November 2022 for the purpose of considering and, if thought fit, approving the transactions contemplated under each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement
“CIFI Ever Sunshine Group”	CIFI Ever Sunshine and its subsidiaries
“CIFI Ever Sunshine Independent Shareholders”	the shareholders of CIFI Ever Sunshine who are not required to abstain from voting at the CIFI Ever Sunshine EGM for the relevant resolutions with respect to the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement
“CIFI Independent Shareholders”	the shareholders of Company who are not required to abstain from voting at the CIFI EGM for the relevant resolutions with respect to the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement
“Company”	CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00884)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions of the Company contemplated under the 2022 Property Management Services Master Agreement

DEFINITIONS

“Controlling Shareholders”	collectively, Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng, being the executive Directors and controlling shareholders of the Company
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Ding Chang”	Ding Chang Limited (鼎昌有限公司), a company incorporated in the BVI with limited liability and wholly held by Sun Success Trust, which is a family trust set up by Mr. LIN Zhong, being an executive Director, as settlor
“Directors”	the director(s) of the Company
“Elite Force”	Elite Force Development Limited, a company incorporated in the BVI with limited liability and held by Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng as to 50%, 25% and 25% respectively, and one of the controlling shareholders of CIFI Ever Sunshine
“Eminent Talent”	Eminent Talent Limited (卓駿有限公司), a company incorporated in the BVI with limited liability and wholly held by a family trust set up by Mr. LIN Wei, being an executive Director, as settlor
“Entrusted Shares”	the 363,180,000 shares of CIFI Ever Sunshine entrusted by Elite Force to Spectron under the Entrusted Voting Arrangement, representing approximately 20.72% of the total issued share capital of CIFI Ever Sunshine as at the Latest Practicable Date
“Entrusted Voting Arrangement”	the voting arrangement contemplated under the voting rights entrustment agreement dated 29 May 2020 and the supplemental agreement dated 28 June 2020 entered into between Elite Force, Spectron and the Controlling Shareholders pursuant to which Elite Force entrusts Spectron to exercise the voting rights in respect of the Entrusted Shares, the details of which are disclosed in the announcements of the Company dated 29 May 2020 and 28 June 2020 respectively

DEFINITIONS

“First Supplemental Property Management Services Master Agreement”	the supplemental agreement dated 5 November 2020 and entered into between the Company and CIFI Ever Sunshine, which amended and supplemented the 2019 Property Management Services Master Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries, which for the purpose of this circular, excludes the CIFI Ever Sunshine Group
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established by the Board, comprising all the independent non-executive Directors, namely Mr. ZHANG Yongyue, Mr. TAN Wee Seng and Ms. LIN Caiyi, to advise the CIFI Independent Shareholders in respect of the transactions contemplated under the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement
“Independent Financial Adviser” or “Advent”	Advent Corporate Finance Limited (宏智融資有限公司), a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO and being the independent financial adviser appointed to advise the Independent Board Committee and the CIFI Independent Shareholders in respect of the terms of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is (are) independent of and not connected with (within the meaning of the Listing Rules) the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associate(s)

DEFINITIONS

“Latest Practicable Date”	1 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained therein
“LingYu International”	LingYu International Group Co., Ltd. (領寓國際集團有限公司), a company incorporated in the Cayman Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 of the Listing Rules
“Ms. ZENG”	Ms. ZENG Yirong, spouse of Mr. LIN Zhong, being an executive Director
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Rain-Mountain”	Rain-Mountain Limited, a company incorporated in the BVI with limited liability and wholly held by Sun-Mountain Trust, which is a family trust set up by Mr. LIN Feng, being an executive Director, as settlor
“RMB”	Renminbi, the lawful currency of the PRC
“Rosy Fortune”	Rosy Fortune Investments Limited (茂福投資有限公司), a company incorporated in the BVI with limited liability and wholly held by LIN’s Family Trust, which is a family trust jointly set up by Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng, being the executive Directors, as settlors
“Second Supplemental Property Management Services Master Agreement”	the second supplemental agreement dated 10 October 2022 and entered into between the Company and CIFI Ever Sunshine, which further amended and supplemented the 2019 Property Management Services Master Agreement
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company

DEFINITIONS

“Shares”	the ordinary shares of HK\$0.1 each in the share capital of the Company
“Specific Agreement(s)”	the specific individual agreement(s) that may be entered into between members of the Group and members of the CIFI Ever Sunshine Group in accordance with the principles and terms of the 2019 Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement
“Spectron”	Spectron Enterprises Limited, a company incorporated in the BVI with limited liability, which is an indirect wholly-owned subsidiary of the Company and is one of the controlling shareholders of CIFI Ever Sunshine
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“Towin Resources”	Towin Resources Limited, a company incorporated in the BVI with limited liability and wholly held by Mr. LIN Feng, being an executive Director
“%”	per cent



CIFI Holdings (Group) Co. Ltd.
旭輝控股（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00884)

Executive Directors:

Mr. LIN Zhong (*Chairman*)
Mr. LIN Wei (*Vice-chairman*)
Mr. LIN Feng (*Chief Executive Officer*)
Mr. RU Hailin
Mr. YANG Xin (*Chief Financial Officer*)

Independent non-executive Directors:

Mr. ZHANG Yongyue
Mr. TAN Wee Seng
Ms. LIN Caiyi

Registered Office:

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

*Principal Place of Business
in Hong Kong:*

22/F., One Hennessy
No. 1 Hennessy Road
Wan Chai
Hong Kong

8 December 2022

To the Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAP AND RENEWAL OF
PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement in respect of revision of annual cap for the year ending 31 December 2022 under the 2019 Property Management Services Master Agreement and the renewal thereof for a further term of three years from 1 January 2023 to 31 December 2025.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) a letter from the Board containing further information on each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the CIFI Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; and (iv) the notice of the CIFI EGM to the Shareholders.

2. REVISION OF ANNUAL CAP FOR 2022 UNDER THE 2019 PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

2.1 Scope of the Agreement

On 10 October 2022 (after trading hours), the Company and CIFI Ever Sunshine entered into the Second Supplemental Property Management Services Master Agreement to revise the existing annual cap for the year ending 31 December 2022 from RMB480 million to RMB860 million.

The principal terms of the 2019 Property Management Services Master Agreement are reproduced as below:

Date:	11 November 2019 (after trading hours)
Parties:	the Company CIFI Ever Sunshine
Term:	Three years commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive).
Scope of property management services:	The property management services to be provided by the CIFI Ever Sunshine Group include but without limitation to (i) property management services for unsold properties, car parking lots and the properties owned by the Group; (ii) onsite security, cleaning, greening, as well as customer services to property sales office; (iii) preliminary planning and design consultancy services; and (iv) cleaning and house inspection services to the property projects developed by the Group upon completion of construction and before delivery of the same to homeowners and other value-added services.

LETTER FROM THE BOARD

Pricing and other terms: It has been agreed as follows:

- (i) the parties may enter into the Specific Agreements to set out the detailed terms for the relevant transactions contemplated under the 2019 Property Management Services Master Agreement in the ordinary course of business after arm's length negotiations on normal commercial terms;
- (ii) the Specific Agreements shall conform with the principles and terms set out in the 2019 Property Management Services Master Agreement;
- (iii) fees for the property management services to be provided by the CIFI Ever Sunshine Group shall be determined in the Specific Agreements and should be set, after arm's length negotiations with reference to the prevailing market rate (taking into consideration the location of the property, the type and condition of the property and the scope of the property management services) and the prices offered by other property management service companies which are the Independent Third Parties as well as the price charged by the CIFI Ever Sunshine Group when providing similar services to its independent third parties; and
- (iv) the terms and conditions of the Specific Agreements shall be not less favourable than those being offered to the Group by the Independent Third Parties for comparable services.

LETTER FROM THE BOARD

2.2 Historical Figures

The approximate historical aggregate amount of service fees paid by the Group to the CIFI Ever Sunshine Group under the 2019 Property Management Services Master Agreement for the two financial years ended 31 December 2021 and the six months ended 30 June 2022 are as follows:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the six months ended 30 June 2022 <i>RMB'000</i>
Property management services; onsite security, cleaning, greening and customer services; and cleaning and housing inspection services and other value-added service	358,951	426,148	384,715
Preliminary planning and design consultancy services	28,650	53,818	22,971
Total	387,601	479,966	407,686

2.3 Proposed Revision to Annual Cap for 2022 under the 2019 Property Management Services Master Agreement

The existing annual caps for two years ended 31 December 2021 and the year ending 31 December 2022 under the 2019 Property Management Services Master Agreement are as per below:

	For the year ended 31 December 2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>
Property management services; onsite security, cleaning, greening and customer services; and cleaning and housing inspection services and other value-added service	420,000	420,000	420,000
Preliminary planning and design consultancy services	60,000	60,000	60,000
Total	480,000	480,000	480,000

LETTER FROM THE BOARD

The existing annual cap for the year ending 31 December 2022 under the 2019 Property Management Services Master Agreement is proposed to be revised as per below:

	For the year ending 31 December 2022 Revised annual cap under the Second Supplemental Property Management Services Master Agreement RMB'000
Property management services; onsite security, cleaning, greening and customer services; and cleaning and housing inspection services and other value-added service	785,000
Preliminary planning and design consultancy services	75,000
Total	<hr style="border: 1px solid black;"/> 860,000 <hr style="border: 3px double black;"/>

Such further revision shall take effect upon obtaining of the approval by the CIFI Independent Shareholders and the CIFI Ever Sunshine Independent Shareholders. Save for such further revision of the annual cap, the scope of services and other terms of the 2019 Property Management Services Master Agreement and the First Supplemental Property Management Services Master Agreement shall remain valid and in full force and effect.

Based on the management account of the Company as at 30 June 2022, the total actual transaction amount under the 2019 Property Management Services Master Agreement amounted to approximately RMB407,686,000 (representing approximately 84.9% of the existing annual cap for the year ending 31 December 2022), including approximately RMB22,971,000 incurred from preliminary planning and design consultancy services (representing approximately 38.3% of its existing annual cap for the year ending 31 December 2022). The Board has confirmed that as at the Latest Practicable Date, the transaction amount for the 2019 Property Management Services Master Agreement has not exceeded the existing annual cap for the year ending 31 December 2022.

LETTER FROM THE BOARD

2.4 Basis of Proposed Revised Annual Cap

The revised annual cap under the Second Supplemental Property Management Services Master Agreement was determined with reference to the below factors:

- (1) the actual transaction amounts for the two years ended 31 December 2021 and the six months ended 30 June 2022, which represented utilisation rates of 80.75%, 99.99% and 84.93%, respectively of the original annual caps under the 2019 Property Management Services Master Agreement;
- (2) the estimated service fees of approximately RMB709.1 million to be paid by the Group for the year ending 31 December 2022 in relation to the services provided by the CIFI Ever Sunshine Group pursuant to existing contracts entered into between the Group and the CIFI Ever Sunshine Group;
- (3) the estimated GFA of the properties to be pre-sold by the Group for the year ending 31 December 2022 of approximately 22.3 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide on-site security, cleaning, greening, as well as customer services to property sales offices;
- (4) the estimated GFA to be delivered by the Group for the year ending 31 December 2022 of approximately 11.0 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide preliminary planning and design consultancy services, cleaning and housing inspection services and other value-added services;
- (5) the estimated GFA of properties developed by the Group and under the CIFI Ever Sunshine Group's management for the year ending 31 December 2022 of approximately 43.1 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide property management services; and
- (6) the estimated transaction amount for the year ending 31 December 2022 calculated based on the above factors and the pricing policy as more particularised in the section headed "4. PRICING POLICY" below.

Having taken into account of the above factors, the Board considers the proposed revised annual cap for 2022 under the Second Supplemental Property Management Services Master Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

3. RENEWAL OF THE 2019 PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

The term of the 2019 Property Management Services Master Agreement will expire on 31 December 2022. The Group proposes to continue to engage the CIFI Ever Sunshine Group to provide property management services. Accordingly, the Company entered into the 2022 Property Management Services Master Agreement with CIFI Ever Sunshine on 10 October 2022 to govern the provision of property management services by the CIFI Ever Sunshine Group to the Group for another term of three years after the expiry of the 2019 Property Management Services Master Agreement.

3.1 The 2022 Property Management Services Master Agreement

The principal terms of the 2022 Property Management Services Master Agreement are set out as below:

Date:	10 October 2022 (after trading hours)
Parties:	(1) the Company (2) CIFI Ever Sunshine
Term:	Three years commencing from (i) 1 January 2023 or (ii) the date on which the 2022 Property Management Services Master Agreement having been approved by the CIFI Independent Shareholders at the CIFI EGM and the CIFI Ever Sunshine Independent Shareholders at the CIFI Ever Sunshine EGM (whichever is later) to 31 December 2025 (both days inclusive).
Scope of property management services:	The property management services to be provided by the CIFI Ever Sunshine Group include but without limitation to (i) property management services for unsold properties, car parking lots and the properties owned by the Group; (ii) onsite security, cleaning, greening, as well as customer services to property sales office; (iii) preliminary planning and design consultancy services; and (iv) cleaning and house inspection services to the property projects developed by the Group upon completion of construction and before delivery of the same to homeowners and other value-added services.

LETTER FROM THE BOARD

Pricing and other terms: It has been agreed as follows:

- (a) the parties may enter into the Specific Agreements to set out the detailed terms for the Continuing Connected Transactions in the ordinary course of business after arm's length negotiations on normal commercial terms;
- (b) the Specific Agreements shall conform with the principles and terms set out in the 2022 Property Management Services Master Agreement;
- (c) fees for the property management services to be provided by the CIFI Ever Sunshine Group shall be determined in the Specific Agreements and should be set, after arm's length negotiations with reference to the prevailing market rate (taking into consideration the location of the property, the type and condition of the property and the scope of the property management services) collected through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information (such as websites, annual reports, circulars and announcements) disclosed by other listed companies and at least 2 quotations offered by other property management service companies which are the Independent Third Parties that the Group will obtain for relevant type of property management services as well as the price charged by the CIFI Ever Sunshine Group when providing similar services to its independent third parties. For more details on determination of fees for the property management services to be provided by the CIFI Ever Sunshine Group, please refer to the section headed "4. PRICING POLICY" below; and
- (d) the terms and conditions of the Specific Agreements shall be not less favourable than those being offered to the Group by the Independent Third Parties for comparable services.

LETTER FROM THE BOARD

3.2 Historical Transaction Amounts

For details of the historical transaction amounts, please refer to the sub-section headed “2. REVISION OF ANNUAL CAP FOR 2022 UNDER THE 2019 PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT — 2.2 Historical Figures” above.

3.3 Proposed Annual Caps

For the original annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 under the 2019 Property Management Services Master Agreement and the proposed revised annual cap for the year ending 31 December 2022 under the Second Supplemental Property Management Services Master Agreement, please refer to the sub-section headed “2.3 Proposed Revision to Annual Cap for 2022 under the 2019 Property Management Services Master Agreement” above.

The proposed annual caps for each of the three years ending 31 December 2025, respectively, are set out below:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management services; onsite security, cleaning, greening and customer services; and cleaning and housing inspection services and other value-added service	920,000	1,015,000	1,060,000
Preliminary planning and design consultancy services	<u>80,000</u>	<u>85,000</u>	<u>90,000</u>
Total	<u>1,000,000</u>	<u>1,100,000</u>	<u>1,150,000</u>

3.4 Basis of Proposed Annual Caps

The proposed annual caps set out above have been determined with reference to, among others, the following factors:

- (a) the historical amounts of the property management services transacted and the utilisation rates of the annual caps (as detailed in page 12 of this circular) under the 2019 Property Management Services Master Agreement for the two years ended 31 December 2021, and the six months ended 30 June 2022;

LETTER FROM THE BOARD

- (b) the estimated service fees of not exceeding RMB952,000,000 to be paid for the year ending 31 December 2023 based on the existing signed contracts between the Group and the CIFI Ever Sunshine Group;
- (c) the estimated total GFA of the properties to be pre-sold by the Group for the year ending 31 December 2023 of approximately 28.2 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide on-site security, cleaning, greening, as well as customer services to property sales offices;
- (d) the estimated total GFA for the year ending 31 December 2023 to be delivered by the Group of approximately 11.5 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide preliminary planning and design consultancy services, cleaning and housing inspection services and other value-added services;
- (e) the estimated GFA of properties developed by the Group and under the management of the CIFI Ever Sunshine Group for the year ending 31 December 2023 of approximately 54.6 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide property management services;
- (f) the estimated transaction amount for the year ending 31 December 2023 calculated based on the above factors and the pricing policy as more particularised in the section headed "4. PRICING POLICY" below; and
- (g) for the annual caps set for the two years ending 31 December 2025, the Group has adopted a prudent and conservative approach by assuming a 4.5%-10% steady growth in the GFA to be delivered or pre-sold by the Group.

The payments under the 2022 Property Management Services Master Agreement are expected to be financed by internal resources of the Group.

In particular, the Board considers that the increment of the proposed annual caps under the 2022 Property Management Services Master Agreement over the proposed revised annual cap under the Second Supplemental Property Management Services Master Agreement is fair and reasonable taking into account factors including: (i) there is expected to be around 60 projects under development and held for future development of the Group which are expected to be completed and managed by the CIFI Ever Sunshine Group in 2023 with an estimated contracted GFA of more than 10 million sq.m.; and (ii) there has been continuous increase in the service fees paid by the Group to the CIFI Ever Sunshine Group for the provision of property management services for the year ended 31 December 2021 and six months ended 30 June 2022, where year-on-year increase of approximately 23.8% and period-on-period increase of approximately 88.5% were observed. Such year-on-year increase of approximately 23.8% and period-on-period increase of

LETTER FROM THE BOARD

approximately 88.5% are primarily attributable to (i) the increase in number and GFA of property projects of the Group under the management of the CIFI Ever Sunshine Group from 187 projects which amounted to approximately 32.1 million sq.m. as at 31 December 2021 to 206 projects which amounted to approximately 35.8 million sq.m. as at 30 June 2022 (which is believed to be recurring in nature); and (ii) the increase in the demand of the property projects of the Group under the management of the CIFI Ever Sunshine Group for the property management services, particularly on cleaning, sterilization and customer services, following the outbreak of a new wave of COVID pandemic in the first half of 2022. Such increase rates are higher than the rates of increment of the proposed annual caps under the 2022 Property Management Services Master Agreement as compared to the proposed revised annual cap under the Second Supplemental Property Management Services Master Agreement.

In view of the above, the Board considers the proposed annual caps under the 2022 Property Management Services Master Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. PRICING POLICY

During the term of the 2019 Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement, the Group shall from time to time enter into the Specific Agreements for the relevant property management services in accordance with the terms of the 2019 Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement. The following pricing policy is adopted to ensure that the terms offered to the Group by the CIFI Ever Sunshine Group under the 2019 Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement are on normal commercial terms and shall not be less favourable to the Group than terms offered by Independent Third Parties as follows:

- (a) for all property management services except for those for unsold properties, car parking lots and the properties owned by the Group and preliminary planning and design consultancy services under the 2019 Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement, the CIFI Ever Sunshine Group would charge the Group at prices based on a standard price list prepared by the CIFI Ever Sunshine Group which is applicable to the Group as well as its independent third parties after taking into account:
 - (i) the CIFI Ever Sunshine Group's other contemporaneous transactions of similar property management services (in respect of similar types of properties in the market in the relevant region and in terms of the scope and requirement of services, the location and condition of properties, and level of difficulty of management, etc.) carried out by the CIFI Ever Sunshine Group with other independent third parties; and
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with independent third parties (if available).

LETTER FROM THE BOARD

As informed by CIFI Ever Sunshine, the standard price list shall be compiled based on at least three of the CIFI Ever Sunshine Group's other contemporaneous transactions of similar services carried out with independent third parties (if available) for reference by relevant operating departments. If the CIFI Ever Sunshine Group has no other contemporaneous transactions carried out with independent third parties of similar services, the standard price list will be compiled based on the prevailing market information collected through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the CIFI Ever Sunshine Group, and publicly available information (such as websites, annual reports, circulars and announcements) disclosed by other listed companies providing property management services in the PRC. Although not representing an exhaustive list of all comparable transactions, the standard price list will be reviewed and approved semi-annually by the heads of relevant operating departments, the chief financial officer and the president of the CIFI Ever Sunshine Group to ensure the price list maintained by the CIFI Ever Sunshine Group reflect the prevailing market conditions and that the terms of the continuing connected transactions are fair and reasonable and no more favourable to the connected persons than those charged to independent third parties. At the same time, the Group will also conduct price researches by collection of information through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information (such as websites, annual reports, circulars and announcements) disclosed by other listed companies and cross-check the standard price list by comparing at least two quotations provided by other service providers which are Independent Third Parties in respect of comparable services.

- (b) for preliminary planning and design consultancy services, the CIFI Ever Sunshine Group would charge the Group at a fixed amount per sq.m. based on the standard price list mentioned above and for the initial project acceptance fee, fixed amount per site for the first 200,000 sq.m., and a fixed rate per an extra sq.m. after the initial 200,000 sq.m. in accordance with such standard price list after taking into account:
 - (i) the CIFI Ever Sunshine Group's other contemporaneous transactions of similar preliminary planning and design consultancy services (in respect of similar types of properties in the market in the relevant region and in terms of the scope and requirement of services, the size and condition of construction site, and level of difficulty of planning and design, etc.) carried out by the CIFI Ever Sunshine Group with other independent third parties; and
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with independent third parties (if available).

The Group will also conduct price researches by collection of information through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information (such as websites, annual reports,

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circulars and announcements) disclosed by other listed companies and cross-check the aforesaid rates and the standard price list by comparing at least two quotations provided by other service providers which are Independent Third Parties in respect of comparable services.

- (c) for property management services for unsold properties, car parking lots and the properties owned by the Group, before determining the price for the provision of services, the CIFI Ever Sunshine Group would make reference to:
- (i) the CIFI Ever Sunshine Group's other contemporaneous transactions of similar property management services (in respect of similar types of properties or car parking lots in the market in the relevant region and in terms of the scope and requirement of services, the location and condition of properties, and level of difficulty of management, etc.) carried out by the CIFI Ever Sunshine Group with other independent third parties;
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with independent third parties; and
 - (iii) guidance prices issued by the government in this connection (if any) depending on the location of the property project. According to the Property Service Charge Management Measures (《物業服務收費管理辦法》) promulgated by the National Development and Reform Commission and the Ministry of Construction on 13 November 2003, the specific pricing of property service fees, namely the above-mentioned government guidance prices, is to be determined by the price authorities of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government of the PRC in conjunction with the real estate administrative authorities. In practice, the publication method and update frequency of pricing documents for property service fees are determined by the competent departments of each province, autonomous region and municipality directly under the Central Government of the PRC. If the above-mentioned government guidance price is available, the price for the provision of services charged by the CIFI Ever Sunshine Group shall not be higher than such government guidance price.

As informed by CIFI Ever Sunshine, after the relevant information is collected, the marketing department of the CIFI Ever Sunshine Group would propose a price to the Group which would not be higher than the prices offered to its independent third parties by the CIFI Ever Sunshine Group. The Group will also conduct price researches by collection of information through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information (such as websites, annual reports, circulars and announcements) disclosed by other listed companies and cross-check such proposed price by comparing at least two quotations that the Group could obtain from other service providers which are Independent Third Parties for similar services.

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5. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2019 PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT, THE SECOND SUPPLEMENTAL PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT AND THE 2022 PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

As disclosed in the announcement of the Company dated 11 November 2019, the CIFI Ever Sunshine Group had been specializing in property management over 15 years at that time and therefore has a well-developed management system as well as an experienced management team and well-trained staff to offer high quality property management services. As at 30 June 2019, 99 property projects developed by the Group which were located in, among others, Shanghai, Suzhou, Hangzhou, Nanjing, Xiamen, Hefei, Jiaxing, Zhejiang, Beijing, Tianjin, Shenyang, Langfang, Chongqing, Changsha, Wuhan and Xi'an were under the management of the CIFI Ever Sunshine Group. The Directors believed that continuing engagement of the CIFI Ever Sunshine Group by the Group for provision of property management services on normal commercial terms would enable the Group to assure the quality of services provided to the projects developed by the Group in an efficient manner and therefore is beneficial to the Group. As such, the Company entered into the 2019 Property Management Services Master Agreement.

Following the outbreak of a new wave of COVID pandemic in the first half of 2022, the demand of the property projects of the Group in the PRC under the management of the CIFI Ever Sunshine Group for the property management services, particularly on cleaning, sterilization and customer services, has been increasing. Further, the scale and number of the property projects of the Group in the PRC under the management of the CIFI Ever Sunshine Group has increased due to the continuous delivery of properties developed by the Group for the year ending 31 December 2022. As a result, based on the current estimation by the Group, the estimated service fees to be paid by the Group for the year ending 31 December 2022 in relation to the services provided by the CIFI Ever Sunshine Group will exceed the existing original cap of RMB480 million for the year ending 31 December 2022 as revised and set under the First Supplemental Property Management Services Master Agreement. In order for the CIFI Ever Sunshine Group to provide the property management services to the Group until the end of this year and considering the increasing demand and scale in property management services of the Group, the Company has entered into the Second Supplemental Property Management Services Master Agreement to further revise the annual cap for the year ending 31 December 2022 under the 2019 Property Management Services Master Agreement.

As the 2019 Property Management Services Master Agreement is due to expire on 31 December 2022, the 2022 Property Management Services Master Agreement is being entered to enable the CIFI Ever Sunshine Group to continue to provide property management services to the Group. The CIFI Ever Sunshine Group has been specializing in property management for 20 years and has a well-developed management system as well as an experienced management team and well-trained staff to offer high quality property management services. As at 30 June 2022, approximately 200 property projects developed by the Group which are located in, among others, Shanghai, Suzhou, Hangzhou, Nanjing, Xiamen, Hefei, Jiaxing, Zhejiang, Beijing, Tianjin, Shenyang,

LETTER FROM THE BOARD

Chongqing, Changsha, Chengdu, Changde, Wuhan and Xi'an were under the management of the CIFI Ever Sunshine Group. The Directors believe that continuing engagement of the CIFI Ever Sunshine Group by the Group for provision of property management services on normal commercial terms would enable the Group to assure the quality of services provided to the projects developed by the Group in an efficient manner and therefore is beneficial to the Group.

6. INFORMATION ON THE GROUP AND THE CIFI EVER SUNSHINE GROUP

The Group is principally engaged in property development and property investment businesses in the PRC.

The CIFI Ever Sunshine Group is a reputable and fast-growing comprehensive property management service provider in the PRC, providing property management services and value-added services in 117 cities and serving more than 640,000 households as at 30 June 2022. It operates four major business lines, namely (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, and (iv) city services, which form a comprehensive service portfolio offering to its customers and cover the entire value chain of property management industry.

7. LISTING RULES IMPLICATIONS

The Company

Based on the public information available and as at the Latest Practicable Date, the shareholding of CIFI Ever Sunshine is directly owned by Spectron, Elite Force and Best Legend as to approximately 23.21%, 20.72% and 7.86% respectively. Spectron is an indirect wholly-owned subsidiary of the Company. Elite Force is controlled by the executive Directors and the Controlling Shareholders, namely Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng who own 50%, 25% and 25% shareholding in Elite Force respectively. Elite Force entrusts Spectron to exercise the voting rights in respect of the Entrusted Shares that Elite Force owns directly in CIFI Ever Sunshine pursuant to the Entrusted Voting Arrangement. Best Legend holds the shares of CIFI Ever Sunshine on trust pursuant to a share award scheme of CIFI Ever Sunshine. Prior to vesting of any shares of CIFI Ever Sunshine awarded to the participants under the share award scheme, Best Legend exercises voting rights in respect of the shares of CIFI Ever Sunshine held by it. Best Legend is wholly-owned by Mr. LIN Feng. The aforesaid approximate of 7.86% shareholding in CIFI Ever Sunshine is unvested under the share award scheme as at the Latest Practicable Date and Mr. LIN Feng, through Best Legend, holds approximately 7.86% voting rights of CIFI Ever Sunshine. Each of the Lin's Family Trust, of which Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng are the founders, and Sun-Mountain Trust, of which Mr. LIN Feng is the founder, further owns approximately 0.06% and 0.03% shareholding in CIFI Ever Sunshine. Collectively, Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng, in the manner mentioned above, are jointly interested in approximately 51.89% of the entire share capital of CIFI Ever Sunshine. Mr. LIN Zhong and Mr. LIN Feng are executive director and non-executive director of CIFI Ever Sunshine, respectively.

LETTER FROM THE BOARD

CIFI Ever Sunshine is accounted for and consolidated in the consolidated financial statements of the Company as a subsidiary of the Company by virtue of applicable accounting principles. Accordingly, CIFI Ever Sunshine is regarded as a connected subsidiary of the Company by virtue of Rule 14A.16(1) of the Listing Rules. The transactions contemplated under each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the announcement and shareholders' approval requirements.

In respect of the Company, as one of the applicable percentage ratios (excluding the profit ratio) for the annual caps contemplated under each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement exceeds 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, approval of the CIFI Independent Shareholders, and annual review requirements in accordance with Chapter 14A of the Listing Rules.

Apart from the interest of the Controlling Shareholders in the voting right in the shares of CIFI Ever Sunshine as disclosed above, as Mr. LIN Zhong is the chairman of the board of directors and an executive director of CIFI Ever Sunshine, and Mr. LIN Feng is a non-executive director of CIFI Ever Sunshine, Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng, who are brothers and the executive Directors, are considered to have material interests in each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and transactions contemplated thereunder.

Another two executive Directors, namely Mr. RU Hailin (together with his spouse) and Mr. YANG Xin, holds approximately 0.06% and 0.001% shareholding respectively in CIFI Ever Sunshine as at the Latest Practicable Date. Given that the shareholding held by them in CIFI Ever Sunshine was considered to be immaterial and they are merely passive minority investors without holding any management role or position in the CIFI Ever Sunshine Group, they were not considered to have any material interest in the transactions contemplated under each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement. Therefore, save for Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng, none of the Directors was required to abstain from voting in respect of the relevant Board resolutions pursuant to the articles of association of the Company.

CIFI Ever Sunshine

The transactions contemplated under each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement will constitute continuing connected transactions of CIFI Ever Sunshine under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

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

In respect of CIFI Ever Sunshine, as the highest applicable percentage ratios (excluding the profit ratio) for the annual caps contemplated under each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, approval of the CIFI Ever Sunshine Independent Shareholders and annual review requirements in accordance with Chapter 14A of the Listing Rules.

Please also refer to the announcements of CIFI Ever Sunshine dated 10 October 2022 and 29 November 2022, respectively, and the circular of CIFI Ever Sunshine dated 9 November 2022 for further details.

8. THE CIFI EGM

The CIFI EGM will be convened and held by the Company for the CIFI Independent Shareholders to consider and, if thought fit, approve each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder.

Voting at the CIFI EGM will be conducted by way of poll. Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng, together with their associates, namely Rosy Fortune, Ding Chang, Ms. ZENG, Eminent Talent, Rain-Mountain and Towin Resources, which hold a total of 4,871,743,385 Shares, representing approximately 50.92% shareholding in the Company as at the Latest Practicable Date, are considered to have material interests in each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and transactions contemplated thereunder and shall abstain from voting on the proposed resolutions relating thereto at the CIFI EGM.

A form of proxy for use at the CIFI EGM is enclosed with this circular. Whether or not you are able to attend the CIFI EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same as soon as possible to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any event not less than 48 hours before the time appointed for the holding of the CIFI EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the CIFI EGM or any adjourned meeting should you so wish.

To determine the entitlement to attend and vote at the CIFI EGM, the register of members of the Company will be closed from Tuesday, 20 December 2022 to Friday, 23 December 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the CIFI EGM, all transfers,

LETTER FROM THE BOARD

accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 19 December 2022.

9. RECOMMENDATION

The Company has established the Independent Board Committee comprising all the independent non-executive Directors to consider the terms of each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder, and to advise the CIFI Independent Shareholders as to whether the terms of each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, after taking into account the advice from the Independent Financial Adviser which has been appointed as the independent financial adviser to advise the Independent Board Committee and the CIFI Independent Shareholders in this regard.

The Directors (including the independent non-executive Directors, having received and considered the advice from the Independent Financial Adviser) are of the opinion that the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement are made on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms thereof are fair and reasonable, so far as the CIFI Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the CIFI Independent Shareholders to vote in favour of the ordinary resolutions approving each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder set out in the notice of the CIFI EGM enclosed to this circular.

10. GENERAL

Your attention is also drawn to the "Letter from the Independent Board Committee", the "Letter from the Independent Financial Adviser" and the additional information set out in the appendix to this circular and the notice of the CIFI EGM.

Yours faithfully,
For and on behalf of the Board
CIFI Holdings (Group) Co. Ltd.
LIN Zhong
Chairman



CIFI Holdings (Group) Co. Ltd.

旭輝控股（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00884)

8 December 2022

To the CIFI Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 8 December 2022 issued by the Company to its Shareholders (the “Circular”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We, being the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the CIFI Independent Shareholders in connection with the Second Supplemental Property Management Services Master Agreement, the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder, the details of which are set out in the “Letter from the Board” contained in the Circular. Advent has been appointed as the independent financial adviser to advise us, the Independent Board Committee, and the CIFI Independent Shareholders, in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” to us, the Independent Board Committee, and the CIFI Independent Shareholders, containing its advice in respect of the Second Supplemental Property Management Services Master Agreement, the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder, as set out in the Circular.

Having taken into account the principal factors and reasons considered by Advent and its conclusion and advice, we consider that the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement are made on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms thereof are fair and reasonable, so far as the CIFI Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the CIFI Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the CIFI EGM to approve each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee
ZHANG Yongyue
TAN Wee Seng
LIN Caiyi
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Advent Corporate Finance Limited to the Independent Board Committee and the CIFI Independent Shareholders, which had been prepared for the purpose of inclusion in this circular.



Advent Corporate Finance Limited
Suites 1008-08A, 10/F
Ocean Centre, Harbour City
Kowloon, Hong Kong

8 December 2022

*To the Independent Board Committee and the Independent Shareholders of
CIFI Holdings (Group) Co. Ltd.*

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

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the CIFI Independent Shareholders in relation to the continuing connected transactions in connection with the Second Supplemental Property Management Services Master Agreement, the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder (the “**Continuing Connected Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 8 December 2022 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the Circular in respect of, among other things, the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement entered into between the Company and CIFI Ever Sunshine, and the annual caps thereunder.

On 10 October 2022 (after trading hours), the Company and CIFI Ever Sunshine entered into the Second Supplemental Property Management Services Master Agreement to revise the existing annual cap for the year ending 31 December 2022 in respect of the transactions contemplated under the 2019 Property Management Services Master Agreement. On the same day, the Company and CIFI Ever Sunshine also entered into the 2022 Property Management Services Master Agreement to renew the transactions contemplated under the 2019 Property Management Services Master Agreement for another term of three years from 1 January 2023 to 31 December 2025, in view of the expiry of the term of the 2019 Property Management Services Master Agreement on 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the shareholding of CIFI Ever Sunshine is directly owned by Spectron, Elite Force and Best Legend as to approximately 23.21%, 20.72% and 7.86% respectively. Spectron is an indirect wholly-owned subsidiary of the Company. Elite Force is controlled by the executive Directors and the Controlling Shareholders, namely Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng who own 50%, 25% and 25% shareholding in Elite Force respectively. Elite Force entrusts Spectron to exercise the voting rights in respect of the Entrusted Shares that Elite Force owns directly in CIFI Ever Sunshine pursuant to the Entrusted Voting Arrangement. Best Legend holds the shares of CIFI Ever Sunshine on trust pursuant to a share award scheme of CIFI Ever Sunshine. Prior to vesting of any shares of CIFI Ever Sunshine awarded to the participants under the share award scheme, Best Legend exercises voting rights in respect of the shares of CIFI Ever Sunshine held by it. Best Legend is wholly-owned by Mr. LIN Feng. The aforesaid approximate of 7.86% shareholding held by Best Legend in CIFI Ever Sunshine is unvested under the share award scheme as at the date of the circular and Mr. LIN Feng, through Best Legend, holds approximately 7.86% voting rights of CIFI Ever Sunshine. Each of Lin's Family Trust, of which Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng are the founders, and Sun-Mountain Trust, of which Mr. LIN Feng is the founder, further owns approximately 0.06% and 0.03% shareholding in CIFI Ever Sunshine.

CIFI Ever Sunshine is accounted for and consolidated in the consolidated financial statements of the Company as a subsidiary of the Company by virtue of applicable accounting principles. Accordingly, CIFI Ever Sunshine is regarded as a connected subsidiary of the Company by virtue of Rule 14A.16(1) of the Listing Rules. The transactions contemplated under each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the announcement and shareholders' approval requirements.

In respect of the Company, as one of the applicable percentage ratios (excluding the profit ratio) for the annual caps contemplated under each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement exceeds 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, approval of the CIFI Independent Shareholders, and annual review requirements in accordance with Chapter 14A of the Listing Rules.

Mr. LIN Zhong and Mr. LIN Feng are executive director and non-executive director of CIFI Ever Sunshine, respectively. Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng, together with their associates, namely Rosy Fortune, Ding Chang, Ms. ZENG, Eminent Talent, Rain-Mountain and Towin Resources, which hold a total of 4,871,743,385 Shares, representing approximately 50.92% shareholding in the Company as at the at the Latest Practicable Date, are considered to have material interests in each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and transactions contemplated thereunder and shall abstain from voting on the proposed resolutions relating thereto at the CIFI EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. THE INDEPENDENT BOARD COMMITTEE

The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. ZHANG Yongyue, Mr. TAN Wee Seng and Ms. LIN Caiyi, to consider the terms of each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder, and to advise the CIFI Independent Shareholders as to whether the terms of each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms thereof are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

We have been appointed by the Company as the Independent Financial Advisor to advise the Independent Board Committee and the CIFI Independent Shareholders in these respects and to give our opinion in relation to the Continuing Connected Transactions for the Independent Board Committee's consideration when making their recommendation to the CIFI Independent Shareholders. Such an appointment has been approved by the Board.

III. OUR INDEPENDENCE

As at the date of this letter, we are independent from and not connected with the Group, the CIFI Ever Sunshine Group, and their respective directors, chief executives, or shareholders, or any of their respective associates. Save for our appointments by the Company as its independent financial advisor in respect of (i) the adjustments to the Company's outstanding share options in relation to the issue of rights shares, (ii) the adjustments to the Company's outstanding share options in relation to the bonus issue of shares, and (iii) the connected transaction in relation to the disposal of property holding companies (with their respective details set out in the announcements of the Company dated 28 December 2021, 30 June 2022, and 10 August 2022), there was no other engagement between the Group and us in the previous two years.

Apart from the normal advisory fee payable to us in connection with the appointment as the Independent Financial Advisor in relation to the Continuing Connected Transactions, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and are qualified to give independent advice to the Independent Board Committee and the CIFI Independent Shareholders regarding the Continuing Connected Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IV. BASIS AND ASSUMPTIONS OF THE ADVICE

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

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us that no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. The documents we reviewed include but are not limited to: (i) the annual report of the Company for the financial year ended 31 December 2021 (the “**2021 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”); (iii) the 2019 Property Management Services Master Agreement (as supplemented by the Supplemental Property Management Services Master Agreement); (iv) the Second Supplemental Property Management Services Master Agreement; (v) the 2022 Property Management Services Master Agreement; and (vi) other information as set out in this letter. We have no reason to suspect the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Directors and/or the Management and their respective advisers or to believe that material information has been withheld from us or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the CIFI Independent Shareholders solely in connection with their consideration of the terms of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

V. BACKGROUND INFORMATION OF THE CONTINUING CONNECTED TRANSACTIONS

In arriving at our opinion in respect of the Continuing Connected Transactions (together with the annual caps), we have considered the following factors and reasons.

1. Background information of the Group

(a) Business of the Group

The Group is principally engaged in the business of property development and property investment in the PRC. The Group's business focuses on developing high-quality and end-users driven properties in mature segments in first- and second-tier cities as well as core cities in the PRC. Its development projects cover various property types like residential, office and commercial complexes.

(b) Financial performance of the Group

Set out below is a summary of the Group's financial results extracted from the 2021 Annual Report and the 2022 Interim Report.

Summary of consolidated statement of profit or loss of the Group

	For the year ended		For the six months ended	
	31 December		30 June	
	2020	2021	2021	2022
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
<i>Revenue</i>				
- Sales of properties and other property related service income	68,539,935	102,675,338	34,157,805	26,354,771
- Leases	590,449	982,491	390,737	626,879
- Property management and other services income	2,668,279	4,133,595	1,824,807	2,703,269
- Other service income related to investment properties	-	43,317	-	35,402
Total revenue	71,798,663	107,834,741	36,373,349	29,720,321
Gross profit	15,609,063	20,797,446	7,525,137	6,148,834
Profit for the year/period	11,895,533	12,327,177	5,363,375	1,904,284
Profit for the year/period attributable to equity owners of the Company	8,031,895	7,612,919	3,602,520	730,825

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For the six months ended 30 June 2022 compared to the six months ended 30 June 2021

As set out in the 2022 Interim Report, the Group recognised revenue of approximately RMB29,720.3 million for the six months ended 30 June 2022, down by approximately RMB6,653.0 million or 18.3% as compared to approximately RMB36,373.3 million in the corresponding period of 2021. Out of the Group's total recognised revenue during the six months ended 30 June 2022, (i) sales of properties and other property related service income decreased to approximately RMB26,354.8 million by approximately 22.8% from approximately RMB34,157.8 million in the corresponding period of 2021, which was mainly attributable to the decrease of approximately 20.2% in recognised average selling price and the decrease of 1.0% in GFA delivered; (ii) property management and other services income increased to approximately RMB2,703.3 million by approximately 48.1% from approximately RMB1,824.8 million in the corresponding period of 2021, which was primarily due to the increase in the number of properties under management; and (iii) leases and other service income related to investment properties in aggregate increased to approximately RMB662.3 million by approximately 69.5% from approximately RMB390.7 million in the corresponding period of 2021, which was mainly contributed by rental income from Shanghai LCM, Wukesong Project, Xi'an CIFI Centre, Shanghai CIFI Haishang International, Shanghai The Roof and Shanghai CIFI Tower, with its growth mainly driven by Shanghai The Roof and Wukesong Project.

The Group's reported gross profit for the six months ended 30 June 2022 was approximately RMB6,148.8 million, down by approximately RMB1,376.3 million or 18.3% compared to approximately RMB7,525.1 million in the corresponding period of 2021, which was generally in line with the decrease in total revenue as mentioned above.

The Group's profit for the six months ended 30 June 2022 was approximately RMB1,904.3 million, which decreased by approximately RMB3,459.1 million or 64.5% from approximately RMB5,363.4 million in the corresponding period of 2021. Such decrease was primarily attributable to (i) the decrease in gross profit as mentioned above; (ii) the increase in net exchange loss; (iii) the decrease in fair value of financial assets at FVTPL; while partially offset by (iv) the decrease in income tax expense. Accordingly, the Group's net profit attributable to equity owners decreased to approximately RMB730.8 million during the six months ended 30 June 2022 by approximately 79.7% from approximately RMB3,602.5 million in the corresponding period of 2021.

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For the year ended 31 December 2021 compared to the year ended 31 December 2020

As set out in the 2021 Annual Report, the Group recorded revenue of approximately RMB107,834.7 million for the year ended 31 December 2021, representing an increase of approximately RMB36,036.0 million or 50.2% from approximately RMB71,798.7 million for the year ended 31 December 2020. Out of the Group's total revenue in 2021, (i) sales of properties and other property related service income, being its largest revenue segment, increased to approximately RMB102,675.3 million by approximately 49.8% from approximately RMB68,539.9 million for the year ended 31 December 2020, which was mainly attributable to the increase in GFA delivered; (ii) property management and other services income increased to approximately RMB4,133.6 million by approximately 54.9% from approximately RMB2,668.3 million for the year ended 31 December 2020, which was due to the increase in the number of properties under management; and (iii) leases and other service income related to investment properties increased to approximately RMB1,025.8 million by approximately 73.7% from approximately RMB590.4 million for the year ended 31 December 2020, which were mainly contributed by rental income from Jiangxi CIFI Square, Shanghai CIFI Haishang International, Shanghai Yangjing S2/S3 Office Project, Shanghai LCM, Shanghai CIFI Pure Centre, Wukesong Arena and Xi'an CIFI Center, with its growth mainly derived from new rental contribution from Wukesong Arena.

The Group's reported gross profit for the year ended 31 December 2021 was approximately RMB20,797.4 million, up by RMB5,188.3 million or 33.2% compared to approximately RMB15,609.1 million for the year ended 31 December 2020, which was generally in line with the increase in total revenue as mentioned above.

The Group's profit for the year increased to approximately RMB12,327.2 million for the year ended 31 December 2021 by approximately RMB431.7 million or 3.6% from approximately RMB11,895.5 million for the year ended 31 December 2020, which was mainly attributable to the increase in gross profit as mentioned above; while partially offset by (i) the decrease in other income, gains and losses; (ii) the increase in selling and marketing expenses; (iii) the increase in administrative expenses; and (iv) the increase in income tax expense. The Group's net profit attributable to equity owners decreased to approximately RMB7,612.9 million in 2021 by approximately RMB419.0 million or 5.2% from approximately RMB8,031.9 million in 2020.

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(c) *Financial position of the Group*

Set out below is a summary of the Group's financial positions as at 31 December 2020 and 2021 (extracted from the 2021 Annual Report) and as at 30 June 2022 (extracted from the 2022 Interim Report):

Summary of consolidated statement of financial position of the Group (with selected components only)

	As at 31 December		As at 30 June
	2020	2021	2022
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Total assets	379,299,406	432,749,532	410,014,500
– Properties under development for sale	129,018,163	167,611,374	169,119,241
– Investment properties	22,698,969	40,432,643	45,499,657
– Amounts due from non-controlling interests	26,359,618	32,910,760	33,454,215
– Bank balances and cash	51,052,696	46,462,460	31,139,923
– Accounts and other receivables, deposits and prepayments	30,384,186	34,816,698	30,264,527
– Amounts due from joint-ventures and associates	57,515,448	36,381,098	30,241,906
– Properties held for sale	12,904,429	20,690,184	23,615,898
Total liabilities	295,657,156	325,349,739	304,356,152
– Contract liabilities	74,626,818	77,822,084	82,884,611
– Bank and other borrowing – due after one year	54,260,449	60,957,693	58,247,810
– Accounts and other payables and accrued charges	58,332,009	68,298,821	58,221,195
– Amounts due to joint ventures and associates	32,425,022	40,823,109	29,141,144
– Senior notes – due after one year	26,979,739	25,050,987	25,048,827
Equity attributable to owners of the Company	36,051,681	41,990,154	41,954,966

Note: For presentation purpose, only major asset and liability components of the Group are selected for disclosure in the table above.

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Financial position of the Group as at 30 June 2022 compared to 31 December 2021

As at 30 June 2022, total assets of the Group amounted to approximately RMB410,014.5 million, down by approximately RMB22,735.0 million or 5.3% from approximately RMB432,749.5 million as at 31 December 2021. Such decrease was primarily attributable to (i) the decrease of approximately RMB15,322.5 million or 33.0% in bank balances and cash; (ii) the decrease of approximately RMB6,139.2 million or 16.9% in amounts due from joint-ventures and associates; (iii) the decrease of approximately RMB4,552.2 million or 13.1% in accounts and other receivables, deposits and prepayments; and partially offset by (iv) the increase of approximately RMB5,067.0 million or 12.5% in investment properties, and (v) the increase of approximately RMB2,925.7 million or 14.1% in properties held for sale. As at 30 June 2022, total assets of the Group mainly consisted of (i) properties under development for sale of approximately RMB169,119.2 million, and (ii) investment properties of approximately RMB45,499.7 million, which accounted for approximately 41.2% and 11.1% of total assets, respectively.

As at 30 June 2022, total liabilities of the Group amounted to approximately RMB304,356.2 million, down by approximately RMB20,993.5 million or 6.5% from approximately RMB325,349.7 million as at 31 December 2021. Such decrease was mainly attributed to (i) the decrease of approximately RMB11,682.0 million or 28.6% in amounts due to joint venture and associates; (ii) the decrease of approximately RMB10,077.6 million or 14.8% in accounts and other payables and accrued charges; (iii) the decrease of approximately RMB2,709.9 million or 4.4% in bank and other borrowing — due after one year; and partially offset by (iv) the increase of approximately RMB5,062.5 million or 6.5% in contract liabilities. As at 30 June 2022, total liabilities of the Group mainly consisted of (i) contract liabilities of approximately RMB82,884.6 million, (ii) bank and other borrowing — due after one year of approximately RMB58,247.8 million, and (iii) accounts and other payables and accrued charges of approximately RMB58,221.2 million, which accounted for approximately 27.2%, 19.1% and 19.1% of total liabilities, respectively.

Financial position of the Group as at 31 December 2021 compared to 31 December 2020

As at 31 December 2021, total assets of the Group amounted to approximately RMB432,749.5 million, up by approximately RMB53,450.1 million or 14.1% from approximately RMB379,299.4 million as at 31 December 2020. Such increase was primarily attributable to (i) the increase of approximately RMB38,593.2 million or 29.9% in properties under development for sale; (ii) the increase of approximately RMB17,733.7 million or 78.1% in investment properties; (iii) the increase of approximately 7,785.8 million or 60.3% in properties held for sale; (iv) the increase of approximately RMB6,551.1 million or 24.9% in amounts due from non-controlling interests; and partially offset by (v) the decrease of approximately RMB21,134.4 million or 36.7% in amounts due from joint-ventures and associates. As at 31

December 2021, total assets of the Group mainly consisted of (i) properties under development for sale of approximately RMB167,611.4 million, and (ii) bank balances and cash of approximately RMB46,462.5 million, and (iii) investment properties of approximately RMB40,432.6 million, which accounted for approximately 38.7%, 10.7% and 9.3% of total assets, respectively.

As at 31 December 2021, total liabilities of the Group amounted to approximately RMB325,349.7 million, up by approximately RMB29,692.5 million or 10.0% from approximately RMB295,657.2 million as at 31 December 2020. Such increase was mainly attributed to (i) the increase of approximately RMB9,966.8 million or 17.1% in accounts and other payables and accrued charges; (ii) the increase of approximately RMB8,398.1 million or 25.9% in amounts due to joint ventures and associates; (iii) the increase of approximately RMB6,697.2 million or 12.3% in bank and other borrowing — due after one year; and partially offset by (iv) the decrease of approximately RMB1,928.8 million or 7.1% in senior notes — due after one year. As at 30 June 2022, total liabilities of the Group mainly consisted of (i) contract liabilities of approximately RMB77,822.1 million, (ii) accounts and other payables and accrued charges of approximately RMB68,298.8 million, and (iii) bank and other borrowing — due after one year of approximately RMB60,957.7 million, which accounted for 23.9%, 21.0% and 18.7% of total liabilities, respectively.

2. Background information of the CIFI Ever Sunshine Group

CIFI Ever Sunshine Services Group Limited (formerly known as Ever Sunshine Lifestyle Services Group Limited) is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01995).

The CIFI Ever Sunshine Group is a reputable and fast-growing comprehensive property management service provider in the PRC, providing property management services and value-added services in 117 cities and serving more than 640,000 households as at 30 June 2022. It has been specializing in property management for 20 years and has a well-developed management system as well as experienced management team and well-trained staff to offer high quality property management services. It operates four major business lines, namely (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, and (iv) city services, which form a comprehensive service portfolio offering to its customers and cover the entire value chain of property management industry.

As at 30 June 2022, the CIFI Ever Sunshine Group had provided property management services to approximately 200 property projects developed by the Group which are located in, among others, Shanghai, Suzhou, Hangzhou, Nanjing, Xiamen, Hefei, Jiaxing, Zhejiang, Beijing, Tianjin, Shenyang, Chongqing, Changsha, Chengdu, Changde, Wuhan and Xi'an.

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Having considered the respective principal activities of the Group and the CIFI Ever Sunshine Group as described above and the established business relationship between the Group and the CIFI Ever Sunshine Group, we are of the view that the Continued Connected Transactions are entered into in the ordinary and usual course of business of the Group and the CIFI Ever Sunshine Group.

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

As presented on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>), the PRC's gross domestic product (GDP) reached RMB114.4 trillion in 2021, representing an increase of approximately RMB13.0 trillion or 8.1% growth year-on-year as compared to 2020 when the economy was temporarily and adversely affected by the outbreak of the COVID-19 pandemic. The property management industry of the PRC has experienced a short-term downturn due to the effects of the pandemic and the changing environment in the real estate sector. Nonetheless, the impact of the pandemic is considered short term as a series of policies and measures have been implemented by the PRC government to support the economic recovery and property management companies, including but not limited to, the implementation of proactive fiscal policy and a prudent monetary policy, as well as the implementation of policies such as burden reduction and relief, including tax cuts, tax rebates and other measures.

According to AskCI Research (https://www.askci.com/news/chanye/20210708/1827291511110_5.shtml), in recent years, several laws and rules regulating various aspects of the property management industry have come into effect in the PRC, and a number of policies have been enacted to promote the development of the property management industry. The PRC government policies have promoted the development of the property management industry mainly through the following channels: (i) relaxing restrictions on the adjustment of property management fees, thereby directly increasing the income of property companies; (ii) encouraging property companies to provide more urban services and public services, and broadening and extending the scope of their services which open up more room for the growth of property companies; and (iii) through urban renewal and old village renovation projects, many old neighborhoods that previously did not have property management services were brought into the property management service category, expanding the market for the property management industry. For example, for the property management industry, ten ministries have issued notices to encourage and guide property management companies to develop in the direction of high quality, diversification, and expansion of service space and content. Such policies and measures have created a favorable atmosphere for the property management industry.

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According to China Index Academy (being the largest independent property research organisation in the PRC with more than 15 offices nationwide, which provides comprehensive and accurate property/land data in a timely manner and generates key market insights for clients), the total GFA under management for all property management companies in the PRC is expected to increase from approximately 29.0 billion sq.m. in 2022 to 34.8 billion sq.m. in 2025, representing a CAGR of approximately 6.2%. The accelerated growth of the industry is largely attributed to rapid urbanisation, increasing disposable household income per capita and favorable government policies and initiatives. In particular, pursuant to the Fourteenth Five Year Plan, (the “14th FYP”)* (十四五規劃), the PRC Government announced the target urbanisation rate of the resident population* (常住人口城鎮化率) for the next five years from 2021 is approximately 65.0%. In this regard, the PRC government is promoting the urbanisation process in the PRC through, among others, (i) accelerating the urbanisation of the agricultural population* (加快農業轉移人口市民化) by implementing two strategies, namely deepening the reform of the household registration system* (深化戶籍制度改革) and improving the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) improving urbanisation layout* (完善城鎮化空間佈局) through the implementation of five major strategies, namely promoting the integrated development of conurbations* (推動城市群一體化發展), constructing modernised metropolitan areas* (建設現代化都市圈), optimising and enhancing the functions of central urban areas in mega-sized-cities* (優化提升超大特大城市中心城區功能), improve habitability and employability in large and medium-sized cities* (完善大中城市宜居宜業功能) and promote urbanisation construction with counties/cities as major carriers* (推進以縣城為重要載體的城鎮化建設).

In view of the above, it is expected that supportive government policies and continuing urbanisation will continue to drive the growth of the PRC real estate and the property management industries in the long term.

* For identification purposes only

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Reasons for and benefits of entering into the Second Supplementary Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement

As disclosed in the announcement of the Company dated 11 November 2019, the Company and CIFI Ever Sunshine entered into the 2019 Property Management Services Master Agreement for engaging CIFI Ever Sunshine to provide property management services to the Group for a term of three years ending on 31 December 2022 with an annual cap of RMB350 million for each of the three years. Subsequently, as disclosed in the announcement of the Company dated 5 November 2020, they further entered into the Supplemental Property Management Services Master Agreement to revise the annual caps for the said three years to RMB480 million in view of the then anticipated increase in demand of property management services from the CIFI Ever Sunshine Group.

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Set out below are the historical amounts of service fees paid by the Group to the CIFI Ever Sunshine Group under the 2019 Property Management Services Master Agreement (supplemented by the Supplementary Property Management Services Master Agreement) for the two financial years ended 31 December 2021 and the six months ended 30 June 2022:

	For the year ended 31 December		For the six months ended 30 June
	2020	2021	2022
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	RMB'000	RMB'000	RMB'000
Property management services; onsite security, cleaning, greening and customer services; and cleaning and housing inspection services and other value-added service	358,951	426,148	384,715
Preliminary planning and design consultancy services	28,650	53,818	22,971
Total	387,601	479,966	407,686
Existing annual cap	480,000	480,000	480,000
Utilisation	80.75%	99.99%	84.93%

For the six months ended 30 June 2022, the service fees paid by the Group to the CIFI Ever Sunshine Group reached approximately RMB407.7 million, representing approximately 84.93% of the existing annual cap for the year ending 31 December 2022.

As disclosed in the Letter from the Board, following the outbreak of a new wave of COVID pandemic in the first half of 2022, the demand from the property projects of the Group in the PRC under the management of the CIFI Ever Sunshine Group for property management services, particularly on cleaning, sterilization and customer services, have been increasing. Further, the scale and number of the property projects of the Group in the PRC under the management of the CIFI Ever Sunshine Group has increased due to the continuous delivery of properties developed by the Group for the year ending 31 December 2022.

Based on the current estimation by the Group, the existing cap of RMB480 million for the year ending 31 December 2022 is not sufficient. In order for the CIFI Ever Sunshine Group to provide the property management services to the Group until the end of this year and considering the increasing demand and scale in property management services of the Group, the Company entered into the Second Supplemental Property Management Services Master Agreement on 10 October 2022 to further revise the annual cap for the year ending 31 December 2022 under the 2019 Property Management Services Master Agreement. Save for the revision of

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annual caps, the scope of services and other terms of the 2019 Property Management Services Master Agreement shall remain valid and in full force and effect.

Moreover, as it is expected that the Group will continue to engage the CIFI Ever Sunshine Group for the provision of property management services, the Company entered into the 2022 Property Management Services Master Agreement with the CIFI Ever Sunshine on 10 October 2022 to govern the provision of property management services by the CIFI Ever Sunshine Group to the Group for another term of 3 years ending 31 December 2025. Accordingly, the Continuing Connected Transactions contemplated under the respective agreements represent a furtherance of the Group's existing business relationship with the CIFI Ever Sunshine Group.

Having considered that (i) the CIFI Ever Sunshine Group is a well-established and specialised property management service provider, which can enable the Group to assure the quality of services are provided in an efficient manner; (ii) the existing annual cap for the year ending 31 December 2022 is estimated to be insufficient, as approximately RMB407.7 million out of the existing annual cap of RMB480 million, representing approximately 84.93% of the existing annual cap, have been utilised for the six months ended 30 June 2022; (iii) the scale, area and number of property projects of the Group in the PRC under the management of the CIFI Ever Sunshine Group have been increasing; (iv) the outbreak of new wave of COVID pandemic in the first half of 2022 further drove up the demand of sanitisation related services; (v) the proposed annual caps, if approved, would facilitate the Continuing Connected Transactions to be conducted in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; and (vi) the Group has the right but not the obligation to accept the relevant services from the CIFI Ever Sunshine Group, which shall be on terms determined in accordance with the respective pricing policies, we concur with the Directors' view that the entering into the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the 2022 Property Management Services Master Agreement

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

Date : 10 October 2022 (after trading hours)

Parties : (a) the Company
(b) CIFI Ever Sunshine

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- Term** : Three years commencing from (i) 1 January 2023 or (ii) the date on which the 2022 Property Management Services Master Agreement having been approved by the CIFI Independent Shareholders at the CIFI EGM and the CIFI Ever Sunshine Independent Shareholders at the CIFI Ever Sunshine EGM (whichever is later) to 31 December 2025 (both days inclusive)
- Scope of property management services** : The property management services to be provided by the CIFI Ever Sunshine Group include but without limitation to (i) property management services for unsold properties, car parking lots and the properties owned by the Group; (ii) onsite security, cleaning, greening, as well as customer services to property sales office; (iii) preliminary planning and design consultancy services; and (iv) cleaning and house inspection services to the property projects developed by the Group upon completion of construction and before delivery of the same to homeowners and other value-added services
- Pricing and other terms** : It has been agreed as follows:
- (a) the parties may enter into the Specific Agreements to set out the detailed terms for the Continuing Connected Transactions in the ordinary course of business after arm's length negotiations on normal commercial terms;
 - (b) the Specific Agreements shall conform with the principles and terms set out in the 2022 Property Management Services Master Agreement;

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- (c) fees for the property management services to be provided by the CIFI Ever Sunshine Group shall be determined in the Specific Agreements and should be set, after arm's length negotiations with reference to the prevailing market rate (taking into consideration the location of the property, the type and condition of the property and the scope of the property management services) collected through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information (such as websites, annual reports, circulars and announcements) disclosed by other listed companies and at least two quotations offered by other property management service companies which are the Independent Third Parties that the Group will obtain for relevant type of property management services as well as the price charged by the CIFI Ever Sunshine Group when providing similar services to the Independent Third Parties. For more details on determination of fees for the property management services to be provided by the CIFI Ever Sunshine Group, please refer to the section headed "Pricing Policy" below; and
- (d) the terms and conditions of the Specific Agreements shall be not less favourable than those being offered to the Group by the Independent Third Parties for comparable services.

For details of the principal terms of the 2022 Property Management Services Master Agreement, please refer to the Letter from the Board contained in the Circular.

Pricing Policy

During the term of the 2019 Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement, the Group shall from time to time enter into the Specific Agreements for the relevant property management services in accordance with the terms of the 2019 Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement. The following pricing policy is adopted to ensure that the terms offered to the Group by the CIFI Ever Sunshine Group under the 2019 Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement are on normal commercial terms and shall not be less favourable to the Group than terms offered by other Independent Third Parties to the Group as follows:

- (a) *all property management services except for those for unsold properties, car parking lots and the properties owned by the Group and preliminary planning and design consultancy services under the 2019 Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement: the CIFI Ever Sunshine Group would charge the Group at prices based on a standard price list prepared by the CIFI Ever Sunshine Group which is applicable to the Group as well as independent third parties to CIFI Ever Sunshine (the “**Standard Price List**”) after taking into account:*
 - (i) the CIFI Ever Sunshine Group’s other contemporaneous transactions of similar property management services (in respect of similar types of properties in the market in the relevant region and in terms of the scope and requirement of services, the location and condition of properties, and level of difficulty of management, etc.) carried out by the CIFI Ever Sunshine Group with other independent third parties; and
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with independent third parties (if available).

As informed by CIFI Ever Sunshine, the Standard Price List shall be compiled based on at least three of the CIFI Ever Sunshine Group’s other contemporaneous transactions of similar services carried out with independent third parties to CIFI Ever Sunshine (if available) for reference by relevant operating departments. If the CIFI Ever Sunshine Group has no other contemporaneous transactions carried out with its independent third parties of similar services, the Standard Price List will be compiled based on the prevailing market information collected through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the CIFI Ever Sunshine Group, and publicly available

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information (such as websites, annual reports, circulars and announcements) disclosed by other listed companies providing property management services in the PRC. Although not representing an exhaustive list of all comparable transactions, the Standard Price List will be reviewed and approved semi-annually by the heads of relevant operating departments, the chief financial officer and president of the CIFI Ever Sunshine Group to ensure the price list maintained by the CIFI Ever Sunshine Group reflects the prevailing market conditions and that the terms of the continuing connected transactions are fair and reasonable and no more favourable to the connected persons than those charged to its independent third parties. At the same time, the Group will also conduct price research by collection of information through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information (such as websites, annual reports, circulars and announcements) disclosed by other listed companies and cross-check the Standard Price List by comparing at least two quotations provided by other service providers which are Independent Third Parties to the Group in respect of comparable services;

- (b) *preliminary planning and design consultancy services*: the CIFI Ever Sunshine Group would charge the Group at a fixed amount per sq.m. based on the Standard Price List mentioned above and for the initial project acceptance fee, fixed amount per site for the first 200,000 sq.m., and a fixed rate per an extra sq.m. after the initial 200,000 sq.m. in accordance with such Standard Price List after taking into account:
- (i) the CIFI Ever Sunshine Group's other contemporaneous transactions of similar preliminary planning and design consultancy services (in respect of similar types of properties in the market in the relevant region and in terms of the scope and requirement of services, the size and condition of construction site, and level of difficulty of planning and design, etc.) carried out by the CIFI Ever Sunshine Group with other independent third parties; and
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with independent third parties (if available).

The Group will also conduct price research by collection of information through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information (such as websites, annual reports, circulars and announcements) disclosed by other listed companies and cross-check the rates and the Standard Price List by comparing at least two quotations provided by other service

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providers which are Independent Third Parties to the Group in respect of comparable services; and

- (c) *property management services for unsold properties, car parking lots and the properties owned by the Group*: before determining the price for the provision of services, the CIFI Ever Sunshine Group would make reference to:
- (i) the CIFI Ever Sunshine Group's other contemporaneous transactions of similar property management services (in respect of similar types of properties or car parking lots in the market in the relevant region and in terms of the scope and requirement of services, the location and condition of properties, and level of difficulty of management, etc.) carried out by the CIFI Ever Sunshine Group with other independent third parties;
 - (ii) prices charged by other property management companies in the PRC of comparable transactions with independent third parties; and
 - (iii) guidance prices issued by the government in this connection (if any) depending on the location of the property project. According to the Property Service Charge Management Measures (《物業服務收費管理辦法》) promulgated by the National Development and Reform Commission and the Ministry of Construction on 13 November 2003, the specific pricing of property service fees, namely the above-mentioned government guidance prices, is to be determined by the price authorities of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government of the PRC in conjunction with the real estate administrative authorities. In practice, the publication method and update frequency of pricing documents for property service fees are determined by the competent departments of each province, autonomous region and municipality directly under the Central Government of the PRC. If the above-mentioned government guidance price is available, the price for the provision of services charged by the CIFI Ever Sunshine Group shall not be higher than such government guidance prices.

As informed by CIFI Ever Sunshine, after the relevant information is collected, the marketing department of the CIFI Ever Sunshine Group would propose a price to the Group which would not be more than the prices offered to independent third parties by the CIFI Ever Sunshine Group. The Group will also conduct price research by collection of information through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information

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(such as websites, annual reports, circulars and announcements) disclosed by other listed companies and cross-check such proposed price by comparing at least two quotations that the Group could obtain from other service providers which are Independent Third Parties for similar services.

3. Analysis on the principal terms of the 2022 Property Management Services Master Agreement

We have reviewed the principal terms of the 2022 Property Management Services Master Agreement and the Second Supplemental Property Management Services Master agreement, and noted that (i) for the 2022 Property Management Services Master Agreement, the pricing policy and other principal terms thereof primarily continue to follow those of the 2019 Property Management Services Master Agreement, and (ii) for the Second Supplemental Property Management Services Master agreement, save for the revision of annual cap, the other terms of the 2019 Property Management Services Master Agreement shall remain valid and in full force and effect.

The service fees under the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement are primarily comprised of services fees charged by the CIFI Ever Sunshine Group to the Group in the provision of services: (a) on-site security, cleaning, greening, as well as customer services to property sales offices; (b) cleaning and house inspection services to the property projects developed by the Group upon completion of construction and before delivery of the same to homeowners, and other value-added services such as additional security, cleaning, greening, as well as repair and maintenance services; (c) preliminary planning and design consultancy services, where preliminary planning and design consultancy services include, but not limited to, the planning and consultancy services of the construction sites, on-site inspection as to the construction progress and delivery preparation; and (d) property management services for unsold properties, car parking lots and the properties held by the Group.

With regard to the pricing policy, as set out in the Letter from the Board, the service fee between the Group and the CIFI Ever Sunshine Group is primarily determined based on the Standard Price List compiled by the CIFI Ever Sunshine Group, which will further be supported by the Group's price research by collection of information through, among others, information exchange within the industry, industry talent from other property management services providers recruited by the Group, and publicly available information (such as websites, annual reports, circulars and announcements) disclosed by other listed companies and cross-checked by comparing to at least two quotations provided by other service providers which are Independent Third Parties to the Group in respect of comparable services. We have obtained and reviewed the Standard Price List provided by the CIFI Ever Sunshine Group to the Group which sets out the price for different property management services provided by the CIFI Ever Sunshine Group. We understand from the Management that the pricing on the Standard Price List is

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determined with reference to the market information collected by the CIFI Ever Sunshine Group, taking into account the scope and requirement of services, the location and condition of properties, and level of difficulty of management, etc. We have also obtained and reviewed a summary of price research results compiled by the Group, two samples of quotations that the Group obtained from other independent service providers for their price comparisons, and three samples of documentations regarding the approval of the Specific Agreements. We noted that the service fee charged between the Group and the CIFI Ever Sunshine Group has been properly reviewed and approved by the finance department, legal and risk management department, etc and the Management. Accordingly, we considered that the pricing policies are in place, and fair and reasonable.

We have also, on a random sampling basis, obtained and reviewed samples of the historical transactions between the Group and the CIFI Ever Sunshine Group (the “CT Samples”), and samples of the historical transactions/quotations obtained between the Group and Independent Third Parties (the “I3P Samples”) for each type of services as aforementioned based on the service nature with comparable service scopes and property locations, for the period from 1 July 2021 to Latest Practicable Date.

In relation to (a) on-site security, cleaning, greening, as well as customer services to property sales offices above, we have obtained and reviewed 14 samples of historical transactions in aggregate, which comprised of five CT Samples and nine I3P Samples. Based on our review, we noted that (i) the service fees paid by the Group to the CIFI Ever Sunshine Group were charged at costs plus a profit margin (based on the said costs) in accordance with the profit margin range between 6% and 15% as stipulated in the Standard Price List; and (ii) the service fees paid to the Independent Third Parties were charged at costs plus a profit margin between 10% to 15%. Accordingly, the service fees between the Group and the CIFI Ever Sunshine Group were considered no less favourable than that between the Group and Independent Third Parties.

In relation to (b) cleaning and house inspection services to the property projects developed by the Group upon completion of construction and before delivery of the same to homeowners, and other value-added services (such as additional security, cleaning, greening, as well as repair and maintenance services) above, we have obtained and reviewed 17 samples of historical transactions in aggregate, which included (i) nine samples (comprising four CT Samples and five I3P Samples) of the said cleaning and house inspection services; and (ii) eight samples (comprising four CT Samples and four I3P Samples) of other valued added services. Based on our review, we noted that (i) the service fees for the said cleaning and house inspection services between the Group and the CIFI Ever Sunshine Group were charged at a fixed rate per sq.m. in accordance with the Standard Price List, and fell within the range of the unit fees charged between the Group and the Independent Third Parties; and (ii) the service fees for the other value added services between the Group and the CIFI Ever Sunshine Group were charged at costs plus a profit margin (based on the costs) in accordance with the profit margin range between 6% and 15% as stipulated in the Standard Price List, which, when analysed

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in terms of unit fee per sq.m. for comparison purpose, fell within the range of unit fees charged between the Group and the Independent Third Parties. Accordingly, such service fees between the Group and the CIFI Ever Sunshine Group were considered no less favourable than that between the Group and Independent Third Parties.

In relation to (c) preliminary planning and design consultancy services above, we have obtained and reviewed 18 samples of historical transactions in aggregate, which included (i) eight samples (comprising five CT Samples and three I3P Samples) of preliminary planning and design consultancy services; and (ii) 10 samples (comprising four CT Samples and six I3P Samples) of initial project acceptance fee. Based on our review, we noted that (i) the rates of service fee for the preliminary services between the Group and the CIFI Ever Sunshine Group were charged at a fixed rate per sq.m. in accordance with the Standard Price List, and fell within the range of unit fees charged between the Group and the Independent Third Parties; (ii) the rates of service fee for the initial project acceptance were charged at a fixed amount for an area equal to or less than 200,000 sq.m. and additionally a fixed rate per sq.m. for any area in excess of 200,000 sq.m. in accordance with the Standard Price List, which, when analysed in terms of unit fee per sq.m. for comparison purpose, fell within the range of unit fees charged between the Group and the Independent Third Parties. As such, such service fees between the Group and the CIFI Ever Sunshine Group were considered no less favourable than that between the Group and Independent Third Parties.

In relation to (d) property management services for unsold properties, car parking lots and properties owned by the Group above, we have also obtained and reviewed 14 samples (comprising three CT Samples and 11 I3P Samples) in aggregate. Based on our review, we noted that (i) the service fees charged by CIFI Ever Sunshine for the provision of property management services for unsold properties and properties owned by the Group ranged between RMB2.2 per sq.m. per month and RMB6.5 per sq.m. per month whilst the fees charged by Independent Third Parties ranged between RMB2.3 per sq.m. per month and RMB8.0 per sq.m. per month; and (ii) the service fees charged by CIFI Ever Sunshine for the car park lots ranged between RMB60 to RMB80 per lot per month whilst the fees charged by Independent Third Parties fell within RMB60 to RMB250 per lot per month. As such, the service fees between the Group and the CIFI Ever Sunshine Group were considered no less favourable than that between the Group and Independent Third Parties.

We considered the selection criteria, sampling basis and sample size we adopted for review to be appropriate, fair and representative for the purpose of our analysis, on the basis that it (i) included both transactions between the Group and the CIFI Ever Sunshine Group and the transactions between the Group and the Independent Third Parties for comparison; (ii) covered different types of service with at least 14 samples selected for each type based on the service nature with comparable service scopes and property locations; and (iii) were selected on a random sampling basis for a review period from 1 July 2021 to Latest Practicable Date.

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Based on our discussion with the Management and our review of service agreements, we noted that the service charges remain relatively stable in the recent two years. Thus, we considered such review period represents a reasonable time duration for reflecting the prevailing market rates of service fees. Based on the above, and the internal control procedures in place as set out in the section headed "5. Internal control procedures" below, we consider that the Continuing Connected Transactions were conducted on normal commercial terms, and fair and reasonable.

4. Rationale for determining the annual cap in connection with the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement

Second Supplemental Property Management Services Master Agreement

Pursuant to the Second Supplemental Property Management Services Master Agreement, the existing annual cap for the year ending 31 December 2022 under the 2019 Property Management Services Master Agreement is further revised as per below:

	For the year ending 31 December 2022	
	Existing annual cap under the First Supplemental Property Management Services Master Agreement <i>RMB'000</i>	Revised annual cap under the Second Supplemental Property Management Services Master Agreement <i>RMB'000</i>
Property management services; onsite security, cleaning, greening and customer services; and cleaning and housing inspection services and other value-added service	420,000	785,000
Preliminary planning and design consultancy services	60,000	75,000
Total	480,000	860,000

As set out in the Letter from the Board, the revised annual cap under the Second Supplemental Property Management Services Master Agreement was determined with reference to the factors: (i) the actual transaction amounts for the two years ended 31 December 2021 and the six months ended 30 June 2022, which represented utilisation rates of 80.75%, 99.99% and 84.93%, respectively

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of the existing annual caps under the 2019 Property Management Services Master Agreement in the amount of approximately RMB407.7 million for the six months ended 30 June 2022; (ii) the estimated service fees of approximately RMB709.1 million to be paid by the Group for the year ending 31 December 2022 in relation to the services provided by the CIFI Ever Sunshine Group pursuant to existing contracts entered into between the Group and the CIFI Ever Sunshine Group; (iii) the estimated GFA of the properties to be pre-sold by the Group for the year ending 31 December 2022 of approximately 22.3 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide on-site security, cleaning, greening, as well as customer services to property sales offices; (iv) the estimated GFA to be delivered by the Group for the year ending 31 December 2022 of approximately 11.0 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide preliminary planning and design consultancy services, cleaning and housing inspection services and other value-added services; (v) the estimated GFA of properties developed by the Group and under the CIFI Ever Sunshine Group's management for the year ending 31 December 2022 of approximately 43.1 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide property management services; and (vi) the estimated transaction amount for the year ending 31 December 2022 calculated based on the above factors and the pricing policy as more particularised in the section headed "4. Pricing Policy" in the Letter from the Board.

Based on the management account of the Company as at 30 June 2022, the total actual transaction amount under the 2019 Property Management Services Master Agreement amounted to approximately RMB407.7 million (representing approximately 84.93% of the existing annual cap for the year ending 31 December 2022), which included approximately RMB23.0 million incurred in preliminary planning and design consultancy services (representing approximately 38.3% of its existing annual cap for the year ending 31 December 2022). As discussed with the Management, we understand that the relatively high transaction amounts with the CIFI Ever Sunshine Group for the six months ended 30 June 2022 were mainly driven by (i) the additional property management services, particularly on cleaning, sterilization and customer service due to the outbreak of COVID pandemic; and (ii) the increase in GFA of the properties to be managed by the CIFI Ever Sunshine Group.

In assessing the reasonableness of the revised annual cap, we have discussed with the Management on the basis and underlying assumptions for estimating the revised annual caps. We have also reviewed an annual cap estimate worksheet prepared by the Management for the years ending 31 December 2022, 2023, 2024 and 2025 (the "**Cap Worksheet**") and noted that the revised annual cap for the year ending 31 December 2022 was estimated mainly based on the following:

- (i) the total GFA of approximately 35.8 million sq.m. attributable to 206 property development projects under the management of the CIFI Ever Sunshine Group as at 30 June 2022;

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- (ii) the estimated GFA of approximately 7 million sq. m. attributable to around 40 projects under development and held for future development of the Group which are expected to be completed and managed by the CIFI Ever Sunshine Group in the second half of 2022; and
- (iii) a buffer of 5% on top of the forecast transaction amounts for the year ending 31 December 2022.

We noted that the above estimations on GFA were primarily based on the existing contracts entered into between the Group and the CIFI Ever Sunshine Group, and the expected time of completion and delivery of the relevant construction projects according to the best estimates from the Management.

As discussed with the Management, we understand the 5% buffer was intended to cater for any unforeseen changes in market conditions including unexpected increase in demand of property management services and/or unexpected increase in the prevailing service fees to be charged by the CIFI Ever Sunshine Group. We consider the incorporation of a 5% buffer is reasonable since the amount is moderate and provides a degree of flexibility to the Group without the need of re-complying with the relevant Listing Rules.

In the view that (i) the utilisation rate of the existing annual cap for the year ending 31 December 2022 under the First Supplemental Property Management Services Master Agreement had reached approximately 84.93% as at 30 June 2022; (ii) the revised annual caps was estimated primarily based on the actual GFA under management of the CIFI Ever Sunshine Group as at 30 June 2022 and the potential growth in demand from the Group to the CIFI Ever Sunshine Group for the property management services as set out in the Cap Worksheet; and (iii) the buffer of 5% provides a degree of flexibility for the Group to engage the CIFI Ever Sunshine Group under unexpected circumstances, we consider the revised annual caps under the Second Supplemental Property Management Services Master Agreement to be fair and reasonable.

2022 Property Management Services Master Agreement

The term of the 2019 Property Management Services Master Agreement will expire on 31 December 2022. The Group proposes to continue to engage the CIFI Ever Sunshine Group to provide property management services. Accordingly, the Company entered into the 2022 Property Management Services Master Agreement with CIFI Ever Sunshine on 10 October 2022 to govern the provision of property management services by the CIFI Ever Sunshine Group to the Group for another term of 3 years after the expiry of the 2019 Property Management Services Master Agreement.

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The annual caps for the years ending 31 December 2023, 2024 and 2025 under the 2022 Property Management Services Master Agreement are set out below:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management services; onsite security, cleaning, greening and customer services; and cleaning and housing inspection services and other value-added service	920,000	1,015,000	1,060,000
Preliminary planning and design consultancy services	80,000	85,000	90,000
Total	<u>1,000,000</u>	<u>1,100,000</u>	<u>1,150,000</u>

As set out in the Letter from the Board, the annual caps for the years ending 31 December 2023, 2024 and 2025 have been determined with reference to (i) the historical amounts of the property management services transacted under the 2019 Property Management Services Master Agreement for the years ended 31 December 2020 and 2021, and the six months ended 30 June 2022; (ii) the estimated service fees of not exceeding RMB952.0 million to be paid for the year ending 31 December 2023 based on the existing signed contracts between the Group and the CIFI Ever Sunshine Group; (iii) the estimated total GFA of the properties to be pre-sold by the Group for the year ending 31 December 2023 of approximately 28.2 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide on-site security, cleaning, greening, as well as customer services to property sales offices; (iv) the estimated total GFA for the year ending 31 December 2023 to be delivered by the Group of approximately 11.5 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide preliminary planning and design consultancy services, cleaning and housing inspection services and other value-added services; (v) the estimated GFA of properties developed by the Group and under the management of the CIFI Ever Sunshine Group for the year ending 31 December 2023 of approximately 54.6 million sq.m., for which the CIFI Ever Sunshine Group will be engaged to provide property management services; (vi) the estimated transaction amount for the year ending 31 December 2023 calculated based on the above factors and the pricing policy as more particularised in the section headed "4. Pricing Policy" in the Letter from the Board; and (vii) for the annual caps set for the two years ending 31 December 2025, the Group has adopted a prudent and conservative approach by assuming a 4.5%-10.0% steady growth in the GFA to be delivered or pre-sold by the Group.

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In this connection, we have discussed with the Management on the basis and underlying assumptions for estimating the annual caps. We have also reviewed the Cap Worksheet prepared by the Management for the years ending 31 December 2023 and noted that the annual cap for the year ending 31 December 2023 was primarily estimated based on:

- (i) the projection of GFA of properties to be managed by the CIFI Ever Sunshine Group for the year ending 31 December 2022 (as discussed above);
- (ii) the further projection of GFA of more than 10 million sq.m. attributable to around 60 projects under development and held for future development of the Group which are expected to be completed and managed by the CIFI Ever Sunshine Group in 2023; and
- (iii) a buffer of 5% on top of the forecast transaction amounts between the Group and the CIFI Ever Sunshine Group for the year ending 31 December 2023.

We consider the incorporation of a 5% buffer to the forecast transaction amounts for the year ending 31 December 2023 to be fair and reasonable for the same reason as for the estimation of annual cap for the year ending 31 December 2022.

In connection with the proposed annual caps for the years ending 31 December 2024 and 2025, having taking into account the increase in service fees paid by the Group for the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 (representing a year-to-year/period-to-period increase of approximately 100.9%, 23.8% and 88.5%, respectively), the Company has taken a prudent and conservative approach by assuming growth of approximately 10.0% and 4.5% for the years ending 31 December 2024 and 2025, respectively and set the proposed annual caps for the years ending 31 December 2024 and 2025 to be approximately RMB1.1 billion and RMB1.15 billion, respectively.

Having considered (i) the annual cap for the year ending 31 December 2023 is primarily based on existing contracts signed between the Group and the CIFI Ever Sunshine Group in connection with the projects under development and held for future development of the Group which will be completed in 2023; (ii) the expected increase in GFA of properties to be managed by the CIFI Ever Sunshine Group during the year ending 31 December 2023; (iii) the historical increasing trend of the property management services transacted under 2019 Property Management Services Master Agreement for the years ended 31 December 2020 and 2021, and the six months ended 30 June 2022; and (iv) the Group has the right but not the obligation to transact with the CIFI Ever Sunshine Group under the 2022 Property Management Services Master Agreement, we consider the basis for determining the annual caps under the 2022 Property Management Services Master Agreement to be fair and reasonable.

5. Internal control procedures

To ensure that the terms of the Continuing Connected Transactions are on normal commercial terms or no less favourable than that between the Group and the Independent Third Parties, the Group has adopted the following measures to review and assess whether the Continuing Connected Transactions will be conducted in accordance with the aforesaid pricing policy:

- (a) the accounting department of the Group will monitor the transaction amounts contemplated under the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and report to the management of the Group if the aggregate transaction amounts under the annual caps are close to its limit;
- (b) the conduct of continuing connected transactions (including the pricing policy) shall be subject to the monitoring and/or appropriate approval of the relevant personnel of the finance department, legal and risk management department, compliance department, etc and management of the Group to ensure the compliance with the Listing Rules, particularly the service fee and payment terms of transactions with the connected parties are on normal commercial terms and fair and reasonable compared with those available from Independent Third Parties;
- (c) the Group will conduct regular reviews to keep abreast of the prevailing fee level in the market and the market conditions for the purpose of considering if the service fees charged under the Specific Agreements are fair and reasonable and are in accordance with the pricing policy;
- (d) the auditors of the Company shall conduct annual reviews on pricing and annual caps of the Continuing Connected Transactions to ensure that the transaction amounts are within the annual caps and that the Continuing Connected Transactions are conducted on the principal terms of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement; and
- (e) the independent non-executive Directors of the Company would review the Continuing Connected Transactions to ensure that such Continuing Connected Transactions are conducted on normal commercial terms or better and are in the ordinary and usual course of business of the Group, and the terms and conditions thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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In assessing whether the above internal control procedures are put in place and effectively implemented, we have obtained and reviewed the internal policies and procedures manual governing the connected transactions of the Group (including the Group's transactions with the CIFI Ever Sunshine Group). We have also reviewed a summary of price research results compiled by the Group, two samples of quotations obtained by the Group from independent third parties for their price comparisons and three samples of documentations regarding the approval of the Specific Agreements and noted that the transactions contemplated thereunder were properly reviewed and approved (details of which were set out in the section headed "3. Analysis on the principal terms of the 2022 Property Management Services Master Agreement" in this letter). Having considered that the internal control of the Group includes (i) regular review conducted by the Company to keep abreast of the prevailing market rate; and (ii) clear segregation of duties in respect of execution, checking and authorisation by designating different personnel or teams for the assessment, review and approval of the Continuing Connected Transactions and the ongoing monitoring thereof, we considered that the internal control policies and procedures are effective and in place, which provide reasonable assurance that the conduct of the Continuing Connected Transactions would be monitored and governed by approval(s) from relevant management level and in compliance with the terms and conditions as stated in the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement, and fair and reasonable and in the interests of the Shareholders as a whole.

Further, we noted from the 2021 Annual Report that the auditor of the Company has reported on the continuing connected transactions of the Group (including the transactions under the 2019 Property Management Services Master Agreement) in accordance with Rule 14A.56 of the Listing Rules and confirmed that for each of the continuing connected transactions of the Group during the relevant year, nothing has come to their attention that causes them to believe that 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 by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) have exceeded the respective annual cap.

We also noted from the 2021 Annual Report that the independent non-executive Directors have reviewed and confirmed that the continuing connected transactions of the Group (including the transactions under the 2019 Property Management Services Master Agreement) during the relevant year 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 agreement governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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Based on the above, we are of the view that the internal control policies and measures are effective and in place to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms and to safeguard the interests of the Shareholders and of the Company as a whole.

VII. RECOMMENDATION

In consideration of the above, we are of the view that (i) the terms of each of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are on normal commercial terms and fair and reasonable so far as the CIFI Independent Shareholders are concerned; and (ii) the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

Accordingly, we recommend the CIFI Independent Shareholders and advise the Independent Board Committee to recommend the CIFI Independent Shareholders to vote in favour of the relevant resolutions approving the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) at the CIFI EGM.

Yours faithfully,

For and on behalf of

Advent Corporate Finance Limited

Jeffrey So

Managing Director

Charmaine Wai

Director

Mr. Jeffrey So is a licensed person registered with the Securities and Futures Commission and a responsible officer of Advent Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the law of Hong Kong) and has over 16 years of experience in corporate finance industry.

Ms. Charmaine Wai is a licensed person registered with the Securities and Futures Commission and a responsible officer of Advent Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the law of Hong Kong) and has over 10 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

(A) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were required (a) 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 each of them had taken or were deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the shares and underlying shares

Name of Director	Name of corporation	Nature of interest	Number of Shares/underlying Shares	Approximate percentage of interest
Mr. LIN Zhong	Company	Founder of a discretionary trust ^(Note 1)	1,363,754,301	14.25%
		Co-founder of a discretionary trust ^(Note 2)	2,735,372,105	28.59%
		Beneficial Owner ^(Note 3)	1,321	0.00001%
		Interest of spouse ^(Note 4)	10,400,000	0.11%
		LingYu International Group Co., Ltd. ("LingYu International")	Interest of controlled corporation ^(Note 18)	160,000

Name of Director	Name of corporation	Nature of interest	Number of Shares/underlying Shares	Approximate percentage of interest			
Mr. LIN Wei	Shanghai Lvming Construction Technology Group Co., Ltd.* (上海綠明建築科技集團有限公司) ("Lvming Construction Technology")	Interest of controlled corporation ^(Note 19)	40,000,000	40%			
		CIFI Ever Sunshine	Interest of controlled corporation ^(Note 20)	363,180,000	20.72%		
		Company	Interest of controlled corporation ^(Note 21)	406,820,000	23.21%		
			Co-founder of a discretionary trust ^(Note 22)	1,000,000	0.06%		
			Other ^(Note 23)	137,826,250	7.86%		
			Founder of a discretionary trust ^(Note 5)	504,452,194	5.27%		
		Mr. LIN Feng	Company	Co-founder of a discretionary trust ^(Note 2)	2,735,372,105	28.59%	
				LingYu International	Interest of controlled corporation ^(Note 18)	160,000	40%
				CIFI Ever Sunshine	Interest of controlled corporation ^(Note 19)	406,820,000	23.21%
					Co-founder of a discretionary trust ^(Note 22)	1,000,000	0.06%
Other ^(Note 24)	501,006,250				28.59%		
Founder of a discretionary trust ^(Note 7)	239,487,089				2.50%		
Mr. LIN Feng	Company			Co-founder of a discretionary trust ^(Note 2)	2,735,372,105	28.59%	
				Interest of controlled corporation ^(Note 8)	11,882,715	0.12%	
				Beneficial Owner ^(Note 9)	6,393,660	0.07%	
				Beneficial Owner ^(Note 10)	1,983,392	0.02%	
		LingYu International	Interest of controlled corporation ^(Note 18)	160,000	40%		
		CIFI Ever Sunshine	Interest of controlled corporation ^(Note 25)	137,826,250	7.86%		
			Interest of controlled corporation ^(Note 21)	406,820,000	23.21%		
			Co-founder of a discretionary trust ^(Note 22)	1,000,000	0.06%		
			Other ^(Note 26)	363,180,000	20.72%		
			Founder of a discretionary trust ^(Note 6)	500,000	0.03%		

Name of Director	Name of corporation	Nature of interest	Number of Shares/underlying Shares	Approximate percentage of interest
Mr. RU Hailin	Company	Beneficial Owner ^(Note 11)	2,585,120	0.027%
		Interest of Spouse ^(Note 12)	218,400	0.002%
	CIFI Ever Sunshine	Beneficial Owner ^(Note 10)	20,164,896	0.21%
		Beneficiary Owner ^(Note 27)	530,000	0.03%
Mr. YANG Xin	Company	Interest of Spouse ^(Note 28)	520,000	0.03%
		Beneficial Owner ^(Note 13)	3,552,711	0.04%
	CIFI Ever Sunshine	Beneficial Owner and Interest of his Spouse ^(Note 14)	1,626,380	0.02%
		Beneficial Owner ^(Note 10)	12,080,607	0.13%
		Beneficiary Owner ^(Note 29)	20,000	0.001%
Mr. ZHANG Yongyue	Company	Beneficial Owner ^(Note 15)	2,245,591	0.02%
		Beneficial Owner ^(Note 10)	913,892	0.01%
Mr. TAN Wee Seng	Company	Beneficial Owner ^(Note 16)	1,632,602	0.02%
		Beneficial Owner ^(Note 10)	1,018,523	0.01%
Ms. LIN Caiyi	Company	Beneficial Owner ^(Note 17)	200,000	0.002%
		Beneficial Owner ^(Note 10)	600,000	0.006%

Notes:

- These Shares are held by Ding Chang. The entire issued share capital of Ding Chang is wholly owned by Eternally Success International Limited (“**Eternally Success**”), the entire issued share capital of which is in turn held by Standard Chartered Trust (Singapore) Limited (“**Standard Chartered Trust**”) as the trustee of the Sun Success Trust via SCTS Capital Pte. Ltd. (“**SCTS Capital**”). The Sun Success Trust is a discretionary trust set up by Mr. LIN Zhong as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun Success Trust include certain family members of Mr. LIN Zhong. Mr. LIN Zhong as founder of the Sun Success Trust is taken to be interested in such Shares held by Ding Chang pursuant to Part XV of the SFO.
- These Shares are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited (“**Gentle Beauty**”), the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the LIN’s Family Trust via SCTS Capital. The LIN’s Family Trust is a discretionary trust set up jointly by Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the LIN’s Family Trust include certain family members of Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng. Each of Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng as a co-founder of the LIN’s Family Trust is taken to be interested in such Shares held by Rosy Fortune pursuant to Part XV of the SFO.
- These Shares are directly held by Mr. LIN Zhong.
- These Shares are directly held by Ms. ZENG.

5. These Shares are held by Eminent Talent. The entire issued share capital of Eminent Talent is wholly owned by LW Asset Holdings Limited (“**LW Asset**”), the entire issued share capital of which is in turn held by a discretionary trust set up by Mr. LIN Wei as settlor and Credit Suisse Trust Limited (“**Credit Suisse Trust**”) as the trustee in 2018. The beneficiary objects of the said trust include certain family members of Mr. LIN Wei. Mr. LIN Wei as founder of the said trust is taken to be interested in such Shares held by Eminent Talent pursuant to Part XV of the SFO.
6. These shares of CIFI Ever Sunshine are held by Sun-Mountain Trust. The Sun-Mountain Trust is a discretionary trust set up by Mr. LIN Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. LIN Feng. Mr. LIN Feng as founder of the Sun-Mountain Trust is taken to be interested in such shares of CIFI Ever Sunshine held by Sun-Mountain pursuant to Part XV of the SFO.
7. These Shares are held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited (“**Beauty Fountain**”), the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. For details of Sun-Mountain, please refer to note 6 above.
8. These Shares are held by Towin Resources. The entire issued share capital of Towin Resources is wholly owned by Mr. LIN Feng.
9. These Shares are directly held by Mr. LIN Feng.
10. The relevant Directors were granted options to subscribe for such number of Shares under the share option scheme adopted by the Company at the annual general meeting held on 27 April 2016.
11. These Shares are directly held by Mr. RU Hailin.
12. These Shares are directly held by Ms. WANG Yan, spouse of Mr. RU Hailin.
13. These Shares are directly held by Mr. YANG Xin.
14. These Shares are directly held by Mr. YANG Xin and his spouse.
15. These Shares are directly held by Mr. ZHANG Yongyue.
16. These Shares are directly held by Mr. TAN Wee Seng.
17. These Shares are directly held by Ms. LIN Caiyi.
18. These shares of LingYu International include 100,000 shares held by Smart City Assets Limited and 60,000 shares held by Loyal Most Enterprises Limited, of which Mr. LIN Zhong, together with Mr. LIN Wei and Mr. LIN Feng, are regarded to have control by virtue of the SFO.
19. These shares of Lvming Construction Technology are held by Shanghai Xuhui Enterprise Development Co., Ltd.* (上海旭輝企業發展有限公司) of which Mr. LIN Zhong is regarded to have control by virtue of the SFO.
20. These shares of CIFI Ever Sunshine are held by Elite Force. The entire issued share capital of Elite Force is owned as to 50% by Mr. LIN Zhong, 25% by Mr. LIN Wei and 25% by Mr. LIN Feng. Therefore, Mr. LIN Zhong is regarded to have control in such shares of CIFI Ever Sunshine held by Elite Force by virtue of the SFO. With effect from 30 June 2020, Elite Force has entrusted Spectron to exercise voting rights of such shares of CIFI Ever Sunshine. Elite Force continues to own such shares of CIFI Ever Sunshine as the beneficial owner and be entitled to the dividends, distributions and all other rights and benefits attaching to such shares.

21. These shares of CIFI Ever Sunshine are held by Spectron, the entire issued share capital of which is in turn held by Xu Sheng Limited which is a direct wholly-owned subsidiary of the Company. Therefore, each of Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng is taken to be interested in the such shares of CIFI Ever Sunshine held by Spectron pursuant to Part XV of the SFO. Regarding the Entrusted Voting Arrangement, please refer to note 20 above.
22. These shares of CIFI Ever Sunshine are held by Rosy Fortune. For details of Rosy Fortune, please refer to note 2 above.
23. These shares of CIFI Ever Sunshine are held by Best Legend, a private trust company limited by shares incorporated in the BVI on 20 April 2018 and wholly owned by Mr. LIN Feng. Best Legend was set up as a special purpose vehicle to hold shares of CIFI Ever Sunshine as the trustee of Best Legend Trust (“**Best Legend Trust**”), which is a trust established on 19 October 2018, with Best Legend appointed as its trustee, for the purpose of a share incentive scheme to be adopted by CIFI Ever Sunshine at least six months after its listing. Thereafter, a share award scheme was adopted by Best Legend on 18 June 2019 as a means to recognise the contribution of, and to motivate and incentivise, the key management of the CIFI Ever Sunshine Group, including directors, senior management, employees, and persons who made special contribution to the CIFI Ever Sunshine Group. Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng signed an acting in concert deed on 6 August 2018. By virtue of the SFO, Mr. LIN Zhong is deemed to be interested in such shares of CIFI Ever Sunshine held by Best Legend.
24. These shares of CIFI Ever Sunshine are held by Best Legend and Elite Force. Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng signed an acting in concert deed on 6 August 2018. By virtue of the SFO, Mr. LIN Wei is deemed to be interested in the 363,180,000 shares of CIFI Ever Sunshine held by Elite Force and the 137,826,250 shares of CIFI Ever Sunshine held by Best Legend. With effect from 30 June 2020, Elite Force has entrusted Spectron to exercise voting rights of these 363,180,000 shares of CIFI Ever Sunshine. Elite Force continues to own these 363,180,000 shares of CIFI Ever Sunshine as the beneficial owner and be entitled to the dividends, distributions and all other rights and benefits attaching to such shares.
25. These shares of CIFI Ever Sunshine are held by Best Legend. As stated in note 23 above, Mr. LIN Feng is deemed to be interested in such shares of CIFI Ever Sunshine held by Best Legend pursuant to Part XV of the SFO.
26. These shares of CIFI Ever Sunshine are held by Elite Force. Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng signed an acting in concert deed on 6 August 2018. By virtue of the SFO, Mr. LIN Feng is taken to be interested in such shares of CIFI Ever Sunshine held by Elite Force which is controlled by Mr. LIN Zhong (as stated in note 20 above). With effect from 30 June 2020, Elite Force has entrusted Spectron to exercise voting rights of such shares of CIFI Ever Sunshine. Elite Force continues to own such shares of CIFI Ever Sunshine as the beneficial owner and be entitled to the dividends, distributions and all other rights and benefits attaching to such shares.
27. These shares of CIFI Ever Sunshine are directly held by Mr. RU Hailin.
28. These Shares of CIFI Ever Sunshine are directly held by Ms. WANG Yan, spouse of Mr. RU Hailin.
29. These shares of CIFI Ever Sunshine are directly held by Mr. YANG Xin.

Interests in the debentures:

Name of Director	Name of corporation	Nature of interest	Principal amount of relevant debentures held	Approximate percentage of the aggregate outstanding principal amount of the relevant debenture issued
Mr. LIN Zhong	Company	Co-founder of a discretionary trust ^(Notes 1 and 4)	US\$1 million	0.18%
		Co-founder of a discretionary trust ^(Notes 2 and 4)	US\$1 million	0.24%
		Co-founder of a discretionary trust ^(Notes 3 and 4)	US\$1 million	0.67%
Mr. LIN Wei	Company	Co-founder of a discretionary trust ^(Notes 1 and 4)	US\$1 million	0.18%
		Co-founder of a discretionary trust ^(Notes 2 and 4)	US\$1 million	0.24%
		Co-founder of a discretionary trust ^(Notes 3 and 4)	US\$1 million	0.67%
Mr. LIN Feng	Company	Co-founder of a discretionary trust ^(Notes 1 and 4)	US\$1 million	0.18%
		Co-founder of a discretionary trust ^(Notes 2 and 4)	US\$1 million	0.24%
		Co-founder of a discretionary trust ^(Notes 3 and 4)	US\$1 million	0.67%
		Interest of controlled corporation ^(Notes 5 and 6)	US\$15 million	5%
		Founder of a discretionary trust ^(Notes 5 and 7)	US\$1 million	0.33%
Mr. YANG Xin	CIFI Group Co., Ltd.* (旭輝集團股份有限公司) ("CIFI PRC")	Beneficial Owner ^(Notes 8 and 10)	RMB5.9 million	0.20%
		Beneficial Owner ^(Notes 9 and 10)	RMB1 million	0.05%

Notes:

1. The 6.0% senior notes due 2025 with the aggregate principal amount of US\$567 million were issued by the Company in January 2020, which are listed on the Stock Exchange.
2. The 4.375% senior notes due 2027 with the aggregate principal amount of US\$419 million were issued by the Company in January 2021, which are listed on the Stock Exchange.
3. The 4.8% senior notes due 2028 with the aggregate principal amount of US\$150 million were issued by the Company in May 2021, which are listed on the Stock Exchange.

4. Such senior notes were owned by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the LIN's Family Trust via SCTS Capital. The LIN's Family Trust is a discretionary trust set up jointly by Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the LIN's Family Trust include certain family members of Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng. Each of Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng as a co-founder of the LIN's Family Trust is taken to be interested in such senior notes held by Rosy Fortune pursuant to Part XV of the SFO.
5. The senior perpetual capital securities were issued by the Company in August 2017 with the aggregate principal amount of US\$300 million at a reset distribution rate of 11.581% per annum (the "2017 August Perpetual Securities") which are listed on the Stock Exchange.
6. Towin Resources owned the principal amount of US\$15 million of 2017 August Perpetual Securities. The entire issued share capital of Towin Resources is owned by Mr. LIN Feng.
7. Rain-Mountain owned the principal amount of US\$1 million of 2017 August Perpetual Securities. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. LIN Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. LIN Feng. Mr. LIN Feng as founder of the Sun-Mountain Trust is taken to be interested in this principal amount of 2017 August Perpetual Securities held by Rain-Mountain pursuant to Part XV of the SFO.
8. The second tranche of 2021 domestic corporate bonds with the principal amount of RMB3,000 million were issued by CIFI PRC, a wholly-owned subsidiary of the Company, in July 2021, which are listed on the Shanghai Stock Exchange.
9. The first tranche of 2020 domestic corporate bonds with the principal amount of RMB2,120 million were issued by CIFI PRC in May 2020, which are listed on the Shanghai Stock Exchange.
10. These domestic corporate bonds are directly held by Mr. YANG Xin.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had 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) which were required (a) 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 each of them had taken or were deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons, other than Directors or

chief executive of the Company, had an interest or short position in the Shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name of shareholder	Nature of interest	Number of Shares in long position	Approximate percentage of interest in the Company
Gentle Beauty	Interest of controlled corporation ^(Note 1)	2,735,372,105	28.59%
Rosy Fortune	Beneficial owner ^(Note 1)	2,735,372,105	28.59%
Eternally Success	Interest of controlled corporation ^(Note 2)	1,363,754,301	14.25%
Ding Chang	Beneficial owner ^(Note 2)	1,363,754,301	14.25%
Standard Chartered Trust	Trustee ^(Notes 1, 2 & 3)	4,338,613,495	45.34%
SCTS Capital	Interest of controlled corporation ^(Notes 1, 2 & 3)	4,338,613,495	45.34%
LW Asset	Interest of controlled corporation ^(Note 4)	504,452,194	5.27%
Eminent Talent	Beneficial owner ^(Note 4)	504,452,194	5.27%
Credit Suisse Trust	Trustee ^(Note 4)	504,452,194	5.27%

Notes:

- The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the LIN's Family Trust via SCTS Capital. The LIN's Family Trust is a discretionary trust set up jointly by Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the LIN's Family Trust include certain family members of Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng.
- The entire issued share capital of Ding Chang is wholly owned by Eternally Success, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun Success Trust via SCTS Capital. The Sun Success Trust is a discretionary trust set up by Mr. LIN Zhong as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun Success Trust include certain family members of Mr. LIN Zhong.

3. These include 2,735,372,105 Shares held by Rosy Fortune, 1,363,754,301 Shares held by Ding Chang and 239,487,089 Shares held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. LIN Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. LIN Feng.
4. The entire issued share capital of Eminent Talent is wholly owned by LW Asset, the entire issued share capital of which is in turn held by a discretionary trust set up by Mr. LIN Wei as settlor and Credit Suisse Trust as trustee in 2018. The beneficiary objects of the said trust include certain family members of Mr. LIN Wei.

Save as disclosed above, as at Latest Practicable Date, none of the substantial shareholders of the Company had an interest or short position in the Shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of the Company.

(C) Material Interests

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date of the latest published audited financial statements of the Company.

(D) Competing Interests

As at the Latest Practicable Date, none of the Directors and his/her respective associates (as defined in the Listing Rules) was interested in any business apart from the Group's business that competes or is likely to compete (either directly or indirectly) with the Group's business.

3. SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

4. MATERIAL ADVERSE CHANGE

As disclosed in the announcement of the Company dated 13 October 2022 (the “**October 2022 Announcement**”), due to the extended holiday in the Mainland China, the Group has experienced delay in remittance of cash offshore from the Mainland China to meet certain scheduled interest and amortisation payments. The Group has proactively been engaging with relevant creditor groups to address these delays with a view to reaching consensual solutions which are in the best interest of the Company, the creditors and the Shareholders as a whole.

As disclosed in the announcement of the Company dated 1 November 2022 (the “**1 November 2022 Announcement**”), subsequent to the October 2022 Announcement, the Company has not been able to reach an agreement with all of the Group’s offshore creditors with payments due in October 2022 which will enable the Group to remedy the late payment issues, whilst preserving the best interest of the Company for the benefit of all of its stakeholders. Accordingly, it has, with regret, terminated all relevant discussions with individual creditors and creditor groups offshore. The Company and the relevant members of the Group have not made any payments or provided any additional credit enhancements to any offshore creditors pursuant to such discussions. After taking advice from its legal advisor, and in order to ensure fair and equitable treatment of all offshore creditors, the Group has suspended payment of all principal and interest falling due on the Group’s offshore financing arrangements (other than certain secured project loans, which the Company currently anticipates will be kept current). The payment suspension may lead to certain creditors of the Group demanding acceleration of payment of their indebtedness and/or take action pursuant to the respective terms of the relevant financing arrangements.

The Company intends to proactively manage its offshore liabilities and is taking immediate steps to stabilise the situation and commence engagement with its offshore creditors. The Company has engaged Haitong International Securities Company Limited as its financial advisor and Linklaters as its legal advisor in this regard. The advisors will facilitate a transparent dialogue between the Company and its offshore creditors and will work with the Company and its offshore creditors to explore all feasible options to pursue a holistic solution to the current situation with a view to securing the long-term future of the Company for the benefit of all stakeholders.

In the meantime, the Group will work relentlessly to ensure delivery of completed properties pursuant to pre-sale arrangements entered into by the Group and the continuation of its business operations and onshore financing arrangements in order to preserve value for all stakeholders. The PRC subsidiaries of the Group have not guaranteed any of the Group’s offshore bank loans, senior notes and convertible bonds. The Group’s offshore debt issues do not materially affect its onshore financing arrangements as a whole. As at the Latest Practicable Date, the commercial operations of the Group remain normal.

As further disclosed in the announcement of the Company dated 28 November 2022 (the “**28 November 2022 Announcement**”), on 25 November 2022, the Company received a winding-up petition (the “**Petition**”) dated the same date filed by a creditor at the Court of First Instance of the High Court of Hong Kong for the winding-up of the Company under section 327 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) in connection with a facility agreement of the Company.

Upon receipt of the Petition, the Company promptly reached out to the petitioning creditor to discuss and explain that the Company has made progress and taken numerous steps in search of a holistic solution in respect of its offshore debt financing issues. Following such discussions, the petitioning creditor has unconditionally agreed to withdraw the petition and will take all appropriate steps to effect this as soon as practicable. The Company would reiterate its intention to treat all of its creditors fairly and equitably and would, in particular, like all stakeholders to be aware that no consideration has been paid to the petitioning creditor and no preferential treatment was or will be given in relation to such financing arrangement in exchange for its agreement to withdraw.

As disclosed in the 28 November 2022 Announcement, the Company anticipated that it would take approximately one to two weeks for the Petition to be formally withdrawn and would make further announcement(s) to update the shareholders and investors of the Company once an order granting leave to withdraw has been made.

For further details, please refer to the October 2022 Announcement, the 1 November 2022 Announcement and the 28 November 2022 Announcement.

Save as disclosed herein, as at the Latest Practicable Date, the Directors confirmed that there had not been any material adverse change in the financial or trading position of the Company since 31 December 2021, being the date of the latest published audited financial statements of the Company.

5. QUALIFICATIONS OF EXPERTS

- (a) The following is the qualification of the professional adviser who has given opinions or advice contained in this circular:

Name	Qualification
Advent	A corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO

- (b) As at the Latest Practicable Date, Advent was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- (c) Advent has on 8 December 2022 given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.
- (d) As at the Latest Practicable Date, Advent did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Company were made up.

6. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. LO Tai On, a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.
- (c) The principal place of business in Hong Kong is 22/F., One Hennessy, No. 1 Hennessy Road, Wan Chai, Hong Kong.
- (d) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text.

7. DOCUMENTS ON DISPLAY

The following documents will be available on the Stock Exchange's website and the Company's website at www.hkexnews.hk and <http://www.cifi.com.cn> for at least 14 days from the date of this circular up to and including the date of the CIFI EGM:

- (a) the 2019 Property Management Services Master Agreement;
- (b) the First Supplemental Property Management Services Master Agreement;
- (c) the Second Supplemental Property Management Services Master Agreement;
- (d) the 2022 Property Management Services Master Agreement;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in this circular; and
- (f) the written consent of the expert as referred to in the section headed "Qualifications of Experts" in this appendix.

Note: The English names marked with "*" of the PRC entities are provided for identification purpose only. The Chinese names are the official names of the PRC entities.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



CIFI Holdings (Group) Co. Ltd.
旭輝控股（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00884)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of CIFI Holdings (Group) Co. Ltd. (the “Company”) will be held at 10:00 a.m. on Friday, 23 December 2022 at Contract Signing Room, 2/F., CIFI Center, Lane 1088, No. 39 Shenhong Road, Minhang District, Shanghai, PRC for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement, and the transactions contemplated thereunder and all other matters incidental thereto or in connection therewith be and are hereby approved, confirmed and ratified; and
- (b) any one director of the board of the Company be and is hereby authorised for and on behalf of the Company, amongst other matters, to sign, seal, stamp, execute, perfect, deliver, do or to authorise signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement and to make and agree such variations in or to the terms of the Second Supplemental Property Management Services Master Agreement and the 2022 Property Management Services Master Agreement as the board of the Company may think fit.”

By order of the Board
CIFI Holdings (Group) Co. Ltd.
LIN Zhong
Chairman

Hong Kong, 8 December 2022

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. Any shareholder entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company but must be present in person at the meeting to represent the shareholder. Completion and return of the form of proxy will not preclude a shareholder from attending the meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.
2. Where there are joint holders of any share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders is present at the meeting, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the Company's Hong Kong branch share registrar, 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 meeting or any adjournment thereof.
4. To determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 20 December 2022 to Friday, 23 December 2022, both days inclusive, during which period no transfer of shares in the Company can be effected. In order to be eligible to attend and vote at the EGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 19 December 2022.
5. In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng and their associates (as defined in the Listing Rules) are required to abstain from voting on the above ordinary resolution.
6. The ordinary resolution as set out above will be determined by way of a poll.

As at the date of this notice, the Board comprises Mr. LIN Zhong, Mr. LIN Wei, Mr. LIN Feng, Mr. RU Hailin and Mr. YANG Xin as executive Directors; and Mr. ZHANG Yongyue, Mr. TAN Wee Seng and Ms. LIN Caiyi as independent non-executive Directors.