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

If you have sold or transferred all your shares in Colour Life Services Group Co., Limited, you should at once hand this circular accompanying with the form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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COLOUR LIFE SERVICES GROUP CO., LIMITED
彩生活服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1778)

CONNECTED TRANSACTION
AMENDMENTS TO EXISTING NON-COMPETITION DEED
PROPOSED RE-ELECTION OF DIRECTOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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

A letter from the Board is set out on pages 5 to 24 of this circular. A letter from the Independent Board Committee is set out on pages 25 to 26 of this circular. A letter from Somerley containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 43 of this circular. A notice convening the EGM to be held on Friday, 24 April 2020 at 10:30 a.m. at Ball Room, 6/F, Ramada Plaza Shenzhen North, 88-1 Meilong Road and Minzhi Road, Longhua District, Shenzhen, People's Republic of China is set out on pages EGM-1 to EGM-2 of this circular.

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

3 April 2020

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DEFINITIONS

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

“Amended Non-Competition Deed”	the amended non-competition deed given by Fantasia Holdings in favour of the Company and its subsidiaries dated 1 April 2020;
“Articles of Association”	the articles of association of the Company;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Beijing Darwin”	北京達爾文國際酒店物業管理有限公司 (Beijing Darwin International Hotel Property Management Co., Ltd.), a limited liability company established in the PRC and an indirect subsidiary of the Company;
“Board”	the board of Directors;
“Business Day”	any day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“China” or “PRC”	the People’s Republic of China;
“Company”	Colour Life Services Group Co., Limited, a company incorporated in the Cayman Islands, the securities of which are listed on the main board of the Stock Exchange;
“connected person”	has the meanings ascribed to it under the Listing Rules;
“Cushman & Wakefield”	Cushman & Wakefield International Property Advisers (Guangzhou) Co., Ltd., a global real estate services firm which provides a wide range of services including, among others, valuation and consultancy for real estate occupiers and owners. Cushman & Wakefield has approximately 51,000 employees in approximately 400 offices and 70 countries. Across Greater China, there are 22 offices servicing the local market;
“Director(s)”	the director(s) of the Company from time to time;
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Amended Non-Competition Deed and the re-election of the retiring Director;

DEFINITIONS

“Existing Non-Competition Deed”	the deed of non-competition dated 11 June 2014 given by Fantasia Holdings in favour of the Company and its subsidiaries as detailed in the paragraph headed “the Existing Non-Competition Deed” in the “Letter from the Board” section of this circular;
“Fantasia Holdings”	Fantasia Holdings Group Co., Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1777), the controlling shareholder of the Company;
“Fantasia Group”	Fantasia Holdings and its subsidiaries (excluding the Group);
“GFA”	gross floor area;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Home E&E”	深圳市美易家商務服務集團股份有限公司 (Shenzhen Home E&E Commercial Services Group Co., Ltd.), a limited liability company established in the PRC and an indirect subsidiary of Fantasia Holdings;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the board of Directors, comprising the independent non-executive Directors, which has been formed to advise the Independent Shareholders on the terms of the Amended Non-Competition Deed and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Sommerley”	Sommerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Amended Non-Competition Deed;
“Independent Shareholders”	shareholders of the Company other than Fantasia Holdings and its associates;

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“integrated mixed-use properties”	complexes or areas with at least two different property types such as residential properties, office buildings, shopping malls, leisure facilities (such as cinemas), SOHO and serviced apartments, and may also include government and public facilities such as schools, hospitals, banks and public transportation terminals;
“JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a professional services and investment management firm offering specialised real estate services including, among others, corporate appraisal and advisory to clients. JLL has more than 200 corporate offices and operates in 75 countries worldwide. JLL has over 50 years of experience in Asia Pacific, with over 27,500 employees operating in 80 offices in 15 countries across the region;
“Kaiyuan International”	深圳市開元國際物業管理有限公司 (Shenzhen Kaiyuan International Property Management Co., Ltd), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Latest Practicable Date”	1 April 2020;
“Listing Date”	30 June 2014, the date on which the Shares first commenced trading on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Prospectus”	the prospectus of the Company dated 17 June 2014 in relation to the global offering by the Company of its Shares and its listing on the Stock Exchange;
“residential communities”	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties;

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“sq.m.”	square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meanings ascribed to it under the Listing Rules;
“WXM”	萬象美物業管理有限公司 (Wanxiangmei Property Management Co., Ltd.), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“%”	per cent.

LETTER OF THE BOARD



COLOUR LIFE SERVICES GROUP CO., LIMITED

彩生活服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1778)

Executive Directors:

Mr. Pan Jun
Mr. Chen Xinyu
Mr. Huang Wei

Non-Executive Directors:

Mr. Tang Xuebin
Mr. Zhou Hongyi

Independent Non-Executive Directors:

Mr. Tam Chun Hung, Anthony
Dr. Liao Jianwen
Mr. Xu Xinmin

Registered Office:

Cricket Square, Hutchins Drive
Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Head office and principal place of
Business in Hong Kong:*

Room 1202-03, New World Tower I
16-18 Queen's Road Central
Hong Kong

3 April 2020

To the Shareholders

Dear Sir/Madams,

**CONNECTED TRANSACTION –
AMENDMENTS TO EXISTING NON-COMPETITION DEED
AND
PROPOSED RE-ELECTION OF DIRECTOR**

INTRODUCTION

Reference is made to the Existing Non-Competition Deed entered into on 11 June 2014 by Fantasia Holdings in favour of the Company and its subsidiaries. The purpose of this circular is to provide you with information reasonably necessary to enable you to make a decision on whether to vote for or against the resolutions to be proposed at the EGM for the approval of the amendments to the Existing Non-Competition Deed and the re-election of the retiring Director.

LETTER OF THE BOARD

(1) AMENDMENTS TO EXISTING NON-COMPETITION DEED

HISTORICAL UNDERTAKINGS AND DISCLOSURES

The Existing Non-Competition Deed

On 11 June 2014, in order to eliminate any potential competition with the Company, Fantasia Holdings, the controlling shareholder of the Company, has undertaken to the Company (for itself and for the benefits of its subsidiaries) in the Existing Non-Competition Deed that, during the period commencing from the Listing Date and until the earlier of (i) the date on which our Shares cease to be listed on the Stock Exchange; or (ii) the date on which Fantasia Holdings ceases to hold, whether directly or indirectly, 30% or more interests in the Company (the “**Non-Competition Period**”):

- (i) the Fantasia Group will not engage in any business involving the following activities:
 - property management focusing on residential communities;
 - engineering services primarily including (i) equipment installation services, (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through our equipment leasing; or
 - community leasing, sales and other services targeting residents residing at and property owners of the residential communities primarily including (i) common area rental assistance, (ii) purchase assistance and (iii) residential and retail units rental and sales assistance.
- (ii) in relation to the residential communities developed by the Fantasia Group, the Fantasia Group will not participate in the property management of such properties but will select property management companies through a tendering process in which the Group will be invited to participate; and
- (iii) if the Fantasia Group has identified or is offered any project or new business opportunities to engage in or acquire a company engaging in property management for residential communities, it shall provide us (subject to such confidentiality requirements as may be applicable) all information and documents possessed by it in respect of such project or new business opportunity in relation to property management of residential communities to enable us to evaluate the merits of the same.

LETTER OF THE BOARD

Right of First Refusal Undertakings

Apart from the above non-competition undertakings, Fantasia Holdings has also undertaken to the Company in the Existing Non-Competition Deed that, during the Non-Competition Period, if the Fantasia Group intends to dispose of any part or all of its business, or any interest in its business to any third party, it shall first offer to the Company the right to acquire such business or interest and the Fantasia Group may only proceed with such disposal to any third party, on terms not more favorable than those offered to the Company, following the rejection of such offer by the Company (the “**Right of First Refusal**”).

In deciding whether to exercise the right, the Directors will consider various factors including the purchase price, the benefits that it will bring to the Group as well as whether we have adequate management and resources to manage and operate the business operations of such business. The independent non-executive Directors shall decide whether or not to exercise the right within one month after the Fantasia Group notifies the Company of such business opportunity in writing.

The Existing Business Delineation Scheme

In addition to the Existing Non-Competition Deed, the following business delineation scheme (the “**Existing Business Delineation Scheme**”) was disclosed in the Prospectus. Under the Business Delineation Scheme,

- (i) the Group would continue to focus on acquiring property management companies or bidding for property management contracts where the majority of the portfolio consists of residential communities (as defined in the Prospectus). To the extent such acquisition targets also manage pure commercial properties, the Group would perform due diligence to evaluate the feasibility and practicality of the disposal of the management contracts for such pure commercial properties from a commercial and regulatory perspective and if the disposal is determined to be technically difficult or unlikely to be feasible, the Group would not proceed with such acquisition. Where the disposal is determined to be feasible, the Group would ensure that a condition precedent of the acquisition would be in place such that the management contracts of the pure commercial properties would be disposed prior to the completion of such acquisition. In the event that the Group is required to pay a deposit to the buyer before completion after negotiation with the relevant seller, the Group would also ensure to include a clause in the sale and purchase agreement that the seller must return the deposit to it if the condition precedent is not satisfied. An escrow arrangement was expected to be set out in the sale and purchase agreement in order to ensure that the Group could get back the deposit in case the conditions precedent cannot be fulfilled by the relevant seller. Additionally, in order to ensure that the sale and purchase agreement could be completed within a reasonable timeframe, the Group would set out the long-stop date for satisfying the conditions precedent to be within six months from

LETTER OF THE BOARD

the date of the sale and purchase agreement. However, the determination of the long-stop date would be subject to various factors including but not limited to the complication of the transaction and the number of pure commercial properties required to be disposed, thus the long-stop date would be determined on a case-by-case basis.

- (ii) the Fantasia Group would only acquire property management companies or bid for property management contracts where the business portfolios are purely commercial in nature, which includes serviced apartments, office buildings, and retail properties such as retail complexes. To the extent such acquisition targets also manage residential communities, the Fantasia Group would perform due diligence to evaluate the feasibility and practicality of the disposal of the management contracts for such residential communities from a commercial and regulatory perspective and if the disposal is determined to be technically difficult or unlikely to be feasible, the Fantasia Group would not proceed with such acquisition. Where the disposal is determined to be feasible, the Fantasia Group would ensure that a condition precedent of the acquisition would be in place such that the management contracts of the residential communities would be disposed prior to the completion of such acquisition. In the event that the Fantasia Group is required to pay a deposit to the buyer before completion after negotiation with the relevant seller, the Fantasia Group would also ensure to include a clause in the sale and purchase agreement that the seller must return the deposit to them if the condition precedent is not satisfied. An escrow arrangement is expected to be set out in the sale and purchase agreement in order to ensure that the Fantasia Group could get back the deposit in case the conditions precedent cannot be fulfilled by the relevant seller. Additionally, in order to ensure that the sale and purchase agreement could be completed within a reasonable timeframe, the Fantasia Group would set out the long-stop date for satisfying the conditions precedent to be within six months from the date of the sale and purchase agreement. However, the determination of the long-stop date would be subject to various factors including but not limited to the complication of the transaction and the number of residential communities required to be disposed, thus the long-stop date would be determined on a case-by-case basis.

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DEVELOPMENT WITH RESPECT TO THE BUSINESS DELINEATION BETWEEN THE GROUP AND THE FANTASIA GROUP

Background

Over five years have passed since the Company and Fantasia Holdings entered into the Existing Non-Competition Deed, during which time the Group has specialised in the property management of residential communities, whereas the Fantasia Group has continued to operate primarily as a property developer which at the same time provides property management services primarily for pure commercial properties.

During such period, the landscape of the PRC property management market has evolved rapidly, thus affecting the applicability and practicability of the Existing Non-Competition Deed which is archaic in nature. Many property projects in the PRC, in particular those of larger scale, have evolved from purely residential or commercial use with limited ancillary support into integrated mixed-use properties. Such integrated mixed-use properties, being large-scale complexes or areas which normally encompass different types of properties such as residential properties, office buildings, shopping malls, leisure facilities (such as cinemas), SOHO and serviced apartments, may also include government and public facilities such as schools, hospitals, banks and public transportation terminals. Such integrated mixed-use properties are vastly different in nature and purpose from the residential communities which were described as “mixed-use properties” in the Prospectus, and which had been the primary focus of the Group at the time of its listing in 2014. The Directors consider that the Existing Non-Competition Deed is no longer able to cover the ever-evolving trend of the property development industry in the PRC and the resulting property management services rendered.

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A comparison of the property management of residential communities and integrated mixed-use properties is set out as follows:

	Residential communities	Integrated mixed-use properties
Property nature	<ul style="list-style-type: none">• Properties which consist of either pure residential properties or residential properties with ancillary non-residential areas such as commercial units or office units	<ul style="list-style-type: none">• Complexes or areas with at least two different property types such as residential properties, office buildings, shopping malls, leisure facilities (such as cinemas), SOHO and serviced apartments, and may also include government and public facilities such as schools, hospitals, banks and public transportation terminals
Service facing audience	<ul style="list-style-type: none">• Property owners, domestic residents and owners and occupants of ancillary facilities	<ul style="list-style-type: none">• Depending on the combination of the types of properties involved includes residential and commercial property owners and occupants, operators of businesses and the general public
Management premises	<ul style="list-style-type: none">• Communal areas and shared facilities	<ul style="list-style-type: none">• The whole development
Visitor flow	<ul style="list-style-type: none">• Low visitor flow• Mainly the residents (rental tenants or owners) of the property• Stable small amount of non-resident visitors	<ul style="list-style-type: none">• High visitor flow• Fluctuating for the non-residential portions of the properties

LETTER OF THE BOARD

As at the Latest Practicable Date, the Company primarily managed residential communities, as well as certain integrated mixed-use properties primarily through WXM; whereas Fantasia Holdings conducts its property management business primarily through Home E&E focusing on pure commercial properties and, to a limited extent, certain integrated mixed-use properties and residential communities. The management of integrated mixed-use properties by the Group has been an extension of the scope of the property management business of the Group set out in the Existing Business Delineation Scheme as part of the natural growth of the Group's business to cater for such type of projects with fast increasing property management demands. To the best of the Company's knowledge and understanding, there has been a similar evolvement in the property management business of the Fantasia Group due to similar reasons.

To cope with the ever-intensive competition in the property management industry and to seize the ever-changing opportunities, the Company and Fantasia Holdings consider it desirable to amend the Existing Non-Competition Deed to cater for existing business and industry trends.

Management of integrated mixed-use properties by the Group and the Fantasia Group

At the time of the listing of the Company in 2014, the management portfolio of the Fantasia Group comprised pure commercial properties and the management portfolio of the Company comprised residential communities. Since then and in particular in recent years, integrated mixed-use properties as a new development form has become increasingly prevalent in China, in line with the acceleration of China's urbanisation and continuous population growth, according to industry consultants Cushman & Wakefield and JLL. The Directors expect that integrated mixed-use properties will continue with its growing trend going forward. Due to such emergence of integrated mixed-use properties and the fast growing vast opportunities available for the property management industry, both the Fantasia Group (to a lesser extent) and the Group (to a larger extent) have become involved in the management of such type of property.

Under the Existing Non-Competition Deed, Fantasia Group has undertaken to the Group that it would not be involved in property management business focusing on residential communities. "Residential communities" were defined in the Prospectus as "purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties". Given integrated mixed-use properties are substantially different in terms of composition, function, scale and positioning from the residential communities within the current management portfolio of the Group, the Fantasia Group and the Group consider that integrated mixed-use properties are not the same as residential communities with ancillary facilities which are non-residential in nature, and do not belong to the types of properties which the Fantasia Group was restricted from managing under the scope of the Existing Non-Competition Deed. On the basis of the aforesaid, the Directors consider that the restrictions under the Existing Non-Competition Deed are not applicable to integrated mixed-use properties.

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In February 2018, WXM was acquired by the Company from Fantasia Holdings and became its wholly-owned subsidiary. At the time of such acquisition, the management portfolio of WXM comprised mainly of properties which were commercial-focused and which contained residential components. As the residential portions of the relevant projects were sizable in terms of total GFA of such projects, WXM was considered by the Company as a whole to be principally engaged in the business of property management for residential communities at the time, as disclosed in the circular of the Company dated 5 February 2018. The Company considers that such projects, assessed in the context of the Amended Non-Competition Deed, fall within the definition of “integrated mixed-use projects” therein and are, for the purpose of this circular, integrated mixed-use projects. The acquisition of WXM by the Company from Fantasia Holdings was considered and approved by the shareholders of each of the Company and Fantasia Holdings at the relevant general meetings. The management portfolio of WXM has remained generally stable since February 2018, approximately 90% of which (in terms of the number of properties) had been under the management of WXM before its acquisition by the Company. Properties which became part of the management portfolio of WXM since it became a subsidiary of the Company are of similar nature as the integrated mixed-use properties which had been under the management of WXM prior to its acquisition by the Company, and has formed part of the logical growth of the business of WXM due to its well established experience and reputation in such business sector. Please refer to the joint announcements dated 1 August 2016 and 14 November 2017 and each of the circulars dated 5 February 2018 published by Fantasia Holdings and the Company in relation to, among others, the investment in WXM by Fantasia Holdings in 2016 and the acquisition of the entire equity interest of WXM by the Company in 2018. At the time of Fantasia Holding’s acquisition of an interest in WXM in 2016, Fantasia Holdings (i) indirectly invested in WXM as a non-controlling partner of a partnership which acquired 99% of the equity interest of WXM and (ii) directly via a wholly-owned subsidiary acquired 1% of the equity interest of WXM. Upon completion of such acquisition, Fantasia Holdings only obtained an economic interest in WXM, and was not involved in the day-to-day operations and management of WXM, and it had no control over the board of directors of WXM. As such, the Company is of the view that the investment by Fantasia Holdings in WXM in 2016 was not subject to the Existing Business Delineation Scheme.

Given the circumstances, the Company and Fantasia Holdings consider that the Existing Non-Competition Deed should be revised as the non-competition undertakings given by Fantasia Holdings in favour of the Company and its subsidiaries under the Existing Non-Competition Deed have become outdated in respect of its lack of coverage over opportunities relating to integrated mixed-use properties. The purpose of the proposed amendments to the Existing Non-Competition Deed detailed in “The Amended Non-Competition Deed” below are intended to provide better clarity and enable the Company to expand its management portfolio of integrated mixed-use properties without competition from the Fantasia Group (save for those integrated mixed-use properties currently under its management). The Company understands from Fantasia Holdings that the property management business of the Fantasia Group will continue to focus primarily on pure commercial properties.

LETTER OF THE BOARD

Acquisitions by the Group of other property management companies

In addition to the acquisition of WXM, the Company acquired from independent third parties the entire equity interest of Kaiyuan International in June 2015 and 51% of the equity interest of Beijing Darwin in March 2019. The management portfolio of Kaiyuan International and Beijing Darwin primarily consist of residential communities. Since before the relevant acquisition by the Company, each of WXM, Kaiyuan International and Beijing Darwin has been managing a limited amount of pure commercial properties as well as certain integrated mixed-use properties which contain only commercial components or which property management services are rendered only for the commercial component(s) therein (the “**Company’s managed commercial properties**”).

Due to the immateriality of the commercial properties under management by each of WXM, Kaiyuan International and Beijing Darwin at the time of its acquisition both in terms of GFA under management and revenue, against those of the Group, the Company did not proceed with the disposal arrangement under the Existing Business Delineation Scheme in respect of the commercial projects managed by each of WXM, Kaiyuan International and Beijing Darwin. In addition, the acquisitions of WXM and Kaiyuan International were considered and approved by the shareholders of each of Fantasia Holdings and/or the Company at the relevant general meetings, and the board of directors of each of Fantasia Holdings and the Company considered that the terms of such transactions were fair and reasonable and in the interests of the Company and Fantasia and their respective shareholders as a whole. The Company believes that despite the management of certain commercial properties by these subsidiaries, the interests of the shareholders of Fantasia Holdings have not been compromised due to such companies being subsidiaries of the Company and the Company in turn being a subsidiary of Fantasia Holdings, and that the businesses of each of such companies have been profit making since their acquisition by the Company.

For each of the two years ended 31 December 2018 and the six months ended 30 June 2019, the GFA of the Company’s managed commercial properties, which were managed primarily via WXM, Kaiyuan International and Beijing Darwin, accounted for less than 5% of the total GFA of the properties under management of the Company. For each of the two years ended 31 December 2018 and the six months ended 30 June 2019, the percentage of revenue of the Company attributable to the property management of commercial properties was approximately 4.4%, 10.5% and 11.5% respectively, whereas the corresponding percentage of total net profit was approximately 2.1%, 10.7% and 13.2% respectively. If such business had been undertaken by the Fantasia Group during the same period, the revenue contribution to Fantasia Holdings would have been approximately 0.7%, 2.7% and 2.4% respectively, while the corresponding percentage of total net profit would have been approximately 0.5%, 4.8% and 12.7% respectively. Hence, the Company considers that such business of the management of commercial properties is insignificant to the Group as well as to Fantasia Holdings.

LETTER OF THE BOARD

Property management business of Fantasia Holdings

Fantasia Holdings operates its property management business primarily through its subsidiary Home E&E. Since its establishment, Home E&E has been primarily engaged in the provision of property management, asset operation and management and the ancillary value-added services for commercial properties. As at the Latest Practicable Date, Home E&E was engaged in the management of certain integrated mixed-use properties as described above, as well as certain residential communities. To the best of the Company's knowledge and understanding, the relevant management contracts relating to such integrated mixed-use projects and residential communities have mainly been the result of invitations to bid being extended directly to Home E&E by the inviting party, which is not uncommon in the property management industry in the PRC. Selection of property management service providers in the PRC are generally conducted in the form of bidding. It is common for the information relating to such bids to be delivered to specific property management companies which are considered by the property developer or the bid inviting party to possess the desired expertise, reputation and capacity for the project that was subject to the bid. The Company understands from Fantasia Holdings that, due to a general conception that Home E&E could, where an invitation is extended to it directly, bid for such projects, the referral arrangements under the Existing Non-Competition Deed was not proceeded with and the opportunities were not introduced to the Group for consideration. Notwithstanding the aforesaid, it is considered by the Company that the management of such projects would not have been pursued by the Company (assuming if such opportunities had been introduced to the Company by Fantasia Group), as the Group has preferred to continue its focus on the management of residential properties belonging to the mass market segment where the property management services provided, through online or offline platform, mainly focus on basic services such as security, cleaning, repair and maintenance. It differs from the market segment and positioning of the residential properties managed by Home E&E. Leveraging on its experience in managing hotel, serviced apartments and other commercial properties, Home E&E offers diversified or customised service offerings, in addition to the basic property management services, such as personalised housekeeping and butler services, smart parking management and other value-added services. Furthermore, the Company is of the view that the Group could not have been able to successfully tender for certain other projects described above under the management of Home E&E due to commercial or other reasons, often where the brand of Home E&E was the recognised and preferred property management brand of the relevant customers, according to the understanding of the Company.

Despite the undertakings by Fantasia Holdings under the Existing Non-Competition Deed, the Company considers that if for whatever reason the Company does not take up or participate at all in an opportunity which Fantasia Holdings is otherwise restricted from pursuing, it would not, when considered as a whole, be unfavourable to the Company and its Shareholders for Fantasia Holdings to take on such opportunity, as the relevant opportunities would not have been pursued or been successfully tendered for by the Company due to the above reasons.

LETTER OF THE BOARD

As at 30 June 2019, the Fantasia Group through Home E&E, managed 76 projects which were either residential communities or integrated mixed-use properties which comprised residential component(s), covering a total GFA of approximately 7,550,000 sq.m., and for each of the two years ended 31 December 2018 and the six months ended 30 June 2019, the percentage of revenue of Fantasia Holdings attributable to the property management of such types of properties was approximately 0.9%, 0.9% and 0.9% respectively, whereas the corresponding percentage of total net profit was approximately 1.0%, 1.4% and 4.3% respectively. If such business had been undertaken by the Group during the same period, the revenue contribution to the Company would have been approximately 5.3%, 3.3% and 4.4% respectively, while the corresponding percentage of total net profit would have been approximately 3.9%, 3.2% and 4.5% respectively. Hence, the Company considers that such business of managing residential communities and integrated mixed-use properties is relatively insignificant to Fantasia Holdings and the Board is of the view that such business is also relatively insignificant to the Company.

Based on the foregoing, the Company considers that in respect of opportunities for the residential communities which should have been but not referred to the Company (but which the Company would not have pursued or been able to bid for), the technical deviation from the requirements of the Existing Non-Competition Deed on the part of Fantasia Holdings which has not been driven by any bad faith has not, when considered as a whole, resulted in a compromise of the interests of the Company and its shareholders.

The Amended Non-Competition Deed

Fantasia Holdings and the Company entered into the Amended Non-Competition Deed on 1 April 2020 to amend the Existing Non-Competition Deed, pursuant to which the scope of the Existing Non-Competition Deed has been amended to include the following additional business which the Fantasia Group has undertaken not to be involved in:

- property management focusing on integrated mixed-use properties which contain residential components including but not limited to those properties developed by the Fantasia Group, save and except for those integrated mixed-use projects that are already under the management of the Fantasia Group on the date of the Amended Non-Competition Deed (the “**Current Integrated Mixed-Use Projects**”).

Furthermore, certain carve-outs in respect of residential communities and integrated mixed-use projects under the management of the Fantasia Group have been added. As a result, the scope of the non-competition undertakings given by Fantasia Holdings to the Company (for itself and for the benefits of its subsidiaries) from the period commencing from the effective date of the Amended Non-Competition Deed until the earlier of (i) the date on which the Shares cease to be listed on the Stock Exchange; and (ii) the date on which Fantasia Holdings ceases to hold, whether directly or indirectly, 30% or more of the Shares, is as follows:

- (i) the Fantasia Group will not engage in any business involving the following activities:

LETTER OF THE BOARD

- property management focusing on residential communities, save for residential communities that are under the management of the Fantasia Group on the date of the Amended Non-Competition Deed (the “**Current Residential Communities**”);
 - property management focusing on integrated mixed-use properties which contain residential components including but not limited to those properties developed by the Fantasia Group, save and except for the Current Integrated Mixed-Use Projects;
 - engineering services primarily including (i) equipment installation services, (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through our equipment leasing, save in respect of those properties which the Fantasia Group is entitled to provide property management services for under the Amended Non-Competition Deed; or
 - community leasing, sales and other services targeting residents residing at and property owners of the residential communities primarily including (i) common area rental assistance, (ii) purchase assistance and (iii) residential and retail units rental and sales assistance, save in respect of those properties which the Fantasia Group is entitled to provide property management services for under the Amended Non-Competition Deed.
- (ii) in relation to the residential communities, the Fantasia Group will not participate in the property management of such properties and will select property management companies for those residential communities developed by the Fantasia Group through a tendering process in which the Group will be invited to participate; and
- (iii) if the Fantasia Group has identified or is offered any project or new business opportunities to engage in or acquire a company engaging in property management for residential communities and/or integrated mixed-use properties which contain residential components (save for the renewal of contracts relating to the Current Integrated Mixed-Use Projects and the Current Residential Communities), it shall provide us (subject to such confidentiality requirements as may be applicable) all information and documents possessed by it in respect of such project or new business opportunity to enable us to evaluate the merits of the same.

The Right of First Refusal provided by Fantasia Holdings to the Company under the Existing Non-Competition Deed will remain valid under the Amended Non-Competition Deed.

LETTER OF THE BOARD

Business Delineation Pursuant to the Amended Non-Competition Deed

Upon the Amended Non-Competition Deed becoming effective, the businesses of the Company and Fantasia Holdings will be delineated pursuant to the Amended Non-Competition Deed, and the Group will continue to focus on acquiring property management companies or bidding for property management contracts where the majority of the portfolio consists of residential communities and integrated mixed-use properties with residential components. The Existing Business Delineation Scheme as disclosed in the Prospectus will no longer be applicable and will be adjusted such that to the extent an acquisition target also manages pure commercial properties, the Group will perform due diligence to evaluate, from both commercial and regulatory perspectives, the feasibility and practicality of the disposal of the relevant subsidiary of the target engaged in the property management of the pure commercial properties or the novation of the relevant management contracts to another party. The Group will only proceed with the acquisition if the Group has received a legally binding purchase commitment, such as in the form of a binding memorandum of understanding or a binding purchase agreement (conditional only upon completion of the acquisition), from a third party (which is not the counterparty for the acquisition in question) for the planned disposal or novation to be completed within six months upon completion of the acquisition. The Company understands from Fantasia Holdings that upon the Amended Non-Competition Deed taking effect, the Fantasia Group will only acquire property management companies or bid for property management contracts where the business portfolios are purely commercial in nature. To the extent an acquisition target also manages residential communities and integrated mixed-use properties with residential components, the Fantasia Group will perform due diligence to evaluate the feasibility and practicality of the disposal of the relevant subsidiary of the target engaged in the property management of the residential communities or integrated mixed-use properties with residential components or the novation of the relevant management contracts to other parties. The Fantasia Group will only proceed with the acquisition if the Fantasia Group has received a legally binding purchase commitment, such as in the form of a binding memorandum of understanding or a binding purchase agreement (conditional only upon completion of the acquisition), from a third party (which is not the counterparty for the acquisition in question) for the planned disposal or novation to be completed within six months upon completion of the acquisition.

The Directors consider that given any acquisition by the Group of any target which manages pure commercial projects and by the Fantasia Group of any target which manages residential communities or integrated mixed-use properties with residential components will only be proceeded with upon a legally binding purchase commitment from a third party for the planned disposal or novation according to the adjusted business delineation scheme as mentioned above, the Amended Non-Competition Deed is feasible and effective, as there is a high level of certainty that delineation could be effectively achieved before acquisitions are proceeded with.

LETTER OF THE BOARD

Conditions of the Amended Non-Competition Deed

The Amended Non-Competition Deed is subject to:

- (i) the board of directors of Fantasia Holdings having approved the Amended Non-Competition Deed; and
- (ii) the Independent Shareholders having approved the Amended Non-Competition Deed and the transactions contemplated thereunder at the EGM.

If the conditions to the Amended Non-Competition Deed are not fulfilled on or before 30 September 2020 (or such later date as may be agreed between the parties), the Amended Non-Competition Deed and all rights and obligations thereunder will cease and terminate.

Corporate Governance Measures

To ensure compliance of the Amended Non-Competition Deed, the Company will continue with the following corporate governance measures set out in the Prospectus which have been in place since its listing:

- the independent non-executive Directors will review, on an annual basis, the compliance with the Amended Non-Competition Deed by Fantasia Holdings;
- the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Amended Non-Competition Deed by the Group and the Fantasia Holdings in the annual reports of the Company;
- in respect of the business opportunity referred to the Company by Fantasia Holdings under the Amended Non-Competition Deed, the independent non-executive Directors will review all information and documents provided by it in respect of the same; and
- the Company will disclose the basis of any decision made by the Company relating to compliance and enforcement of the Amended Non-Competition Deed in the annual reports and/or by way of an announcement.

LETTER OF THE BOARD

Furthermore, the following additional internal control measures will be adopted by the Company and Fantasia Holdings to ensure the requirements and restrictions as set out in the Amended Non-Competition Deed are strictly adhered to. An independent internal control consultant has been engaged by the Company and Fantasia Holdings to review the adequacy and effectiveness of these measures and the recommendations made by such internal control consultant have been considered by the Company in the design of such measures:

- reminders containing the relevant requirements and restrictions as set out in the Amended Non-Competition Deed will be distributed to the relevant Directors, senior management and employees (including the Regional Personnel as defined below) of both the Fantasia Group and the Group, to ensure that persons involved in the day-to-day business of negotiating and accepting any new property management projects or business opportunities to engage in or acquire a company engaging in property management projects of each of the groups are fully aware of the relevant requirements, restrictions and delineation arrangements;
- each of the Company and Fantasia Holdings will designate senior personnel at each city or regional level operating entity (the “**Regional Personnel**”), who are responsible for monitoring and ensuring the proper implementation of the Amended Non-Competition Deed at the operational level. In particular, the relevant operational departments should not proceed with entering into any new engagements in relation to property management projects without notifying and receiving clearance from the Regional Personnel, otherwise the Regional Personnel will be held accountable;
- each of the Company and Fantasia Holdings established an internal control compliance committee comprising certain Directors and/or senior management of the Company and Fantasia Holdings respectively (the “**Committee**”), to which all potential new opportunities in relation to the property management business are required to be reported and presented by the Regional Personnel for approval. The Committee is led by the Chairman of each of Fantasia Holdings and Colour Life and is responsible for determining whether a new opportunity in relation to the property management business could be taken up in the context of the Amended Non-Competition Deed and the necessary procedures (if any) which should be taken to ensure the Amended Non-Competition Deed including the Right of First Refusal and the adjusted business delineation scheme as mentioned above are adhered to (including any referral by the Fantasia Group to the Group, disposal of certain portions of a new business or of a new subsidiary prior to completion of the relevant acquisition, or any offer by Fantasia Holdings to the Company of the right to acquire any business or interest in its business which Fantasia Holdings intends to dispose of); and

LETTER OF THE BOARD

- the Committee of each of the Company and Fantasia Holdings will hold a regular meeting every quarter to assess the compliance status of the relevant group of the Amended Non-Competition Deed. A report shall be prepared by the Committee and submitted to the board of directors of the relevant company for review. In certain circumstances where an issue is material, a special report will be made to the relevant board as soon as identified for determination of the solution (e.g. whether to pursue the new project or to acquire the new subsidiary).

REASONS FOR AND BENEFITS OF THE AMENDED NON-COMPETITION DEED

As noted above, the scope of the Existing Non-Competition Deed does not cover integrated mixed-use properties. As property projects in the PRC have evolved from purely residential or commercial to integrated mixed-use purposes, the scope of the Existing Non-Competition Deed is no longer able to address the development of the property market in the PRC. The entering into of the Amended Non-Competition Deed will serve to bring the Existing Non-Competition Deed in line with market development, eliminate potential competition from the Fantasia Group and better organize and delineate the different businesses in the Fantasia Group and the Group. The engagement by the Group in the property management of existing and future integrated mixed-use properties, as well as the continued management by the Fantasia Group of integrated mixed-use properties currently under its management, could enlarge the property management portfolio of the Fantasia Group and the Group. As and when appropriate and desirable, Fantasia Holdings and the Company may consider a restructuring of such and other businesses with a view to enabling each of its shareholders an opportunity to optimise the value of their investments.

The Directors (including the independent non-executive Directors who have taken advice from the Independent Financial Adviser) consider that the terms of the Amended Non-Competition Deed are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Amended Non-Competition Deed is in the interests of the Company and the Shareholders as a whole. In particular, the Directors (including the independent non-executive Directors) are of the view that the carve-outs of the Current Residential Communities and the Current Integrated Mixed-Use Projects are fair and reasonable in view of certain regulatory and practicable restrictions which render it impracticable to effect the business transfer or novation in respect of the Current Residential Communities and the Current Integrated Mixed-Use Projects. Pursuant to the Regulation on Property Management (《物業管理條例》) of the PRC, for each property management area designated, there should only be one property management enterprise serving as the property management service provider. Despite the enterprise managing the area may subcontract certain specialised services which form part of the property management services to other service providers, it is restricted from subcontracting the property management services in entirety to another party. In addition, the selection and dismissal of the property management services provider requires approval of the individual homeowners whose exclusive owned area exceeds 50% of the total GFA of the properties and who represent more than 50% of the homeowners. As such, the Directors consider it difficult if not impossible, and therefore impracticable to attempt to restructure the contractual arrangements relating to such projects, in which case unnecessary time and resources would be incurred by the Group which could otherwise be focused on other better and more appropriate opportunities.

LETTER OF THE BOARD

INFORMATION ABOUT THE PARTIES

The Company

The Company is principally engaged in the business of property management and the provision of related on-line added value services.

Fantasia Holdings

Fantasia Holdings is a leading property developer and property related service provider in the PRC.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, Fantasia Holdings and its associates held approximately 67.10% of the Company's issued shares and is therefore a controlling shareholder and connected person of the Company under the Listing Rules. The entering into of the Amended Non-Competition Deed therefore constitutes a connected transaction of the Company, which is subject to the requirements of reporting, announcement and approval by the Independent Shareholders.

Mr. Pan Jun and Mr. Chen Xinyu, who are common directors of the Company and Fantasia Holdings, are considered to be interested in the Amended Non-Competition Deed and have abstained from voting for the resolution proposed at the Board meeting to approve the Amended Non-Competition Deed.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Shareholders on the terms of the Amended Non-Competition Deed. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

(2) PROPOSED RE-ELECTION OF DIRECTOR

In accordance with Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting. Accordingly, Mr. Chen Xinyu shall retire from office as a Director at the EGM and, being eligible, offers himself for re-election.

LETTER OF THE BOARD

The biographical details of Mr. Chen Xinyu are set out below:

Mr. Chen Xinyu (“Mr. Chen”), aged 51, was appointed as a non-executive Director of the Company on 23 August 2019 and was re-designated as an executive Director of the Company on 19 September 2019. Mr. Chen was also appointed a member of the remuneration committee of the Company on 3 December 2019 and an authorized representative of the Company on 11 February 2020. Mr. Chen is responsible for assisting the chairman of the Board in the management of investment and financing, financial and capital related works. Mr. Chen is an executive director of Fantasia Holdings. Fantasia Holdings is the controlling shareholder of the Company. Mr. Chen is currently also the chief financial officer of Fantasia Holdings responsible for its capital operation and planning management, listed company’s investor relations and information disclosure management-related business.

Prior to joining the Group, Mr. Chen was the deputy general manager of the Finance Department of Country Garden Holdings Company Limited from 2015 to 2019. Before this, Mr. Chen was the investment director of China Overseas Qingyi Care Services Co., Ltd. (中海親頤養老服務有限公司); and later served as an analyst of Seagate Global Advisors LLC., Redondón Beach and as the manager of bond trading portfolio of Godesk LLC., Elsegando in USA. Mr. Chen once served as the director of the Finance Department of China State Construction Engineering Corporation. Mr. Chen graduated from Shijiazhuang Tiedao Institute in financial accounting and holds a master’s degree in corporate finance from Xi’an Jiaotong University and a master’s degree in business administration from the University of Illinois at Chicago. Mr. Chen has nearly 30 years of experience in investment, capital market and corporate financing related activities.

The Company has entered into a service contract with Mr. Chen for a term of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Mr. Chen is entitled to receive a director’s fee of RMB240,000 per annum which was determined by the Board with reference to his duties and responsibilities and the prevailing market rate.

Save as disclosed herein, Mr. Chen does not presently and did not in the past three years hold any directorship in any other listed public company. Save as disclosed, Mr. Chen does not have any relationship with any Directors, senior management or any substantial or controlling shareholders of the Company, and he does not have any interest in any securities, within the meaning of Part XV of the SFO, of the Company.

Mr. Chen has not been involved in any of the matters under Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters relating to his appointment as a member of the remuneration committee that need to be brought to the attention of the Shareholders.

LETTER OF THE BOARD

THE EGM

The EGM will be held at Ball Room, 6/F, Ramada Plaza Shenzhen North, 88-1 Meilong Road and Minzhi Road, Longhua District, Shenzhen, People's Republic of China on Friday, 24 April 2020 at 10:30 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Amended Non-Competition Deed and the transactions contemplated thereunder and the re-election of the retiring Director.

As at the Latest Practicable Date, Fantasia Holdings and its associates held in aggregate 954,659,259 Shares, representing approximately 67.10% of the issued share capital of the Company. Fantasia Holdings and its associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Amended Non-Competition Deed and the transactions contemplated thereunder. Save for Fantasia Holdings and its associates, no other Shareholder has any material interest in the Amended Non-Competition Deed and would be required to abstain from voting for the resolution to be proposed at the EGM in respect of the Amended Non-Competition Deed and the transactions contemplated thereunder.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

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

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 25 to 26 of this circular and the letter from Somerley set out on pages 27 to 43 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Amended Non-Competition Deed and the transactions contemplated thereunder and the principal factors considered by it in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of Somerley, is of the opinion that the terms of the Amended Non-Competition Deed are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Amended Non-Competition Deed is in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Amended Non-Competition Deed.

LETTER OF THE BOARD

The Directors (including the independent non-executive Directors) consider that the terms of the Amended Non-Competition Deed are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Amended Non-Competition Deed is in the interests of the Company and the Shareholders as a whole. In addition, the Directors consider that the re-election of the retiring Director is in the best interests of the Company and the Shareholders. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Amended Non-Competition Deed and the transactions contemplated thereunder and the re-election of the retiring Director.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Colour Life Services Group Co., Limited
PAN Jun
Chairman

LETTER OF FROM THE INDEPENDENT BOARD COMMITTEE



COLOUR LIFE SERVICES GROUP CO., LIMITED

彩生活服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1778)

3 April 2020

To the Independent Shareholders

Dear Sir/Madam,

**CONNECTED TRANSACTION
AMENDMENTS TO EXISTING NON-COMPETITION DEED**

We refer to the circular of the Company dated 3 April 2020 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Amended Non-Competition Deed are fair and reasonable so far as the Company and the Independent Shareholders are concerned and whether the entering into of the Amended Non-Competition Deed is in the interests of the Company and the Shareholders as a whole. Somerley has been appointed as the Independent Financial Adviser to advise us and you in this respect.

We have considered the various details of the Amended Non-Competition Deed, in particular, the reasons for such amendments and the effect thereof. We have also reviewed the advice given by Somerley on the terms of the Amended Non-Competition Deed and the transactions contemplated thereunder as set out in their letter reproduced on pages 27 to 43 of the Circular.

Having considered the information set out in the letter from the Board and taking into account the advice from Somerley, we consider that the Amended Non-Competition Deed, although not entered into in the ordinary and usual course of business of the Group, is on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of the Amended Non-Competition Deed is in the interests of the Company and the Shareholders as a whole.

LETTER OF FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Amended Non-Competition Deed and the transactions contemplated thereunder.

Yours faithfully,

Mr. Tam Chun Hung, Anthony

Dr. Liao Jianwen

Mr. Xu Xinmin

Independent Board Committee

LETTER FROM SOMERLEY

The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Amended Non-Competition Deed.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

3 April 2020

To: The Independent Shareholders and the Independent Board Committee

Dear Sirs,

CONNECTED TRANSACTION AMENDMENTS TO EXISTING NON-COMPETITION DEED

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Amended Non-Competition Deed (the “**Proposed Amendments**”). Details of the Proposed Amendments are set out in the letter of the Board contained in the circular of the Company (the “**Circular**”) to Shareholders dated 3 April 2020, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 1 April 2020, the Company and Fantasia Holdings entered into the Amended Non-Competition Deed pursuant to which, among other things and in addition to the scope of the Existing Non-Competition Deed, the Fantasia Group has undertaken not to be involved in property management business focusing on integrated mixed-use properties with residential components (“**Integrated Mixed-Use Properties (Residential)**”), save and except for those integrated mixed-use projects that are already under the management of the Fantasia Group on the date of the Amended Non-Competition Deed. The Existing Business Delineation Scheme would be no longer applicable and the business of the Company and Fantasia Holdings will be delineated pursuant to the Amended Non-Competition Deed, in particular, the Group will continue to focus on acquiring property management companies or bidding for property management contracts where the majority of the portfolio consists of residential communities and Integrated Mixed-Use Properties (Residential).

LETTER FROM SOMERLEY

As at the Latest Practicable Date, the Company is beneficially owned as to approximately 67.10% by Fantasia Holdings and its associates, and is therefore an indirect subsidiary of Fantasia Holdings. Thus, Fantasia Holdings is a connected person of the Company as defined under the Listing Rules. The Proposed Amendments constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin, has been established to make a recommendation to the Independent Shareholders in relation to the Proposed Amendments. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, Fantasia Holdings, or their respective core connected persons or associates. In addition, save for this appointment as the Independent Financial Adviser as regards the Amended Non-Competition Deed, as at the Latest Practicable Date, we did not have any other relationship or any interests with the Company, Fantasia Holdings or their respective core connected persons or associates that could reasonably be regarded as relevant to our independence nor have had other any engagement between the Company and us in the last two years. Accordingly, we are considered eligible to give independent advice on the Proposed Amendments. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Fantasia Holdings or their respective core connected persons or associates.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors and management of the Company (collectively, the “**Management**”) and the respective professional advisers of the Company, which we have assumed to be true, accurate and complete. We have reviewed information on the Company, including but not limited to, the Existing Non-Competition Deed, the Amended Non-Competition Deed, the Company's prospectus dated 17 June 2014 (the “**Prospectus**”), annual report of the Company for year ended 31 December 2018 (“**FY2018**”) (the “**2018 Annual Report**”) and annual results announcement for the year ended 31 December 2019 (“**FY2019**”) (the “**2019 Annual Results**”) and other information contained in the Circular.

LETTER FROM SOMERLEY

In addition, we have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied, including information contained in the Circular and that their opinions expressed to us are not misleading in any material respect as at the date of this letter and will remain as at the date of the EGM. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group and the Fantasia Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Proposed Amendments, we have considered the following principal factors and reasons:

1. Information on the Group

The Company is incorporated in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of residential property management services and operates its business through three segments, namely property management services, value-added services and engineering services.

As stated in the Prospectus, before the incorporation of the Company, its operating subsidiaries were an integral part of the Fantasia Group. The history of its main business segment, being the property management segment can be traced back to 2002. In line with its main business focus, the Group has been predominately focused on the property management of residential communities since its initial public offering in 2014. It has also reinforced its position as one of the leading property management companies in the PRC through various acquisitions of property management companies. As at the Latest Practicable Date, the Company primarily manages residential communities, as well as certain integrated mixed-use properties.

As disclosed in the 2019 Annual Results, for FY2019, the Group has accumulatively obtained a total of 22.6 million square metres of newly engaged management area. As at 31 December 2019, the GFA under management contracts and consultancy service arrangements of the Group had reached 562.0 million square metres while the number of communities under the Group's management and consultancy services contracts had reached 2,863. As at 31 December 2019, the area of the Group's revenue-bearing GFA reached 359.7 million square metres and the number of communities reached 2,321. The Group's management projects cover 279 cities in China.

LETTER FROM SOMERLEY

Set out below are highlights on the composition of the Group's total revenue for the three financial years ended 2017, 2018 and 2019, which are extracted from the 2018 Annual Report and the 2019 Annual Results respectively:

	For the financial year ended 31 December		
	2019	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue	3,845,003	3,613,658	1,628,698
Segment revenue:-			
– Property management services	3,341,501	3,064,059	1,231,285
– Value-added services	401,301	408,419	276,804
– Engineering services	102,201	141,180	120,609

As disclosed in the 2018 Annual Report and the 2019 Annual Results, the segment of property management services has contributed over 75% of the total revenue of the Group for each of the periods as shown above. The property management services segment derives its revenue mainly from the fee charged under lump sum basis and commission basis, whilst the segment of value-added services derives its revenue primarily from sales and rental assistance and online promotion services. Further, the engineering services segment generates revenue mainly from the provision of equipment installation services.

Total revenue demonstrated a drastic growth in FY2018 comparing with that of 31 December 2017 (“**FY2017**”) with an increment by around 121.9%. Being the key revenue contributor to the Group, the significant revenue increment from the property management services segment in FY2018 by around 148.9% as compared to FY2017 was, according to the 2018 Annual Report, mainly as a result of the consolidation of financial results of WXM following the completion of acquisition of WXM by the Group in March 2018, which contributed to the increase in size of the revenue-bearing GFA and revenue from services fees charged under lump sum basis by approximately RMB1,694.1 million. Besides, the segment revenue of value-added services increased by around 47.5% in FY2018 as compared to FY2017, which was mainly contributed to the increase of approximately RMB93.3 million in sales and rental assistance income mainly due to the increase of commission from the “Colour Life Parking Lots” business. Also, the increase in revenue attributable to the engineering services by around 17.1% in FY2018 comparing with FY2017 was mainly contributed to the reconstruction of the parking space managed by the Group.

LETTER FROM SOMERLEY

Total revenue for FY2019 increased by around 6.4% to approximately RMB3,845.0 million as compared to the FY2018 of approximately RMB3,613.7 million. The growth was primarily driven by the revenue contribution by the projects acquired in the second half of 2018 and 2019 as well as the projects entrusted by certain property developers in 2019. The growth of revenue from the property management services segment of around 9.1% in FY2019 as compared to FY2018 was mainly contributed by, among others, the increase in revenue on a lump sum basis of approximately RMB383.8 million due to the acquisitions of Beijing Darwin International Hotel Property Management Co., Ltd. and Taian Good Living Property Management Co., Ltd. in 2019, and Hangzhou Zhuosheng Property Management Co., Ltd. and Guangxi Colour Life Zhongshi Property Services Co., Ltd. in December 2018, as well as the conversion of certain pre-delivery service projects into property management projects under lump sum basis, resulting in an increase in revenue-bearing GFA. The increment in the revenue from the property management services segment was partially netted off by the drop in revenue from pre-delivery services of approximately RMB129.9 million which was mainly due to the conversion of pre-delivery service projects into property management projects under lump sum basis upon the delivery of completed properties to buyers.

2. Information on Fantasia Holdings

Fantasia Holdings is incorporated in the Cayman Islands and its Shares are listed on the Main Board of the Stock Exchange (stock code: 1777). Fantasia Group is principally engaged in the sales of properties and operates its business through six segments including the property development, property investment, property agency services, property operation services (with a key focus in the area of commercial related properties), hotel operation, and travel agency services segments. As at the Latest Practicable Date, the Fantasia Group conducts its property management business primarily through Hone E&E focusing on pure commercial properties and, to a limited extent, certain integrated mixed-use properties and residential communities.

3. Background of and reasons for the entering into of the Amended Non-Competition Deed

3.1 The Existing Non-Competition Deed

As set out in the Prospectus, the listing of the Company in 2014 constituted a spin-off of Fantasia Holdings (the “**Spin-off**”). Subsequent to the Spin-off, the Fantasia Group, became principally engaged in (i) property development, (ii) property investment, (iii) property agency and related services, (iv) property operational services which involve the provision of property management of pure commercial properties, and (v) hotel operations.

LETTER FROM SOMERLEY

In view of the Spin-off and in order to eliminate any potential competition between the Fantasia Group and the Group, Fantasia Holdings entered into the Existing Non-Competition Deed with the Group in June 2014. Pursuant to the Existing Non-Competition Deed, Fantasia Holdings, being the controlling Shareholder of the Company, has undertaken that during the period commencing from the Listing Date and until the earlier of (i) the date on which Shares, of the Company ceases to be listed on the Stock Exchange; and (ii) the date on which Fantasia Holdings cease to hold, whether directly or indirectly, 30% or more interests in the Company (the “**Non-Competition Period**”):

- (i) it will not engage in any business involving:
 - property management focusing on the residential communities;
 - engineering services primarily including (i) equipment installation services, (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through equipment leasing; or
 - community leasing, sales and other service targeting residents residing at and property owners of the residential communities primarily including (i) common area rental assistance, (ii) purchase assistance and (iii) residential and retail units rental and sales assistance.
- (ii) in relation to the residential communities developed by the Fantasia Group, the Fantasia Group will not participate in the property management of such properties but will select property management companies through a tendering process in which the Group will be invited to participate; and
- (iii) if the Fantasia Group has identified or is offered any project or new business opportunities to engage in or acquire a company engaging in property management for residential communities, it shall provide the Company (subject to such confidentiality requirements as may be applicable) all information and documents possessed by it in respect of such project or new business opportunity in relation to property management of residential communities to enable the Company to evaluate the merit of the same.

As stated in the letter of the Board in the Circular, apart from the above non-competition undertaking, Fantasia Holdings has also undertaken to the Company in the Existing Non-Competition Deed that, during the Non-Competition Period, if the Fantasia Group intends to dispose of any part or all its business, or any interest in its business to any third party, it shall first offer to the Company the right to acquire such business or interest and the Fantasia Group may only proceed with such disposal to any third party, on terms not more favorable than those offered to the Company, following the rejection of such offer by the Company (the “**Right of First Refusal**”). Further details of the Right of First Refusal is set out under the sub-heading namely “Right of First Refusal Undertakings” in the letter of the Board in the Circular.

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In addition to the Existing Non-Competition Deed, the businesses of the Group and the Fantasia Group is further delineated through the Existing Business Delineation Scheme. Under the Existing Business Delineation Scheme,

- (i) the Group would continue to focus on acquiring property management companies or bidding for property management contracts where the majority of the portfolio consists of residential communities (as defined in the Prospectus). To the extent such acquisition targets also manage pure commercial properties, the Group would perform due diligence to evaluate the feasibility and practicality of the disposal of the management contracts for such pure commercial properties from a commercial and regulatory perspective and if the disposal is determined to be technically difficult or unlikely to be feasible, the Group would not proceed with such acquisition. Where the disposal is determined to be feasible, the Group would ensure that a condition precedent of the acquisition would be in place such that the management contracts of the pure commercial properties would be disposed prior to the completion of such acquisition. In the event that the Group is required to pay a deposit to the buyer before completion after negotiation with the relevant seller, the Group would also ensure to include a clause in the sale and purchase agreement that the seller must return the deposit to it if the condition precedent is not satisfied. An escrow arrangement was expected to be set out in the sale and purchase agreement in order to ensure that the Group could get back the deposit in case the conditions precedent cannot be fulfilled by the relevant seller. Additionally, in order to ensure that the sale and purchase agreement could be completed within a reasonable timeframe, the Group would set out the long-stop date for satisfying the conditions precedent to be within six months from the date of the sale and purchase agreement. However, the determination of the long-stop date would be subject to various factors including but not limited to the complication of the transaction and the number of pure commercial properties required to be disposed, thus the long-stop date would be determined on a case-by-case basis.

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- (ii) the Fantasia Group would only acquire property management companies or bid for property management contracts where the business portfolios are purely commercial in nature, which includes serviced apartments, office buildings, and retail properties such as retail complexes. To the extent such acquisition targets also manage residential communities, the Fantasia Group would perform due diligence to evaluate the feasibility and practicality of the disposal of the management contracts for such residential communities from a commercial and regulatory perspective and if the disposal is determined to be technically difficult or unlikely to be feasible, the Fantasia Group would not proceed with such acquisition. Where the disposal is determined to be feasible, the Fantasia Group would ensure that a condition precedent of the acquisition would be in place such that the management contracts of the residential communities would be disposed prior to the completion of such acquisition. In the event that the Fantasia Group is required to pay a deposit to the buyer before completion after negotiation with the relevant seller, the Fantasia Group would also ensure to include a clause in the sale and purchase agreement that the seller must return the deposit to them if the condition precedent is not satisfied. An escrow arrangement is expected to be set out in the sale and purchase agreement in order to ensure that the Fantasia Group could get back the deposit in case the conditions precedent cannot be fulfilled by the relevant seller. Additionally, in order to ensure that the sale and purchase agreement could be completed within a reasonable timeframe, the Fantasia Group would set out the long-stop date for satisfying the conditions precedent to be within six months from the date of the sale and purchase agreement. However, the determination of the long-stop date would be subject to various factors including but not limited to the complication of the transaction and the number of residential communities required to be disposed, thus the long-stop date would be determined on a case-by-case basis.

3.2 Reasons for entering into the Amended Non-Competition Deed

After the successful listing of the Company, the Group has specialized in the property management of residential communities, whereas the Fantasia Group has continued to operate as a property developer which at the same time provides property management services primarily for pure commercial properties.

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As disclosed in the letter of the Board in the Circular, the landscape of the PRC property management market has evolved rapidly. Many property projects in the PRC, in particular those of larger scale, have evolved from purely residential or commercial uses with limited ancillary support to integrated mixed-use properties over the recent years. As also disclosed in the letter of the Board, integrated mixed-use properties have become increasingly prevalent in China, in line with the acceleration of China's urbanisation and continuous population growth according to industry consultants and in this regard, we were provided by the Company and reviewed the report dated 31 December 2019 issued by Cushman & Wakefield about commercial property management industry of the PRC. According to the Management, such "integrated mixed-use properties" are different in nature and purpose as compared to residential communities which were defined in the Prospectus at the time of the Spin-off as "properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties". In this respect, as stated in the letter of the Board in the Circular, the Company and Fantasia Holdings consider that the integrated mixed-use properties do not belong to the types of properties which Fantasia Group are restricted from managing under the scope of the Existing Non-Competition Deed.

Given the circumstances, the Company and Fantasia Holdings concluded that the Existing Non-Competition Deed should be revised in favour of the Group to take into account property type of Integrated Mixed-Use Properties (Residential). Therefore, on 1 April 2020, the Company and Fantasia Holdings entered into the Amended Non-Competition Deed.

Despite the PRC property management market developments mentioned in the letter of the Board in the Circular, we consider, in our view, more importantly, given the fact (i) of the existence of integrated mixed-used property type in the market with examples such as Wanda Plazas in various major cities in the PRC developed by Dalian Wanda Group Co., Ltd., "The Mixc" by China Resources Land Limited, and "Joy City" by Joy City Property Limited; (ii) that the Existing Non-Competition Deed have become outdated in respect of its lack of coverage over opportunities relating to such type of properties; and (iii) the Group and the Fantasia Group considered they would unavoidably become more involved in the management of such type of properties in the future and therefore there is a need for the Proposed Amendments to better delineate the businesses of the Group and Fantasia Group, in particular, as regards the Integrated Mixed-Use Properties (Residential), we concur with the view of the Management that the entering into of the Amended Non-Competition Deed not only will provide better clarity as to the delineation between the different businesses of the Fantasia Group and the Group, it also effectively enables the Group to build onto its existing property management portfolio and extend its business scope and income source by furthering its property management business to cover Integrated Mixed-Use Properties (Residential) without material direct competition with the Fantasia Group which will continue to focus on pure commercial properties (save for those integrated mixed-use properties currently under its management).

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Following completion of the acquisition by the Group of WXM in 2018, WXM has become the Company's subsidiary with management portfolio comprised mainly of properties which were commercial-focused and which contained residential components. We understand from the Management WXM has been engaged in the business of property management for commercial and integrated mixed-use properties for over 25 years and is a major player in the industry. Leveraging onto, in particular, WXM's extensive experience and reputation in such sector, the Group is considered to have equipped with necessary experience for the operation and further development of property management business in the Integrated Mixed-Use Properties (Residential) sector.

Based on all the above, we consider the entering into of the Amended Non-Competition Deed in line with the Group's existing business objectives and strategies and fair and reasonable so far as the Company and the Shareholders are concerned.

4. Principal terms of the Amended Non-Competition Deed

4.1 Non-competition undertakings

Under the Amended Non-Competition Deed, certain carve-outs in respect of residential communities and integrated mixed-use projects under the management of the Fantasia Group have been added, and the scope of the non-competition undertakings given by Fantasia Holdings to the Company (for itself and for the benefits of its subsidiaries) from the period commencing from the effective date of the Amended Non-Competition Deed until the earlier of (i) the date on which the Shares cease to be listed on the Stock Exchange; and (ii) the date on which Fantasia Holdings ceases to hold, whether directly or indirectly, 30% or more of the Shares, is as follows:

- (i) the Fantasia Group will not engage in any business involving the following activities:
 - property management focusing on residential communities, save for residential communities that are under the management of the Fantasia Group on the date of the Amended Non-Competition Deed (the "**Current Residential Communities**");
 - property management focusing on integrated mixed-use properties which contain residential components, including but not limited to those properties developed by the Fantasia Group, save and except for those integrated mixed-use projects that are already under the management of the Fantasia Group on the date of the Amended Non-Competition Deed (the "**Current Integrated Mixed-Use Projects**");

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- engineering services primarily including (i) equipment installation services, (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through the equipment leasing, save in respect of those properties which the Fantasia Group is entitled to provide property management services for under the Amended Non-Competition Deed; or
 - community leasing, sales and other services targeting residents residing at and property owners of the residential communities primarily including (i) common area rental assistance, (ii) purchase assistance and (iii) residential and retail units rental and sales assistance, save in respect of those properties which the Fantasia Group is entitled to provide property management services for under the Amended Non-Competition Deed.
- (ii) in relation to the residential communities, the Fantasia Group will not participate in the property management of such properties and will select property management companies for those residential communities developed by the Fantasia Group through a tendering process in which the Group will be invited to participate; and
- (iii) if the Fantasia Group has identified or is offered any project or new business opportunities to engage in or acquire a company engaging in property management for residential communities and/or integrated mixed-use properties which contain residential components (save for the renewal of contracts relating to the Current Integrated Mixed-Use Projects and the Current Residential Communities), it shall provide the Company (subject to such confidentiality requirements as may be applicable) all information and documents possessed by it in respect of such project or new business opportunity to enable the Company to evaluate the merits of the same (the “**Referral Arrangement**”).

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As shown from the above, the amendments to the non-competition undertaking proposed under the Amended Non-Competition Deed are made essentially to facilitate the extension of the original scope of restricted business which covers only residential communities, to include also the Integrated Mixed-Use Properties (Residential). As discussed in the section headed “3.2 Reasons for entering into the Amended Non-Competition Deed” above, the entering into of the Amended Non-Competition Deed not only will provide better clarity as to the delineation between the different businesses of the Fantasia Group and the Group, it also effectively enables the Group to build onto its existing property management portfolio and extend its business scope and income source by furthering its property management business to cover the Integrated Mixed-Use Properties (Residential), which is considered beneficial to the Group. We have noted that the Group’s property management projects involving Integrated Mixed-Use Properties (Residential) has been growing at a rate of 868.5% in terms of total GFA and 3,739.4% in terms of revenue over the two years ended 31 December 2017 and 31 December 2018. As such, the fact that the Proposed Amendments would essentially provide the Company with the opportunity to continue to manage its existing portfolio of property management projects involving Integrated Mixed-Use Properties (Residential) and further expand its business, is in its favour and in the interests of the Shareholders.

We understand that whilst the entering into of the Amended Non-Competition Deed is aimed to govern any future property management business of the parties involving integrated mixed-use properties, the Amended Non-Competition Deed is not intended to shuffle or reallocate existing projects under the two groups. We further understand from the Management that for the two years ended 31 December 2018 and the six months ended 30 June 2019, revenue of Fantasia Holdings attributable to the property management of the Current Integrated Mixed-Use Projects was approximately RMB28.8 million, RMB45.6 million and RMB25.1 million respectively, which represent approximately 1.8%, 1.3% and 1.4% of the total revenue of the Group for the corresponding year respectively. In addition, we understand from the Management, for the two years ended 31 December 2018 and the six months ended 30 June 2019, revenue generated by Fantasia Holdings attributable to the Current Residential Communities was approximately RMB57.4 million, RMB75.2 million and RMB54.8 million respectively, which represent approximately 3.5%, 2.1% and 3.0% of the total revenue of the Group for the corresponding years and period respectively. As such, in addition to the regulatory and practicality reasons cited under the heading “Reasons for and benefits of the Amended Non-Competition Deed” in the letter of the Board in the Circular, given that the revenue contribution of the Current Integrated Mixed-Use Projects and Current Residential Communities are not considered substantial relative to the Group’s total revenue and more importantly, Fantasia Holdings has undertaken that the Fantasia Group will no longer be involved in any new property management projects involving Integrated Mixed-Use Properties (Residential) from the effective date of the Amended Non-Competition Deed, the carve-out of the Current Residential Communities and the Current Integrated Mixed-Use Projects under the Amended Non-Competition Deed therefore is not expected to have material impact on the Group’s overall business.

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We understand that the Right of First Refusal provided by Fantasia Holdings to the Company will remain valid under the Amended Non-Competition Deed.

As further stated in the letter of the Board in the Circular, upon the Amended Non-Competition Deed becoming effective, the businesses of the Company and Fantasia Holdings will be delineated pursuant to the Amended Non-Competition Deed. The Existing Business Delineation Scheme will no longer be applicable and will be adjusted such that to the extent an acquisition target also manages pure commercial properties, the Group will perform due diligence to evaluate from both commercial and regulatory perspectives the feasibility and practicality of the disposal of the relevant subsidiary of the target engaged in the property management of the pure commercial properties or the novation of the relevant management contracts to another party, including but not limited to, Fantasia Group. We further understand from the Management that the Group will only proceed with the acquisition if the Group has received a legally binding purchase commitment such as in the form of a binding memorandum of understanding or a binding purchase agreement (conditional only upon completion of the acquisition) from a third party (which is not the counterparty for the acquisition in question) for the planned disposal or novation to be completed within six months upon completion of the acquisition. Reciprocal arrangement applies to acquisition of target companies by Fantasia Holdings.

In view of the above, after a review of the current circumstances, in particular, that (i) the businesses of the two groups will be clearly delineated pursuant to the Amended Non-Competition Deed and the adjusted business delineation scheme referred to above, and the interest of the Group in respect of new business opportunities and any disposal of business by Fantasia Group will remain protected under the Referral Arrangement and the Right of First Refusal respectively; (ii) these aforesaid amendments and adjustments represent reciprocal undertakings made by Fantasia Holdings and the Company to each other which would allow certain flexibility for not only the Fantasia Group but also the Group in pursuing with new business opportunities; (iii) as discussed in the letter of the Board in the Circular, the Company has indicated its objective to only proceed with the acquisition if the Group has received a legally binding purchase commitment such as in the form of a binding memorandum of understanding or a binding purchase agreement (conditional only upon completion of the acquisition) from a third party (which is not the counterparty for the acquisition in question) for the planned disposal or novation according to the adjusted business delineation scheme, and the fact that such arrangement is also reciprocal and equally applicable to Fantasia Group; and (iv) as discussed further in the section headed “4.3 Corporate Governance Measures” below and as disclosed in the letter of the Board in the Circular, we noted the Company has in place a series of corporate governance measures which has been reviewed by an independent internal control consultant and will be adopted by the Company and Fantasia Holdings to ensure that the requirements and restrictions as set out in the Amended Non-Competition Deed are strictly adhered to, the Management considered and we concur that the supersedure of the Existing Business Delineation Scheme by the adjusted business delineation scheme referred to above is considered fair and reasonable.

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4.2 Conditions of the Amended Non-Competition Deed

The Amended Non-Competition Deed is subject to:

- (i) the board of directors of Fantasia Holdings having approved the Amended Non-Competition Deed; and
- (ii) the Independent Shareholders having approved the Amended Non-Competition Deed and the transactions contemplated thereunder at the EGM.

If the conditions to the Amended Non-Competition Deed are not fulfilled on or before 30 September 2020 (or such later date as may be agreed between the parties), the Amended Non-Competition Deed and all rights and obligations thereunder will cease and terminate.

4.3 Corporate Governance Measures

To ensure compliance of the Amended Non-Competition Deed, the Company will continue with the following corporate governance measures set out in the Prospectus which have been in place since its listing:

- the independent non-executive Directors will review, on an annual basis, the compliance with the Amended Non-Competition Deed by Fantasia Holdings;
- the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Amended Non-Competition Deed by the Group and the Fantasia Holdings in the annual reports of the Company;
- in respect of the business opportunity referred to the Company by Fantasia Holdings under the Amended Non-Competition Deed, the independent non-executive Directors will review all information and documents provided by it in respect of the same; and
- the Company will disclose the basis of any decision made by the Company relating to compliance and enforcement of the Amended Non-Competition Deed in the annual reports and/or by way of an announcement.

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Furthermore, the following additional internal control measures will be adopted by the Company and Fantasia Holdings to ensure the requirements and restrictions as set out in the Amended Non-Competition Deed are strictly adhered to. An independent internal control consultant has been engaged by the Company and Fantasia Holdings to review the adequacy and effectiveness of these measures and the recommendations made by such internal control consultant have been considered by the Company in the design of such measures:

- reminders containing the relevant requirements and restrictions as set out in the Amended Non-Competition Deed will be distributed to the relevant Directors, senior management and employees (including the Regional Personnel as defined below) of both the Fantasia Group and the Group, to ensure that persons involved in the day-to-day business of negotiating and accepting any new property management projects or business opportunities to engage in or acquire a company engaging in property management projects of each of the groups are fully aware of the relevant requirements, restrictions and delineation arrangements;
- each of the Company and Fantasia Holdings will designate senior personnel at each city or regional level operating entity (the “**Regional Personnel**”), who are responsible for monitoring and ensuring the proper implementation of the Amended Non-Competition Deed at the operational level. In particular, the relevant operational departments should not proceed with entering into any new engagements in relation to property management projects without notifying and receiving clearance from the Regional Personnel, otherwise the Regional Personnel will be held accountable;
- each of the Company and Fantasia Holdings established an internal control compliance committee comprising certain Directors and/or senior management of the Company and Fantasia Holdings respectively (the “**Committee**”), to which all potential new opportunities in relation to the property management business are required to be reported and presented by the Regional Personnel for approval. The Committee is led by the Chairman of each of Fantasia Holdings and Colour Life and is responsible for determining whether a new opportunity in relation to the property management business could be taken up in the context of the Amended Non-Competition Deed and the necessary procedures (if any) which should be taken to ensure the Amended Non-Competition Deed including the Right of First Refusal and the adjusted business delineation scheme as mentioned above are adhered to (including any referral by the Fantasia Group to the Group, disposal of certain portions of a new business or of a new subsidiary prior to completion of the relevant acquisition, or any offer by Fantasia Holdings to the Company of the right to acquire any business or interest in its business which Fantasia Holdings intends to dispose of); and

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- the Committee of each of the Company and Fantasia Holdings will hold a regular meeting every quarter to assess the compliance status of the relevant group of the Amended Non-Competition Deed. A report shall be prepared by the Committee and submitted to the board of directors of the relevant company for review. In certain circumstances where an issue is material, a special report will be made to the relevant board as soon as identified for determination of the solution (e.g. whether to pursue the new project or to acquire the new subsidiary).

We consider that the measures above, in particular, the designation of the Regional Personnel to monitor the proper implementation of the Amended Non-Competition Deed at the operational level and ensure any new engagements in relation to property management projects being adhering to the Amended Non-Competition Deed, the set-up of the respective Committees of and the regular meetings between the Company and Fantasia Holdings to assess the compliance status of the Amended Non-Competition Deed can facilitate a regular communication and reporting to the Company which shall enable the operational level of the Company as well as the Management to effectively monitor the compliance of the Amended Non-Competition Deed and accordingly safeguard the interest of the Company and its Shareholders.

5. Discussion

As discussed in detail in the sections headed “3.2 Reasons for entering into the Amended Non-Competition Deed”, given the fact that the Existing Non-Competition Deed have become outdated in respect of its lack of coverage over opportunities relating to integrated mixed-use properties, the entering into of the Amended Non-Competition Deed not only can provide better clarity as to the delineation between the different businesses of the Fantasia Group and the Group, it also effectively enables the Group to build onto its existing property management portfolio and extends its business scope and income source by furthering its property management business to cover Integrated Mixed-Use Properties (Residential), which is considered beneficial to the Group.

Although, at the 31 December 2019, the Fantasia Group manages and will, as according to the terms of the Amended Non-Competition Undertakings, continue to manage the Current Residential Communities and the Current Integrated Mixed-Use Projects, given, among others, (i) the materiality in terms of their revenue contributions relative to the Group’s total revenue as discussed in detail in section headed “4.1 Non-competition undertakings” above; and (ii) Fantasia Holdings has undertaken that the Fantasia Group will no longer be involved in any new property management projects involving Integrated Mixed-Use Properties (Residential) from the effective date of the Amended Non-Competition Deed, we would consider the inclusion of the terms relating to the carve-out of the Current Residential Communities and the Current Integrated Mixed-Use Projects to be acceptable.

LETTER FROM SOMERLEY

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the entering into of the Amended Non-Competition Deed is in the interests of the Company and the Shareholders as a whole, and the terms of the Amended Non-Competition Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the Amended Non-Competition Deed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 17 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 INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

a. Long position in the Shares and underlying shares of the Company

Name of director	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Tang Xuebin	Beneficial owner ⁽¹⁾	1,598,940	0.11%
	Family interest ⁽²⁾	450,000	0.03%
		2,048,940	0.14%
Mr. Huang Wei	Beneficial owner ⁽¹⁾	500,000	0.04%
Mr. Pan Jun	Beneficial owner ⁽¹⁾	1,755,440	0.12%
Mr. Zhou Hongyi	Beneficial owner ⁽¹⁾	560,000	0.04%
	Interest in controlled corporation	43,458,000	3.05%
Mr. Tam Chun Hung, Anthony	Beneficial owner ⁽¹⁾	710,000	0.05%
Dr. Lian Jianwen	Beneficial owner ⁽¹⁾	710,000	0.05%
Mr. Xu Xinmin	Beneficial owner ⁽¹⁾	710,000	0.05%

Notes:

- (1) These are share options granted to the Directors of the Company under the share option scheme of the Company.
- (2) The 450,000 Shares are beneficially owned by Ms. Dai Minglei, the spouse of Mr. Tang Xuebin.

b. Long position in the shares and underlying shares of the associated corporations of the Company

Name of director	Name of associated corporation	Capacity/nature of interest	Equity interest/number of underlying shares	Approximate percentage of shareholding
Mr. Pan Jun	Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network") ⁽¹⁾	Beneficial owner	RMB7,000,000	70%
	Fantasy Pearl International Limited ("Fantasy Pearl") ⁽²⁾	Interest of controlled corporation	20 shares	20%
	Fantasia Holdings ⁽³⁾	Beneficial owner	9,980,000 shares	0.17%
Mr. Tang Xuebin	Shenzhen Caizhiyun Network	Beneficial owner	RMB3,000,000	30%
	Fantasia Holdings ⁽³⁾	Beneficial owner	1,640,000 shares	0.03%
	Splendid Fortune Enterprises Limited ("Splendid Fortune")	Interest of controlled corporation	16,319 shares	32.64%

Notes:

- (1) Shenzhen Caizhiyun Network is owned as to 70% by Mr. Pan Jun and 30% by Mr. Tang Xuebin. The financial results of Caizhiyun Network have been consolidated and accounted for as a subsidiary of the Company by virtue of various structured contracts, details of which are disclosed in the section headed "History, Reorganisation and the Group Structure" in the Company's prospectus dated 17 June 2014.
- (2) Fantasy Pearl is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"), which is wholly owned by Mr. Pan Jun.
- (3) These represent share options granted by Fantasia Holdings subject to vesting schedules.

- (4) Splendid Fortune is 67.36% owned by Fantasy Pearl and 32.64% owned by Colour Success Limited (“Colour Success”). Colour Success is in turn owned as to 43.34% by Mr. Tang Xuebin, 13.33% by Mr. Dong Dong, 13.33% by Mr. Ye Hui, 13.33% by Mr. Guan Jiandong, 13.33% by Mr. Chang Rong and 3.34% by Mr. Wang Xuliang, respectively. Accordingly, Mr. Tang Xuebin is deemed to be interested in the shares of Splendid Fortune held by Colour Success for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

c. Interests in assets

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

d. Interests in contracts

As at the Latest Practicable Date, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group.

e. Interests in competing business

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

f. Directors’ service contracts

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

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of Shares held	Approximate percentage of holding
Ms. Zeng Jie, Baby	Interest of controlled corporation ⁽¹⁾⁽²⁾⁽³⁾	954,659,259	67.10%
Ice Apex	Interest of controlled corporation ⁽¹⁾⁽²⁾⁽³⁾	954,659,259	67.10%
Fantasy Pearl	Beneficial owner	2,171,000	0.15%
	Interest of controlled corporation	952,488,259	66.95%
Fantasia Holdings	Beneficial owner ⁽²⁾	735,456,782	51.69%
Splendid Fortune	Beneficial owner ⁽³⁾	218,001,477	15.32%
JD.com Investment Limited	Interest of controlled corporation ⁽⁴⁾	71,149,000	5.00%
JD.com, Inc.	Interest of controlled corporation ⁽⁴⁾	71,149,000	5.00%
Max Smart Limited	Interest of controlled corporation ⁽⁴⁾	71,149,000	5.00%
Volga Innovation Limited	Beneficial owner ⁽⁴⁾	71,149,000	5.00%
Mr. Liu Qiangdong, Richard	Beneficiary of a trust ⁽⁴⁾	71,149,000	5.00%

Notes:

- (1) The interests are held as to 735,456,782 Shares by Fantasia Holdings, as to 218,001,477 Shares by Splendid Fortune and as to 2,171,000 Shares by Fantasy Pearl.
- (2) Fantasia Holdings is owned as to 57.46% by Fantasy Pearl, which is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Accordingly, Ms. Zeng, Ice Apex and Fantasy Pearl are deemed to be interested in the shares of the Company held by Fantasia Holdings for the purpose of Part XV of the SFO.

- (3) Splendid Fortune is 67.36% owned by Fantasy Pearl and 32.64% owned by Colour Success, which is in turn owned as to 43.34% by Mr. Tang Xuebin, 13.33% by Mr. Dong Dong, 13.33% by Mr. Ye Hui, 13.33% by Mr. Guan Jiandong, 13.33% by Mr. Chang Rong and 3.34% by Mr. Wang Xuliang, respectively. Accordingly, Ms. Zeng, Ice Apex and Fantasy Pearl are deemed to be interested in the shares of the Company held by Splendid Fortune for the purpose of Part XV of the SFO.
- (4) Such interests are held by Volga Innovation Limited, which is 80% owned by JD.com Investment Limited. JD.com Investment Limited is a wholly-owned subsidiary of JD.com, Inc., which is in turn owned as to 72.90% by Max Smart Limited. Max Smart Limited is wholly-owned by the trust in which Mr. Liu Qiangdong, Richard is a beneficiary.

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

Mr. Pan Jun is a director of each of Fantasia Holdings, Splendid Fortune, Ice Apex and Fantasy Pearl. Mr. Tang Xuebin is a director of Splendid Fortune. Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

5. EXPERT'S QUALIFICATIONS AND CONSENT

- a. The following is the qualification of the expert who has given opinions, letters or advice which are contained in this circular:

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

- b. The above expert has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.
- c. As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- d. As at the Latest Practicable Date, the above expert did not have any interest, direct or indirect, in any asset which has been, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group was made up, to and including the Latest Practicable Date.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at Room 1202-03, New World Tower I, 16-18 Queen's Road Central, Hong Kong, from the date of this circular, up to and including the date of the EGM:

- a. the memorandum and articles of association of the Company;
- b. the letter from the Independent Board Committee to the Independent Shareholders dated 3 April 2020;
- c. the letter from Somerley to the Independent Board Committee and the Independent Shareholders;
- d. the consent letter issued by the expert referred to in the paragraph headed "Expert's Qualifications and Consent" in this appendix;
- e. the Amended Non-Competition Deed; and
- f. this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



COLOUR LIFE SERVICES GROUP CO., LIMITED 彩生活服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1778)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Colour Life Services Group Co., Limited (the “**Company**”) will be held at 10:30 a.m. on Friday, 24 April 2020 at Ball Room, 6/F, Ramada Plaza Shenzhen North, 88-1 Meilong Road and Minzhi Road, Longhua District, Shenzhen, People’s Republic of China for the following purposes:

ORDINARY RESOLUTIONS

“**THAT:**

- (1) (a) the amended non-competition deed (the “**Amended Non-Competition Deed**”) dated 1 April 2020 entered into between the Company and Fantasia Holdings Group Co., Limited (“**Fantasia Holdings**”), a copy of which having been produced to this meeting and marked “**A**” and initialed by the chairman of this meeting for the purpose of identification, and the transactions contemplated thereby be and are hereby approved, confirmed and ratified; and
 - (b) any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents, deed or instruments and to take all such steps which in their opinion may be necessary, appropriate, desirable or expedient for the purpose of giving effect to the Amended Non-Competition Deed and completing the transactions contemplated thereby.
- (2) To re-elect Mr. Chen Xinyu as an executive director of the Company.”

Yours faithfully,

For and on behalf of the Board
Colour Life Services Group Co., Limited
彩生活服務集團有限公司
PAN Jun
Chairman

Hong Kong, 3 April 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

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

Principal Place of Business in Hong Kong:

Room 1202-03, New World Tower I
16-18 Queen's Road Central
Hong Kong

Notes:

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and of the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. On a show of hands every shareholder who is present in person or by proxy shall have one vote. In the case of a poll, every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the qualification as shareholders of the Company to attend and vote at the above meeting, the register of members of the Company will be closed from Tuesday, 21 April 2020 to Friday, 24 April 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify as shareholders to attend and vote at the EGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 April 2020.