THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other licensed securities dealer, 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 to the purchaser or transferee or to a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

彩生活

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)

MAJOR AND CONNECTED TRANSACTION

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

Gram Capital Limited
嘉林資本有限公司

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

A letter from the Board is set out on pages 6 to 26 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 27 to 28 of this circular. A letter of advice from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder as set out on pages 29 to 47 of this circular.

A notice convening a EGM to be held at 10:30 a.m. on 28 February 2018 at Ramada Plaza Shenzhen North, Meilong Road and Minwang Road Cross, Minzhi Sub-district, Longhua, Shenzhen, Guangdong, PRC is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

5 February 2018

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

"Board"	the board of directors of the Company;
"Company" or "Colour Life"	Colour Life Services 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;
"Colour Life Investment"	Colour Life Investment Company Limited, a limited liability company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration Shares"	231,500,000 Shares of the Company to be issued to partly satisfy the consideration under the Second Agreement;
"Director(s)"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be held at Ramada Plaza Shenzhen North, Meilong Road and Minwang Road Cross, Minzhi Sub-district, Longhua, Shenzhen, Guangdong, PRC on Wednesday, 28 February 2018 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Transaction;
"Enlarged Group"	the Group as enlarged by the Target Group upon completion of the Transaction;
"Fantasia"	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;
"Fantasia China"	花樣年集團(中國)有限公司 (Fantasia Group (China) Co., Ltd.), a limited liability company established in the PRC and is a wholly-owned subsidiary of Fantasia;
"Fantasia Education"	深圳市花樣年教育諮詢有限公司 (Shenzhen Fantasia Education Consulting Co., Ltd.), a limited liability company established in the PRC and is a wholly-owned subsidiary of Fantasia;

"First Agreement"	the agreement dated 14 November 2017 between Fantasia China and Shenzhen Colour Life;
"Fourth Agreement"	the agreement dated 14 November 2017 between Shenzhen Jianian and Shenzhen Gaorunda in relation to the transfer of 1% of the equity interest in WXM;
"Gram Capital" or "Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Transaction;
"Greatwall Jiaxin"	長城嘉信資產管理有限公司 (Greatwall Jiaxin Asset Management Co., Ltd.), a company established in the PRC;
"Group"	the Company and its subsidiaries;
"Home E&E"	Shenzhen Home E&E Commercial Services Group Co., Ltd.* (深圳市美易家商務服務集團股份有限公司), a company established in the PRC and an indirect non-wholly owned subsidiary of Fantasia incorporated in the PRC, the shares of which are quoted on the National Equities Exchange and Quotations Systems;
"Independent Board Committee"	the independent board committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in respect of the Transaction;
"Independent Shareholders"	Shareholders other than (i) Fantasia and its associates; and (ii) those who are required under the Listing Rules to abstain from voting at the EGM
"Jianian Investment Fund"	an investment fund organised by Shenzhen Colour Life, Wuhu Gopher, Fantasia China and Home E&E;
"Joint Announcement"	the joint announcement dated 14 November 2017 published by the Company and Fantasia;

"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 a wholly-owned subsidiary of Colour Life;
"Latest Practicable Date"	2 February 2018, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular;
"Link Joy"	Link Joy (HK) Co., Ltd., a limited liability company incorporated in Hong Kong and is a wholly-owned subsidiary of Fantasia;
"Link Joy Holdings"	Link Joy Holdings Group Co., Limited, a limited liability company incorporated in the Cayman Islands and is a wholly-owned subsidiary of Fantasia;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China;
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Agreement"	the agreement dated 14 November 2017 between Link Joy Holdings and Colour Life Investment and as amended by the Supplemental Agreement;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shares"	ordinary shares of the Company;
"Shenzhen Colour Life"	深圳市彩生活服務集團有限公司 (Shenzhen Colour Life Services Group Company Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company;
"Shenzhen Gaorunda"	深圳市高潤達股權投資有限公司 (Shenzhen Gaorunda Equity Investment Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of the Company;

"Shenzhen Jianian"	深圳前海嘉年投資基金管理有限公司 (Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of Fantasia;
"Shenzhen Jiaxin"	深圳市嘉信諮詢服務有限公司 (Shenzhen Jiaxin Consulting Services Co., Ltd.), a company established in the PRC;
"Shenzhen Jiaxin Transfer"	the transfer of the entire shareholding of Shenzhen Jiaxin held by Jianian Investment Fund and the outstanding debts of Shenzhen Jiaxin to Fantasia Education and Shenzhen Link Joy;
"Shenzhen Jiaxin Transfer Agreement"	the agreement dated 13 November 2017 between Shenzhen Colour Life, Wuhu Gopher, Fantasia China and Home E&E in relation to the Shenzhen Jiaxin Transfer;
"Shenzhen Link Joy"	深圳前海鄰里樂商業服務有限公司 (Shenzhen Qianhai Link Joy Commercial Services Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Link Joy;
"Shenzhen Wanxiang"	深圳市幸福萬象投資合夥企業(有限合夥) Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership), a limited partnership established in the PRC;
"Shenzhen Wanxiang Group"	Shenzhen Wanxiang and its subsidiaries;
"Shenzhen Xincheng"	深圳鑫橙投資管理有限公司 (Shenzhen Xincheng Investment Management Co., Ltd.), a company established in the PRC;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supplemental Agreement"	supplemental agreement dated 19 December 2017 entered into between Fantasia, the holding company of Link Joy Holdings, Colour Life Investment and Link Joy Holdings to amend certain of the terms of the Second Agreement;
"Supplemental Announcement"	the joint announcement of the Company and Colour Life in relation to, among others, the Supplemental Agreement and the proposed placing of Colour Life Shares by Colour Life;

"Target Group"	Fantasia Education, Link Joy Holdings, Link Joy, Shenzhen Link Joy, Shenzhen Jiaxin, Shenzhen Wanxiang and WXM Group;
"Third Agreement"	the agreement dated 14 November 2017 between Shenzhen Jianian and Shenzhen Gaorunda in relation to the transfer of contribution of RMB1,000,000 in Shenzhen Wanxiang from Shenzhen Jianian;
"Transaction"	the transactions contemplated under the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement;
"Wuhu Gopher"	蕪湖歌斐資產管理有限公司 (Wuhu Gopher Asset Management Co., Ltd.*) a company established in the PRC, an independent third party to each of Fantasia and the Company;
"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;
"WXM Group"	WXM and its subsidiaries; and
"%"	per cent.

For illustration purposes, amounts in RMB in this circular have been translated into HK$ at RMB1.00 = HK$1.182606.

* *For identification purpose only*

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. TANG Xuebin *(Chief Executive Officer)*
Mr. DONG Dong

Non-executive Directors:
Mr. PAN Jun *(Chairman)*
Mr. LAM Kam Tong
Mr. ZHOU Hongyi

Independent Non-executive Directors:
Mr. TAM Chun Hung, Anthony
Dr. LIAO Jianwen
Mr. XU Xinmin

Registered Office:
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Headquarters and Principal Place of Business in the PRC:
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Shenzhen, the PRC

Principal Place of Business in Hong Kong:
Room 1202–03,
New World Tower 1
16–18 Queen's Road Central
Central
Hong Kong

5 February 2018

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Joint Announcement in relation to the Transaction.

The Transaction constitutes a major and connected transaction for the Company.

The purpose of this circular is to provide you with, among others, (i) further details about the Transaction; (ii) the recommendations of the Independent Board Committee in relation to the Transaction; (iii) the recommendations of the Independent Financial Adviser in relation to the Transaction; and (iv) the notice convening the EGM.

THE TRANSACTION

On 14 November 2017, certain subsidiaries of the Company proposed to acquire from Fantasia and its subsidiaries 100% of the beneficial interest in Shenzhen Wanxiang and 100% of the equity interest in WXM for a total consideration of RMB2,012,520,000 by the entering into of the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement.

The First Agreement

On 14 November 2017, Fantasia China, a wholly-owned subsidiary of Fantasia, and Shenzhen Colour Life, a wholly-owned subsidiary of the Company, entered into the First Agreement. The principal terms of the First Agreement are set out below:

Subject matter

Fantasia China will transfer 100% of the equity interest in Fantasia Education to Shenzhen Colour Life for a consideration of RMB797,880,000.

Fantasia Education will be interested in 1% of the equity interest in Shenzhen Jiaxin. Further information on the Target Group is set out in the paragraph headed "Information on the Target Group" below.

Consideration

The consideration for the transfer of the entire equity interest in Fantasia Education to Shenzhen Colour Life is RMB797,880,000, which was determined with reference to the preliminary valuation on WXM.

The consideration will be payable in accordance with the following schedule:

(a) as to 50% of the consideration, equivalent to RMB398,940,000, will be payable within 10 business days of all the conditions precedent under the First Agreement being satisfied; and

(b) the balance 50% of the consideration, equivalent to RMB398,940,000, will be payable within 10 business days from the completion of the transfer of the equity interest in Fantasia Education to Shenzhen Colour Life.

The consideration will be satisfied by the Company through a combination of its internal resources and bank borrowings.

Conditions precedent

Completion of the transactions contemplated under the First Agreement will be subjected to the satisfaction of the following conditions:

(1) the First Agreement having been executed by the parties thereto and became effective;

(2) the execution and the completion of the Second Agreement, the Third Agreement and the Fourth Agreement by the parties thereto;

(3) the transfer contemplated under the First Agreement having obtained the necessary approvals and consents required by law and regulations; and

(4) completion of the Shenzhen Jiaxin Transfer.

None of the conditions above is waiveable. As at the Latest Practicable Date, except for conditions (1) and (2) (in respect of the execution of the respective agreement only), none of the conditions have been satisfied.

The Second Agreement

On 14 November 2017, Link Joy Holdings, a wholly-owned subsidiary of Fantasia, and Colour Life Investment, a wholly-owned subsidiary of the Company, entered into the Second Agreement. On 19 December 2017, Fantasia, the holding company of Link Joy Holdings, Colour Life Investment and Link Joy Holdings entered into the Supplemental Agreement. The principal terms of the Second Agreement (as amended) are set out below:

Subject matter

Fantasia will transfer 100% of the equity interest in Link Joy Holdings to Colour Life Investment for a consideration of RMB1,184,640,000.

Link Joy Holdings holds 100% of the equity interest in Link Joy, which will in turn be indirectly interested in 99% of the equity interest in Shenzhen Jiaxin. Further information on the Target Group is set out in the paragraph headed "Information on the Target Group" below.

Consideration

The consideration for the transfer of the entire equity interest in Link Joy Holdings to Colour Life Investment is RMB1,184,640,000, which was determined with reference to the preliminary valuation on WXM.

The consideration will be settled by cash, with an option to be settled in whole or in part by the Company issuing the Consideration Shares to Fantasia. Pursuant to the Supplemental Agreement, the parties agreed that the consideration under the Second Agreement will be settled as to RMB998,346,000 by the Company issuing in aggregate 231,500,000 new Shares at the issue price of HK$5.10 per Consideration Share to Fantasia, and as to the balance of RMB186,294,000 by cash.

The Directors consider that:

(i) funding the consideration partly by cash and partly by the issue of Consideration Shares will allow the Company to preserve cash, which may be better utilized in other aspects including but not limited to future developments;

(ii) Fantasia is already the single largest shareholder of the Company, the issue of the Consideration Shares will not result in any material changes in the shareholding structure of the Company, and that the increased holding of Fantasia in the Company would demonstrate the continuous support and confidence of the existing single largest shareholder on the Company; and

(iii) the public float of the Company can be maintained through the Placing (as further described below),

the arrangement of settling the consideration partly by the issue of the Consideration Shares is in the interest of Company and the Shareholders as a whole.

Consideration Shares

The Consideration Shares represent approximately 21.38% of the total number of Shares in issue as at the Latest Practicable Date, and approximately 17.61% of the total number of Shares as enlarged by the issue of the Consideration Shares. The Consideration Shares will be issued under a specific mandate to be sought from the independent shareholders of the Company.

The Consideration Shares will rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and the issue of the Consideration Shares. The Consideration Shares have a nominal value of HK$23,150,000 and a market value of approximately HK$1,247,785,000 based on the closing price of the Shares of HK$5.39 per Share on 19 December 2017, the date of the Supplemental Agreement to the Second Agreement.

Issue Price

The Consideration Shares will be issued at HK$5.10 per Share (the "**Issue Price**"). The Issue Price represents:

(i) a premium of approximately 4.31% over the closing price of the Shares of HK$4.88 per Share as quoted on the Stock Exchange on the date of the Second Agreement;

(ii) a discount of approximately 5.69% over the closing price of the Shares of HK$5.39 per Share as quoted on the Stock Exchange on the date of the Supplemental Agreement;

(iii) a premium of approximately 5.69% over the closing price of the Shares of HK$4.81 per Share as quoted on the Stock Exchange on 13 November 2017 (the "**Last Trading Day**"), the last trading day before the date of the Second Agreement;

(iv) a premium of approximately 5.18% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK$4.836 per Share; and

(v) a premium of approximately 3.02% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including 18 December 2017, the last trading day before the date of the Supplemental Agreement, of approximately HK$4.946 per Share.

The Issue Price was determined after arm's length negotiations between the Company and Fantasia with reference to the prevailing market prices of the Shares.

Application for listing of the Consideration Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Effect on the shareholding structure of Colour Life

The following chart sets forth the possible effects of the issue of the Consideration Shares on the shareholding structure of the Company, assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to the date of completion of the Second Agreement:

Shareholder	**As at the Latest Practicable Date**		**Upon the issue of the Consideration Shares**	
	Number of Shares held	*Approximate %*	*Number of Shares held*	*Approximate %*
Fantasia	720,988,259[(1)]	66.57	952,488,259	72.46
Zeng Jie, Baby	1,343,000[(2)]	0.13	1,343,000	0.10
Sub-total	722,331,259	66.70	953,831,259	72.56
Public shareholders	360,655,741	33.31	360,655,741	27.44
Total	1,082,987,000	100.00	1,314,487,000	100.00

Notes:

(1) Under the concert party agreement dated 29 June 2015, each of Fantasia and Splendid Fortune Enterprise Limited ("**Splendid Fortune**") is taken to be interested in the shares of Colour Life in which each other is interested in for the purpose of Part XV of the Securities and Futures Ordinance ("**SFO**"). As such, Fantasia, Fantasy Pearl International Limited ("**Fantasy Pearl**"), Ice Apex Limited ("**Ice Apex**") and Ms. Zeng Jie, Baby are also deemed to be interested in the shares of Colour Life in which Splendid Fortune is interested ("**Deemed Interest**") for the purpose of Part XV of the SFO.

(2) As Ms. Zeng Jie, Baby holds 1,343,000 shares of Colour Life through Fantasy Pearl, together with the Deemed Interest upon the issue of the Consideration Shares, the total number of shares of Colour Life held by Ms. Zeng Jie, Baby would be 953,831,259 which would result in Colour Life's public float falling below 25%.

Placing

On 20 December 2017, in order to raise funds for working capital and for future expansion purposes, the Company and UOB Kay Hian (Hong Kong) Limited (the "**Placing Agent**"), an independent third party to each of the Company and Fantasia, entered into a placing agreement for the placing of 87,240,000 new shares (the "**Placing Shares**") to independent investors at HK$5.00 per Placing Share (the "**Placing Price**").

The Placing Shares represent (i) approximately 8.76% of the then issued share capital of the Company, and (ii) approximately 8.06% of the issued share capital of the Company as enlarged by the issue of the Placing Shares.

Based on the closing price of HK$5.32 per Share on 20 December 2017, the date of the Placing Agreement, the Placing Shares had a market value of HK$464,148,720 and an aggregate nominal value of HK$8,724,600. After deducting expenses relating to the Placing, the net price per Placing Share is approximately HK$4.98.

The Placing Price of HK$5.00 per Placing Share was arrived at after arm's length negotiation between the Company and the Placing Agent with reference to the prevailing market price of the Shares.

The Placing Price represents:

(i) a discount of approximately 6.02% to the closing price of HK$5.32 per Share as quoted on the Stock Exchange on 20 December 2017, the date of the Placing Agreement;

(ii) a discount of approximately 1.26% to the average closing price of HK$5.064 per Share as quoted on the Stock Exchange for the last five trading days up to and including 19 December 2017, the date immediately preceding the date of the Placing Agreement; and

(iii) a premium of approximately 1.75% to the average closing price of HK$4.914 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 19 December 2017, the date immediately preceding the date of the Placing Agreement.

The Placing is not subject to the approval of the Shareholders, and the Placing Shares were issued under the general mandate for issuing Shares granted by the Shareholders to the Directors at the annual general meeting of the Company held on 24 May 2017 (the "**General Mandate**"). Under the General Mandate, the Company may issue up to 199,829,800 Shares, representing 20% of the number of Shares in issue as at the date of the passing of the resolution.

The Placing is being made by the Company independently to raise fund for working capital and for future expansion purposes and is not conditional on the Transaction. Completion of the Placing took place on 5 January 2018 and the shareholding structure of the Company upon completion of the Placing was as follows:

Shareholders	**Shareholding as at the date of the Placing Agreement**		**Shareholding after completion of the Placing**	
	Shares	*% of shareholding*	*Shares*	*% of shareholding*
Fantasia	720,988,259	72.41%	720,988,259	66.57%
Zeng Jie, Baby	1,343,000	0.13%	1,343,000	0.12%
Sub-total	722,331,159	72.54%	722,331,259	66.70%
The placees	–	–	87,246,000	8.06%
Other public shareholders	273,409,741	27.46%	273,409,741	25.25%
Total	995,741,000	100.00%	1,082,987,000	100.00%

The proceeds from the Placing in the amount of approximately RMB362.25 million (approximately HK$434.7 million) will be applied by the Company as follows:

– as to approximately RMB80 million will be used for the purchase of hardware for the operation of the on-line platform of the Company;

– as to approximately RMB200 million will be used to acquire property projects of the Company; and

– the balance of approximately RMB82 million will be used as general working capital of the Company for its day-to-day operation.

Between January 2016 and December 2017, the Group acquired in aggregate 56 property projects and utilized funds of approximately RMB417 million in the ordinary course of expanding the Group's operation. Although as at the Latest Practicable Date, the Company has not identified any property projects for acquisition, the Company expects that the trend of acquiring property projects for expanding the Group's operation will continue and the proceeds from the Placing would provide the Group with the flexibility of seizing suitable acquisition opportunities as and when they arise. The Directors consider that the Company has genuine funding needs and it is appropriate for the Company to conduct the Placing.

Conditions precedent

Completion of the Second Agreement is conditional upon the satisfaction of the following conditions:

(1) the First Agreement, the Third Agreement and the Fourth Agreement having been executed and completed by the parties thereto;

(2) the Fantasia Shareholders having approved the Transaction;

(3) the Independent Shareholders having approved the Transaction, and where Consideration Shares will be issued, the issue of the Consideration Shares;

(4) if Consideration Shares will be issued, the approval by the Listing Committee of the Stock Exchange on the listing of, and permission to trade in, the Consideration Shares; and

(5) completion of the Shenzhen Jiaxin Transfer.

None of the conditions above is waiveable. As at the Latest Practicable Date, except for conditions (1) (in respect of the execution of the respective agreement only), none of the conditions have been satisfied.

The Third Agreement

On 14 November 2017, Shenzhen Jianian, a wholly-owned subsidiary of Fantasia, and Shenzhen Gaorunda, a wholly-owned subsidiary of the Company, entered into the Third Agreement. The principal terms of the Third Agreement are set out below:

Subject matter

Shenzhen Jianian will transfer its outstanding contribution of RMB1,000,000 in Shenzhen Wanxiang to Shenzhen Gaorunda free of consideration, and Shenzhen Gaorunda will be under the obligation to settle the contribution of RMB1,000,000.

Further information on the Target Group is set out in the paragraph headed "Information on the Target Group" below.

Conditions precedent

Completion of the transactions contemplated under the Third Agreement will be subject to the satisfaction of the following conditions:

(1) the Third Agreement having been executed by the parties thereto and became effective;

(2) all partners in Shenzhen Wanxiang unanimously consenting to the transfer of the partnership interest held by Shenzhen Jianian in Shenzhen Wanxiang to Shenzhen Gaorunda, and other partners waiving the first right of refusal of proposed transferred of partnership interest;

(3) Shenzhen Gaorunda having entered into the supplemental partnership agreement with the other partners of Shenzhen Wanxiang;

(4) the execution and the completion of the First Agreement, the Second Agreement and the Fourth Agreement by the parties thereto;

(5) the transfer contemplated under the Third Agreement having obtained the necessary approvals and consents required by law and regulations; and

(6) completion of the Shenzhen Jiaxin Transfer.

None of the conditions above is waiveable. As at the Latest Practicable Date, except for conditions (1) and (4) (in respect of the execution of the respective agreement only), none of the conditions have been satified.

The Fourth Agreement

On 14 November 2017, Shenzhen Jianian, a wholly-owned subsidiary of Fantasia, and Shenzhen Gaorunda, a wholly-owned subsidiary of the Company, entered into the Fourth Agreement. The principal terms of the Fourth Agreement are set out below:

Subject matter

Shenzhen Jianian will transfer its 1% equity interest in WXM to Shenzhen Gaorunda for a consideration of RMB30,000,000.

Further information on the Target Group is set out in the paragraph headed "Information on the Target Group" below.

Consideration

The consideration for the transfer of the 1% equity interest in WXM to Shenzhen Gaorunda is RMB30,000,000, which was determined with reference to the preliminary valuation on WXM.

The consideration will be payable in accordance with the following schedule:

(a) as to 50% of the consideration, equivalent to RMB15,000,000, will be payable within 10 business days of all the conditions precedent under the Fourth Agreement being satisfied; and

(b) the balance 50% of the consideration, equivalent to RMB15,000,000, will be payable within 10 business days from the completion of the transfer of the 1% equity interest in WXM to Shenzhen Gaorunda.

The consideration will be settled by the Company through a combination of bank borrowings and internal financial resources of the Company.

Conditions precedent

Completion of the transactions contemplated under the Fourth Agreement will be subjected to the satisfaction of the following conditions:

(1) the Fourth Agreement having been executed by the parties thereto and became effective;

(2) Shenzhen Wanxiang consenting to the transfer of the 1% equity interest in WXM to Shenzhen Gaorunda, and waiving its first right of refusal;

(3) the execution and the completion of the First Agreement, the Second Agreement and the Third Agreement by the parties thereto;

(4) the transfer contemplated under the Fourth Agreement having obtained the necessary approvals and consents required by law and regulations; and

(5) completion of the Shenzhen Jiaxin Transfer.

None of the conditions above is waiveable. As at the Latest Practicable Date except for conditions (1) and (3) (in respect of the execution of the respective agreement only), none of the conditions precedent have been satisfied.

TOTAL CONSIDERATION

The total consideration for the Transaction is RMB2,012,520,000, which was determined with reference to the valuation on the Target Group as determined by PSA (HK) Surveyors Limited, an independent valuer, on 30 November 2017 in the amount of RMB2,297,000,000. The valuation was based on a combination of market approach and asset-based approach. Market approach was used to value WXM where the valuer seeks to identify appropriate precedent transactions in the market as a reference for comparable. The valuer compares the P/E factors of comparable transactions with the subject and made appropriated adjustments in order to arrive at a fair comparison of capital value. Asset-based approach was used to determine the value of the remaining members of the Target Group (excluding WXM), since the other members are holding companies and have no revenue.

As the total consideration for the Transaction of RMB2,012,520,000 is at a discount to the valuation of the Target Group in the amount of RMB2,297,000,000, the Directors, including the independent non-executive Directors, consider that the total consideration for the Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the agreements under the Transaction are related and inter-conditional, the Total Consideration was considered by the Company as one sum with the allocation of consideration to each individual agreement based on the following allocation:

Agreement	**Consideration** *RMB*	**Basis of allocation**
First Agreement	797,880,000	Based on 1% of the equity interest of Shenzhen Jiaxin and the outstanding shareholder's loan of Shenzhen Jiaxin in the amount of approximately RMB776 million
Second Agreement	1,184,640,000	Based on 99% equity interest of Shenzhen Jiaxin
Third Agreement	Free of consideration	No consideration is payable under the Agreement but Shenzhen Gaorunda will assume the obligation of Shenzhen Jianian in contributing RMB1,000,000 to the capital of Shenzhen Wanxiang
Fourth Agreement	30,000,000	Based on 1% of the equity interest of WXM on the valuation of WXM of approximately RMB3.02 billion

INFORMATION ON THE PARTIES

Fantasia

Fantasia is a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange. Fantasia is principally engaged in the business of property development, property investment, property agency services, property operation and hotel services.

Fantasia China is a limited liability company established in the PRC and is a wholly-owned subsidiary of Fantasia. Fantasia China is principally engaged in the business of investment holding.

Fantasia Education is a limited liability company established in the PRC and is a wholly-owned subsidiary of Fantasia and is principally engaged in the business of investment holding.

Link Joy Holdings is a wholly-owned subsidiary of Fantasia incorporated in the Cayman Islands and is principally engaged in the business of investment holding.

Link Joy is company incorporated in Hong Kong and is a wholly-owned subsidiary of Link Joy Holdings. It is principally engaged in the business of investment holding.

Shenzhen Jianian is a limited liability company established in the PRC and is a wholly-owned subsidiary of Fantasia. It is principally engaged in the business of investment holding.

Shenzhen Jiaxin is a limited liability company established in the PRC and is principally engaged in the business of investment holding.

Shenzhen Link Joy is a limited liability company established in the PRC and is principally engaged in the business of investment holding.

The Company

The Company is incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in the provision of property management services, engineering services, community leasing, sales and related services. As at the Latest Practicable Date, the Company is beneficially owned as to approximately 66.57% by Fantasia and is an indirect subsidiary of Fantasia.

Shenzhen Colour Life is a wholly-owned subsidiary of the Company established in the PRC. It is principally engaged in the provision of property management services.

Colour Life Investment is a wholly-owned subsidiary of the Company incorporated in Hong Kong. It is principally engaged in the business of investment holding.

Shenzhen Gaorunda is a limited liability company established in the PRC and is a wholly-owned subsidiary of the Company. It is principally engaged in the business of investment holding.

EFFECT OF THE TRANSACTION

Shenzhen Jiaxin has 100% of the beneficial interest in Shenzhen Wanxiang.

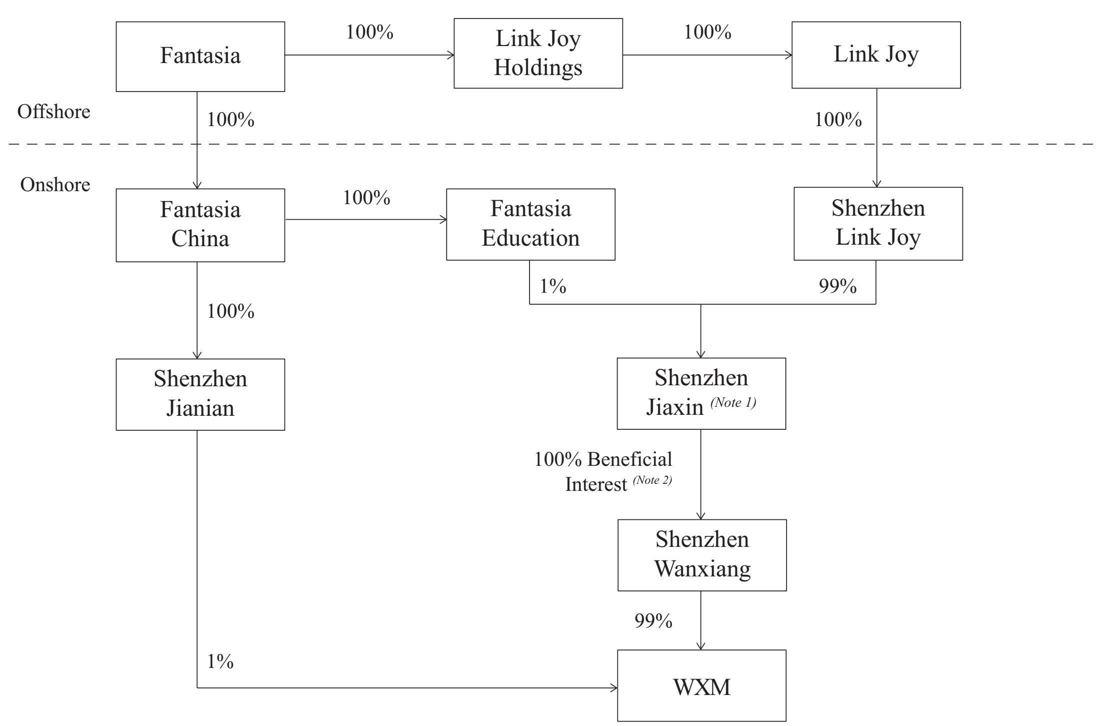
Upon completion of the Transaction, Colour Life will hold the entire equity interests in each of Fantasia Education and Link Joy, which will in turn hold the entire equity interests in Shenzhen Jiaxin through Fantasia Education and Shenzhen Link Joy. Upon which, the Company will indirectly own 100% beneficial interest in Shenzhen Wanxiang through Shenzhen Jiaxin.

Shenzhen Wanxiang holds 99% of the equity in WXM, and the remaining 1% of the equity in WXM will be held by Shenzhen Gaorunda pursuant to the Fourth Agreement. Shenzhen Wanxiang is principally engaged in the business of property management.

INFORMATION ON TARGET GROUP

Set out below are the shareholding structure of the Target Group before and after completion of the Transaction:

Before completion of the Transaction



Notes:

(1) As at the date of the Joint Announcement, Shenzhen Jiaxin was 100% owned by the Jianian Investment Fund, which was in turn held as to 6.12% by Shenzhen Colour Life, as to 61.23% by Wuhu Gopher, as to 26.53% by Fantasia China, and as to 6.12% by Home E&E, a 65.13% subsidiary of Fantasia. Pursuant to the Shenzhen Jiaxin Transfer Agreement, the investors to the Jianian Investment Fund agreed to transfer the entire equity interest of Shenzhen Jiaxin and the outstanding debts owning to the Jianian Investment Fund to Shenzhen Link Joy and Fantasia Education. Upon completion of the Shenzhen Jiaxin Transfer, Shenzhen Jiaxin will be held as to 99% equity interest by Shenzhen Link Joy and as to 1% equity interest by Fantasia Education. It is a condition precedent to the Transaction that the Shenzhen Jiaxin Transfer be completed, which is currently expected to be in mid February 2018.

(2) Upon completion of the Shenzhen Jiaxin Transfer, Shenzhen Jiaxin and the other partners of Shenzhen Wanxiang will enter into a supplemental partnership agreement (the "**Supplemental Partnership Agreement**") for Shenzhen Wanxiang which will give Shenzhen Jiaxin the right to appoint the majority of the members of the investment committee of Shenzhen Wanxiang, and the only third party partner in Shenzhen Wanxiang will agree to a fix return on its investment and not participate in the day-to-day management and operation of Shenzhen Wanxiang. As a result, Shenzhen Jiaxin will be able to capture 100% of the beneficial interest in Shenzhen Wanxiang. As Shenzhen Gaorunda will replace Shenzhen Jianian as the general partner of Shenzhen Wanxiang, Shenzhen Gaorunda will also enjoy control over Shenzhen Wanxiang after such transfer. Further details about the partnership agreement of Shenzhen Wanxiang and the supplemental agreement are set out below.

Shenzhen Wanxiang is a limited partnership established in the PRC in which Shenzhen Jianian and 深圳鑫橙投資管理有限公司 (Shenzhen Xincheng Investment Management Co., Ltd.) ("**Shenzhen Xincheng**") are the general partners, and Shenzhen Jiaxin and 長城嘉信資產管理有限公司 (Greatwall Jiaxin Asset Management Co. Ltd.) ("**Greatwall Jiaxin**") are the limited partners. Shenzhen Xincheng is a wholly-owned subsidiary of Greatwall Jiaxin. Each of Shenzhen Xincheng and Greatwall Jiaxin is an independent third party to both Fantasia and Colour Life.

Pursuant to the Third Agreement where Shenzhen Jianian will transfer its investment in Shenzhen Wanxiang to Shenzhen Gaorunda and Shenzhen Gaorunda will replace Shenzhen Jianian as the general partner, the partners to Shenzhen Wanxiang have on 19 December 2017 entered into the Supplemental Partnership Agreement pursuant to which the parties agreed that:

1. Shenzhen Gaorunda will replace Shenzhen Jianian as the general partner upon the Third Agreement being effective. Immediately after the replacement of Shenzhen Jianian by Shenzhen Gaorunda, the executive partner of Shenzhen Wanxiang will change from Shenzhen Xincheng to Shenzhen Gaorunda;

2. the requirement of unanimous confirmation by all the general partners to amend the appointment and change the 5 members of the investment committee will be amended to separate nomination by each party without the need of unanimous confirmation, of which Shenzhen Xincheng will recommend to appoint 2 members and prior to Shenzhen Gaorunda becoming a general partner, Shenzhen Jianian will appoint 3 members through Shenzhen Jiaxin, and upon Shenzhen Gaorunda becoming the general partner, Shenzhen Gaorunda will recommend to appoint 3 members through Shenzhen Jiaxin. Save for (i) the disposal of any immovable asset of the partnership; (ii) transfer or disposal of any of the partnership's intellectual property or other

property rights; and (iii) the provision of any guarantees for others in the name of the partnership; which require unanimously approval by all the partners, the investment committee will be responsible for all final decisions in respect of all matters relating to the partnership;

3. Greatwall Jiaxin will not be entitled to any other return other than a fixed return from Shenzhen Wanxiang at a re-agreed rate, and Shenzhen Jiaxin will be entitled to all of the remaining revenue from Shenzhen Wanxiang after payment of relevant costs; and

4. the executive partner, Shenzhen Gaorunda, and the investment committee be authorised to exercise all shareholder's rights in the Target Company on behalf of Shenzhen Wanxiang.

The purpose of the Supplemental Partnership Agreement is to enable the Group to gain complete control over Shenzhen Wanxiang. Set out below is a summary of the roles and responsibilities of each parties in the partnership of Shenzhen Wanxiang before and after entering the Supplemental Partnership Agreement:

	Before	**After**
Shenzhen Jianian (general partner, a Fantasia's subsidiary)	– responsible for managing the affairs of Shenzhen Wanxiang – appointment of members of the investment committee (unanimously approval by the general partners required) – share of profits after distribution to the limited partners	– will withdraw from the partnership and will be replaced by Shenzhen Gaorunda

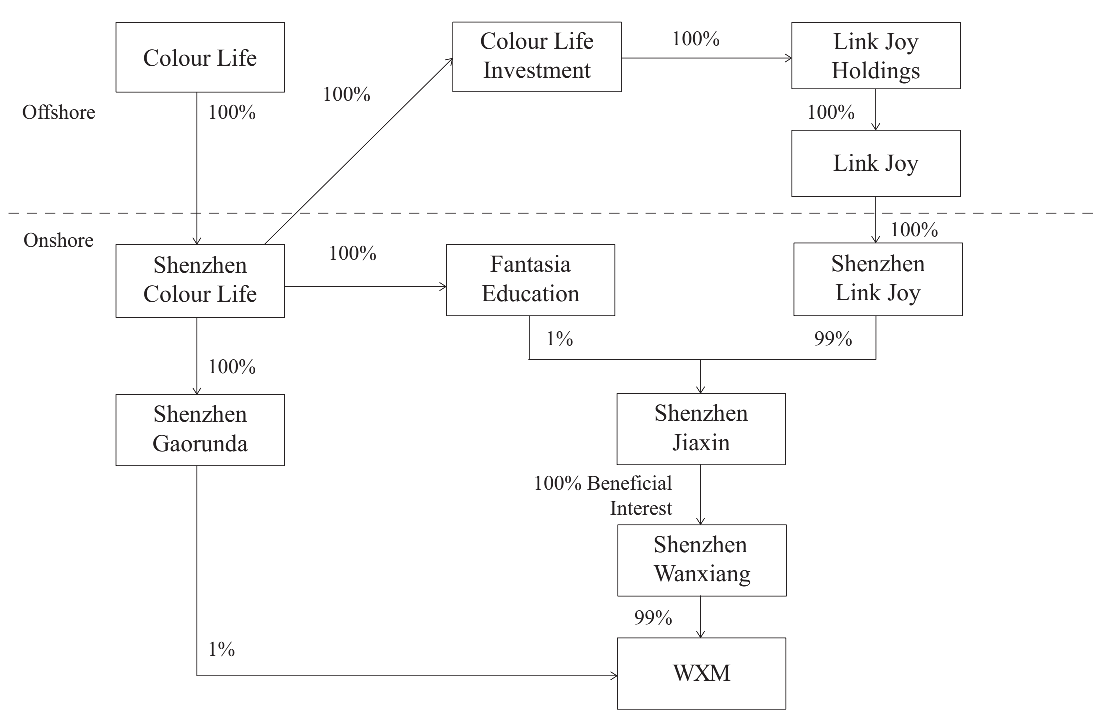
	Before	After
Shenzhen Gaorunda (general partner, a subsidiary of the Company)	N/A	– will replace Shenzhen Jianian as the general partner – will replace Shenzhen Xincheng as the executive partner – will be responsible for managing the affairs of Shenzhen Wanxiang – will have the right to appoint three members of the investment committee through Shenzhen Jiaxin – no right to share profits
Shenzhen Xincheng (general partner, a Greatwall Jiaxin's subsidiary, an independent third party)	– executive and general partner, responsible for managing the day-to-day affairs of Shenzhen Wanxiang – appointment of members of the investment committee (unanimously approval by the general partners) – share of profits after distribution to the limited partners	– will transfer its executive partner position to Shenzhen Gaorunda – will have the right to appoint two members of the investment committee – will not be involved in the day-to-day management of Shenzhen Wanxiang – will consent to all the decisions made by Shenzhen Gaorunda in the investment committee if the repayment of fixed return and capital investment to Greatwall Jiaxin is not in default – no right to share profits

	Before	**After**
Shenzhen Jiaxin (limited partner, a subsidiary of Fantasia that will be transferred to the Company under the Transaction)	– capital contribution – entitled to a fixed return on profit	– capital contribution – entitled to the residual profits of Shenzhen Wanxiang after the settlement of Greatwall Jiaxin's fixed return
Greatwall Jiaxin (limited partner, an independent third party)	– capital contribution – entitled to a fixed return on investment	– capital contribution – entitled to a higher rate of fixed return on investment

Upon the Supplemental Partnership Agreement becoming effective, Shenzhen Jiaxin will be able to exercise complete control over the operation of Shenzhen Wanxiang and that Greatwall Jiaxin will only be getting a fixed return on its investment and will not bear the risk or share the profits of Shenzhen Wanxiang. As a result, Shenzhen Jiaxin would have 100% of the beneficial interest in Shenzhen Wanxiang.

The auditors of the Company have reviewed the Supplemental Partnership Agreement and are of the view that Shenzhen Jiaxin will be able to capture the entire beneficial interests in Shenzhen Wanxiang.

Upon completion of the Transaction



Set out below is the summary financial information of the Shenzhen Wanxiang for the two years ended 31 December 2015 and 2016 and for the six months ended 30 June 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the six months ended 30 June 2017
	Approximately RMB'000	*Approximately RMB'000*	*Approximately RMB'000*
Profit before tax	0	22,516	139,071
Profit after tax	0	17,218	103,077

The net asset value of Shenzhen Wanxiang as at 30 June 2017 was approximately RMB2,105,294.

WXM is a company established in the PRC and was acquired by Shenzhen Wanxiang and Shenzhen Jianian in August 2016 from an independent third party for RMB2,000,000,000. WXM and its 12 subsidiaries principally engaged in the business of property management for residential communities.

Set out below is the summary financial information of WXM Group for the two years ended 31 December 2015 and 2016 and period from 1 January 2017 to 30 June 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the period ended 30 June 2017
	Approximately RMB'000	*Approximately RMB'000*	*Approximately RMB'000* (Unaudited)
Profit before tax	74,846	51,856	172,723
Profit after tax	46,231	21,731	128,761

The net asset value of WXM as at 30 June 2017 was approximately RMB191,699,000.

WXM Group paid advisory fee of RMB16.96 million and RMB14.45 million to Home E&E and Kaiyuan International for their property advisory services in 2016 respectively, resulting in a decrease in profit of WXM Group in 2016. Based on professional consultancy of Home E&E and Kaiyuan International, income of WXM Group increased and costs were under control, and profit margins of new businesses increased, leading to a significant increase in profit of WXM Group in first half of 2017.

Pursuant to a deed of non-competition (the "**Deed**") dated 11 June 2014, Fantasia has undertaken, among others, that until the date on which Fantasia ceases to hold, whether directly or indirectly, 30% or more of the shares of the Company, Fantasia and its subsidiaries (excluding the Company and its subsidiaries) would not engage in any business involving certain activities including property management focusing on residential communities. Details of the Deed are set out under the paragraph headed “Non-Competition Undertakings” under the section headed “RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER” of the prospectus of the Company dated 17 June 2014.

At the time of the acquisition of WXM in August 2016, Fantasia has offered the acquisition opportunity to the Company. As the operations and the management of WXM were not modern and fragmented and lacking in modern infrastructure at that time, and that the partnership of Shenzhen Wanxiang established for the acquisition was controlled by Shenzhen Xincheng, an independent third party, as the executive partner, the acquisition would only be an investment role with no day-to-day management involvement by the investor. As such, the Company considered that it was not an investment that ought to be pursued and led by the Company at that time and it would be more appropriate for Fantasia to be a partner in Shenzhen Wanxiang for the purpose of the acquisition. WXM was accounted as an associated company of Fantasia and its results were not consolidated in the financial statements of Fantasia. Given that Fantasia has not been involved in the day-to-day operations and management of WXM, and that it has no control over the board of directors of WXM or the investment committee of Shenzhen Wanxiang, the Company is of the view that Fantasia has not been engaged in residential communities focused property management business and had complied with the terms of the Deed.

Since the acquisition, the Target Group has gone through a series of optimization and the structure, management and operations of WXM have become stable and the Target Group has also achieved a strong growth in revenue. As part of Fantasia’s continuous assessment of its strategic development, it was considered that it would be appropriate to gain control of Shenzhen Wanxiang and the Target Group through the entering into of the Supplemental Partnership Agreement and through the Transaction to transfer the Target Group to the Company. The Transaction would strengthen the Company’s leading market position in property management, whilst Fantasia will continue to focus on its principal activities of property development.

Upon completion of the Transaction, members of the Target Group will become subsidiaries of the Company, and will also become subsidiaries (with their accounts consolidated into the financial statements of Fantasia and its subsidiaries) of Fantasia.

Further details of the financial information of the Target Group are set out in Appendix II of the circular.

REASONS FOR THE TRANSACTION

Fantasia is a leading property developer and property related service provider in the PRC. The Group is principally engaged in property management services, engineering services and community leasing, sales and other services. WXM is recognized as a significant player in the property management industry in the PRC. The Transaction would provide a good opportunity for the Company to reinforce its position as one of the leading property management companies in the PRC. The Board (including members of the Independent Board Committee who have consider the advise from Gram Capital) considers that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction are more than 25% but less than 100%, the Transaction constitutes a major transaction for the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As at the date of this circular, Fantasia is interested in approximately 66.57% of the issued share capital of the Company and is the controlling shareholder and a connected person of the Company. Accordingly, the Transaction also constitutes a connected transaction for the Company which is subject to the approval by the Independent Shareholders.

The Independent Board Committee comprising all the independent non-executive Directors of the Company has been formed to advise the Independent Shareholders on the terms of the Transaction.

Gram Capital has been appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of Colour Life regarding, among other things, the terms of the Transaction.

GENERAL

At the board meetings of the Company held to approve the Transaction, Mr. Pan Jun and Mr. Lam Kam Tong, who are common directors of the Company and Fantasia, are considered to be interested in the Transaction and have abstained from voting for the resolution to approve the Transaction.

EGM

The EGM will be held for Shareholders to consider and, if thought fit, approve the Transaction.

Any Shareholders and their associates who have a material interest in the Transaction shall abstain from voting on the resolutions in relation thereto to be proposed at the EGM. Fantasia, which owned approximately 66.57% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolution in respect of the Transaction.

Except as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Transaction. As such, no Shareholder is required to abstain from voting at the EGM on the resolution in respect of the Transaction.

A notice convening the EGM to be held at Ramada Plaza Shenzhen North, Meilong Road and Minwang Road Cross, Minzhi Sub-district, Longhua, Shenzhen, Guangdong, PRC on Wednesday, 28 February 2018 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Transaction is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding of 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 or any adjournment thereof (as the case may be) should you so wish.

CLOSURE OF THE SHAREHOLDERS' REGISTER

For the purpose of determining the list of shareholders who are entitled to attend and vote at the EGM, the shareholders' register of the Company will be closed from Thursday, 22 February 2018 to Wednesday, 28 February 2018, both days inclusive. No transfer of shares of the Company will be registered during that day. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 21 February 2018.

RECOMMENDATION

The Board (including members of the Independent Board Committee who have considered the advise of Gram Capital) considers that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction as set out in the notice of EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the other sections and appendices in this circular, which contain further information about WXM, the Enlarged Group and other information that need to be disclosed in accordance with the Listing Rules.

Yours faithfully,
For and on behalf of the Board of
Colour Life Services Group Co., Limited
TANG Xuebin
Executive Director and Chief Executive Officer

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the Agreement and the transactions contemplated thereunder.

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)

5 February 2018

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 5 February 2018 (the "**Circular**"), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Transaction are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Gram Capital, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction as set out on pages 29 to 47 of the Circular and the letter from the Board set out on pages 6 to 26 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Gram Capital as stated in its letter of advice, we consider that the terms of the Transaction are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Transaction to be proposed at the EGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Colour Life Services Group Co., Limited
Mr. TAM Chun Hung, Anthony
Dr. LIAO Jianwen
Mr. XU Xinmin
Independent Non-executive Directors

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

Gram Capital Limited
嘉林資本有限公司

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

5 February 2018

To: The independent board committee and the independent shareholders of Colour Life Services Group Co., Limited

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 5 February 2018 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 14 November 2017, certain subsidiaries of the Company proposed to acquire from certain subsidiaries of Fantasia 100% of the beneficial interest in Shenzhen Wanxiang and 100% of the equity interest in WXM for a total consideration of RMB2,012,520,000 (with an obligation to settle RMB1,000,000 contribution in Shenzhen Wanxiang) by the entering into of the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement (collectively, the "**Acquisition Agreements**").

On 19 December 2017, Fantasia, Colour Life Investment and Link Joy Holdings entered into the Supplemental Agreement, pursuant to which the parties agreed to transfer Link Joy Holdings rather than Link Joy to Colour Life Investment, and to amend the payment method for the consideration under the Second Agreement by a combination of Colour Life issuing the Consideration Shares to Fantasia at the Issue Price and by cash.

With reference to the Board Letter, the Transaction constitutes a major and connected transaction of the Company and is therefore subject to reporting, announcement, circular, independent financial advice and shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Acquisition Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transaction is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Acquisition Agreements and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transaction. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Target Group, and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report on the Target Group (the "**Valuation Report**") as set out in Appendix V to the Circular. The Valuation Report was prepared by PSA (HK) Surveyors Limited, an independent valuer (the "**Valuer**"). Since we are not experts in the valuation of business or companies, we have relied solely upon the Valuation Report for the value of the Target Group as at 30 November 2017 (the "**Valuation**").

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Fantasia, the Target Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. If there is any material change before EGM, Shareholders will be notified as soon as possible. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the Transaction

Business overview of the Group

With reference to the Board Letter, the Company is principally engaged in the provision of property management services, engineering services, community leasing, sales and related services. As at the Latest Practicable Date, the Company is beneficially owned as to approximately 72.41% by Fantasia and is a subsidiary of Fantasia.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2017 and the two years ended 31 December 2016 as extracted from the interim report of the Company for the six months ended 30 June 2017 (the "**2017 Interim Report**") and the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**"):

	For the six months ended 30 June 2017	**For the year ended 31 December 2016**	**For the year ended 31 December 2015**	**Change from 2015 to 2016**
	RMB'000	*RMB'000*	*RMB'000*	*%*
	(unaudited)	(audited)	(audited)	
Revenue	746,628	1,342,069	827,645	62.16
*– Property management services (the "**Property Mgt Segment**")*	*576,277*	*1,059,067*	*586,332*	*80.63*
– Engineering services	*59,575*	*126,146*	*135,426*	*(6.85)*
– Community leasing, sales and other services	*110,776*	*156,856*	*105,887*	*48.14*
Gross profit	339,548	585,789	454,456	28.90
Profit for the period/year	115,338	216,011	182,655	18.26

	As at 30 June 2017	**As at 31 December 2016**	**As at 31 December 2015**	**Change from 2015 to 2016**
	RMB'000	*RMB'000*	*RMB'000*	*%*
	(unaudited)	(audited)	(audited)	
Bank balances and cash	539,163	754,837	419,478	79.95
Net assets	1,562,973	1,532,472	1,300,732	17.82

As illustrated by the above table, the Group recorded revenue and gross profit of approximately RMB1,342.07 million and RMB585.79 million respectively for the year ended 31 December 2016 ("**FY2016**"), representing increase of approximately 62.16% and 28.90% respectively as compared to those for the year ended 31 December 2015 ("**FY2015**"). With reference to the 2016 Annual Report, the increase in revenue was primarily driven by (i) increase in the total revenue-bearing gross floor area ("**GFA**"); (ii) significant increase in lump sum basis contracts arising from the acquisition of property management companies during FY2015; and (iii) increase in the amount of community leasing, sales and other services the Group delivered. The Group's profit for FY2016 also increased as compared to FY2015.

According to the 2017 Interim Report, as at 30 June 2017, the Group increased its contracted GFA coverage to 214 cities in the PRC and one foreign country, Singapore. As at 30 June 2017, the Group was contracted to manage 2,178 residential communities with an aggregate contracted GFA of approximately 383.1 million square meters and entered into consultancy services contracts with 157 residential communities with an aggregate contracted GFA of approximately 37.1 million square meters. The Group will continue to expand its business through obtaining new service engagements and cooperating with other property management companies in platform service. In terms of engineering services, the Group has been conducting internet-based transformation to all projects under its management to further increase the efficiency of its property services and bring better customer experience.

Information on Fantasia

With reference to the Board Letter, Fantasia is a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange. Fantasia is principally engaged in the business of property development, property investment, property agency services, property operation and hotel services.

Information on Shenzhen Colour Life

With reference to the Board Letter, Shenzhen Colour Life is a wholly-owned subsidiary of the Company established in the PRC. It is principally engaged in the provision of property management services.

Information on Colour Life Investment

With reference to the Board Letter, Colour Life Investment is a wholly-owned subsidiary of the Company established in Hong Kong. It is principally engaged in the business of investment holding.

Information on Shenzhen Gaorunda

With reference to the Board Letter, Shenzhen Gaorunda is a limited liability company established in the PRC and is a wholly-owned subsidiary of the Company. It is principally engaged in the business of investment holding.

Information on Fantasia Education

With reference to the Board Letter, Fantasia Education is a limited liability company established in the PRC and is a wholly-owned subsidiary of Fantasia and is principally engaged in the business of investment holding.

Information on Link Joy Holdings

With reference to the Board Letter, Link Joy Holdings is a wholly-owned subsidiary of Fantasia incorporated in the Cayman Islands and is principally engaged in the business of investment holding.

Information on Link Joy

Link Joy is company incorporated in Hong Kong and is a wholly-owned subsidiary of Link Joy Holdings. It is principally engaged in the business of investment holding.

Information on Shenzhen Link Joy

With reference to the Board Letter, Shenzhen Link Joy is a limited liability company established in the PRC and is principally engaged in the business of investment holding.

Information on Shenzhen Jianian

With reference to the Board Letter, Shenzhen Jianian is a limited liability company established in the PRC and is a wholly-owned subsidiary of Fantasia. It is principally engaged in the business of investment holding.

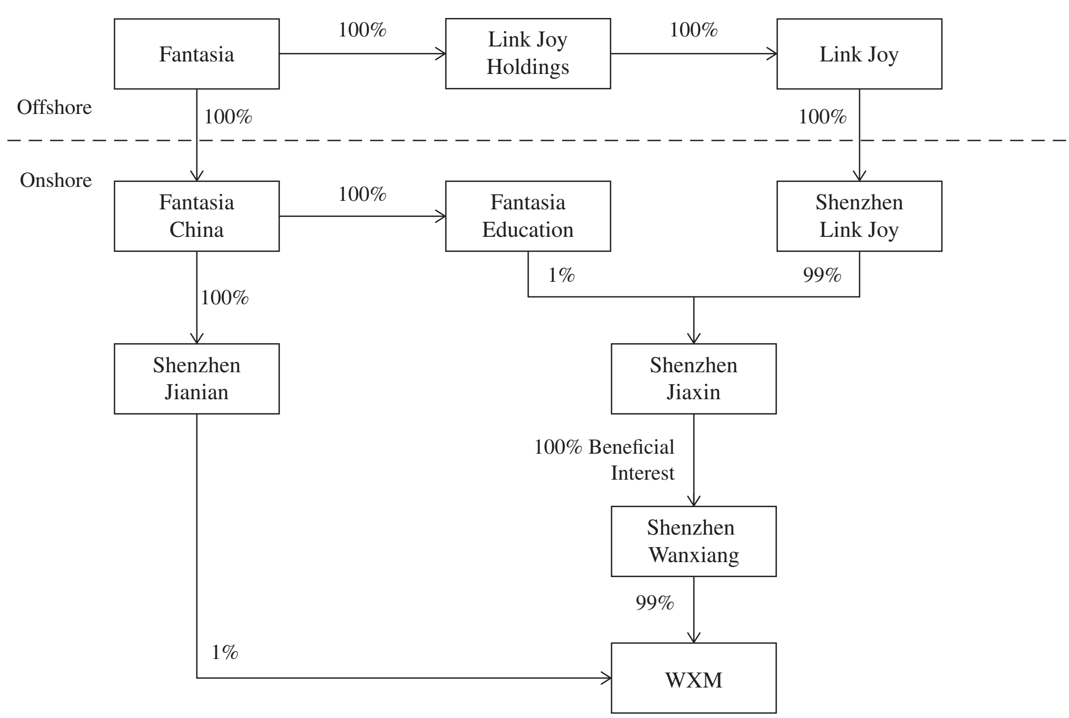
Information on Shenzhen Jiaxin

With reference to the Board Letter, Shenzhen Jiaxin is a limited liability company established in the PRC and is principally engaged in the business of investment holding.

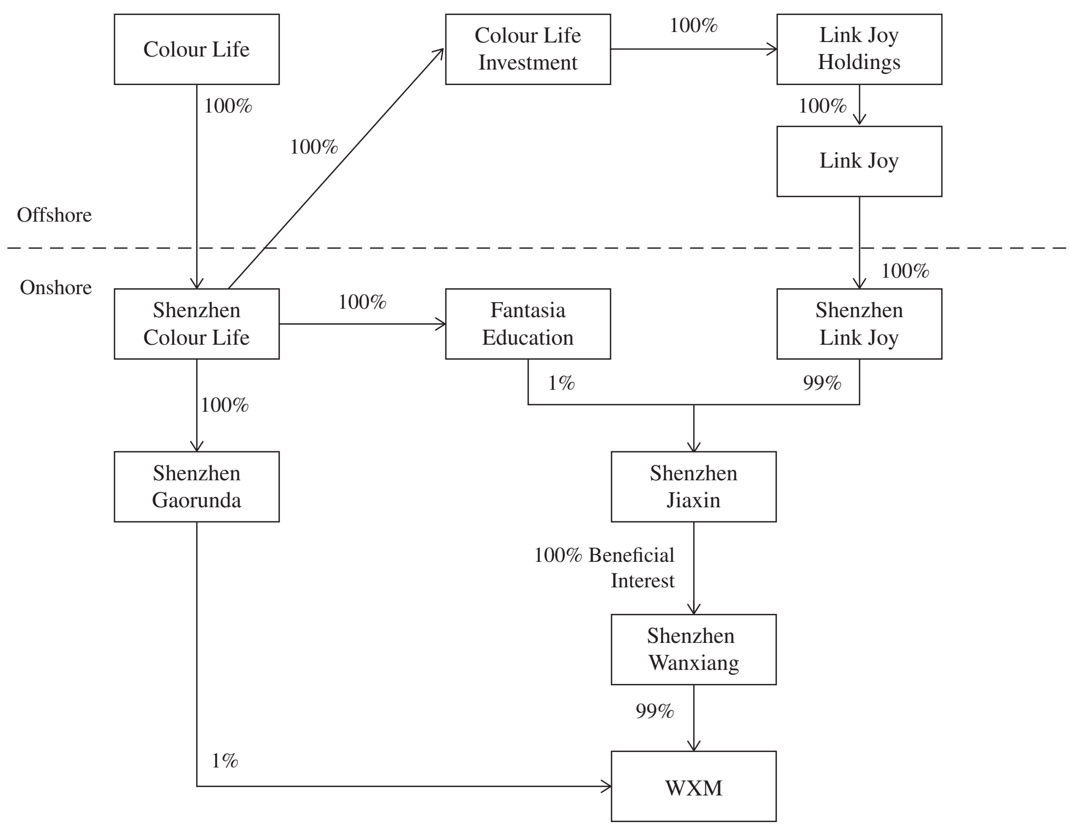
Information on the Target Group

Set out below are the shareholding structure of the Target Group before and after completion of the Transaction:

Before completion of the Transaction



Upon completion of the Transaction



With reference to the Board Letter, Shenzhen Wanxiang is a limited partnership established in the PRC in which Shenzhen Jianian and Shenzhen Xincheng are general partners; and Shenzhen Jiaxin and Greatwall Jiaxin are limited partners. Shenzhen Xincheng is a wholly-owned subsidiary of Greatwall Jiaxin. The aforesaid partners entered into the Supplemental Partnership Agreement on 19 December 2017, details of which are set out under the section headed "INFORMATION ON THE TARGET GROUP" of the Board Letter. Upon the Supplemental Partnership Agreement becoming effective, Shenzhen Jiaxin will be able to exercise complete control over the operation of Shenzhen Wanxiang and Greatwall Jiaxin will only be entitled to a fixed return on its investment and will not bear the risk or share the profits of Shenzhen Wanxiang. As a result, Shenzhen Jiaxin would have 100% beneficial interest in Shenzhen Wanxiang.

Upon completion of the Transaction, the Company will hold the entire equity interests in each of Fantasia Education, Link Joy Holdings, and Link Joy, which will in turn hold the entire equity interests in Shenzhen Jiaxin through Fantasia Education and Shenzhen Link Joy. Accordingly, the Company will indirectly own 100% beneficial interest in Shenzhen Wanxiang through Shenzhen Jiaxin.

Shenzhen Wanxiang holds 99% of the equity in the WXM, and the remaining 1% of the equity in the WXM will be held by Shenzhen Gaorunda pursuant to the Fourth Agreement. Shenzhen Wanxiang is principally engaged in the business of property management.

Set out below is the summary audited financial information of the Shenzhen Wanxiang for the year ended 31 December 2016 and the ten months ended 31 October 2017 as extracted from Appendix IIB to the Circular:

	For the year ended 31 December 2016 *Approximately RMB'000*	**For the ten months ended 31 October 2017** *Approximately RMB'000*
Profit before taxation	22,516	252,596
Profit and total comprehensive income for the year/period	17,218	190,145

The net asset value of Shenzhen Wanxiang as at 31 October 2017 was approximately RMB2,192,362,000.

WXM Group is principally engaged in the business of property management. Set out below is the summary audited financial information of WXM Group for the two years ended 31 December 2016 and the ten months ended 31 October 2017 as extracted from Appendix IIA to the Circular:

	For the year ended 31 December 2015 *Approximately RMB'000*	**For the year ended 31 December 2016** *Approximately RMB'000*	**For the ten months ended 31 October 2017** *Approximately RMB'000*
Revenue	1,198,143	1,324,713	1,235,986
Gross profit	253,854	283,971	412,224
Profit before taxation	74,846	51,856	310,779
Profit and total comprehensive income for the year/period	46,231	21,731	235,029

The net asset value of the WXM Group as at 31 October 2017 was approximately RMB297,967,000.

WXM Group paid advisory fee of RMB16.96 million and RMB14.45 million to Home E&E and Kaiyuan International for their property advisory services in 2016 respectively, resulting in a decrease in profit of WXM Group in 2016. Based on professional consultancy of Home E&E and Kaiyuan International, income of WXM Group increased and costs were under control, and profit margins of new businesses increased, leading to a significant increase in profit of WXM Group in first half of 2017. Upon completion of the Transaction, members of Target Group will become subsidiaries of the Company, and hence remain as subsidiaries of Fantasia.

Reasons for and benefits of the Transaction

With reference to the Board Letter, the Group is principally engaged in property management services, engineering services and community leasing, sales and other services. WXM is recognised as a significant player in the property management industry in the PRC. The Transaction would provide a good opportunity to reinforce the Group's position as one of the leading property management companies in the PRC.

We note from the 2016 Annual Report that the largest revenue generating segment of the Group is Property Mgt Segment (representing approximately 78.91% of the Group's total revenue for FY2016). In addition, as illustrated in the table under the section headed "Information on the Target Group" above, WXM Group recorded profit and total comprehensive income of approximately RMB235.03 million for the ten months ended 31 October 2017, which was approximately 11 times of that for FY2016.

With reference to the 2017 Interim Report and as advised by the Directors, it is the Group's strategy to expand its Property Mgt Segment.

With reference to the National Bureau of Statistics of the PRC, the percentage of population living in urban areas in the PRC increased by approximately 1.25 percentage point to approximately 57.35% from 31 December 2015 to 31 December 2016. Moreover, there was continuous growth in disposable income per capita for urban population in the PRC, which amounted to RMB33,616 for 2016, represented a approximately 7.76% year-on-year growth. As a result of the urbanization and the growth in disposable income per capita of urban residents, PRC consumers may demand better living conditions as well as quality property management services, which may be the drivers for the growth of the property management industry.

We also noted certain PRC government guidance which are positive to the development of the PRC property management industry, namely, (i)《國家發展改革委關於放開部分服務價格意見的通知》(Notice of the National Development and Reform Commission in relation to the opinions on relaxing price controls for certain services*) issued by the National Development and Reform Commission of the PRC in December 2014, which aimed to relax the government price controls on various servicing industries, including the property management industry; (ii)《國務院辦公廳關於加快發展生活性服務業促進消費結構升級的指導意見》(Guidance of the general office of the PRC State Council on residential servicing industry development acceleration and promotion of consumption structure upgrade*) published by the general office of the PRC State Council in November 2015, which set out the objective to standardize and promote, among others, the property management industry development; and (iii) 《智慧社區建設指南(試行)》 (Guidance on intelligent community construction (Trial)*) published by the Ministry of Housing and Urban-Rural Development of the PRC (the "**MHURD**") in May 2014, which set out detail guidelines to promote the integration of modern technologies and community services.

According to《2016中國物業服務百強企業研究報告》(2016 research report on top 100 PRC property management enterprises*) published by China Property Management Institute (a social organization under the management of the MHURD) in June 2016, the average GFA under the management of the top 100 property management companies of the PRC ("**Top 100 PM Companies**") reached approximately 23.61 million square metres in 2015, representing a year-on-year growth of 46.76%. In addition, the average operating revenue of the Top 100 PM Companies reached approximately RMB540.77 million in 2015, representing a year-on-year growth of 27.24%. Moreover, the Top 100 PM Companies actively conducted mergers and acquisitions, which increased the market concentration and optimized the resource allocation of the property management industry.

Having considered (i) positive business performance of the Group's Property Mgt Segment and WXM Group for FY2016 and the ten months ended 31 October 2017; (ii) that WXM Group is principally engaged in property management business; (iii) that the Transaction is in line with the Group's strategy to expand its Property Mgt Segment; and (iv) the positive outlook of the PRC property management industry as demonstrated above, we concur with the Directors that the Transaction is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Acquisition Agreements

The First Agreement

On 14 November 2017, Fantasia China and Shenzhen Colour Life entered into the First Agreement.

Pursuant to the First Agreement, Fantasia China will transfer 100% of the equity interest in Fantasia Education to Shenzhen Colour Life for a consideration of RMB797,880,000 ("**Consideration I**") which will be satisfied by the Company through a combination of its internal resources and bank borrowings. Fantasia Education will be interested in 1% of the equity interest in Shenzhen Jiaxin.

With reference to the Board Letter, the Consideration I for the transfer of the entire equity interest in Fantasia Education to Shenzhen Colour Life was determined with reference to the preliminary valuation on WXM.

The Second Agreement

On 14 November 2017, Link Joy Holdings and Colour Life Investment entered into the Second Agreement. On 19 December 2017, Fantasia, the holding company of Link Joy Holdings, Colour Life Investment and Link Joy Holdings entered into the Supplemental Agreement to amend certain of the terms of the Second Agreement.

Pursuant to the Second Agreement, Fantasia will transfer 100% of the equity interest in Link Joy Holdings to Colour Life Investment for a consideration of RMB1,184,640,000 ("**Consideration II**"). Link Joy Holdings holds 100% of the equity interest in Link Joy, which will in turn be indirectly interested in 99% of the equity interest in Shenzhen Jiaxin.

With reference to the Board Letter, the Consideration II for the transfer of the entire equity interest in Link Joy Holdings to Colour Life Investment was determined with reference to the preliminary valuation on WXM.

With reference to the Board Letter, the Consideration II will be settled by cash, with an option to be settled in whole or in part by the Company issuing the Consideration Shares to the Fantasia. Pursuant to the Supplemental Agreement, the parties agreed that the Consideration II under the Second Agreement will be settled as to RMB998,346,000 by the Company issuing in aggregate 231,500,000 new Shares at the issue price of HK$5.10 per Consideration Share to Fantasia, and as to the balance of RMB184,640,000 by cash.

The Third Agreement

On 14 November 2017, Shenzhen Jianian and Shenzhen Gaorunda entered into the Third Agreement.

Pursuant to the Third Agreement, Shenzhen Jianian will transfer its outstanding contribution of RMB1,000,000 in Shenzhen Wanxiang (the "**Contribution**") to Shenzhen Gaorunda free of consideration, and Shenzhen Gaorunda will be under the obligation to settle the Contribution.

The Fourth Agreement

On 14 November 2017, Shenzhen Jianian and Shenzhen Gaorunda entered into the Fourth Agreement.

Pursuant to the Fourth Agreement, Shenzhen Jianian will transfer its 1% equity interest in WXM to Shenzhen Gaorunda for a consideration of RMB30,000,000 ("**Consideration IV**", together with Consideration I and Consideration II, the "**Total Consideration**") which will be settled by the Company through a combination of bank borrowings and internal financial resources of the Company.

With reference to the Board Letter, the Consideration IV for the transfer of the 1% equity interest in WXM to Shenzhen Gaorunda was determined with reference to the preliminary valuation on WXM.

The Total Consideration

According to the Valuation Report, the Valuation as at 30 November 2017 was RMB2,297,000,000. Details of the Valuation Report (including methodologies, basis, assumptions and comparable transactions adopted) are set out under Appendix V to the Circular. The Valuer selected asset-based approach to value the 100% equity interest of the Target Group after using market approach to value the 100% equity interest of WXM Group.

The Total Consideration of RMB2,012,520,000 (together with the Contribution of RMB1,000,000) represents a discount of approximately 12.34% to the Valuation. Having considered that the completion of each of the Acquisition Agreements is conditional among each other, we assessed the Total Consideration on an aggregated basis and did not assess the consideration/contribution under each of the Acquisition Agreements separately.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation; (iv) key assumptions adopted in the Valuation; and (v) details of the comparable transactions adopted for the Valuation such as dates of transaction, consideration, relevant financial figure, and their selection criteria.

From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Valuation Report. The Valuer has also confirmed that they are independent to the Company, Fantasia, the Target Group and their respective subsidiaries and associates.

We further reviewed and enquired into the Valuer on the methodology adopted and the basis and assumptions adopted in arriving at the Valuation in order for us to understand the Valuation Report. With reference to the Valuation Report, the Valuer observed and followed the standards laid down by "The HKIS Valuation Standards (2017 Edition)" published by the Hong Kong Institute of Surveyors and "International Valuation standards" published by the International Valuation Standards Council. As confirmed by the Valuer, the asset-based approach and market approach are commonly adopted approaches for valuation of companies and are also consistent with normal market practice.

With reference to the Valuation Report and as confirmed by the Valuer,

(i) the Valuer believes the cost approach to be insufficient in capturing the future economic benefits of WXM Group's assets given that WXM Group is servicing company in which the return is not mainly driven by its tangible assets;

(ii) when comparing between the income approach and market approach, income approach usually relies more heavily on the reasonable forecast of future performance and the accurate selection of various market parameters, and the valuation result is sometimes quite sensitive to a few market parameters;

(iii) market approach is relatively more direct in term of forecast and market parameters if available;

(iv) in this case, the Valuer could find some suitable public and private precedent merger and acquisition transactions of property management companies which can provide the Valuer a more reliable valuation result than the income approach; and

(v) asset-based approach is an appropriate method to value the Target Group since members of the Target Group other than WXM Group are mainly for the purpose of investment holding.

Having considered the aforementioned reasons for selection of appropriate approaches for the Valuation, we did not consider other approaches to assess the fairness and reasonableness of the Total Consideration.

With reference to the Valuation Report, the Valuer adopted the actual financial results of the WXM Group from January to October 2017 for the yearly net income adopted in the Valuation, i.e. a yearly net income of RMB282,034,800 which is equivalent to a monthly net income of RMB23,502,900 derived from the average of the actual net income achieved by the WXM Group from January to October in 2017 (the "**Earning Normalization**"). We also discussed with the Valuer and understood the basis for the Earning Normalization which is set out under the section headed "7. EARNING NORMALIZATION" of Appendix V to the Circular.

During our discussion with the Valuer on the methodology adopted and the basis and assumptions adopted in arriving at the Valuation (including the Earning Normalization), we did not identify any major factors which caused us to doubt the fairness and reasonableness of the principal basis, assumptions and comparable transactions adopted for the Valuation. However, Shareholders should note that valuation of assets or companies usually involves assumptions and therefore the Valuation may or may not reflect the value of Target Group as at 30 November 2017 accurately.

Having considered the above and that the Total Consideration of RMB2,012,520,000 (together with the Contribution of RMB1,000,000) represents a discount of approximately 12.34% to the Valuation, we are of the opinion that the Total Consideration (together with the Contribution of RMB1,000,000) is fair and reasonable so far as the Independent Shareholders are concerned.

Consideration Shares

The Consideration Shares represent approximately 21.38% of the total number of Shares in issue as at the Latest Practicable Date, and approximately 17.61% of the total number of Shares as enlarged by the issue of the Consideration Shares.

Issue Price

The Consideration Shares will be issued at HK$5.10 per Share. The Issue Price represents:

(i) a discount of approximately 1% to the closing price of the Shares of HK$5.15 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 5% over the closing price of the Shares of HK$4.88 per Share as quoted on the Stock Exchange on the date of the Second Agreement; and

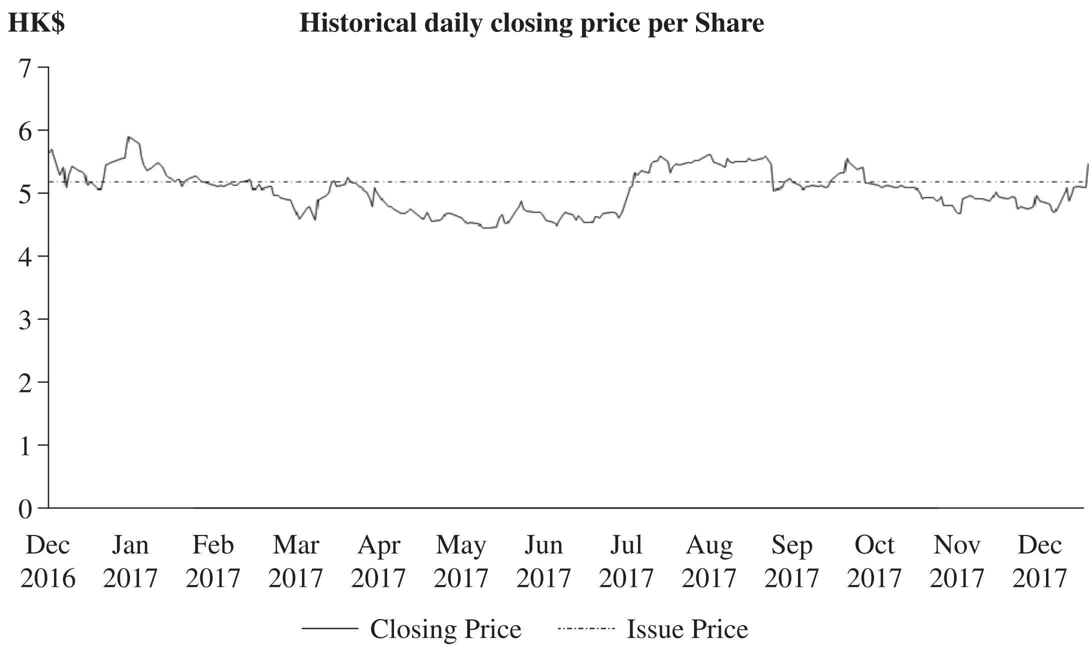
(iii) a discount of approximately 5% to the closing price of the Shares of HK$5.39 per Share as quoted on the Stock Exchange on the date of the Supplemental Agreement.

The Issue Price was determined after arm's length negotiations between the Company and Fantasia with reference to the prevailing market prices of the Shares.

To assess the fairness and reasonableness of the Issue Price, we set out the following analyses for illustrative purpose:

Review on Issue Price

The diagram below demonstrates the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 December 2016 up to and including the date of the Supplemental Agreement (the "**Review Period**") (being a period of approximately one year prior to and including the date of the Supplemental Agreement, which is commonly used for analysis purpose):



Source: the Stock Exchange's website

During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$5.80 per Share recorded on 30 December 2016 and HK$4.38 per Share recorded on 11 May 2017 and 12 May 2017, respectively. The Issue Price of HK$5.10 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period.

As illustrated by the above diagram, there was no obvious trend in the Shares price movements during the Review Period.

Comparison with other issuance of consideration shares

As part of our analysis, we also identified, to the best of our knowledge and as far as we are aware of, 9 notifiable transactions in relation to acquisition by listed companies in Hong Kong involving issue of new shares as all or part of the consideration (the "**Share Comparables**") during the period from 1 November 2017 up to the date of the Supplemental Agreement. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Share Comparables and we have not conducted any in-depth investigation into the businesses and operations of the Share Comparables. The table below summarises our relevant findings:

Company name	Stock code	Date of announcement	Premium/(Discount) of the issue price over/(to) the closing price per share on the last trading day prior to/on the date of the announcement/ agreement in relation to the respective issue of consideration share	Dilution effect to the then existing public shareholding interests upon issuance of consideration shares
			(approximate %)	*(approximate %)*
Forebase International Holdings Limited	2310	3 November 2017	(12.20)	5.95
Enterprise Development Holdings Limited	1808	14 November 2017	(18.52)	9.76
Differ Group Holding Company Limited	6878	21 November 2017	0.34	0.56
China Ludao Technology Company Limited	2023	29 November 2017	(1.23)	1.30
China Fire Safety Enterprise Group Limited	445	4 December 2017	(20.43)	27.6
China Greenfresh Group Co., Ltd.	6183	5 December 2017	0.76	0.37

Company name	Stock code	Date of announcement	Premium/(Discount) of the issue price over/(to) the closing price per share on the last trading day prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share *(approximate %)*	Dilution effect to the then existing public shareholding interests upon issuance of consideration shares *(approximate %)*
China Greenfresh Group Co., Ltd.	6183	5 December 2017	0.76	0.56
Echo International Holdings Group Limited	8218	12 December 2017	(3.74)	4.43
China Metal Resources Utilization Limited	1636	15 December 2017	1.06	0.67
Maximum			1.06	27.60
Minimum			(20.43)	0.37
The Company	1778	19 December 2017	(5)	5.87

Source: the Stock Exchange's website

As shown by the above table, the issue price of the consideration shares of the Share Comparables ranged from a discount of approximately 20.43% to a premium of approximately 1.06% to/over the respective closing price per share on the last trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share (the "**Market Range**"). Thus the Issue Price, which represented a discount of approximately 5% to the closing price of the Shares of HK$5.39 per Share as quoted on the Stock Exchange on the date of the Supplemental Agreement is within the Market Range.

Having considered (i) that the Issue Price of HK5.10 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period; and (ii) the Issue Price, which represented a discount of approximately 5% to the closing price of the Shares of HK$5.39 per Share as quoted on the Stock Exchange on the date of the Supplemental Agreement is within the Market Range, we consider that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

Dilution effect on the shareholding interests of the existing public Shareholders

As shown by the table of the Share Comparables above, the dilution effects to the then existing public shareholding interests of the Share Comparables ranged from approximately 0.37 percentage point to approximately 27.60 percentage point (the "**Dilution Range**"). As depicted by the table under the section headed "Effect on shareholding structure of Colour Life" of the Board Letter, upon issuance of the Consideration Shares, the shareholding interests of the existing public Shareholders would be diluted by approximately 5.87 percent point, which is within the Dilution Range.

In view of (i) possible benefits of the Transaction; (ii) the terms of the Acquisition Agreements being fair and reasonable (to be concluded below); and (iii) the dilution effect on the then existing public shareholding interests of the Company (i.e. approximately 5.87 percentage point) is within the Dilution Range, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

Other major terms of the Acquisition Agreements are set out under the section headed "The Transaction" of the Board Letter.

Taking into account the principal terms of the Acquisition Agreements, we consider that the terms of the Acquisition Agreements are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

3. Possible financial effects of the Transaction

We were advised by the Directors that upon completion of the Transaction, members of the Target Group will be wholly-owned by the Company and their financial results, assets and liabilities will be fully consolidated into the financial statements of the Group.

The unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Information**") is included in Appendix IV to the Circular.

As extracted from the 2017 Interim Report, the unaudited consolidated total assets and total liabilities of the Group were approximately RMB4.12 billion and RMB2.56 billion as at 30 June 2017 respectively. According to the Pro Forma Information, the unaudited consolidated total assets and total liabilities of the Enlarged Group would be approximately RMB7.99 billion and RMB5.86 billion respectively as if the Transaction had been completed on 30 June 2017.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Transaction.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Acquisition Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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

* *For identification purpose only*

I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2014, 2015 and 2016, and the six months ended 30 June 2017 are disclosed on pages 69 to 174 of the annual report of the Company for the year ended 31 December 2014, pages 76 to 186 of the annual report of the Company for the year ended 31 December 2015, pages 82 to 196 of the annual report of the Company for the year ended 31 December 2016, and pages 37 to 73 of the interim report of the Company for the six months ended 30 June 2017, all of which are published on the website of the Stock Exchange at http://www.hkexnews.hk/, and the website of the Company at http://www.colourlife.hk. Quick links to such financial information are set out below:

Annual report of the Company for the year ended 31 December 2014:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0410/LTN201504101131.pdf

Annual report of the Company for the year ended 31 December 2015:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0401/LTN201604012057.pdf

Annual report of the Company for the year ended 31 December 2016:

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0323/LTN20170323939.pdf

Interim report of the Company for the six months ended 30 June 2017:

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0925/LTN20170925478.pdf

II. INDEBTEDNESS

	The Group 31 December 2017 *RMB million*	The Shenzhen Wanxiang Group 31 December 2017 *RMB million*	Total 31 December 2017 *RMB million*
Corporate bonds	552.6	–	552.6
Assets backed securities issued	227.7	–	227.7
Borrowings	724.6	344.6	1,069.2
Total borrowings	1,504.9	344.6	1,849.5
Secured borrowings	422.4	–	422.4
Unsecured borrowings	1,082.5	344.6	1,427.1
	1,504.9	344.6	1,849.5
Guaranteed borrowings	1,081.3	120.0	1,201.3
Unguaranteed borrowings	423.6	224.6	648.2
	1,504.9	344.6	1,849.5

Other than above, the Group had amounts due to non-controlling shareholders of subsidiaries of RMB23.2 million, amounts due to associates of RMB6.8 million, amount due to a joint venture of RMB0.6 million and amounts due to fellow subsidiaries of RMB8.0 million at 31 December 2017. Except the secured and guaranteed amounts due to fellow subsidiaries of RMB4.4 million, the remaining amounts due to non-controlling shareholders of subsidiaries, associates, a joint venture and fellow subsidiaries were unsecured and unguaranteed. Shenzhen Wanxiang Group had amounts due to joint venture partners of RMB1,776.2 million at 31 December 2017, which are unsecured and unguaranteed.

The security provided by the Group of the above mentioned borrowings were the pledged bank deposits of the Group and equity interests of certain subsidiaries of the Company. The guaranteed borrowings were guaranteed by the Company, certain of its subsidiaries, a fellow subsidiary of the Company and a director and key management of the Company and a subsidiary of the Company.

Save as disclosed above and apart from intra-group liabilities, the Group and the Shenzhen Wanxiang Group did not, as of the close of business on 31 December 2017, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits or hire purchase commitments, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

III. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

IV. WORKING CAPITAL

Taking into account the Transaction and the financial resources available to the Enlarged Group, including the internally generated funds and available financing facilities, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

V. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As WXM is one of the major players in the property management sector in the PRC in terms of revenue, it is expected that upon completion of the Transaction, the Group's leading market position in the property management sector will be further strengthened.

Upon Completion, the area covered by the Group's property management and revenue will increase, with the geographical coverage in Tier 1, Tier 2 and Tier 3 cities in the PRC optimised, strengthening the Group's property management portfolio.

Looking forward, the Group will continue to co-operate with quality enterprises in the industry in platform output and continue to implement its light asset model. At the same time, the Group will continue to build up and optimise its online and offline platform through cooperation with suppliers for vertical applications through business incubation and value chain restructuring strategy to explore opportunities for business expansion in diversified community scenarios. The Group shall continue with its business development strategy, continuously expand its leading position in property development in the PRC to create more value to the society as well as its Shareholders.

Part A

Audited accounts of WXM

As WXM was only acquired by Shenzhen Wanxiang and Shenzhen Jianian in August 2016, the financial results of WXM could only be consolidated with the report of Shenzhen Wanxiang from August 2016 onwards. As WXM is the key of the Transaction, to enable the Shareholders and investors to better assess the performances of the Target Group for the three years ended 31 December 2016 and the six months ended 30 June 2017, only the accountant reports of Shenzhen Wanxiang and WXM are disclosed in this circular, as the other entities in the Target Group are holding companies with no business operation and the financial results of the other entities are not material, no separate accounts are disclosed for these companies in this circular.

Accountants' Report on Historical Financial Information to the Directors of Colour Life Services Group Co., Limited

INTRODUCTION

We report on the historical financial information of 萬象美物業管理有限公司 (Wanxiangmei Property Management Co., Ltd)* and its subsidiaries (the "**WXM**") (hereinafter collectively referred to as the "**WXM Group**"), set out on pages IIA-4 to IIA-36, which comprises the consolidated statements of financial position as at 31 December 2015, 31 December 2016 and 31 October 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the WXM Group for the years ended 31 December 2015 and 2016 and period from 1 January 2017 to 31 October 2017 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIA-4 to IIA-36 forms an integral part of this report, which has been prepared for inclusion in the circular of Colour Life Services Group Co., Limited (the "**Company**") dated 5 February 2018 (the "**Circular**") in connection with the proposed acquisition of 100% equity interests in the WXM Group by the Company (the "**Acquisition**").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the WXM Group's financial position as at 31 December 2015, 31 December 2016 and 31 October 2017 and of the WXM Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

ADJUSTMENTS

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

DIVIDENDS

We refer to Note 13 to the Historical Financial Information which contains the information about the dividends paid by WXM Group in respect of the Track Record Period.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 5 February 2018
Gao Yajun
Practising certificate number P06391

HISTORICAL FINANCIAL INFORMATION OF THE WXM GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the WXM Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(unaudited)			(unaudited)	
Revenue	7	974,917	1,198,143	1,324,713	1,055,248	1,235,986
Cost of services		(764,927)	(944,289)	(1,040,742)	(874,844)	(823,762)
Gross profit		209,990	253,854	283,971	180,404	412,224
Other income	8	5,534	11,345	10,074	7,786	1,812
Other gains and losses	9	(2,858)	(5,782)	855	755	(8,592)
Administrative expenses		(123,385)	(184,571)	(243,044)	(160,991)	(92,836)
Finance cost	10	–	–	–	–	(1,829)
Profit before taxation	11	89,281	74,846	51,856	27,954	310,779
Income tax expense	12	(23,200)	(28,615)	(30,125)	(12,812)	(75,750)
Profit and total comprehensive income for the year/period		66,081	46,231	21,731	15,142	235,029

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2014 RMB'000 (unaudited)	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 31 October 2017 RMB'000
Non-current assets					
Property, plant and equipment	16	16,348	18,798	36,066	48,542
Deferred tax asset	17	1,441	2,616	2,308	4,438
		17,789	21,414	38,374	52,980
Current assets					
Trade and bills receivables	18	9,859	5,583	51,330	98,021
Other receivables and prepayments	18	53,377	75,351	138,520	158,367
Amounts due from fellow subsidiaries	20	47,649	62,049	8,773	9,699
Amounts due from related companies	20	–	–	444,513	810,292
Amount due from immediate holding company	20	–	49,500	44,265	119,877
Tax recoverable		4,638	3,746	2,768	1,642
Cash and cash equivalents	19	679,119	851,702	238,299	297,313
		794,642	1,047,931	928,468	1,495,211
Current liabilities					
Trade payables	21	130,194	141,368	154,069	113,862
Other payables and accruals	21	526,870	662,271	702,137	901,663
Amounts due to fellow subsidiaries	20	49,748	59,597	–	–
Amounts due to related companies	20	–	–	31,294	63,273
Borrowings	22	–	–	–	151,000
Tax liabilities		15,500	19,759	16,404	20,426
		722,312	882,995	903,904	1,250,224
Net current assets		72,330	164,936	24,564	244,987
Net assets		90,119	186,350	62,938	297,967
Capital and reserves	23				
Paid-in capital		15,000	50,000	50,000	50,000
Reserves		75,119	136,350	12,938	247,967
Total equity		90,119	186,350	62,938	297,967

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Merger reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2014 (unaudited)	15,000	–	9,038	24,038
Profit and total comprehensive income for the year	–	–	66,081	66,081
At 31 December 2014 and 1 January 2015 (unaudited)	15,000	–	75,119	90,119
Issuance of shares	50,000	–	–	50,000
Profit and total comprehensive income for the year	–	–	46,231	46,231
Arising from the Restructuring	(15,000)	15,000	–	–
At 31 December 2015 and 1 January 2016	50,000	15,000	121,350	186,350
Profit and total comprehensive income for the year	–	–	21,731	21,731
Dividend *(note 13)*	–	–	(127,833)	(127,833)
Business combination under common control *(note 24)*	–	(17,310)	–	(17,310)
At 31 December 2016 and 1 January 2017	50,000	(2,310)	15,248	62,938
Profit and total comprehensive income for the period	–	–	235,029	235,029
At 31 October 2017	50,000	(2,310)	250,277	297,967
At 1 January 2016	50,000	15,000	121,350	186,350
Profit and total comprehensive income for the period	–	–	15,142	15,142
Dividend *(note 13)*	–	–	(127,833)	(127,833)
Business combination under common control *(note 24)*	–	(17,310)	–	(17,310)
At 31 October 2016 (unaudited)	50,000	(2,310)	8,659	56,349

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Ten months ended 31 October	
		2014	2015	2016	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(unaudited)			(unaudited)	
OPERATING ACTIVITIES						
Profit before taxation		89,281	74,846	51,856	27,954	310,779
Adjustments for:						
– Depreciation of property, plant and equipment	11	3,341	4,937	7,211	4,592	11,822
– Finance cost	10	–	–	–	–	1,829
– Interest income	8	(5,016)	(8,089)	(7,991)	(6,659)	(721)
– Provision for impairment loss of trade receivables	9	497	264	455	1,852	1,435
– Provision for/(reversal of) impairment loss of other receivables	9	2,361	5,471	(1,816)	(2,971)	6,991
– Loss/(gain) on disposal of property, plant and equipment	9	–	28	27	(58)	40
Operating profit before working capital changes		90,464	77,457	49,742	24,710	332,175
(Increase)/decrease in trade and bills receivables		3,219	4,012	(46,202)	(47,599)	(48,126)
(Increase)/decrease in other receivables and prepayments		25,976	(27,445)	(61,353)	(129,979)	(26,838)
Decrease in amounts due from fellow subsidiaries		–	10,878	–	–	–
Increase/(decrease) in trade payables		19,052	11,174	12,701	12,701	(40,207)
Increase in other payables and accruals		158,264	135,401	39,866	61,197	198,460
Decrease in amounts due to fellow subsidiaries		–	(2,615)	–	–	–
Increase in amounts due to related companies		–	–	–	–	31,860
Cash generated from/(used in) operations		296,975	208,862	(5,246)	(78,970)	447,324
Income tax paid		(12,798)	(24,639)	(32,194)	(8,266)	(72,732)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		284,177	184,223	(37,440)	(87,236)	374,592

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)			(unaudited)	
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(9,817)	(8,901)	(24,818)	(22,013)	(24,589)
Proceeds of disposal of property, plant and equipment	–	1,486	312	211	251
(Increase)/decrease in amounts due from fellow subsidiaries	(27,649)	(25,278)	53,276	44,397	(926)
Increase in amounts due from related companies	–	–	(444,513)	(370,428)	(365,779)
(Increase)/decrease in amount due from immediate holding company	–	(49,500)	5,235	4,362	(75,612)
Business combination of acquisition of subsidiaries under common control	–	–	(17,310)	(17,310)	–
Interest received	5,016	8,089	7,991	6,659	721
NET CASH USED IN INVESTING ACTIVITIES	(32,450)	(74,104)	(419,827)	(354,122)	(465,934)
FINANCING ACTIVITIES					
Increase/(decrease) in amounts due to fellow subsidiaries	39,748	12,464	(59,597)	(59,597)	–
Increase/(decrease) in amounts due to related companies	–	–	31,294	26,078	119
Interest expenses paid	–	–	–	–	(763)
Proceed from issuance of shares	–	50,000	–	–	–
Proceed from borrowings	–	–	–	–	151,000
Dividend paid	–	–	(127,833)	(127,833)	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	39,748	62,464	(156,136)	(161,352)	150,356
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	291,475	172,583	(613,403)	(602,710)	59,014
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	387,644	679,119	851,702	851,702	238,299
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	679,119	851,702	238,299	248,992	297,313

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1.1 GENERAL

萬象美物業管理有限公司 (Wanxiangmei Property Management Co., Ltd.)* (the "**WXM**") is a limited liability company established in the People's Republic of China (the "**PRC**"), their addresses of registered office and principal place of business are Room 906, Flat 8, Block 8, 93 Jianguo Road, Chaoyang District, Beijing City, the PRC.

萬象美物業管理有限公司 (Wanxiangmei Property Management Co., Ltd.)* and its subsidiaries (the "**WXM Subsidiaries**") (hereafter collectively referred to as the "**WXM Group**") are principally engaged in the provision of property management services and other related services.

On 8 May 2015, the WXM was established by 大連萬達商業地產股份有限公司 (Dalian Wanda Commercial Properties Co., Ltd.)* ("**大連萬達商業**"). In May 2016, the WXM had acquired the WXM Subsidiaries from 大連萬達商業 ("**Acquisition I**"). Since the WXM and WXM Subsidiaries were under common control of 大連萬達商業 before and after the completion of Acquisition I, which was determined as a business combination under common control. On 2 August 2016, the WXM Group had been acquired by 深圳市幸福萬象投資合夥企業(有限合夥) (Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership))* and 深圳前海嘉年投資基金管理有限公司 (Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd.)* by 99% and 1% equity interests respectively.

At the date of this report, the immediate holding company of the WXM is 深圳市幸福萬象投資合夥企業(有限合夥) (Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership))*, which is established in the PRC. In the opinion of the management of WXM, the controlling parties are Fantasia Holdings Group Co., Limited and Ping An Insurance (Group) Company of China, Limited.

At the end of each of the reporting dates and at the date of this report, the WXM had direct interests in the following subsidiaries:

Name of company	Place of establishment	Registered and paid-in capital	Equity interests attributable to the WXM At at 31 December 2014 (unaudited)	At at 31 December 2015	At at 31 December 2016	At at 31 October 2017	Principal activities	*Notes*
大連萬象美物業管理有限公司 (Dalian Wanxiangmei Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB5,000,000	100%	100%	100%	100%	Provision of property management services	(1)
大連萬象美明珠物業管理有限公司 (Dalian Wanxiangmei Mingzhu Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	100%	100%	100%	100%	Provision of property management services	(2)
石家莊花萬美物業管理有限公司 (Shijiazhuang Huawanmei Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	100%	100%	100%	100%	Provision of property management services	(3)
瀋陽花美年物業管理有限公司 (Shenyang Huameinian Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	100%	100%	100%	100%	Provision of property management services	(4)
廊坊市美萬象物業管理有限公司 (Langfang Meiwanxiang Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	100%	100%	100%	100%	Provision of property management services	(5)

Name of company	Place of establishment	Registered and paid-in capital	Equity interests attributable to the WXM At at 31 December 2014 (unaudited)	At at 31 December 2015	At at 31 December 2016	At at 31 October 2017	Principal activities	*Notes*
長春萬象美物業服務有限公司 (Changchun Wanxiangmei Property Management Services Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	100%	100%	100%	100%	Provision of property management services	(6)
泰州萬象美物業管理有限公司 (Taizhou Wanxiangmei Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	100%	100%	100%	100%	Provision of property management services	(7)
呼和浩特市美象物業服務有限責任公司 (Huhehaote Meixiang Property Services Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	100%	100%	100%	100%	Provision of property management services	(8)
銀川萬象美物業服務有限公司 (Yinchuan Wanxiangmei Property Services Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	100%	100%	100%	100%	Provision of property management services	(9)
大慶萬象美物業管理有限公司 (Daqing Wanxiangmei Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	100%	100%	100%	100%	Provision of property management services	(10)
昆明萬象美物業服務有限公司 (Kunming Wanxiangmei Property Services Co., Ltd.)*	The PRC	Registered and paid-in capital RMB5,000,000	100%	100%	100%	100%	Provision of property management services	(11)
北京萬象美大湖物業管理有限公司 (Beijing Wanxiangmei Dahu Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	100%	100%	100%	100%	Provision of property management services	(12)

All companies comprising the WXM Group have adopted 31 December as the financial year end date.

Notes:

(1) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 大華會計師事務所(特殊普通合夥) (Da Hua CPAs (Special General Partnership)*). No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(2) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 遼寧正威會計師事務所有限公司 (Liaoning Zhengwei CPAs Co., Ltd*). No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(3) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 河北德信會計師事務所有限公司 (Hebei Dexin CPAs Co., Ltd*) and 河北友誼會計師事務所有限責任公司 (Hebei Youyi CPAs Co., Ltd*), respectively. No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(4) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 遼寧卓成會計師事務所有限公司 (Liaoning Zhuocheng CPAs Co., Ltd*) and 遼寧永成聯合會計師事務所 (Liaoning Yongcheng Lianhe CPAs Co., Ltd*), respectively. No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(5) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 廊坊天元會計師事務所有限責任公司 (Langfang Tianyuan CPAs Co., Ltd*). No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(6) The statutory financial statements for the year ended 31 December 2015 was audited by 吉林宇信會計師事務所 (Jilin Yuxin CPAs*). No statutory audited financial statements have been prepared for the years ended 31 December 2014 and 2016.

(7) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 泰州興瑞會計師事務所有限公司 (Taizhou Xingrui CPAs Co., Ltd*) and 江蘇中天華夏會計師事務所有限公司 (Jiangsu Zhongtian Huaxia CPAs Co., Ltd*), respectively. No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(8) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 內蒙古銘德會計師事務所有限公司 (Neimenggu Mingde CPAs Co., Ltd*) and 內蒙古升恒會計師事務所有限責任公司 (Neimenggu Shengheng CPAs Co., Ltd*), respectively. No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(9) The statutory financial statements for the year ended 31 December 2015 was audited by 寧夏信友會計師事務所 (Ningxia Xinyou CPAs Co., Ltd*). No statutory audited financial statements have been prepared for the years ended 31 December 2014 and 2016.

(10) The statutory financial statements for the year ended 31 December 2015 was audited by 大慶華泰偉信會計師事務所有限責任公司 (Daqing Huatai Weixin CPAs Co., Ltd*). No statutory audited financial statements have been prepared for the years ended 31 December 2014 and 2016.

(11) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 立信會計師事務所(特殊普通合夥)雲南分所 (BDO CPAs (Special General Partnership) – Yunnan Branch*). No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(12) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 天華正信(北京)會計師事務所有限公司 (Tihuasic (Beijing) Certified Public Accountants Co. Ltd.*). No statutory audited financial statements have been prepared for the year ended 31 December 2016.

1.2 BASIS OF PRESENTATION

Prior to the establishment of the WXM and the completion of Acquisition I, the operating business was carried on by the WXM Subsidiaries now comprising the WXM Group. The WXM Group is regarded as a continuing entity resulting from the Acquisition I since the insertion of a holding company at the top of the WXM Subsidiaries has not resulted in any change in economic substance (the "**Restructuring**"). Accordingly, the Historical Financial Information has been prepared using the merger basis of accounting as if the Restructuring had occurred as of the beginning of the Track Record Period and the current group structure had always been in existence.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the WXM Group for the Track Record Period have been using the financial information of the entities now comprising the WXM Group, as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entities now comprising the WXM Group where this is a shorter period. The consolidated statements of financial position of the WXM Group have been prepared to present the assets and liabilities of the entities now comprising the WXM Group which were in existence at those reporting dates, as if the current structure had been in existence as at the respective reporting dates. The net assets and results of the WXM Group were consolidated using the carrying value from the perspective of the ultimate controlling party. All significant intra-group transactions and balances have been eliminated on consolidation.

2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The WXM Group have not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advanced Consideration[1]
HK (IFRIC) - Int 23	Uncertainty over Income Tax Treatment[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined

The expected impacts from the adoption of the above standards and amendments are still being assessed in details by management, and management is not yet in a position to state whether they would have a significant impact on the WXM Group's results of operations and financial position.

3 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

3.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with accounting policies conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**").

The Historical Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the WXM Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the WXM and entities controlled by the WXM and its subsidiaries. Control is achieved when the WXM:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The WXM Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the WXM Group obtains control over the subsidiary and ceases when the WXM Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statement of profit or loss and other comprehensive income from the date the WXM Group gains control until the date when the WXM Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the WXM Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the WXM Group are eliminated in full on consolidation.

Business combinations under common control

Business combination involving entities under common control has been accounted for by applying the principles of merger accounting.

In applying merger accounting, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised for goodwill or excess of acquirers' interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. Any excess of the consideration paid over the net carrying amount of the acquired entities are recognised in merger reserve.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses incurred in relation to the common control combination that are to be accounted for by using merger accounting are recognised as expenses in the year in which they were incurred.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the WXM that make strategic decisions.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business, net of sales related taxes.

The WXM Group charged property management fees in respect of the property management services on a lump sum basis. Revenue is recognised when services are provided.

Property management fees charged on lump sum basis. The WXM Group is entitled to retain the full amount of received property management fees. From the property management fees, the WXM Group pay out their expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overhead covering the common areas. During the term of the contract, if the amount of property management fees the WXM Group collect is not sufficient to cover all the expenses incurred, the WXM Group is not entitled to request the property owners to pay the shortfall.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The carrying amounts of items of property, plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the WXM Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised when the WXM Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The WXM Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and bills receivables, other receivables and prepayments, amounts due from fellow subsidiaries, related companies and immediate holding company and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the WXM Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the WXM Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the WXM Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the WXM's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchases, sale, issue or cancellation of the WXM's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and accruals, borrowing, and amounts due to fellow subsidiaries and related companies) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The WXM Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The WXM Group derecognises financial liabilities when, and only when, the WXM Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The WXM Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally derecognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the WXM Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the WXM Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to the state-managed retirement benefits schemes and the defined contribution retirement benefits plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Related Party

A party is considered to be related to the WXM Group if:

(a) the party is a person or a close member of that person's family and that person:

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

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

  (iii) is a member of the key management personnel of the WXM Group or of a parent of the WXM Group;

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the WXM Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the WXM Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the WXM Group or an entity related to the WXM Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

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

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the WXM Group or to the parent of the WXM Group.

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of WXM Group's accounting policies, which are described in note 3, the directors of WXM are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the following twelve months.

Impairment of property, plant and equipment

The WXM Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculation and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. The carrying amount of property, plant and equipment as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017 amounting to RMB16,348,000 (unaudited), RMB18,798,000, RMB36,066,000 and RMB48,542,000, respectively.

Recoverability of trade and bills receivables, other receivables and prepayments

The provision policy for bad and doubtful debts of the WXM Group is based on the evaluation of collectability and aging analysis of accounts and management's judgement. Judgements are required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the WXM Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

The carrying amount of trade and bills receivables, other receivables and prepayments as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017, amounting to RMB63,236,000 (unaudited) (net of impairment losses of RMB4,951,000 (unaudited)), RMB80,934,000 (net of impairment losses of RMB10,686,000), RMB189,850,000 (net of impairment losses of RMB9,325,000), and RMB256,388,000 (net of impairment losses of RMB17,751,000), respectively.

5 CAPITAL RISK MANAGEMENT

The WXM Group manages its capital to ensure that the WXM Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The WXM Group's overall strategy remained unchanged during the Track Record Period.

The capital structure of the WXM Group consists of debts, which includes equity attributable to owners of the WXM Group, comprising issued paid-in capital/share capital, merger reserve and retained earnings.

The management of the WXM Group reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or repayment of existing debts, if necessary.

6 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 31 October
	2014	2015	2016	2017
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	758,444	1,017,386	881,652	1,448,063
Financial liabilities				
Liabilities at amortised cost	482,926	632,674	676,893	910,979

(b) Financial risk management objectives and policies

The WXM Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The WXM Group's income and operating cash flows are substantially independent of changes in market interest rates. The WXM Group's exposure to changes in interest rates is mainly attributable to its bank balances which carries interest at variable rates.

The WXM Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings. The WXM Group currently does not use any derivative contract to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The management considered that interest rate risk in fixed-rate borrowings is insignificant.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The sensitivity analysis is prepared assuming the bank balances occurred at the end of the reporting period was occurred for the whole period.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the profit before taxation for the Track Record Period would increase/decrease by RMB3,396,000 (unaudited), RMB4,258,000, RMB1,191,000 and RMB1,487,000, respectively. This is mainly attributable to the WXM Group's exposure to interest rates on its variable-rate bank balances.

Foreign currency risk

Given the WXM Group has neither foreign currency assets nor incurs foreign currency liabilities for the Track Record Period, the directors of the WXM is of the view that the WXM Group does not have any significant concentration of currency risks.

Credit risk

At the end of the reporting period, the WXM Group's maximum exposure to credit risk which will cause a financial loss to the WXM Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The WXM Group's credit risk is primarily attributable to its trade and bills receivable, other receivables and prepayments, amounts due from fellow subsidiaries, related companies and immediate holding company and bank balances.

The WXM Group reviews the recoverable amount of each individual outstanding receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the WXM consider that the WXM Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation.

The credit risk on amounts due from fellow subsidiaries, related companies and immediate holding company are insignificant after considering the financial strength of these related parties.

The WXM Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The WXM Group's objective is to maintain a continuity of funding. The WXM Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the WXM Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the WXM Group can be required to pay. The table includes both interest and principal cash flows.

	Repayable on demand or within 1 year	**Total undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2014 (unaudited)			
Trade payables	130,194	130,194	130,194
Other payables and accruals	302,984	302,984	302,984
Amount due to fellow subsidiaries	49,748	49,748	49,748
	482,926	482,926	482,926

	Repayable on demand or within 1 year *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
As at 31 December 2015			
Trade payables	141,368	141,368	141,368
Other payables and accruals	431,709	431,709	431,709
Amounts due to fellow subsidiaries	59,597	59,597	59,597
	632,674	632,674	632,674
As at 31 December 2016			
Trade payables	154,069	154,069	154,069
Other payables and accruals	491,530	491,530	491,530
Amounts due to related companies	31,294	31,294	31,294
	676,893	676,893	676,893
As at 31 October 2017			
Trade payables	113,862	113,862	113,862
Other payables and accruals	582,844	582,844	582,844
Amounts due to related companies	63,273	63,273	63,273
Borrowings	151,000	151,000	151,000
	910,979	910,979	910,979

(c) Fair value measurements

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the WXM consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7 REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker ("**CODM**") to allocate resources to the segments and to assess their performance.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the directors of the WXM Group. The operations of the WXM Group represent a single operating and reportable segment under HKFRS 8 Operating Segments. The WXM Group has been operating in one operating segment, being property management services and other related services, and historical financial information has been reviewed by the CODM on consolidated basis as a whole for the purposes of resource allocation and assessment of performance.

Revenue represents the amount received or receivable for the provision of property and parking management services during the Track Record Period.

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)			(unaudited)	
Property management fees charged on a lump sum basis	857,927	989,667	1,139,253	900,440	1,029,081
Parking management service fees	37,047	58,708	39,741	31,657	62,661
Others	79,943	149,768	145,719	123,151	144,244
	974,917	1,198,143	1,324,713	1,055,248	1,235,986

Geographical information

No geographical segment information is presented as the WXM Group's revenue are all derived from the PRC based on the location of services delivered.

8 OTHER INCOME

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)			(unaudited)	
Bank interest income	5,016	8,089	7,991	6,659	721
Government subsidies	–	2,331	1,094	661	1,028
Sundry income	518	925	989	466	63
	5,534	11,345	10,074	7,786	1,812

9 OTHER GAINS AND LOSSES

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)			(unaudited)	
(Gain)/loss on disposal of property, plant and equipment	–	28	27	(58)	40
Provision for impairment loss of trade receivables	497	264	455	1,852	1,435
Provision for/(reversal of) impairment loss of other receivables	2,361	5,471	(1,816)	(2,971)	6,991
Others	–	19	479	422	126
	2,858	5,782	(855)	(755)	8,592

10 FINANCE COST

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on other borrowings	–	–	–	–	1,829

11 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors' and chief executive's remuneration *(note 14)*	–	–	–	–	–
Other staff's remuneration:					
– Salaries and allowance	313,019	408,409	419,029	277,185	316,437
– Retirement benefits scheme contributions	79,213	102,941	104,883	73,480	80,856
Total staff costs *(note i)*	392,232	511,350	523,912	350,665	397,293
Auditor's remuneration	319	421	481	400	650
Depreciation for property, plant and equipment	3,341	4,937	7,211	4,592	11,822

Note:

(i) Out of the total staff costs, RMB315,019,000 (unaudited), RMB431,404,000, RMB385,590,000, RMB340,219,000 (unaudited) and RMB381,578,000 are recorded in cost of services according to the function of employee for years/periods ended 31 December 2014, 31 December 2015, 31 December 2016, 31 October 2016, 31 October 2017 respectively. The remaining balances of total staff costs are recorded in administrative expenses during the Track Record Period.

12 INCOME TAX EXPENSE

The PRC Enterprise Income Tax is charged at the statutory rate of 25% of the assessable income as determined with the relevant tax rules and regulations of the PRC during the Track Record Period.

Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)			(unaudited)	
PRC Enterprise Income Tax					
– Current tax	23,914	29,790	29,817	12,532	77,880
– Deferred tax *(note 17)*	(714)	(1,175)	308	280	(2,130)
	23,200	28,615	30,125	12,812	75,750

Reconciliation between income tax expense and accounting profit at the applicable tax rate:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)			(unaudited)	
Profit before taxation	89,281	74,846	51,856	27,954	310,779
Notional tax on profit before taxation, calculated at 25%	22,320	18,712	12,964	6,989	77,695
Tax effect of different tax rates of certain subsidiaries	–	(269)	(2,114)	–	(3,137)
Tax effect of expenses not deductible	649	4,649	1,330	312	453
Tax effect of tax losses not recognised	1,783	5,523	17,945	5,511	739
Utilisation of tax loss previously not recognised	(1,552)	–	–	–	–
Income tax expense	23,200	28,615	30,125	12,812	75,750

13 DIVIDENDS

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)			(unaudited)	
Interim dividend	–	–	127,833	127,833	–

14 REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Directors and supervisors

Details of remuneration paid or payable to the directors and supervisors of the WXM were set out as follows:

	Year ended 31 December 2014 (unaudited)			
	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors	–	–	–	–
Supervisors	–	3,810	172	3,982
	–	3,810	172	3,982

	Year ended 31 December 2015			
	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors	–	–	–	–
Supervisors	–	4,764	193	4,957
	–	4,764	193	4,957

	Year ended 31 December 2016			
	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors	–	–	–	–
Supervisors	–	3,732	126	3,858
	–	3,732	126	3,858

	1 January 2016 to 31 October 2016 (unaudited)			
	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors	–	–	–	–
Supervisors	–	3,110	105	3,215
	–	3,110	105	3,215

	1 January 2017 to 31 October 2017			
	Fees	**Salaries and allowances**	**Contribution to retirement benefit scheme**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors	–	–	–	–
Supervisors	–	3,900	140	4,040
	–	3,900	140	4,040

During the Track Record Period, there was no arrangement under which a director of the WXM waived or agreed to waive any emoluments.

During the Track Record Period, no emoluments were paid by the WXM Group to the directors of the WXM as an inducement to join, or upon joining the WXM Group, or as compensation for loss of office.

(b) Five highest-paid individuals

During the Track Record Period, five highest-paid individuals in the WXM Group include no directors. Details of the emoluments of these individuals are as follows:

Details of the remuneration paid to the five highest paid individuals included no directors for the years ended 31 December 2014, 2015 and 2016 and for the period ended 31 October 2017, whose remuneration is set out in note (a) above. Details of remuneration of the remaining individuals is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	4,359	3,855	4,561	3,802	3,750
Contribution retirement benefit scheme	731	415	940	783	665
	5,090	4,270	5,501	4,585	4,415

The number of highest paid individual whose remuneration fell within following band is as follow:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	Number of individuals (unaudited)	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Nil to HKD1,000,000	3	3	–	–	–
HKD1,000,001 to HKD2,000,000	2	2	5	5	5
	5	5	5	5	5

15 EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusions is not considered meaningful. The WXM Group has no potentially dilutive option or other instruments relating to ordinary shares.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements and buildings *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2014 (unaudited)	324	10,991	4,729	16,044
Additions	–	9,817	–	9,817
At 31 December 2014 and 1 January 2015 (unaudited)	324	20,808	4,729	25,861
Additions	1,158	7,494	249	8,901
Disposals	–	(1,949)	(540)	(2,489)
At 31 December 2015 and 1 January 2016	1,482	26,353	4,438	32,273
Additions	14,448	8,218	2,152	24,818
Disposals	–	(792)	(7)	(799)
At 31 December 2016 and 1 January 2017	15,930	33,779	6,583	56,292
Additions	15,796	6,438	2,355	24,589
Disposals	–	(410)	(640)	(1,050)
At 31 October 2017	31,726	39,807	8,298	79,831
Accumulated depreciation:				
At 1 January 2014 (unaudited)	103	4,703	1,366	6,172
Charged for the year	6	2,577	758	3,341
At 31 December 2014 and 1 January 2015 (unaudited)	109	7,280	2,124	9,513
Charged for the year	101	4,178	658	4,937
Eliminated on disposals	–	(547)	(428)	(975)
At 31 December 2015 and 1 January 2016	210	10,911	2,354	13,475
Charged for the year	1,729	4,922	560	7,211
Eliminated on disposals	–	(458)	(2)	(460)
At 31 December 2016 and 1 January 2017	1,939	15,375	2,912	20,226
Charged for the period	6,564	4,244	1,014	11,822
Eliminated on disposals	–	(362)	(397)	(759)
At 31 October 2017	8,503	19,257	3,529	31,289
Carrying values:				
At 31 December 2014 (unaudited)	215	13,528	2,605	16,348
At 31 December 2015	1,272	15,442	2,084	18,798
At 31 December 2016	13,991	18,404	3,671	36,066
At 31 October 2017	23,223	20,550	4,769	48,542

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

	Depreciation rate
Leasehold improvements and buildings	3%–20%
Furniture, fixtures and equipment	10%–20%
Motor vehicles	20%

17 DEFERRED TAX ASSET

The following is the deferred tax asset recognised by the WXM Group and movements thereon during the Track Record Period.

	Allowance on doubtful debt *RMB'000*
At 1 January 2014 (unaudited)	727
Credit to profit or loss	714
At 31 December 2014 and 1 January 2015 (unaudited)	1,441
Credit to profit or loss	1,175
At 31 December 2015 and 1 January 2016	2,616
Charge to profit or loss	(308)
At 31 December 2016 and 1 January 2017	2,308
Credit to profit or loss	2,130
At 31 October 2017	4,438

18 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 31 October 2017
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	10,356	3,944	52,546	100,672
Less: Allowance for doubtful debts	(497)	(761)	(1,216)	(2,651)
Trade receivables net of allowance for doubtful debts	9,859	3,183	51,330	98,021
Bills receivables	–	2,400	–	–
	9,859	5,583	51,330	98,021
Other receivables and prepayments:				
Prepayments	31,560	26,799	44,048	45,506
Advances to staff	202	6	1,229	4,354
Deposits	5,233	5,504	10,343	9,343
Payment on behalf of residents under lump sum basis	13,863	33,206	43,245	69,889
Other tax recoverable	1,182	–	5,622	5,462
Other receivables	1,337	9,836	34,033	23,813
	53,377	75,351	138,520	158,367
	63,236	80,934	189,850	256,388

Trade receivables are mainly derived from property management service income under lump sum basis and other services.

Trade receivables are received in accordance with the terms of the relevant service agreements. The WXM Group allows average credit period normally from 30 days to 180 days for residential customers and 180 days to 365 days for commercial customers. The receiving pattern of the management and service income are normally within 30 days to 365 days after the issuance of demand note to the residents.

The following is an aging analysis of trade receivables (net of allowance for doubtful debts) presented based on the date of demand note at the end of the reporting periods:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 31 October 2017
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	6,290	2,173	47,548	84,461
1 year–2 years	1,916	223	1,842	12,092
2 years–3 years	1,653	614	1,510	345
Over 3 years	–	173	430	1,123
	9,859	3,183	51,330	98,021

In determining the recoverability of trade receivables, the WXM Group estimates the recoverable amount of the outstanding receivables of each community managed by the WXM Group. Having considered the past collection records, in the opinion of the directors of the WXM, the trade receivables are of good credit quality and no further impairment allowance is necessary in respect of the remaining unsettled balances.

Included in the WXM Group's trade receivables balance are debtors with aggregate carrying amount of RMB6,076,000 (unaudited), RMB1,734,000, RMB19,631,000 and RMB41,713,000 as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017, respectively, which are past due as at the reporting dates for which the WXM Group has not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience and substantial settlement after the end of the reporting period. The WXM Group does not hold any collateral over these balances.

Aging of trade receivables (by due date) which are past due but not impaired:

	As at 31 December 2014	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 October 2017**
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,507	724	15,849	28,153
1 year–2 years	1,916	223	1,842	12,092
2 years–3 years	1,653	614	1,510	345
Over 3 years	–	173	430	1,123
	6,076	1,734	19,631	41,713

Movement in the provision for impairment loss on trade and other receivables is as follows:

	As at 31 December 2014	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 October 2017**
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the reporting period	2,093	4,951	10,686	9,325
Impairment losses recognised/(reversed)	2,858	5,735	(1,361)	8,426
Balance at end of the reporting period	4,951	10,686	9,325	17,751

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB497,000 (unaudited), RMB761,000, RMB1,216,000 and RMB2,651,000 as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017, respectively, which have been past due for more than one year and the collection of these receivables may not be recoverable. The WXM Group does not hold any collateral over these balances.

19 CASH AND CASH EQUIVALENTS

	As at 31 December 2014 *RMB'000* (unaudited)	As at 31 December 2015 *RMB'000*	As at 31 December 2016 *RMB'000*	As at 31 October 2017 *RMB'000*
Cash and bank balances	679,119	851,702	238,299	297,313

Cash and cash equivalents comprise of cash on hand and bank balances deposited with banks in the PRC. The short-term bank deposits are with original maturity of three months or less and carried interests at the prevailing market interest rate for the Track Record Period.

The RMB is not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the WXM Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Reconciliation of liabilities arising from financing activities

The table below details changes in the WXM Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in WXM Group's consolidated cash flow statement as cash flows from financing activities.

	Liabilities from financing activities		
	Borrowings *RMB'000*	Amounts due to related companies *RMB'000*	Total *RMB'000*
Net debt as at 1 January 2017	–	–	–
Cash flows	151,000	119	151,119
Net debt as at 31 October 2017	151,000	119	151,119

20 AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES/RELATED COMPANIES/IMMEDIATE HOLDING COMPANY

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017, amounts due from/(to) fellow subsidiaries, related companies and immediate holding company were unsecured, interest free and repayable on demand.

21 TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 December 2014 *RMB'000* (unaudited)	As at 31 December 2015 *RMB'000*	As at 31 December 2016 *RMB'000*	As at 31 October 2017 *RMB'000*
Trade payables	130,194	141,368	154,069	113,862
Other payables and accruals:				
Management service fees received in advance from customers	223,886	230,562	210,607	318,819
Refundable deposits received from customers	120,831	152,707	176,829	218,211
Receipts on behalf of residents under lump sum basis	77,045	152,226	170,407	203,905
Other tax payables	3,192	3,714	1,196	2,102
Accruals	77,190	74,209	85,153	81,432
Other payables	24,726	48,853	57,945	77,194
	526,870	662,271	702,137	901,663
	657,064	803,639	856,206	1,015,525

The credit period granted by the suppliers to the WXM Group ranges from 0 day to 60 days. The following is aging analysis of trade payables presented based on the invoice date as at the end of the reporting periods:

	As at 31 December 2014 *RMB'000* (unaudited)	As at 31 December 2015 *RMB'000*	As at 31 December 2016 *RMB'000*	As at 31 October 2017 *RMB'000*
Within 1 year	129,076	138,862	147,884	102,565
1 year–2 years	1,084	2,472	5,658	11,029
2 years–3 years	34	6	498	220
Over 3 years	–	28	29	48
	130,194	141,368	154,069	113,862

22 BORROWINGS

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 31 October 2017
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Other borrowings – secured	–	–	–	151,000
Carrying amounts repayable:				
Within one year and on demand	–	–	–	151,000
Total borrowings	–	–	–	151,000
Less: Amount due within one year shown under current liabilities	–	–	–	(151,000)
Borrowings due after one year shown under non-current liabilities	–	–	–	–

Other borrowings amounting to RMB120,000,000 represents a loan provided by a trust company, which is guaranteed by Fantasia Group (China) Company Limited, the related company of WXM Group and carried interest at the fixed rate of 8% per annum. The loan balance as at 31 October 2017 will be fully repaid in 2018.

Other borrowings amounting to RMB31,000,000 represents a loan provided by a trust company, which is secured by trade receivables and carried interest at the fixed rate ranging from 1.65% to 7.9% per annum. The loan balance as at 31 October 2017 will be fully repaid within 2018.

23 CAPITAL AND RESERVES

(a) Paid-in capital

Registered and paid-in capital

	RMB'000
As at 31 December 2014 and 1 January 2015 (unaudited)	15,000
Issuance of shares *(note (i))*	50,000
Arising from the Restructuring *(note (ii))*	(15,000)
As at 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 31 October 2017	50,000

Notes:

(i) The WXM was incorporated in the PRC on 8 May 2015 with registered and paid-in capital of RMB50,000,000.

(ii) For the purpose of this report, the paid-in capital of the WXM Group as at 31 December 2014 represented the aggregate amount of paid-in capital of the WXM Subsidiaries in which the equity shareholders of the WXM held direct interest after elimination of investments in subsidiaries. In May 2016, the Restructuring was completed, therefore, the paid-in capital presented as at 31 December 2015 and 2016 represented the paid-in capital of the WXM.

(b) Nature and purpose of reserves

(i) Merger reserve

The merger reserve of the WXM Group represented the difference between the consideration of acquisition and the aggregated paid-in capital of the WXM Subsidiaries pursuant to the Restructuring where the transfer of the WXM Subsidiaries to the WXM are satisfied by cash of RMB17,310,000 from the WXM.

24 BUSINESS COMBINATION UNDER COMMON CONTROL

(a) WXM Subsidiaries

In May 2016, the WXM entered into a sale and purchase agreement (the "**S&P Agreement II**") with 萬達商業管理有限公司 (Wanda Commercial Management Co., Ltd) (the "**Vendor**"), pursuant to which, the WXM acquired from the Vendor the entire issued capital of WXM Subsidiaries (the "**Acquisition II**"). The consideration (the "**Consideration II**") for the Acquisition II under the S&P Agreement II amounted to RMB17,310,000 has been satisfied by cash. The Acquisition II was completed on 18 May 2016.

As mentioned in note 3 to the consolidated financial statements, in the opinion of the directors of the WXM, the Acquisition II was a business combination under common control since the WXM and WXM Subsidiaries were under the common control of Vendor both before and after the completion of the Acquisition II. Accordingly, the WXM Group has applied merger accounting to account for the business combination under common control and combined the consolidated financial statements of WXM Subsidiaries since 18 May 2016 as if the Acquisition II would had been taken place at that date. No significant adjustments were considered necessary to be made to the net assets and net profit of WXM Subsidiaries as a result of the common control combination in order to align its accounting policies with the WXM Group.

WXM Subsidiaries was principally engaged in the provision of property management services.

As mentioned in note 3 to the consolidated financial statements, the acquisitions of WXM Subsidiaries has been accounted for based on merger accounting. Accordingly, the assets and liabilities of WXM Subsidiaries acquired by the WXM have been accounted for at historical cost and the consolidated financial statements of the WXM Group for year prior to the combination have been included the financial position and results of operation of WXM Subsidiaries on a combined basis.

	RMB'000
Paid-in capital of WXM Subsidiaries	15,000
Consideration paid	(17,310)
Deficit of consideration paid recognised in merger reserve	(2,310)

25 RELATED PARTY DISCLOSURES

Other than those balances and transactions disclosed in note 20, during the Track Record Period the WXM Group entered into following transactions with related parties:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)			(unaudited)	
Service provide to fellow subsidiaries	96,989	43,758	41,525	31,287	–
Service expenses paid to fellow subsidiaries	7,461	7,652	9,326	8,255	–
Service expenses paid to related companies	–	–	31,430	–	63,154

26 RETIREMENT BENEFIT SCHEMES

The employees of the WXM Group are members of a defined contribution retirement benefit scheme operated by a local Municipal Government of the PRC. The WXM Group and the employees are each required to make contributions to the retirement benefit scheme at the rates based on certain percentages of the employees' basic salaries in accordance with the relevant regulations in the PRC and are charged to profit or loss as incurred. The only obligation of the WXM Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

27 EVENTS AFTER THE REPORTING PERIOD

There is no significant event taken place subsequent to 31 October 2017.

28 SUBSEQUENT FINANCIAL STATEMENTS

[1]No audited financial statements have been prepared by the WXM Group in respect of any period subsequent to 31 October 2017.

* *English name for identification purpose only*

Accountants' Report on Historical Financial Information to the Directors of Colour Life Services Group Co., Limited

INTRODUCTION

We report on the historical financial information of 深圳市幸福萬象投資合夥企業 (有限合夥) (Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership))* ("**Shenzhen Wanxiang**") and its subsidiaries (the "**Shenzhen Wanxiang Subsidiaries**") (hereinafter collectively referred to as the "**Shenzhen Wanxiang Group**"), set out on pages IIB-3 to IIB-40, which comprises the consolidated statements of financial position as at 31 December 2016 and 31 October 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Shenzhen Wanxiang Group for the year ended 31 December 2016 and period from 1 January 2017 to 31 October 2017 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIB-3 to IIB-40 forms an integral part of this report, which has been prepared for inclusion in the circular of Colour Life Services Group Co., Limited (the "**Company**") dated 5 February 2018 (the "**Circular**") in connection with the proposed acquisition of 100% beneficial interests in the Shenzhen Wanxiang Group by the Company (the "**Acquisition**").

GENERAL PARTNERS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Shenzhen Wanxiang Group's financial position as at 31 December 2016 and 31 October 2017 and of the Shenzhen Wanxiang Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

ADJUSTMENTS

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIB-3 have been made.

DIVIDENDS

We refer to Note 13 to the Historical Financial Information which contains the information about the dividends paid by Shenzhen Wanxiang Group in respect of the Track Record Period.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 5 February 2018
Gao Yajun
Practising certificate number P06391

HISTORICAL FINANCIAL INFORMATION OF THE SHENZHEN WANXIANG GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Shenzhen Wanxiang Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited)		(unaudited)	
Revenue	7	–	–	628,402	327,685	1,239,986
Cost of services		–	–	(439,718)	(229,380)	(827,482)
Gross profit		–	–	188,684	98,305	412,504
Other income	8	–	–	3,018	1,840	1,825
Other gains and losses	9	–	–	(5,540)	93	(8,548)
Administrative expenses		–	–	(163,646)	(92,000)	(151,356)
Finance cost	10	–	–	–	–	(1,829)
Profit before taxation	11	–	–	22,516	8,238	252,596
Income tax expense	12	–	–	(5,298)	(2,239)	(62,451)
Profit and total comprehensive income for the year/period		–	–	17,218	5,999	190,145
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Shenzhen Wanxiang		–	–	17,010	5,817	188,195
Non-controlling interests		–	–	208	182	1,950
		–	–	17,218	5,999	190,145

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2014 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (unaudited)	As at 31 December 2016 RMB'000	As at 31 October 2017 RMB'000
Non-current assets					
Property, plant and equipment	16	–	–	36,103	48,576
Intangible asset	17	–	–	619,689	565,803
Goodwill	18	–	–	1,485,142	1,485,142
Deferred tax asset	19	–	–	2,182	4,138
		–	–	2,143,116	2,103,659
Current assets					
Trade receivables	20	–	–	51,330	98,021
Other receivables and prepayments	20	–	–	143,951	162,041
Amounts due from general partners	22	–	–	–	8,806
Amount due from a limited partner	22	–	–	38,861	102,993
Amounts due from related companies	22	–	–	444,513	810,292
Tax recoverable		–	–	2,768	1,642
Cash and cash equivalents	21	–	–	240,785	298,569
		–	–	922,208	1,482,364
Current liabilities					
Trade payables	23	–	–	154,718	113,604
Other payables and accruals	23	–	–	704,577	903,553
Amount due to a general partner	22	–	–	1,193	–
Amounts due to related companies	22	–	–	31,293	63,627
Borrowings	24	–	–	–	151,000
Tax liabilities		–	–	16,404	20,426
		–	–	908,185	1,252,210
Net current assets		–	–	14,023	230,154

	Notes	As at 31 December 2014 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (unaudited)	As at 31 December 2016 RMB'000	As at 31 October 2017 RMB'000
Non-current liability					
Deferred tax liability	19	–	–	154,922	141,451
		–	–	154,922	141,451
Net assets		–	–	2,002,217	2,192,362
Capital and reserves					
Paid-in capital	25	–	–	1,980,000	1,980,000
Reserves		–	–	17,010	205,205
Equity attribute to the owners of Shenzhen Wanxiang		–	–	1,997,010	2,185,205
Non-controlling interests		–	–	5,207	7,157
Total equity		–	–	2,002,217	2,192,362

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attribute to owners of the Shenzhen Wanxiang				
	Paid-in capital	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014 (unaudited)	–	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–	–
At 31 December 2014 and 1 January 2015 (unaudited)	–	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–	–
At 31 December 2015 and 1 January 2016 (unaudited)	–	–	–	–	–
Profit and total comprehensive income for the year	–	17,010	17,010	208	17,218
Capital injection	1,980,000	–	1,980,000	–	1,980,000
Arising from acquisition of subsidiaries *(note 26)*	–	–	–	4,999	4,999
At 31 December 2016 and 1 January 2017	1,980,000	17,010	1,997,010	5,207	2,002,217
Profit and total comprehensive income for the period	–	188,195	188,195	1,950	190,145
At 31 October 2017	1,980,000	205,205	2,185,205	7,157	2,192,362
At 1 January 2016 (unaudited)	–	–	–	–	–
Capital injection	1,980,000	–	1,980,000	–	1,980,000
Arising from acquisition of subsidiaries *(note 26)*	–	–	–	4,999	4,999
Profit and total comprehensive income for the period	–	5,817	5,817	182	5,999
At 31 October 2016 (unaudited)	1,980,000	5,817	1,985,817	5,181	1,990,988

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Ten months ended 31 October	
		2014	2015	2016	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited)		(unaudited)	
OPERATING ACTIVITIES						
Profit before taxation		–	–	22,516	8,238	252,596
Adjustments for:						
– Amortisation of intangible asset	11	–	–	26,943	16,166	53,886
– Depreciation of property, plant and equipment	11	–	–	3,690	2,214	11,829
– Finance cost	10	–	–	–	–	1,829
– Interest income	8	–	–	(2,450)	(1,470)	(730)
– Provision for impairment loss of trade receivables	9	–	–	81	130	1,435
– Provision for/(reversal of) impairment loss of other receivables	9	–	–	5,152	(384)	6,947
– Loss/(gain) on disposal of property, plant and equipment	9	–	–	56	(29)	40
Operating profit before working capital changes		–	–	55,988	24,865	327,832
Increase in trade receivables		–	–	(47,044)	(47,093)	(48,126)
(Increase)/decrease in other receivables and prepayments		–	–	17,633	(32,266)	(25,037)
Increase/(decrease) in trade payables		–	–	36,779	36,779	(41,114)
Increase/(decrease) in other payables and accruals		–	–	(1,052)	15,225	197,910
Increase in amounts due to related companies		–	–	–	–	32,224
Cash generated from/(used in) operations		–	–	62,304	(2,490)	443,689
Income tax paid		–	–	(2,545)	(993)	(72,730)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES		–	–	59,759	(3,483)	370,959

	Notes	Year ended 31 December 2014 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000	Ten months ended 31 October 2016 RMB'000 (unaudited)	2017 RMB'000
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		–	–	(19,800)	(15,889)	(24,593)
Proceeds of disposal of property, plant and equipment		–	–	29	26	251
Increase in amount due from related companies		–	–	(444,513)	(370,428)	(365,779)
Acquisition of subsidiaries		–	–	(1,330,765)	(1,330,765)	–
Interest received		–	–	2,450	1,470	730
NET CASH USED IN INVESTING ACTIVITIES		–	–	(1,792,599)	(1,715,586)	(389,391)
FINANCING ACTIVITIES						
Increase in amount due from a limited partner		–	–	(38,861)	(38,861)	(64,132)
(Increase)/decrease in amount due from general partners		–	–	1,193	1,193	(9,999)
Increase in amounts due to related companies		–	–	31,293	26,078	110
Proceeds from borrowings		–	–	–	–	151,000
Interest expense paid		–	–	–	–	(763)
Proceed from issuance of shares		–	–	1,980,000	1,980,000	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		–	–	1,973,625	1,968,410	76,216
NET INCREASE IN CASH AND CASH EQUIVALENTS		–	–	240,785	249,341	57,784
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		–	–	–	–	240,785
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		–	–	240,785	249,341	298,569

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL

深圳市幸福萬象投資合夥企業 (有限合夥) (Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership))* ("**Shenzhen Wanxiang**") is a limited partnership company established in the People's Republic of China (the "**PRC**"), their addresses of registered office and principal place of business are Room 901, Block 2, Fantasia Mei Nian Plaza, Interchange of Nanhai Road and Dongbin Road, Shekou Street, Nan Shan Qu, Shenzhen Province, the PRC.

深圳市幸福萬象投資合夥企業 (有限合夥) (Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership))* and its subsidiaries ("**Shenzhen Wanxiang Subsidiaries**") (hereafter collectively referred to as "**Shenzhen Wanxiang Group**") are principally engaged in the provision of property management services and other related services.

On 2 August 2016, 萬象美物業管理有限公司 (Wanxiangmei Property Management Co., Ltd.)* ("**Wanxiangmei**") and 吉林省長白山旅遊度假區物業管理有限公司 (Jilin Sheng Zhangbaishan Tourism Resort Property Management Ltd) * ("**Zhangbaishan**") had been acquired by the Shenzhen Wanxiang and 深圳前海嘉年投資基金管理有限公司 (Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd.)* by 99% and 1% equity interests, respectively.

At the date of this report, the general partners of Shenzhen Wanxiang are 深圳前海嘉年投資基金管理有限公司 (Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd.)* and 深圳鑫橙投資管理有限公司 (Shenzhen Xincheng Investment Management Co., Ltd.) *, which are established in the PRC. In the opinion of the management of Shenzhen Wanxiang, the controlling parties are Fantasia Holdings Group Co., Limited and Ping An Insurance (Group) Company of China, Limited.

At the end of each of the reporting dates and at the date of this report, the Shenzhen Wanxiang had direct and indirect interests in the following subsidiaries:

Name of company	Place of establishment	Registered and paid-in capital	Equity interests attributable to the Shenzhen Wanxiang As at 31 December 2014 (unaudited)	As at 31 December 2015 (unaudited)	As at 31 December 2016	As at 31 October 2017	Principal activities	*Notes*
Directly held:								
萬象美物業管理有限公司 (Wanxiangmei Property Management Co., Ltd)*	The PRC	Registered and paid-in capital RMB50,000,000	–	–	99%	99%	Provision of property management services	(1)
吉林省長白山旅遊度假區物業管理有限公司 (Jilin Sheng Zhangbaishan Tourism Resort Property Management Ltd)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(2)
Indirectly held:								
大連萬象美物業管理有限公司 (Dalian Wanxiangmei Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB5,000,000	–	–	99%	99%	Provision of property management services	(3)
大連萬象美明珠物業管理有限公司 (Dalian Wanxiangmei Mingzhu Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(4)

Name of company	Place of establishment	Registered and paid-in capital	Equity interests attributable to the Shenzhen Wanxiang As at 31 December 2014 (unaudited)	As at 31 December 2015 (unaudited)	As at 31 December 2016	As at 31 October 2017	Principal activities	*Notes*
石家莊花萬美物業管理有限公司 (Shijiazhuang Huawanmei Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(5)
瀋陽花美年物業管理有限公司 (Shenyang Huameinian Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(6)
廊坊市美萬象物業管理有限公司 (Langfang Meiwanxiang Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(7)
長春萬象美物業服務有限公司 (Changchun Wanxiangmei Property Management Services Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(8)
泰州萬象美物業管理有限公司 (Taizhou Wanxiangmei Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(9)
呼和浩特市美象物業服務有限責任公司 (Huhehaote Meixiang Property Services Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(10)
銀川萬象美物業服務有限公司 (Yinchuan Wanxiangmei Property Services Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(11)
大慶萬象美物業管理有限公司 (Daqing Wanxiangmei Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(12)
昆明萬象美物業服務有限公司 (Kunming Wanxiangmei Property Services Co., Ltd.)*	The PRC	Registered and paid-in capital RMB5,000,000	–	–	99%	99%	Provision of property management services	(13)
北京萬象美大湖物業管理有限公司 (Beijing Wanxiangmei Dahu Property Management Co., Ltd.)*	The PRC	Registered and paid-in capital RMB500,000	–	–	99%	99%	Provision of property management services	(14)

All companies comprising the Shenzhen Wanxiang Group have adopted 31 December as the financial year end date.

Note:

(1) The statutory financial statements for the year ended 31 December 2016 were audited by 深圳平海會計師事務所 (普通合夥) (Shenzhen Pinhai CPAs (General Partnership)*). No statutory audited financial statements have been prepared for the years ended 31 December 2014 and 2015.

(2) The statutory financial statements for the year ended 31 December 2015 were audited by 黑龍江海通會計師事務所有限責任公司 (Heilongjiang Hai Tong Certified Public Accountants Co., Ltd.*). No statutory audited financial statements have been prepared for the years ended 31 December 2014 and 2016.

(3) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 大華會計師事務所 (特殊普通合夥) (Da Hua CPAs (Special General Partnership)*). No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(4) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 遼寧正威會計師事務所有限公司 (Liaoning Zhengwei CPAs Co., Ltd*). No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(5) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 河北德信會計師事務所有限公司 (Hebei Dexin CPAs Co., Ltd*) and 河北友誼會計師事務所有限責任公司 (Hebei Youyi CPAs Co., Ltd*), respectively. No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(6) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 遼寧卓成會計師事務所有限公司 (Liaoning Zhuocheng CPAs Co., Ltd*) and 遼寧永成聯合會計師事務所 (Liaoning Yongcheng Lianhe CPAs Co., Ltd*), respectively. No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(7) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 廊坊天元會計師事務所有限責任公司 (Langfang Tianyuan CPAs Co., Ltd*). No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(8) The statutory financial statements for the year ended 31 December 2015 was audited by 吉林宇信會計師事務所 (Jilin Yuxin CPAs*). No statutory audited financial statements have been prepared for the years ended 31 December 2014 and 2016.

(9) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 泰州興瑞會計師事務所有限公司 (Taizhou Xingrui CPAs Co., Ltd*) and 江蘇中天華夏會計師事務所有限公司 (Jiangsu Zhongtian Huaxia CPAs Co., Ltd*), respectively. No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(10) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 內蒙古銘德會計師事務所有限公司 (Neimenggu Mingde CPAs Co., Ltd*) and 內蒙古升恒會計師事務所有限責任公司 (Neimenggu Shengheng CPAs Co., Ltd*), respectively. No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(11) The statutory financial statements for the year ended 31 December 2015 was audited by 寧夏信友會計師事務所 (Ningxia Xinyou CPAs Co., Ltd*). No statutory audited financial statements have been prepared for the years ended 31 December 2014 and 2016.

(12) The statutory financial statements for the year ended 31 December 2015 was audited by 大慶華泰偉信會計師事務所有限責任公司 (Daqing Huatai Weixin CPAs Co., Ltd*). No statutory audited financial statements have been prepared for the years ended 31 December 2014 and 2016.

(13) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 立信會計師事務所 (特殊普通合夥) 雲南分所 (BDO CPAs (Special General Partnership) – Yunnan Branch*). No statutory audited financial statements have been prepared for the year ended 31 December 2016.

(14) The statutory financial statements for the years ended 31 December 2014 and 2015 were audited by 天華正信 (北京) 會計師事務所有限公司 (Tihuasic (Beijing) Certified Public Accountants Co. Ltd.*). No statutory audited financial statements have been prepared for the year ended 31 December 2016.

2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Shenzhen Wanxiang Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advanced Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatment[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined

The expected impacts from the adoption of the above standards and amendments are still being assessed in details by management, and management is not yet in a position to state whether they would have a significant impact on the Shenzhen Wanxiang Group's results of operations and financial position.

3 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

3.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with accounting policies conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**").

The Historical Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Shenzhen Wanxiang Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Shenzhen Wanxiang and entities controlled by the Shenzhen Wanxiang. Control is achieved when the Shenzhen Wanxiang:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Shenzhen Wanxiang Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Shenzhen Wanxiang Group obtains control over the subsidiary and ceases when the Shenzhen Wanxiang Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Shenzhen Wanxiang Group gains control until the date when the Shenzhen Wanxiang Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Shenzhen Wanxiang Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Shenzhen Wanxiang Group are eliminated in full on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Shenzhen Wanxiang Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the general partners of the Shenzhen Wanxiang that make strategic decisions.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business, net of sales related taxes.

The Shenzhen Wanxiang Group charged property management fees in respect of the property management services on a lump sum basis. Revenue is recognised when services are provided.

Property management fees charged on lump sum basis. The Shenzhen Wanxiang Group is entitled to retain the full amount of received property management fees. From the property management fees, the Shenzhen Wanxiang Group pay out their expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overhead covering the common areas. During the term of the contract, if the amount of property management fees the Shenzhen Wanxiang Group collect is not sufficient to cover all the expenses incurred, the Shenzhen Wanxiang Group is not entitled to request the property owners to pay the shortfall.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The carrying amounts of items of property, plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Shenzhen Wanxiang Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised when the Shenzhen Wanxiang Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Shenzhen Wanxiang Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables and prepayments, amounts due from a limited partner, general partners and related companies and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Shenzhen Wanxiang Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Shenzhen Wanxiang Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Shenzhen Wanxiang Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Shenzhen Wanxiang's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchases, sale, issue or cancellation of the Shenzhen Wanxiang's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and accruals, amounts due to a general partner and related companies and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Shenzhen Wanxiang Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Shenzhen Wanxiang Group derecognises financial liabilities when, and only when, the Shenzhen Wanxiang Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Shenzhen Wanxiang Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally derecognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Shenzhen Wanxiang Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Shenzhen Wanxiang Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to the state-managed retirement benefits schemes and the defined contribution retirement benefits plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Related Party

A party is considered to be related to the Shenzhen Wanxiang Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Shenzhen Wanxiang Group;

(ii) has significant influence over the Shenzhen Wanxiang Group; or

(iii) is a member of the key management personnel of the Shenzhen Wanxiang Group or of a parent of the Shenzhen Wanxiang Group;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Shenzhen Wanxiang Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Shenzhen Wanxiang Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Shenzhen Wanxiang Group or an entity related to the Shenzhen Wanxiang Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Shenzhen Wanxiang Group or to the parent of the Shenzhen Wanxiang Group.

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Shenzhen Wanxiang Group's accounting policies, which are described in Note 3, the general partners of Shenzhen Wanxiang are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the following twelve months.

Impairment of goodwill

Shenzhen Wanxiang Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Shenzhen Wanxiang Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017 was RMB Nil (unaudited), RMB Nil (unaudited), RMB1,485,142,000 and RMB1,485,142,000, respectively. Further details are given in Note 18 to the Historical Financial Information.

Impairment of property, plant and equipment

The Shenzhen Wanxiang Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculation and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. The carrying amount of property, plant and equipment as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017 amounting to RMB Nil (unaudited), RMB Nil (unaudited), RMB36,103,000 and RMB48,576,000, respectively.

Recoverability of trade receivables, other receivables and prepayments

The provision policy for bad and doubtful debts of the Shenzhen Wanxiang Group is based on the evaluation of collectability and aging analysis of accounts and management's judgement. Judgements are required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Shenzhen Wanxiang Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

The carrying amount of trade receivables, other receivables and prepayments as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017, amounting to RMB Nil (unaudited) (net of impairment losses of RMB Nil (unaudited)), RMB Nil (unaudited) (net of impairment losses of RMB Nil (unaudited)), RMB195,281,000 (net of impairment losses of RMB9,212,000), and RMB260,062,000 (net of impairment losses of RMB17,594,000), respectively.

5 CAPITAL RISK MANAGEMENT

The Shenzhen Wanxiang Group manages its capital to ensure that the Shenzhen Wanxiang Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Shenzhen Wanxiang Group's overall strategy remained unchanged during the Track Record Period.

The capital structure of the Shenzhen Wanxiang Group consists of debts, which includes equity attributable to owners of the Shenzhen Wanxiang Group, comprising issued paid-in capital and retained earnings.

The management of the Shenzhen Wanxiang Group reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or repayment of existing debts, if necessary.

6 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)		
Financial assets				
Loans and receivables (including cash and cash equivalents)	–	–	872,760	1,435,216
Financial liabilities				
Liabilities at amortised cost	–	–	680,882	912,541

(b) Financial risk management objectives and policies

The Shenzhen Wanxiang Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Shenzhen Wanxiang Group's income and operating cash flows are substantially independent of changes in market interest rates. The Shenzhen Wanxiang Group's exposure to changes in interest rates is mainly attributable to its bank balances which carries interest at variable rates.

The Shenzhen Wanxiang Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings. The Shenzhen Wanxiang Group currently does not use any derivative contract to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The management considered that interest rate risk in fixed-rate borrowings is insignificant.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The sensitivity analysis is prepared assuming the bank balances and borrowings occurred at the end of the reporting period was occurred for the whole period.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the profit before taxation for the Track Record Period would increase/decrease by RMB Nil (unaudited), RMB Nil (unaudited), RMB1,204,000 and RMB1,493,000, respectively. This is mainly attributable to the Shenzhen Wanxiang Group's exposure to interest rates on its variable-rate bank balances.

Foreign currency risk

Given the Shenzhen Wanxiang Group has neither foreign currency assets nor incurs foreign currency liabilities for the Track Record Period, the general partners of the Shenzhen Wanxiang is of the view that the Shenzhen Wanxiang Group does not have any significant concentration of currency risks.

Credit risk

At the end of the reporting period, the Shenzhen Wanxiang Group's maximum exposure to credit risk which will cause a financial loss to the Shenzhen Wanxiang Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Shenzhen Wanxiang Group's credit risk is primarily attributable to its trade receivable, other receivables and prepayments, amounts due from a limited partner, general partners and related companies and bank balances.

The Shenzhen Wanxiang Group reviews the recoverable amount of each individual outstanding receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the general partners of the Shenzhen Wanxiang consider that the Shenzhen Wanxiang Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation.

The credit risk on amounts due from a limited partner, general partners and related companies are insignificant after considering the financial strength of these related parties.

The Shenzhen Wanxiang Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Shenzhen Wanxiang Group's objective is to maintain a continuity of funding. The Shenzhen Wanxiang Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Shenzhen Wanxiang Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Shenzhen Wanxiang Group can be required to pay. The table includes both interest and principal cash flows.

	Repayable on demand or within 1 year	Total undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2014 (unaudited)			
Trade payables	–	–	–
Other payables and accruals	–	–	–
	–	–	–
As at 31 December 2015 (unaudited)			
Trade payables	–	–	–
Other payables and accruals	–	–	–
	–	–	–
As at 31 December 2016			
Trade payables	154,718	154,718	154,718
Other payables and accruals	493,678	493,678	493,678
Amount due to a general partner	1,193	1,193	1,193
Amounts due to related companies	31,293	31,293	31,293
	680,882	680,882	680,882
As at 31 October 2017			
Trade payables	113,604	113,604	113,604
Other payables and accruals	584,310	584,310	584,310
Amounts due to related companies	63,627	63,627	63,627
Borrowings	151,000	151,000	151,000
	912,541	912,541	912,541

(c) Fair value measurements

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The general partners of the Shenzhen Wanxiang consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7 REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker ("**CODM**") to allocate resources to the segments and to assess their performance.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the general partners of the Shenzhen Wanxiang Group. The operations of the Shenzhen Wanxiang Group represent a single operating and reportable segment under HKFRS 8 Operating Segments. The Shenzhen Wanxiang Group has been operating in one operating segment, being property management services and other related services, and historical financial information has been reviewed by the CODM on consolidated basis as a whole for the purposes of resource allocation and assessment of performance.

Revenue represents the amount received or receivable for the provision of property and parking management services during the Track Record Period.

	Year ended 31 December			**Ten months ended 31 October**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)		(unaudited)	
Property management fees charged on a lump sum basis	–	–	551,127	282,336	1,033,048
Parking management service fees	–	–	16,559	7,979	62,661
Others	–	–	60,716	37,370	144,277
	–	–	628,402	327,685	1,239,986

Geographical information

No geographical segment information is presented as the Shenzhen Wanxiang Group's revenue are all derived from the PRC based on the location of services delivered.

8 OTHER INCOME

	Year ended 31 December			**Ten months ended 31 October**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)		(unaudited)	
Bank interest income	–	–	2,450	1,470	730
Government subsidies	–	–	243	230	1,028
Sundry income	–	–	325	140	67
	–	–	3,018	1,840	1,825

9 OTHER GAINS AND LOSSES

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss/(gain) on disposal of property, plant and equipment	–	–	56	(29)	40
Provision for impairment loss of trade receivables	–	–	81	130	1,435
Provision for/(reversal of) impairment loss of other receivables	–	–	5,152	(384)	6,947
Others	–	–	251	190	126
	–	–	5,540	(93)	8,548

10 FINANCE COST

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on other borrowings	–	–	–	–	1,829

11 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors' and chief executive's remuneration *(note 14)*	–	–	–	–	–
Other staff's remuneration:					
– Salaries and allowance	–	–	141,713	80,151	318,638
– Retirement benefits scheme contributions	–	–	42,304	20,220	81,511
Total staff costs *(note i)*	–	–	184,017	100,371	400,149
Auditor's remuneration	–	–	481	–	650
Amortisation for intangible asset	–	–	26,943	16,166	53,886
Depreciation for property, plant and equipment	–	–	3,690	2,214	11,829

Note:

(i) Out of the total staff costs, RMB Nil (unaudited), RMB Nil (unaudited), RMB132,116,000, RMB96,548,000 (unaudited) and RMB384,434,000 are recorded in cost of services according to the function of employee for years/periods ended 31 December 2014, 31 December 2015, 31 December 2016, 31 October 2016, 31 October 2017 respectively. The remaining balances of total staff costs are recorded in administrative expenses during the Track Record Period.

12 INCOME TAX EXPENSE

The PRC Enterprise Income Tax is charged at the statutory rate of 25% of the assessable income as determined with the relevant tax rules and regulations of the PRC during the Track Record Period.

Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)		(unaudited)	
PRC Enterprise Income Tax					
– Current tax	–	–	13,339	6,217	77,878
– Deferred tax *(note 19)*	–	–	(8,041)	(3,978)	(15,427)
	–	–	5,298	2,239	62,451

Reconciliation between income tax expense and accounting profit at the applicable tax rate:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)		(unaudited)	
Profit before taxation	–	–	22,516	8,238	252,596
Notional tax on profit before taxation, calculated at 25%	–	–	5,629	2,060	63,149
Tax effect of different tax rates of certain subsidiaries	–	–	(1,345)	–	(3,137)
Tax effect of expenses not deductible	–	–	255	115	433
Tax effect of tax losses not recognised	–	–	759	64	2,006
Income tax expense	–	–	5,298	2,239	62,451

13 DIVIDENDS

No dividend has been paid or proposed by the Shenzhen Wanxiang during the Track Record Period, nor has any dividend been proposed subsequent to 31 October 2017.

14 REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Directors and supervisors

Details of remuneration paid or payable to the directors and supervisors of the Shenzhen Wanxiang were set out as follows:

	Year ended 31 December 2014 (unaudited)			
	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors	–	–	–	–
Supervisors	–	–	–	–
	–	–	–	–

	Year ended 31 December 2015 (unaudited)			
	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors	–	–	–	–
Supervisors	–	–	–	–
	–	–	–	–

	Year ended 31 December 2016			
	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors	–	–	–	–
Supervisors	–	–	–	–
	–	–	–	–

	1 January 2016 to 31 October 2016 (unaudited)			
	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors	–	–	–	–
Supervisors	–	–	–	–
	–	–	–	–

	1 January 2017 to 31 October 2017			
	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors	–	–	–	–
Supervisors	–	–	–	–
	–	–	–	–

During the Track Record Period, there was no arrangement under which a director of the Shenzhen Wanxiang waived or agreed to waive any emoluments.

During the Track Record Period, no emoluments were paid by the Shenzhen Wanxiang Group to the directors of the Shenzhen Wanxiang as an inducement to join, or upon joining the Shenzhen Wanxiang Group, or as compensation for loss of office.

(b) Five highest-paid individuals

During the Track Record Period, five highest-paid individuals in the Shenzhen Wanxiang Group include no directors. Details of the emoluments of these individuals are as follows:

Details of the remuneration paid to the five highest paid individuals included no directors for the years ended 31 December 2014, 2015 and 2016 and for the period ended 31 October 2017, whose remuneration is set out in note (a) above. Details of remuneration of the remaining individuals is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)		(unaudited)	
Salaries and allowances	–	–	2,078	1,247	3,600
Contribution retirement benefit scheme	–	–	392	235	110
	–	–	2,470	1,482	3,710

The number of highest paid individual whose remuneration fell within following band is as follow:

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals*	*Number of individuals*
	(unaudited)	(unaudited)		(unaudited)	
Nil to HKD1,000,000	–	–	5	5	5

15 EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusions is not considered meaningful. The Shenzhen Wanxiang Group has no potentially dilutive option or other instruments relating to ordinary shares.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements and buildings *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2014 (unaudited)	–	–	–	–
Additions	–	–	–	–
At 31 December 2014 and 1 January 2015 (unaudited)	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
At 31 December 2015 and 1 January 2016 (unaudited)	–	–	–	–
Arising from acquisition of subsidiaries	1,302	17,005	1,771	20,078
Additions	14,120	3,553	2,127	19,800
Disposals	–	(526)	–	(526)
At 31 December 2016 and 1 January 2017	15,422	20,032	3,898	39,352
Additions	15,796	6,442	2,355	24,593
Disposals	–	(410)	(640)	(1,050)
At 31 October 2017	31,218	26,064	5,613	62,895
Accumulated depreciation:				
At 1 January 2014 (unaudited)	–	–	–	–
Charged for the year	–	–	–	–
At 31 December 2014 and 1 January 2015 (unaudited)	–	–	–	–
Charged for the year	–	–	–	–
Eliminated on disposals	–	–	–	–
At 31 December 2015 and 1 January 2016 (unaudited)	–	–	–	–
Charged for the year	1,431	2,043	216	3,690
Eliminated on disposals	–	(441)	–	(441)
At 31 December 2016 and 1 January 2017	1,431	1,602	216	3,249
Charged for the period	6,564	4,246	1,019	11,829
Eliminated on disposals	–	(362)	(397)	(759)
At 31 October 2017	7,995	5,486	838	14,319
Carrying values:				
At 31 December 2014 (unaudited)	–	–	–	–
At 31 December 2015 (unaudited)	–	–	–	–
At 31 December 2016	13,991	18,430	3,682	36,103
At 31 October 2017	23,223	20,578	4,775	48,576

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

	Depreciation rate
Leasehold improvements and buildings	3% – 20%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	20%

17 INTANGIBLE ASSET

	Contractual rights *RMB'000*
Cost:	
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015 and 1 January 2016 (unaudited)	–
Arising from acquisition of subsidiaries	646,632
At 31 December 2016, 1 January 2017 and 31 October 2017	646,632
Accumulated amortisation:	
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015 and 1 January 2016 (unaudited)	–
Charge for the year	26,943
At 31 December 2016 and 1 January 2017	26,943
Charge for the period	53,886
At 31 October 2017	80,829
Net book value:	
At 31 October 2017	565,803
At 31 December 2016	619,689
At 31 December 2014 and 2015 (unaudited)	–

18 GOODWILL

	Goodwill
	RMB'000
Cost:	
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015 and 1 January 2016 (unaudited)	–
Additions *(Note 26)*	1,485,142
At 31 December 2016, 1 January 2017 and 31 October 2017	1,485,142
Accumulated impairment losses:	
At 1 January 2014 (unaudited), 31 December 2014 (unaudited), 1 January 2015 (unaudited), 31 December 2015 (unaudited), 1 January 2016 (unaudited), 31 December 2016, 1 January 2017 and 31 October 2017	–
Net book value:	
At 31 October 2017	1,485,142
At 31 December 2016	1,485,142
At 31 December 2014 and 2015 (unaudited)	–

For the purpose of impairment testing, goodwill above has been allocated to a group of communities managed by Shenzhen Wanxiang collectively as the property management cash-generating units ("**Property Management CGU**").

During the year ended 31 December 2016 and period ended 31 October 2017, management of Shenzhen Wanxiang determined that there is no impairment of its Property Management CGU containing goodwill arising from the acquisition of businesses.

The recoverable amount of the Property Management CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a 5-year period and at discount rates which ranges from 14% to 20% per annum as at 31 December 2016 and 31 October 2017. The cash flows beyond the five-year period are extrapolated using 5% growth rate.

Cash flow projections during the budget period for the Property Management CGU are based on management's key estimation of cash inflows/outflows including revenue, gross profit and operating expenses. The assumptions and estimation are based on the Property Management CGU past performance and management's expectation of market development. The management of Shenzhen Wanxiang believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amount to exceed its recoverable amount.

19 DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December 2014 *RMB'000* (unaudited)	As at 31 December 2015 *RMB'000* (unaudited)	As at 31 December 2016 *RMB'000*	As at 31 October 2017 *RMB'000*
Deferred tax asset	–	–	2,182	4,138
Deferred tax liability	–	–	(154,922)	(141,451)
	–	–	(152,740)	(137,313)

The following are the major deferred tax asset/(liability) recognised and movements thereon during the Track Record Period.

	Allowance on doubtful debt *RMB'000*	Intangible assets *RMB'000*	Total *RMB'000*
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015 and 1 January 2016 (unaudited)	–	–	–
Arising from acquisition of subsidiaries	877	(161,658)	(160,781)
Credit to profit or loss	1,305	6,736	8,041
At 31 December 2016 and 1 January 2017	2,182	(154,922)	(152,740)
Credit to profit or loss	1,956	13,471	15,427
At 31 October 2017	4,138	(141,451)	(137,313)

20 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 31 October 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)		
Trade receivables	–	–	52,546	100,672
Less: Allowance for doubtful debts	–	–	(1,216)	(2,651)
Trade receivables net of allowance for doubtful debts	–	–	51,330	98,021
Other receivables and prepayments:				
Prepayments	–	–	46,680	45,506
Advances to staff	–	–	1,234	4,351
Deposits	–	–	10,382	9,338
Payment on behalf of residents under lump sum basis	–	–	41,223	69,979
Other tax recoverable	–	–	5,461	938
Other receivables	–	–	38,971	31,929
	–	–	143,951	162,041
	–	–	195,281	260,062

Trade receivables are mainly derived from property management service income under lump sum basis and other services.

Trade receivables are received in accordance with the terms of the relevant service agreements. Shenzhen Wanxiang Group allows average credit period normally from 30 days to 180 days for residential customers and 180 days to 365 days for commercial customers. The receiving pattern of the management and service income are normally within 30 days to 365 days after the issuance of demand note to the residents.

The following is an aging analysis of trade receivables (net of allowance for doubtful debts) presented based on the date of demand note at the end of the reporting periods:

	As at 31 December 2014 *RMB'000* (unaudited)	**As at 31 December 2015** *RMB'000* (unaudited)	**As at 31 December 2016** *RMB'000*	**As at 31 October 2017** *RMB'000*
Within 1 year	–	–	47,548	84,461
1 year–2 years	–	–	1,842	12,092
2 years–3 years	–	–	1,510	345
Over 3 years	–	–	430	1,123
	–	–	51,330	98,021

In determining the recoverability of trade receivables, the Shenzhen Wanxiang Group estimates the recoverable amount of the outstanding receivables of each community managed by the Shenzhen Wanxiang Group. Having considered the past collection records, in the opinion of the general partners of the Shenzhen Wanxiang, the trade receivables are of good credit quality and no further impairment allowance is necessary in respect of the remaining unsettled balances.

Included in the Shenzhen Wanxiang Group's trade receivables balance are debtors with aggregate carrying amount of RMB Nil (unaudited), RMB Nil (unaudited), RMB19,631,000 and RMB41,713,000 as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017, respectively, which are past due as at the reporting dates for which the Shenzhen Wanxiang Group has not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience and substantial settlement after the end of the reporting period. The Shenzhen Wanxiang Group does not hold any collateral over these balances.

Aging of trade receivables (by due date) which are past due but not impaired:

	As at 31 December 2014 *RMB'000* (unaudited)	**As at 31 December 2015** *RMB'000* (unaudited)	**As at 31 December 2016** *RMB'000*	**As at 31 October 2017** *RMB'000*
Within 1 year	–	–	15,849	28,153
1 year–2 years	–	–	1,842	12,092
2 years–3 years	–	–	1,510	345
Over 3 years	–	–	430	1,123
	–	–	19,631	41,713

Movement in the provision for impairment loss on trade and other receivables is as follows:

	As at 31 December 2014 *RMB'000* (unaudited)	As at 31 December 2015 *RMB'000* (unaudited)	As at 31 December 2016 *RMB'000*	As at 31 October 2017 *RMB'000*
Balance at beginning of the reporting period	–	–	–	9,212
Acquisition of subsidiaries	–	–	3,979	–
Impairment losses recognised	–	–	5,233	8,382
Balance at end of the reporting period	–	–	9,212	17,594

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB Nil (unaudited), RMB Nil (unaudited), RMB1,216,000 and RMB2,651,000 as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017, respectively, which have been past due for more than one year and the collection of these receivables may not be recoverable. The Shenzhen Wanxiang Group does not hold any collateral over these balances.

21 CASH AND CASH EQUIVALENTS

	As at 31 December 2014 *RMB'000* (unaudited)	As at 31 December 2015 *RMB'000* (unaudited)	As at 31 December 2016 *RMB'000*	As at 31 October 2017 *RMB'000*
Cash and bank balances	–	–	240,785	298,569

Cash and cash equivalents comprise of cash on hand and bank balances deposited with banks in the PRC. The short-term bank deposits are with original maturity of three months or less and carried interests at the prevailing market interest rate for the Track Record Period.

The RMB is not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Shenzhen Wanxiang Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Shenzhen Wanxiang Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in Shenzhen Wanxiang Group's consolidated cash flow statement as cash flows from financing activities.

	Liabilities from financing activities		
	Borrowings	Amounts due to related companies	Total
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*
Net debt as at 1 January 2017	–	–	–
Cash flows	151,000	110	151,110
Net debt as at 31 October 2017	151,000	110	151,110

22 AMOUNTS DUE FROM/TO A LIMITED PARTNER, GENERAL PARTNERS AND RELATED COMPANIES

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017, amounts due from/(to) a limited partner, general partners and related companies were unsecured, interest free and repayable on demand.

23 TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 31 October 2017
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*
Trade payables	–	–	154,718	113,604
Other payables and accruals:				
Management service fees received in advance from customers	–	–	210,899	319,243
Refundable deposits received from customers	–	–	177,113	218,211
Receipts on behalf of residents under lump sum basis	–	–	170,610	203,905
Other tax payables	–	–	1,211	2,108
Accruals	–	–	86,133	81,922
Other payables	–	–	58,611	78,164
	–	–	704,577	903,553
	–	–	859,295	1,017,157

The credit period granted by the suppliers to the Shenzhen Wanxiang Group ranges from 0 day to 60 days. The following is aging analysis of trade payables presented based on the invoice date as at the end of the reporting periods:

	As at 31 December 2014 *RMB'000* (unaudited)	**As at 31 December 2015** *RMB'000* (unaudited)	**As at 31 December 2016** *RMB'000*	**As at 31 October 2017** *RMB'000*
Within 1 year	–	–	148,533	102,307
1 year–2 years	–	–	5,658	11,029
2 years–3 years	–	–	498	220
Over 3 years	–	–	29	48
	–	–	154,718	113,604

24 BORROWINGS

	As at 31 December 2014 *RMB'000* (unaudited)	**As at 31 December 2015** *RMB'000* (unaudited)	**As at 31 December 2016** *RMB'000*	**As at 31 October 2017** *RMB'000*
Other borrowings – secured	–	–	–	151,000
Carrying amount repayable:				
Within one year and on demand	–	–	–	151,000
Total borrowings	–	–	–	151,000
Less: Amount due within one year shown under current liabilities	–	–	–	(151,000)
Borrowings due after one year shown under non-current liabilities	–	–	–	–

Other borrowings amounting to RMB120,000,000 represents a loan provided by a trust company, which is guaranteed by Fantasia Group (China) Company Limited, the related company of Shenzhen Wanxiang and carried interest at the fixed rate of 8% per annum. The loan balance as at 31 October 2017 will be fully repaid in 2018.

Other borrowings amounting to RMB31,000,000 represents a loan provided by a trust company, which is secured by trade receivables and carried interest at the fixed rate ranging from 1.65% to 7.9% per annum. The loan balance as at 31 October 2017 will be fully repaid within 2018.

25 PAID-IN CAPITAL

Registered and paid-in capital

	RMB'000
As at 31 December 2014, 1 January 2015, 31 December 2015 and 1 January 2016 (unaudited)	–
Capital injection *(note (i))*	1,980,000
As at 31 December 2016, 1 January 2017 and 31 October 2017	1,980,000

Note:

(i) In August 2016, 長城嘉信資產管理有限公司 (Greatwall Jiaxin Asset Management Co., Ltd.)* and 深圳市嘉信諮詢服務有限公司 (Shenzhen Shi Jiaxin Consultancy Services Co., Ltd.)*, limited partner of the Shenzhen Wanxiang, were injected the amounts of RMB1,000,000,000 and RMB980,000,000, respectively.

26 BUSINESS COMBINATION

(a) WXM Group

On 23 June 2016, the Shenzhen Wanxiang entered into a sale and purchase agreement (the "**S&P Agreement II**") with 大連萬達商業地產股份有限公司 (Dalin Wanda Commercial Properties Co., Ltd)* (the "**Vendor**"), pursuant to which, the Shenzhen Wanxiang acquired from the Vendor 99% issued capital of WXM (the "**Acquisition II**"). The consideration (the "**Consideration II**") for the Acquisition II under the S&P Agreement II amounted to RMB1,970,100,000 has been satisfied by cash. The Acquisition II was completed on 2 August 2016 (the "**Acquisition Date**").

The fair value of identifiable assets and liabilities acquired at the Acquisition Date were as follows:

	RMB'000
Property, plant and equipment	20,028
Intangible asset	646,632
Deferred tax asset	876
Trade receivables	4,367
Other receivables and prepayments	91,991
Amounts due from fellow subsidiaries	74,639
Amount due from immediate holding company	86
Cash and cash equivalents	648,664
Trade payables	(117,935)
Other payables and accruals	(684,243)
Amounts due to fellow subsidiaries	(12,058)
Tax liabilities	(2,842)
Deferred tax liability	(161,658)
Total identifiable net assets	508,547
Non-controlling interest	(5,086)
Net assets acquired	503,461
Goodwill	1,466,639
Total consideration	1,970,100
Satisfied by:	
Cash	1,970,100

(b) Zhangbaishan

On 23 June 2016, the Shenzhen Wanxiang entered into a sale and purchase agreement (the "**S&P Agreement III**") with the Vendor, pursuant to which, the Shenzhen Wanxiang acquired from the Vendor 99% issued capital of Zhangbaishan (the "**Acquisition III**"). The consideration (the "**Consideration III**") for the Acquisition III under the S&P Agreement III amounted to RMB9,900,000 has been satisfied by cash. The Acquisition III was completed on 2 August 2016 (the "**Acquisition Date**").

The fair value of identifiable assets and liabilities acquired at the Acquisition Date were as follows:

	RMB'000
Property, plant and equipment	50
Deferred tax asset	1
Other receivables and prepayments	4
Amount due from immediate holding company	16
Cash and cash equivalents	571
Trade payables	(4)
Other payables and accruals	(2,652)
Amounts due to fellow subsidiaries	(6,676)
Total identifiable net liabilities	(8,690)
Non-controlling interest	87
Net liabilities acquired	(8,603)
Goodwill	18,503
Total consideration	9,900
Satisfied by:	
Cash	9,900

27 RELATED PARTY DISCLOSURES

Other than those balances and transactions disclosed in note 22, during the Track Record Period the Shenzhen Wanxiang Group entered into following transactions with related parties:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Service expenses paid to related companies	–	–	31,430	–	63,517

28 RETIREMENT BENEFIT SCHEMES

The employees of the Shenzhen Wanxiang Group are members of a defined contribution retirement benefit scheme operated by a local Municipal Government of the PRC. The Shenzhen Wanxiang Group and the employees are each required to make contributions to the retirement benefit scheme at the rates based on certain percentages of the employees' basic salaries in accordance with the relevant regulations in the PRC and are charged to profit or loss as incurred. The only obligation of the Shenzhen Wanxiang Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

29 EVENTS AFTER THE REPORTING PERIOD

There is no significant event taken place subsequent to 31 October 2017.

30 SUBSEQUENT FINANCIAL STATEMENTS

[2]No audited financial statements have been prepared by the Shenzhen Wanxiang Group in respect of any period subsequent to 31 October 2017.

* *English name for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION OF WXM

Set out below is the management discussion and analysis on WXM for the three years ended 2014, 2015 and 2016 and for the ten months ended 31 October 2017. The discussion and analysis relate to the consolidated results and financial position of WXM.

The following discussion and analysis should be read in conjunction with the accountants' report set out in Appendix II to this circular.

A. MANAGEMENT DISCUSSION AND ANALYSIS OF WXM

The management discussion and analysis of WXM for the three years ended 2014, 2015, 2016 and for the ten months ended 31 October 2017 are listed below.

For the year ended 31 December 2014

Business review

For the year ended 31 December 2014, WXM recorded revenue of approximately RMB974,917,000, gross profit of approximately RMB209,990,000 and net profit of approximately RMB66,081,000.

Revenue analysis of WXM by category of services for the year ended 31 December 2014 is listed in the table below:

	Year ended 31 December 2014	
	RMB'000	%
Property management service fees calculated by lump sum system	857,927	88.0%
Parking management service fees	37,047	3.8%
Other	79,943	8.2%
	974,917	100.00%

The service costs of WXM mainly included employee costs, public services, material costs and other direct and indirect costs of providing property management services. For the year ended 31 December 2014, the service costs amounted to approximately RMB764,927,000. Based on the above, WXM recorded gross profit of approximately RMB209,990,000 and gross profit margins of approximately 21.5%.

For the year ended 31 December 2014, other losses of WXM amounted to approximately RMB2,858,000, including trade receivables provision for doubtful debts of approximately RMB497,000, and other receivables provision for bad debts of approximately RMB2,361,000. For the year ended 31 December 2014, WXM's other income amounted to approximately RMB5,534,000, mainly including bank interest income of approximately RMB5,016,000 and miscellaneous income charged to households of approximately RMB518,000. For the year ended 31 December 2014, WXM's administrative expenditure amounted to approximately RMB123,385,000, including administrative personnel costs, office expenses, and depreciation of property, plant and equipment. WXM's income tax expenditure amounted to approximately RMB23,200,000, and the actual tax rate was approximately 26%. Based on the above, WXM recorded a net profit of approximately RMB66,081,000.

Liquidity, financial resources and capital structure

As at 31 December 2014, WXM's bank balances and cash amounted to approximately RMB679,119,000, and the current ratio (the total value of the current assets over the total amount of the current liabilities) was approximately 1.1 times and the debt to assets ratio (the total liabilities over the total asset value) was approximately 0.89 times respectively. On the date concerned, WXM did not have any bank borrowings or long-term borrowings.

As at 31 December 2014, WXM's current assets amounted to approximately RMB794,642,000, mainly including trade receivables of approximately RMB9,859,000, other receivables and prepayments of approximately RMB53,377,000 in addition to bank balances and cash. The trade receivables of WXM mainly resulted from the fees charged for the provision of property management services to households and owners. Other receivables and prepayments included the payment on behalf of households calculated by lump sum system, i.e. the public service fees paid by WXM on behalf of households would thereafter be collected from households at a pre-determined rate.

As at 31 December 2014, WXM's current liabilities amounted to approximately RMB722,312,000, including other payables and accruals of approximately RMB526,870,000, and trade payable of approximately RMB130,194,000. Other payables and accruals included advance management fees and advance refundable deposits, other tax payables and accrued employee costs.

Capital commitments

As at 31 December 2014, WXM did not have any capital commitments.

Significant investments, material acquisitions and disposals

For the year ended 31 December 2014, WXM did not have any material acquisitions and disposals.

Employees and remuneration policy

As at 31 December 2014, WXM employed a total of 4,910 employees in China. During the year, the costs of employees amounted to approximately RMB392,232,000, including the employee salary payment of approximately RMB313,019,000 and retirement benefits plan payment of approximately RMB79,213,000 respectively. WXM provided remuneration and benefits programs to employees based on personal performances, skills, qualifications and experiences as well as current market practices.

Group asset mortgages

As at 31 December 2014, WXM did not have any group assets mortgaged.

Money and interest rate risks

As WXM conducted its business in China and all transactions and assets and liabilities were denominated in RMB, the currency risk of WXM due to exchange rate fluctuation was very low.

WXM was exposed to interest rate risks of cash flow due to the limited bank deposits and the fluctuation of prevailing market interest rate of the bank. Such risks concerned were limited and were mainly concentrated in the fluctuation of the benchmark deposit rates of the People's Bank of China ("**PBOC**").

Contingent liabilities

As at 31 December 2014, WXM did not have any significant contingent liabilities.

For the year ended 31 December 2015

Business review

For the year ended 31 December 2015, WXM recorded revenue of approximately RMB1,198,143,000 (2014: approximately RMB974,917,000), gross profit of approximately RMB253,854,000 (2014: approximately RMB209,990,000) and net profit of approximately RMB46,231,000 (2014: approximately RMB66,081,000).

Revenue analysis of WXM by category of services for the year ended 31 December 2015 is listed in the table below:

	Year ended 31 December 2015	
	RMB'000	*%*
Property management service fees calculated by lump sum system	989,667	82.6%
Parking management service fees	58,708	4.9%
Others	149,768	12.5%
	1,198,143	100.0%

The revenue of WXM increased by approximately 22.9% as compared to 2014, mainly due to the increase of property management service fee income calculated by lump sum system brought by new contracts.

For the year ended 31 December 2015, the service costs of WXM amounted to approximately RMB944,289,000, with an increase of 23.4% compared to approximately RMB764,927,000 for the year ended 31 December 2014. And gross profits amounted to approximately RMB253,854,000 with an increase of approximately 20.9% compared to approximately RMB209,990,000 for the year ended 31 December 2014. Service costs and gross profits increased consistently with revenue growth. In 2015, the gross profit margin was approximately 21.2%, maintaining a relatively stable level compared with 21.5% in 2014.

For the year ended 31 December 2015, other losses of WXM amounted to approximately RMB5,782,000 (2014: approximately RMB2,858,000 Yuan). The increase in other losses was primarily due to the increase in the allowance for doubtful debts of other receivables. For the year ended 31 December 2015, other income of WXM amounted to approximately RMB11,345,000 (2014: approximately RMB5,534,000). The increase in other income was mainly due to the increase of unconditional government subsidies in 2015 and the increase of bank interest income. For the year ended 31 December 2015, the administrative expenditure of WXM amounted to approximately RMB184,571,000 (2014: approximately RMB123,385,000). The increase in administrative expenses was due to the expansion of business of WXM.

The income tax expenditure of WXM was approximately RMB28,615,000 (2014: approximately RMB23,200,000), with an actual tax rate of approximately 38.2% (2014: approximately 26%). Based on the above, the net profit of WXM decreased to approximately RMB46,231,000.

Liquidity, financial resources and capital structure

As at 31 December 2015, WXM's bank balances and cash amounted to approximately RMB851,702,000 (2014: approximately RMB679,119,000), and the current ratio (the total value of the current assets over the total amount of the current liabilities) was approximately 1.19 times (2014: 1.1 times) and the debt to assets ratio (the total liabilities over the total asset value) was approximately 0.83 times (2014: 0.89 times) respectively. On the date concerned, WXM did not have any bank borrowings or long-term borrowings.

As at 31 December 2015, WXM's current assets amounted to approximately RMB1,047,931,000 (2014: approximately RMB794,642,000), in addition to bank balances and cash, mainly including other receivables and prepayments of approximately RMB75,351,000 (2014: approximately RMB53,377,000), approximately RMB62,049,000 due from affiliated companies (2014: approximately RMB47,649,000) and approximately RMB49,500,000 due from the direct holding companies (2014: nil). Other receivables and prepayments included the payment on behalf of households calculated by lump sum system, i.e. the public service fees paid by WXM on behalf of households would thereafter be collected from households at a pre-determined rate.

As at 31 December 2015, WXM's current liabilities amounted to RMB882,995,000 (2014: approximately RMB722,312,000), including other payables and accruals of approximately RMB662,271,000 (2014: approximately RMB526,870,000), trade payable of approximately RMB141,368,000 (2014: approximately RMB130,194,000) and due to affiliated companies of approximately RMB59,597,000 (2014: approximately RMB49,748,000). Other payables and accruals included advance management fees and advance refundable deposits, other tax payables and accrued employee costs.

Capital commitments

As at 31 December 2015, WXM did not have any capital commitments.

Significant investments, material acquisitions and disposals

For the year ended 31 December 2015, WXM did not have any significant investments, material acquisitions and disposals.

Employee and remuneration policy

As at 31 December 2015, WXM employed a total of 6,426 (2014: a total of 4,910) employees in China. During the year, the costs of employees amounted to approximately RMB511,350,000 (2014: approximately RMB392,232,000), including the employee salary payment of approximately RMB408,409,000 (2014: approximately RMB313,019,000) and retirement benefits plan payment of approximately RMB102,941,000 (2014: approximately RMB79,213,000) respectively. WXM provided remuneration and benefits programs to employees based on personal performances, skills, qualifications and experiences as well as current market practices.

Group asset mortgages

As at 31 December 2015, WXM did not have any group assets mortgaged.

Money and interest rate risks

As WXM conducted its business in China and all transactions and assets and liabilities were denominated in RMB, the currency risk of WXM due to exchange rate fluctuation was very low.

WXM was exposed to interest rate risks of cash flow due to the limited bank deposits and the fluctuation of prevailing market interest rate of the bank. Such risks concerned were limited and were mainly concentrated in the fluctuation of the benchmark deposit rates of the People's Bank of China ("**PBOC**").

Contingent liabilities

As at 31 December 2015, WXM did not have any significant contingent liabilities.

For the year ended 31 December 2016

Business review

For the year ended 31 December 2016, WXM recorded revenue of approximately RMB1,324,713,000 (2015: approximately RMB1,198,143,000), gross profit of approximately RMB283,971,000 (2015: approximately RMB253,854,000) and net profit of approximately RMB21,731,000 (2015: approximately RMB46,231,000).

Revenue analysis of WXM by category of services for the year ended 31 December 2016 is listed in the table below:

	Year ended 31 December 2016	
	RMB'000	%
Property management service fees calculated by lump sum system	1,139,253	86%
Parking management service fees	39,741	3%
Others	145,719	11%
	1,324,713	100.0%

The revenue of WXM increased by approximately 10.6% as compared to 2015, mainly due to the increase of property management service fee income calculated by lump sum system brought by new contracts and increase in pre-sale property management fees.

For the year ended 31 December 2016, the service costs of WXM amounted to approximately RMB1,040,742,000, with an increase of approximately 10.2% compared to approximately RMB944,289,000 for the year ended 31 December 2015. And gross profits amounted to approximately RMB283,971,000 with an increase of 11.9% compared to approximately RMB253,854,000 for the year ended 31 December 2015. Service costs and gross profits increased consistently with revenue growth. In 2016, the gross profit margin was approximately 21.4%, maintaining a relatively stable level compared with 21.2% in 2015.

For the year ended 31 December 2016, other gains of WXM amounted to approximately RMB855,000 (2015: other losses of approximately RMB5,782,000). The change in other gains and losses was primarily due to the reversal of allowance for doubtful debts of other receivables accrued in the previous year. For the year ended 31 December 2016, other income of WXM amounted to approximately RMB10,074,000 (2015: approximately RMB11,345,000). The decrease in other income was mainly due to the decrease of unconditional government subsidies and the decrease of bank interest income. For the year ended 31 December 2016, the administrative expenditure of WXM amounted to approximately RMB243,044,000 (2015: approximately RMB184,571,000). The increase in administrative expenses was due to the expansion of business of WXM.

The income tax expenditure of WXM was approximately RMB30,125,000 (2015: approximately RMB28,615,000), with an actual tax rate of approximately 58.1% (2015: approximately 38.2%). Based on the above, the net profit of WXM decreased to approximately RMB21,731,000.

Liquidity, financial resources and capital structure

As at 31 December 2016, WXM's bank balances and cash amounted to approximately RMB238,299,000 (2015: approximately RMB851,702,000), and the current ratio (the total value of the current assets over the total amount of the current liabilities) was approximately 1.03 times (2015: 1.19 times) and the debt to assets ratio (the total liabilities over the total asset value) was approximately 0.93 times (2015: 0.83 times) respectively. On the date concerned, WXM did not have any bank borrowings or long-term borrowings.

As at 31 December 2016, WXM's current assets amounted to approximately RMB928,468,000 (2015: approximately RMB1,047,931,000), in addition to bank balances and cash, mainly including other receivables and prepayments of approximately RMB138,520,000 (2015: approximately RMB75,351,000), approximately RMB444,513,000 due from related companies (2015: nil) and approximately RMB44,265,000 due from the direct holding companies (2015: approximately RMB49,500,000). Other receivables and prepayments included the payment on behalf of households calculated by lump sum system, i.e. the public service fees paid by WXM on behalf of households would thereafter be collected from households at a pre-determined rate.

As at 31 December 2016, WXM's current liabilities amounted to RMB903,904,000 (2015: approximately RMB882,995,000), including other payables and accruals of approximately RMB702,137,000 (2015: approximately RMB662,271,000), trade payable of approximately RMB154,069,000 (2015: approximately RMB141,368,000) and payables to related companies of approximately RMB31,294,000 (2015:Nil). Other payables and accruals included advance management fees and advance refundable deposits, other tax payables and accrued employee costs.

Capital commitments

As at 31 December 2016, WXM did not have any capital commitments.

Significant investments, material acquisitions and disposals

For the year ended 31 December 2016, WXM did not have any significant investments, material acquisitions and disposals.

Employee and remuneration policy

As at 31 December 2016, WXM employed a total of 6,550 (2015: a total of 6,426) employees in China. During the year, the costs of employees amounted to approximately RMB523,912,000 (2015: approximately RMB511,350,000), including the employee salary payment of approximately RMB419,029,000 (2015: approximately RMB408,409,000) and retirement benefits plan payment of approximately RMB104,883,000 (2015: approximately RMB102,941,000) respectively. WXM provided remuneration and benefits programs to employees based on personal performances, skills, qualifications and experiences as well as current market practices.

Group asset mortgages

As at 31 December 2016, WXM did not have any group assets mortgaged.

Money and interest rate risks

As WXM conducted its business in China and all transactions and assets and liabilities were denominated in RMB, the currency risk of WXM due to exchange rate fluctuation was very low.

WXM was exposed to interest rate risks of cash flow due to the limited bank deposits and the fluctuation of prevailing market interest rate of the bank. Such risks concerned were limited and were mainly concentrated in the fluctuation of the benchmark deposit rates of the People's Bank of China ("**PBOC**").

Contingent liabilities

As at 31 December 2016, WXM did not have any significant contingent liabilities.

For the ten months ended 31 October 2017

Business review

For the ten months ended 31 October 2017, WXM recorded revenue of approximately RMB1,235,986,000 (for the ten months ended 31 October 2016: approximately RMB1,055,248,000), gross profit of approximately RMB412,224,000 (for the ten months ended 31 October 2016: approximately RMB180,404,000) and net profit of approximately RMB235,029,000 (for the ten months ended 31 October 2016: approximately RMB15,142,000).

Revenue analysis of WXM by category of services for the year ended 31 October 2017 is listed in the table below:

	Ten months ended 31 October 2017	
	RMB'000	*%*
Property management service fees calculated by lump sum system	1,029,081	83.2%
Parking management service fees	62,661	5.1%
Others	144,244	11.7%
	1,235,986	100.0%

The revenue of WXM increased by approximately 17.1% as compared to the ten months ended 31 October 2016, mainly due to the increase of property management service fee income calculated by lump sum system brought by new contracts during the year and increase in pre-sale property management fees.

For the ten months ended 31 October 2017, the service costs of WXM amounted to approximately RMB823,762,000, with a decrease of approximately 5.8% compared to approximately RMB874,844,000 for the ten months ended 31 October 2016. And gross profits amounted to approximately RMB412,224,000 with an increase of 128.5% compared to approximately RMB180,404,000 for the ten months ended 31 October 2016. The growth rate of gross profit was higher than that of revenue, driving the gross margin increased to approximately 33.4% while the gross profit margin was 17.1% for the ten months ended 31 October 2016, mainly due to the increase in income and effective cost control as well as a higher gross profit margin of new businesses resulted from the professional consultancy provided by Home E&E and Kaiyuan International to WXM.

For the ten months ended 31 October 2017, other losses of WXM amounted to approximately RMB8,592,000 (for the ten months ended 31 October 2016: other gains of approximately RMB755,000). The change in other gains and losses was primarily due to the allowance for doubtful debts of other receivables. For the ten months ended 31 October 2017, WXM's other income amounted to approximately RMB1,812,000 (for the ten months ended 31 October 2016: approximately RMB7,786,000). The decrease in other income was mainly due to the decrease of unconditional government subsidies and the decrease of bank interest income. For the ten months ended 31 October 2017, WXM's administrative expenses amounted to approximately RMB92,836,000 (for the ten months ended 31 October 2016: approximately RMB160,991,000), mainly due to the fact that operation management of WXM significantly improved with effective control in various expenses resulted from the professional consultancy provided by Home E&E and Kaiyuan International to WXM.

The income tax expenses of WXM amounted to approximately RMB75,750,000 (for the ten months ended on 31 October 2016: approximately RMB12,812,000), and the actual tax rate was approximately 24.4% (for the ten months ended on 31 October 2016: approximately 45.8%). Based on the above, WXM's net profit amounted to approximately RMB235,029,000.

Liquidity, financial resources and capital structure

As at 31 October 2017, WXM's bank balances and cash amounted to approximately RMB297,313,000 (2016: approximately RMB238,299,000), and the current ratio (the total value of the current assets over total current liabilities) was 1.20 times (2016: 1.03 times) and the debt to assets ratio (total liabilities over total assets) was 0.81 times (2016: 0.93 times).

As at 31 October 2017, WXM's current assets amounted to approximately RMB1,495,211,000 (2016: approximately RMB928,468,000), in addition to bank balances and cash, mainly including trades receivable of approximately RMB98,021,000 (2016: approximately RMB51,330,000), other receivables and prepayments of approximately RMB158,367,000 (2016: approximately RMB138,520,000), approximately RMB810,292,000 due from related companies (2016: approximately RMB444,513,000) and approximately RMB119,877,000 due from the direct holding companies (2016: approximately RMB44,265,000). WXM's other receivables and prepayments included the payment on behalf of households calculated by lump sum system, i.e. the public service fees paid by WXM on behalf of households would thereafter be collected from households at a pre-determined rate.

As at 31 October 2017, WXM's current liabilities amounted to approximately RMB1,250,224,000 (2016: approximately RMB903,904,000), including other payables and accruals of approximately RMB901,663,000 (2016: approximately RMB702,137,000), trade payables of approximately RMB113,862,000 (2016: approximately RMB154,069,000), short-term bank borrowings of approximately RMB120,000,000 (2016: Nil), payables to related companies of approximately RMB63,273,000 (2016: approximately RMB31,294,000). Other payables and accruals included advance management fees and advance refundable deposits, other tax payables and accrued employee costs.

Capital commitments

As at 31 October 2017, WXM did not have any capital commitments.

Significant investments, material acquisitions and disposals

For the year ended 31 October 2017, WXM did not have any significant investments, material acquisitions and disposals.

Employee and remuneration policy

As at 31 October 2017, WXM employed a total of 6,354 (31 October 2016: a total of 6,028) employees in China. During the year, the costs of employees amounted to approximately RMB397,293,000 (31 October 2016: approximately RMB350,665,000), including the employee salary payment of approximately RMB316,437,000 (31 October 2016: approximately RMB277,185,000) and retirement benefits plan payment of approximately RMB80,856,000 (31 October 2016: approximately RMB73,480,000) respectively. WXM provided remuneration and benefits programs to employees based on personal performances, skills, qualifications and experiences as well as current market practices.

Group asset mortgages

As at 31 October 2017, WXM did not have any group assets mortgaged.

Money and interest rate risks

As WXM conducted its business in China and all transactions and assets and liabilities were denominated in RMB, the currency risk of WXM due to exchange rate fluctuation was very low.

WXM was exposed to interest rate risks of cash flow due to the limited bank deposits and the fluctuation of prevailing market interest rate of the bank. Such risks concerned were limited and were mainly concentrated in the fluctuation of the benchmark deposit rates of the People's Bank of China ("**PBOC**").

Contingent liabilities

As at 31 October 2017, WXM did not have any significant contingent liabilities.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF SHENZHEN WANXIANG

Set out below is the management discussion and analysis of Shenzhen Wanxiang for the three years ended 2014, 2015 and 2016 and for the ten months ended 31 October 2017.

For the years ended 31 December 2014 and 31 December 2015

For the two years ended 31 December 2014 and 31 December 2015, the registered capital of Shenzhen Wanxiang was RMB200,000 and it did not conduct any business.

For the year ended 31 December 2016

Business review

For the year ended 31 December 2016, Shenzhen Wanxiang recorded revenue of RMB628,402,000, gross profit of approximately RMB188,684,000 and net profit of approximately RMB17,353,000.

Revenue analysis of Shenzhen Wanxiang by category of services for the year ended 31 December 2016 is listed in the table below:

	Year ended 31 December 2016	
	RMB'000	*%*
Property management service fees calculated by lump sum system	551,127	87.7%
Parking management service fees	16,559	2.6%
Others	60,716	9.7%
	628,402	100.00%

The service costs of Shenzhen Wanxiang mainly included employee costs, public services, material costs and other direct and indirect costs of providing property management services. For the year ended 31 December 2016, the service costs amounted to approximately RMB439,718,000. Based on the above, Shenzhen Wanxiang recorded gross profit of approximately RMB188,684,000 and gross profit margins of 30%.

For the year ended 31 December 2016, other losses of Shenzhen Wanxiang amounted to approximately RMB5,540,000, including trade receivables provision for doubtful debts of approximately RMB81,000, and other receivables provision for bad debts of approximately RMB5,152,000. For the year ended 31 December 2016, Shenzhen Wanxiang's other income amounted to approximately RMB3,018,000, mainly including bank interest income of approximately RMB2,450,000 and miscellaneous income charged to households of approximately RMB325,000. For the year ended 31 December 2016, Shenzhen Wanxiang's administrative expenditure amounted to approximately RMB163,645,000, including administrative personnel costs, office expenses, and depreciation of property, plant and equipment. Shenzhen Wanxiang's income tax expenditure amounted to approximately RMB5,164,000, and the actual tax rate was approximately 23%. Based on the above, Shenzhen Wanxiang recorded a net profit of approximately RMB17,353,000.

Liquidity, financial resources and capital structure

As at 31 December 2016, Shenzhen Wanxiang's bank balances and cash amounted to approximately RMB240,785,000, and the current ratio (the total value of the current assets over the total amount of the current liabilities) was approximately 1.0 times and the debt to assets ratio (the total liabilities over the total asset value) was approximately 0.35 times respectively. On the date concerned, Shenzhen Wanxiang did not have any bank borrowings or long-term borrowings.

As at 31 December 2016, Shenzhen Wanxiang's current assets amounted to approximately RMB922,208,000, mainly including trade receivables of approximately RMB51,330,000, other receivables and prepayments of approximately RMB143,951,000 and amounts due from related companies of approximately RMB483,374,000 in addition to bank balances and cash. The trade receivables of Shenzhen Wanxiang mainly resulted from the fees charged for the provision of property management services to households and owners. Other receivables and prepayments included the payment on behalf of households calculated by lump sum system, i.e. the public service fees paid by the Shenzhen Wanxiang on behalf of households would thereafter be collected from households at a pre-determined rate.

As at 31 December 2016, Shenzhen Wanxiang's current liabilities amounted to approximately RMB908,185,000, including other payables and accruals of approximately RMB704,577,000, and trade payable of approximately RMB154,718,000. Other payables and accruals included advance management fees and advance refundable deposits, other tax payables and accrued employee costs.

Capital commitments

As at 31 December 2016, Shenzhen Wanxiang did not have any capital commitments.

Significant investments, material acquisitions and disposals

For the year ended 31 December 2016, Shenzhen Wanxiang and Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd. (a wholly-owned subsidiary of Fantasia) and Dalian Wanda Commercial Properties Co., Ltd. entered into agreement, pursuant to which, Shenzhen Wanxiang and Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd. acquired 99% and 1% equity interests of Wanda Property Management Co., Ltd. respectively.

Employees and remuneration policy

As at 31 December 2016, Shenzhen Wanxiang employed a total of 6,592 employees in China. During the year, the costs of employees amounted to approximately RMB184,017,000, including the employee salary payment of approximately RMB141,713,000 and retirement benefits plan payment of approximately RMB42,304,000 respectively. Shenzhen Wanxiang provided remuneration and benefits programs to employees based on personal performances, skills, qualifications and experiences as well as current market practices.

Group asset mortgages

As at 31 December 2016, Shenzhen Wanxiang did not have any group assets mortgaged.

Money and interest rate risks

As Shenzhen Wanxiang conducted its business in China and all transactions and assets and liabilities were denominated in RMB, the currency risk of Shenzhen Wanxiang due to exchange rate fluctuation was very low.

Shenzhen Wanxiang was exposed to interest rate risks of cash flow due to the limited bank deposits and the fluctuation of prevailing market interest rate of the bank. Such risks concerned were limited and were mainly concentrated in the fluctuation of the benchmark deposit rates of the People's Bank of China ("**PBOC**").

Contingent liabilities

As at 31 December 2016, Shenzhen Wanxiang did not have any significant contingent liabilities.

For the ten months ended 31 October 2017

Business review

For the ten months ended 31 October 2017, Shenzhen Wanxiang recorded revenue of RMB1,239,986,000, gross profit of approximately RMB412,504,000 and net profit of approximately RMB190,145,000.

Revenue analysis of Shenzhen Wanxiang by category of services for the ten months ended 31 October 2017 is listed in the table below:

	Ten months ended 31 October 2017	
	RMB'000	*%*
Property management service fees calculated by lump sum system	1,033,048	83.3%
Parking management service fees	62,661	5.1%
Others	144,277	11.6%
	1,239,986	100.0%

The service costs of Shenzhen Wanxiang mainly included employee costs, public services, material costs and other direct and indirect costs of providing property management services. For the ten months ended 31 October 2017, the service costs amounted to approximately RMB827,482,000. Based on the above, Shenzhen Wanxiang recorded gross profit of approximately RMB412,504,000 and gross profit margins of 33.3%.

For the year ended 31 October 2017, other losses of Shenzhen Wanxiang amounted to approximately RMB8,548,000, including trade receivables provision for doubtful debts of approximately RMB1,435,000, and other receivables provision for bad debts of approximately RMB6,947,000. For the ten months ended 31 October 2017, Shenzhen Wanxiang's other income amounted to approximately RMB1,825,000, mainly including bank interest income of approximately RMB730,000 and income from government grants of approximately RMB1,028,000. For the ten months ended 31 October 2017, Shenzhen Wanxiang's administrative expenditure amounted to approximately RMB151,356,000, mainly including administrative personnel costs, office expenses, and depreciation of property, plant and equipment. Shenzhen Wanxiang's income tax expenditure amounted to approximately RMB62,451,000, and the actual tax rate was approximately 24.7%. Based on the above, Shenzhen Wanxiang recorded a net profit of approximately RMB190,145,000.

Liquidity, financial resources and capital structure

As at 31 October 2017, Shenzhen Wanxiang's bank balances and cash amounted to approximately RMB298,569,000, and the current ratio (the total value of the current assets over total current liabilities) was approximately 1.18 times and the debt to assets ratio (total liabilities over total assets) was approximately 0.39 times respectively.

As at 31 October 2017, Shenzhen Wanxiang's current assets amounted to approximately RMB1,482,364,000, in addition to bank balances and cash, mainly including trade receivables of approximately RMB98,021,000, other receivables and prepayments of approximately RMB162,041,000, amounts due from general partners of approximately RMB8,806,000 and amounts due from related companies of approximately RMB810,292,000. The trade receivables of Shenzhen Wanxiang mainly resulted from the fees charged for the provision of property management services to households and owners. Other receivables and prepayments included the payment on behalf of households calculated by lump sum system, i.e. the public service fees paid by the Shenzhen Wanxiang on behalf of households would thereafter be collected from households at a pre-determined rate.

As at 31 October 2017, Shenzhen Wanxiang's current liabilities amounted to approximately RMB1,252,210,000, including trade payables of approximately RMB113,604,000, short-term bank borrowings of approximately RMB120,000,000, other payables and accruals of approximately RMB903,553,000, and amounts due to related companies of approximately RMB63,627,000. Other payables and accruals mainly included advance management fees and advance refundable deposits, other tax payables and accrued employee costs.

Capital commitments

As at 31 October 2017, Shenzhen Wanxiang did not have any capital commitments.

Significant investments, material acquisitions and disposals

For the year ended 31 October 2017, Shenzhen Wanxiang did not have any material acquisitions and disposals.

Employees and remuneration policy

As at 31 October 2017, Shenzhen Wanxiang employed a total of 6,465 employees in China. During the year, the costs of employees amounted to approximately RMB400,149,000, including the employee salary payment of approximately RMB318,638,000 and retirement benefits plan payment of approximately RMB81,511,000 respectively. Shenzhen Wanxiang provided remuneration and benefits programs to employees based on personal performances, skills, qualifications and experiences as well as current market practices.

Group asset mortgages

As at 31 October 2017, Shenzhen Wanxiang did not have any group assets mortgaged.

Money and interest rate risks

As Shenzhen Wanxiang conducted its business in China and all transactions and assets and liabilities were denominated in RMB, the currency risk of Shenzhen Wanxiang due to exchange rate fluctuation was very low.

Shenzhen Wanxiang was exposed to interest rate risks of cash flow due to the limited bank deposits and the fluctuation of prevailing market interest rate of the bank. Such risks concerned were limited and were mainly concentrated in the fluctuation of the benchmark deposit rates of the People's Bank of China ("**PBOC**").

Contingent liabilities

As at 31 October 2017, Shenzhen Wanxiang did not have any significant contingent liabilities.

The information set out in this Appendix IV, which does not form part of the Accountant's Report of WXM as set out in Appendix IIA nor the Accountant's Report of Shenzhen Wanxiang as set out in Appendix IIB and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information of Group" set out in Appendix I, the "Accountants' Report of WXM" set out in Appendix IIA and the "Accountant's Report of Shenzhen Wanxiang" set out in Appendix IIB.

In preparing the pro-forma financial information of the Enlarged Group, only the balances of Shenzhen Wanxiang Group have been used, as the other entities in the Target Group are holding companies with no business operation. The Company considers that it is appropriate to only use the balances of Shenzhen Wanxiang Group for the preparation of the pro-forma financial information of the Enlarged Group.

(A) BASIS OF PREPARATION

The unaudited pro forma statement of assets and liabilities of the Enlarged Group ("**Unaudited Pro Forma Statement of Assets and Liabilities**") has been prepared in accordance with Rule 4.29 of the Listing Rules, for the purpose of illustrating the effect of the proposed acquisitions of the 100% beneficial interests in 深圳市幸福萬象投資合夥企業 (有限合夥) (Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership)) ("**Shenzhen Wanxiang**") and the 100% equity interests in 萬象美物業管理有限公司 (Wanxiangmei Property Management Co., Ltd.) ("**WXM**"), a subsidiary of Shenzhen Wanxiang (collectively referred to as the "**Shenzhen Wanxiang Group**") (the "**Transaction**"), as if the Transaction had been completed on 30 June 2017.

On 29 December 2017, certain wholly owned subsidiaries of Fantasia Holdings Group Company Limited ("**Fantasia**"), the controlling shareholder of the Company, acquired the 100% equity interests in 深圳市嘉信諮詢服務有限公司 (Shenzhen Jiaxin Consulting Services Co., Ltd.) ("**Shenzhen Jiaxin**"), a limited partner of Shenzhen Wanxiang. On the same day, Shenzhen Jiaxin and a wholly owned subsidiary of Fantasia entered into a supplementary agreement of Shenzhen Wanxiang with other partners regarding the revision of the terms of the cooperation. Upon the revision of the terms of the cooperation, Fantasia has obtained the effective control over Shenzhen Wanxiang Group and Fantasia has the 100% beneficial interests in Shenzhen Wanxiang and the 100% equity interest in WXM.

On 14 November 2017, certain subsidiaries of the Company proposed to acquire from certain subsidiaries of Fantasia, the 100% beneficial interests in Shenzhen Wanxiang and the 100% equity interests in WXM for by entering into of a series agreements (the "**Agreements**"), which are conditional upon the satisfaction of the completion of acquisition of Shenzhen Wanxiang Group by Fantasia. Pursuant to the Agreements, the consideration constitute cash consideration of RMB1,014,174,000 ("**Cash Consideration**") and issuance of 231,500,000 ordinary shares of the Company to Fantasia. The ultimate controlling shareholder of Shenzhen Wanxiang and WXM before and after the Transaction is Fantasia. The Transaction is considered as a combination of businesses under common control and accounted for under merger basis taking into consideration of the requirements under Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

The Unaudited Pro Forma Statement of Assets and Liabilities is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 which has been extracted from the Company's interim report for the six months ended 30 June 2017; and (ii) the audited consolidated statement of financial position of Shenzhen Wanxiang Group as at 31 October 2017 which have been extracted from the accountants' report on the financial information of the Shenzhen Wanxiang Group set out in Appendix IIB to this Circular, after making pro forma adjustments relating to the Transaction that are (i) directly attributable to the Transaction and (ii) factually supportable, as if the Transaction had been completed on 30 June 2017.

Fantasia has obtained the effective control over Shenzhen Wanxiang Group on 29 December 2017, but for the purpose of presentation of the pro forma statement of assets and liabilities of the Enlarged Group, the date Fantasia obtained control over Shenzhen Wanxiang Group and the date of completion of the Transaction is assumed to be on 30 June 2017.

The Unaudited Pro Forma Statement of Assets and Liabilities has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Statement of Assets and Liabilities does not purport to describe the financial position of the Enlarged Group that would have been attained had the Transaction been completed on 30 June 2017, nor purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Statement of Assets and Liabilities has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Company for the year ended 31 December 2016.

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 June 2017	Shenzhen Wanxiang Group as at 31 October 2017	Unaudited pro forma adjustments				Unaudited pro forma of Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Non-current Assets							
Property, plant and equipment	208,579	48,576					257,155
Investment properties	66,042	–					66,042
Interests in associates	34,731	–					34,731
Interest in a joint venture	805	–					805
Available-for-sale investments	134,590	–					134,590
Intangible assets	200,702	565,803		340,427			1,106,932
Goodwill	736,516	1,485,142		137,714			2,359,372
Trade receivables	18,605	–					18,605
Other receivables and prepayments	7,231	–					7,231
Loan receivables	42,500	–					42,500
Deferred tax assets	27,362	4,138					31,500
Amount due from a director	338	–					338
Deposits paid for acquisitions of subsidiaries and associates	264,659	–					264,659
	1,742,660	2,103,659					4,324,460

	The Group as at 30 June 2017	Shenzhen Wanxiang Group as at 31 October 2017	Unaudited pro forma adjustments				Unaudited pro forma of Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Current Assets							
Inventories	3,045	–					3,045
Amounts due from customers for contract works	44,580	–					44,580
Trade receivables	308,090	98,021					406,111
Other receivables and prepayments	237,813	1,076,993					1,314,806
Tax recoverable	–	1,642					1,642
Loan receivables	174,733	–					174,733
Payments on behalf of residents	281,813	–					281,813
Amounts due from fellow subsidiaries	101,764	7,139					108,903
Amounts due from non-controlling shareholders of subsidiaries	85,853	–					85,853
Amounts due from related parties	23,552	–			(19,599)		3,953
Amounts due from associates	30,045	–					30,045
Amount due from a director	61	–					61
Financial assets designated as at fair value through profit or loss	173,152	–					173,152
Pledged bank deposits	372,176	–					372,176
Bank balances and cash	539,163	298,569	(166,997)			(9,750)	660,985
	2,375,840	1,482,364					3,661,858

			Unaudited pro forma adjustments				
	The Group as at 30 June 2017	**Shenzhen Wanxiang Group as at 31 October 2017**					**Unaudited pro forma of Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Current Liabilities							
Amounts due to customers for contract works	13,561	–					13,561
Trade payables	157,421	113,604					271,025
Other payables and accruals	539,275	903,553	847,177				2,290,005
Receipts on behalf of residents	93,185	–					93,185
Amounts due to fellow subsidiaries	45,393	–					45,393
Amounts due to non-controlling shareholders of subsidiaries	23,990	–					23,990
Amounts due to associates	41,292	–					41,292
Amount due to a joint venture	326	–					326
Amounts due to fellow subsidiaries	–	63,627			(19,599)		44,028
Tax liabilities	146,497	20,426					166,923
Borrowings due within one year	255,778	151,000					406,778
Corporate bonds due within one year	31,424	–					31,424
Assets backed securities issued due within one year	20,589	–					20,589
	1,368,731	1,252,210					3,448,519
Net Current Assets (Liabilities)	1,007,109	230,154					213,339
Total Assets Less Current Liabilities	2,749,769	2,333,813					4,537,799

	The Group as at 30 June 2017	Shenzhen Wanxiang Group as at 31 October 2017	Unaudited pro forma adjustments				Unaudited pro forma of Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Non-current Liabilities							
Deferred tax liabilities	69,297	141,451		85,107			295,855
Long-term payable to a previous joint veunture partner	–	–		1,000,000			1,000,000
Amount due to a fellow subsidiary	9,302	–					9,302
Borrowings due after one year	496,235	–					496,235
Corporate bonds due after one year	380,166	–					380,166
Assets backed securities issued due after one year	231,796	–					231,796
Total Non-current Liabilities	1,186,796	141,451					2,413,354
Net Assets	1,562,973	2,192,362					2,124,445

Notes:

(1) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Company's published interim report for the six months ended 30 June 2017.

(2) The amounts are extracted from the accountants' report issued by the reporting accountants of Shenzhen Wanxiang Group, Baker Tilly Hong Kong Limited, thereon set out in the Appendix IIB to this Circular. The other companies acquired in under the Transaction are investment holding companies, which do not have significant financial impact to the Enlarged Group, and are excluded from the unaudited pro forma adjustments.

(3) The pro forma consideration of the Transaction is RMB1,941,489,000 and is assumed to be settled as follows:

(a) Cash Consideration of RMB1,014,174,000; and

The Group had bank balances and cash of RMB539,163,000 as at 30 June 2017. Had the Transaction been taken place on 30 June 2017 and the Cash Consideration been fully settled by cash on that date, the Group has no sufficient internal resources to fully settle the consideration. Accordingly, part of of the Cash Consideration of RMB166,997,000 is deducted from bank balances and cash of the Group and the shortfall in the Cash Consideration of RMB847,177,000 is presented as a current liability (consideration payable included in other payables and accruals) for the purpose of preparation of the unaudited pro forma consolidated statement of assets and liabilities.

(b) Issuance of 231,500,000 ordinary shares of the Company ("**Consideration Shares**").

Since the quoted market price of Consideration Shares at the date of completion of the Transaction may be different, the actual total consideration may change at the actual completion of the Transaction.

(4) As at the date of this Circular, Fantasia has approximately 72.41% beneficial interests in the issued share capital of the Company and is the controlling shareholder of the Company. Upon the completion of the acquisition of 100% equity interests in Shenzhen Jiaxin and the revision of the terms of the cooperation among the partners, Fantasia obtained effective control over Shenzhen Wanxiang Group on 29 December 2017. For the purpose of presentation of the Unaudited Pro Forma Statement of Assets and Liabilities, the date Fantasia obtained control over Shenzhen Wanxiang Group and the date of completion of the Transaction is assumed to be on 30 June 2017. As the ultimate controlling shareholder of Shenzhen Wanxiang Group before and after the Transaction is Fantasia, the Transaction is considered as a combination of businesses under common control and accounted for under merger basis taking into consideration of the requirements under Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

In accordance with HKFRS 3 "Business Combination", the pro forma fair value of the identifiable assets acquired and liabilities assumed of Shenzhen Wanxiang Group by Fantasia as at 30 June 2017 are as follows, which are assumed to be same as those identifiable assets acquired and liabilities assumed of Shenzhen Wanxiang Group by the Company.

		Shenzhen Wanxiang Group
		RMB'000
Property, plant and equipment		48,576
Intangible assets	(i)	906,230
Deferred tax assets		4,138
Trade receivables		98,021
Other receivables and prepayments		162,041
Tax recoverable		1,642
Amount due from a previous joint venture partner		104,660
Amount due from a party related to a previous joint venture partner		810,292
Amount due from a fellow subsidiary of the Company		7,139
Bank balances and cash		298,569
Trade payables		(113,604)
Other payables and accruals		(903,553)
Amounts due to fellow subsidiaries of the Company		(63,627)
Tax liabilities		(20,426)
Borrowings		(151,000)
Deferred tax liabilities	(ii)	(141,451)
Long-term payable to a previous joint venture partner	(iii)	(1,000,000)
		47,647

(i) The fair value of Fantasia's previously held interests in Shenzhen Wanxiang Group, which represent the 1% equity interests in Wanxiangmei accounted for as an available-for-sale investment by Fantasia and the 50% beneficial interests in Shenzhen Wanxiang accounted for as a joint venture by Fantasia, is estimated by an independent valuer and the key inputs of the valuation are the expected future cash inflows/outflows of Shenzhen Wanxiang Group, the growth rates and the discount rates.

(ii) The deferred tax has been provided for in respect of the tax effect of the intangible assets, which relate to the property management contracts dominated in the PRC by application of the tax rate of 25%.

(iii) Upon revision of the terms of cooperation of Shenzhen Wanxiang among the joint venture partners, Shenzhen Wanxiang has the obligation to repay the investment of RMB1,000,000,000 by a joint venture partner. Had the acquisition of Shenzhen Wanxiang been completed on 30 June 2017, the investment by the joint venture partner would be reclassified to non-current liabilities.

The fair value of Fantasia's previously held interests in Shenzhen Wanxiang Group, which represent the 1% equity interests in WXM accounted for as an available-for-sale investment by Fantasia and the 50% beneficial interests in Shenzhen Wanxiang accounted for as a joint venture by Fantasia, is estimated by an independent valuer and the key inputs of the valuation are the expected future cash inflows/outflows of Shenzhen Wanxiang Group, the growth rates and the discount rates.

Goodwill is determined as the excess of the consideration paid by Fantasia and the fair value of Fantasia's previously held equity interests in Shenzhen Wanxiang Group upon obtaining the control over the Shenzhen Wanxiang Group over the fair value of the identifiable assets acquired and liabilities assumed. The goodwill is analysed as follows:

	RMB'000
Cash consideration paid by Fantasia for acquisition of 100% equity interests in Shenzhen Jiaxin	992,520
Fair value of Fantasia's previously held interests in Shenzhen Wanxiang Group	677,983
	1,670,503
Pro forma fair value of the net identifiable assets acquired and liabilities assumed of the Shenzhen Wanxiang Group	47,647
Goodwill arising from the Transaction	1,622,856

Since the purchase price allocation regarding the acquisition of Shenzhen Wanxiang Group by Fantasia in accordance with HKFRS 3 "Business Combination" is not completed and the fair values of the net identifiable assets and liabilities of Shenzhen Wanxiang Group may change at the actual date Fantasia obtained control over Shenzhen Wanxiang Group, the amount of goodwill recognised by Fantasia and the Group may be different.

For the purpose of the unaudited pro forma financial information of the Group enlarged by the Transaction, the Group's management has performed an impairment assessment on the provisional goodwill and intangible assets arising from the Transaction in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**") and concluded that there would have been no impairment of the goodwill or the intangible assets if the Transaction had been completed on 30 June 2017 for the purpose of unaudited pro forma consolidated statement of assets and liabilities. The recoverable amount under impairment assessment was derived based on the value-in-use calculations. That calculations used cash flows projections based on financial budgets as approved by management of the Shenzhen Wanxiang Group covering five years' period, assuming that (i) there are no material adverse changes in the fair values of the assets and liabilities of Shenzhen Wanxiang Group; and (ii) the identifiable assets and liabilities can be realised at their carrying amounts. However, should there be any adverse changes to the business of Shenzhen Wanxiang Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against the provisional goodwill and intangible assets in accordance with HKAS 36 and the Group's accounting policies.

The Directors confirmed that they will adopt consistent approach to assess impairment of goodwill and intangible assets in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36.

(5) The adjustment represents consolidation entry for the elimination of the inter-group balances between the Group and Shenzhen Wanxiang Group.

(6) The adjustment represents the estimated expenditures incurred directly in connection with the Transaction which is charged to profit or loss of the Group including the accountancy, legal, valuation and other professional services fees to be borne by the Group of approximately RMB9,750,000.

(7) No other adjustments have been made to reflect any trading results or other transactions of the Group and Shenzhen Wanxiang Group entered into subsequent to 30 June 2017.

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

To the Directors of Colour Life Services Group Co., Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Colour Life Services Group Co., Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2017 and related notes as set out on pages IV-3 to IV-9 of the circular issued by the Company dated 5 February 2018 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-2 of Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisitions of the 100% beneficial interests in 深圳市幸福萬象投資合夥企業(有限合夥) (Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership)) ("**Shenzhen Wanxiang**") and the 100% equity interests in 萬象美物業管理有限公司 (Wanxiangmei Property Management Co., Ltd.), a subsidiary of Shenzhen Wanxiang, on the Group's financial position as if the transaction had taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2017, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2 Febrauary 2018

PSA (HK) Surveyors Limited
國眾聯(香港)測量師行有限公司

5 February 2018

Board of Directors
Colour Life Services Group Co., Limited
Room 1202–03
New World Tower 1
16–18 Queen's Road Central
Hong Kong

Dear Sirs

Re: Valuation of 100% Equity Interest of the Target Group Comprising the Link Joy Holdings Group Co., Limited, Shenzhen Fantasia Education Consulting Co., Ltd. and their Directly or Indirectly Held Subsidiaries

We refer to the instruction from Colour Life Services Group Co., Limited (the "**Instructing Party**") to express our independent opinion on the market value of the 100% equity interest of the Target Group which comprises the Link Joy Holdings Group Co., Limited (herein referred to as "**Company D**"), Shenzhen Fantasia Education Consulting Co. Ltd. (herein referred to as "**Company B**"), and their directly or indirectly held subsidiaries. These subsidiaries include: Link Joy (HK) Co, Ltd. (herein referred to as "**Company C**"), Shenzhen Qianhai Link Joy Commercial Services Co., Ltd. (herein referred to as "**Company A**"), Shenzhen Jiaxin Consulting Services Co., Ltd. (herein referred to as "**Jiaxin**"), Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership) (herein referred to as "**Wanxiang**", we calculate 100% beneficial interest instead of 100% equity interest for this company), and Wanxiangmei Property Management Co., Ltd. with its subsidiaries (herein referred to as "**WXM Group**"). Among all the subsidiaries directly or indirectly held by Company D and Company B, WXM Group is the only one having business revenue and business operations, while the others are mainly for the purpose of holding only. Therefore, we are instructed to provide a separate independent opinion on the market value of the 100% equity interest of the WXM Group.

We confirm that we have made relevant investigation, enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of market value as at 30 November 2017 (the "**Valuation Date**").

1. BASIS OF VALUATION

We have observed and followed the standards laid down by "The HKIS Valuation Standards" (2017 Edition) published by the Hong Kong Institute of Surveyors and "International Valuation standards" (the "**IVS**") published by the International Valuation Standards Council.

Our valuation is conducted on market value basis. Market value is defined as:

"*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

2. COMPANY ANALYSIS & INDUSTRY OVERVIEW

Link Joy Holdings Group Co., Limited (or Company D) is a limited corporation registered in Cayman. From January 2017 to November 2017, it generates no revenue or expense. As one of the holding company, it has no business operation in reality but the purpose is for holding subsidiaries only.

Link Joy (HK) Co., Ltd (or Company C) is a limited corporation established in Hong Kong, and it is a subsidiary of Company D. From January 2017 to November 2017, it generates no revenue but a slight of expense. It has no business operation in reality but undertakes some transactions with Fantasia. The purpose of Company C is being a holding company.

Shenzhen Fantasia Education Consulting Co., Ltd (or Company B) is a corporation established in PRC, China, and its scope of business covers culture & education consultancy, enterprise marketing planning, and translation. However, there is no revenue or expense for this company from January 2017 to November 2017. No real business is operated in reality. The purpose of Company B is being a holding company.

Shenzhen Xingfu Wanxiang Investment Partnership Limited Co. (Limited Partnership) is established in PRC, China, and its scope of business covers various investment management or advisory services. In fact, from January 2017 to November 2017, no revenue is generated but some expenses. It has no business operation in reality but undertakes some transactions with Fantasia. The purpose of this company is being a holding company.

During our investigation, we found expect WXM Group, all the other holding companies are either totally or almost shell companies which have either nil or very limited assets in their accounts. Most of them have either no or only internal transactions or transactions with Fantasia. Out of this concern, we conduct the valuation of 100% equity of WXM Group first, and deal with its holding companies by adding in the book value of their assets after reasonable elimination. Indeed, the value of WXM Group's holdings companies contribute a slight portion of value in this valuation.

In terms of property management industry, it commenced in 1980s, property management services are recognized by the inception of Shenzhen Property Management Services Limited. After that, the introduction of "Property Management Regulations" confirmed that the industry is managed by more ascertained rules. According to the statistics shown in "2015 National Property Management Industry Development Report", by the end of 2014, there were more than 105,000 property management companies in the PRC with total managed area more than 16.45 billion square meters. Employee numbers in the industry also grow rapidly from 6.12 million in 2012 to 7.11 million in 2014. Throughout the statistics in "2015 National Property Management Industry Development Report", the industry has been seen a gradually converged evolution as Top 100 property management enterprises had a significant growth to manage 28.4% of the total managed area in 2015, contrasted by a percentage of 19.5% in 2014. Among Top 100 companies in the industry, 24 of them got a revenue more than RMB1 billion in 2015, comparing the number of 15 in 2014.

Residential buildings are the mainstream among all types of properties managed, and make up 80% of the total areas of the property managed. It means offices, industrial buildings and shopping malls only occupied less than 20% of the areas. Property management services seriously rely on the area of established buildings and new constructed buildings, and in return the supply and demand in real estate industry will impose a material influence on the revenue of the property management industry. In fact, during the year 2015, new established residential buildings accounted for an area of 738 million square meters, making up 73.5% of the whole newly established buildings in 2015. At the same time, with the maturing of community economy in China, leading companies in property management industry showed more desire in the residential buildings' management business.

Furthermore, property management industry is a labor-intensive industry. Leading companies inside the industry are always keen on subcontracting fundamental property services, such as cleaning and maintenance services to the third party. Current prosperous situation in the industry in fact moderates the unemployment rate to some extent. According to the "2016 China Top 100 Property Management Company Research Report", the average salary expense, cleaning expense, maintenance expense and gardening expense makes up 56.79%, 8.38%, 5.08% and 2.45% respectively in 2015 for the Top 100 companies. Top 100 companies in the industry are keen on subcontracting low-value-added works to other companies. The manpower they obtained by subcontracting made up to around 30% of their non-management level manpower.

For the perspective of the industry, economic of scale will be more obvious and the competition will be more intensive in the industry. Mergers and acquisitions among companies will be more frequent, leading the resources a better consolidation. More information technologies will be applied to the industry, such as automotive response, software upgrade, hardware upgrade etc. These new technologies are sure to distinguish current top companies in the industry more professional and more competitive in different sub areas, including elderly care, child care, health care, culture communication or maintenance. The upgrade in software and hardware can fulfill the requirements such as power saving, remote monitoring and auto-maintenance. The utilization of high technology also facilitates the reduction of repetitive works, and reduces the required input of human labor and time.

Capital markets start to show the interest in property management companies when the industry is now more well-regulated and the economic value of the community linkage they possessed. The listing of Colour Life Services Group Co., Limited in 2014 is deemed as a milestone, as the first Chinese property management company listed in Hong Kong. Thereafter, a couple of Chinese property companies came to Hong Kong to do equity financing. Currently, Colour Life Services Group Co. Limited, China Overseas Property Holdings Ltd, Zhong-Ao Home Group, Greentown Service Group have listed in Hong Kong main board and around 30 property management companies listed on NEEQ (National Equities Exchange and Quotations). Capital markets boost the development of prominent property management companies, and offer more opportunities to outstanding ones by providing better source of financing and international expertise.

3. BACKGROUND OF WXM GROUP

WXM Group is a comprehensive property management services provider established in 2015. After absorbing by a joint venture entity under Fantasia Group in 2016, WXM Group enhanced its service quality by providing various property management services for projects including but not limit to normal residential properties, deluxe residential properties, various office buildings, SOHO and commercial properties in an effective way. Up to now, WXM Group has already managed more than 130 projects located in different tier 1, tier 2 and tier 3 cities in mainland China, and the most of the projects are properties set up by Wanda Group beforehand.

Operation revenue has soared in 2016, with a 51% growth rate to RMB16 billion. We believe that aggressive project expansion and effective cost control leads WXM Group to be ranked No. 8 in terms of managed area among property management enterprises in China and be ranked No. 4 in terms of the growth rate in "2016 Top 100 Property Management Corporations Research Report".

Relying on the resources of community service owned by Fantasia Group, WXM Group targets to fortify its brand and human resources and play a more influential role in community services and property management services. Meanwhile, WXM Group targets to utilize more internet resources to fulfill its ambition in elderly care, financial services and culture & travel aspect.

4. ASSESSMENT METHODOLOGIES

There are three generally accepted valuation approaches for the valuation of equity interest.

Asset-based Approach

Asset-based approach is based on evaluating the value of different assets on individual basis and sum up to the overall value of assets. Usually, the cost of replacing certain types of assets is estimated by valuers. Asset-based approach is wildly used for static valuation purpose, such as liquidation or for transactions based on certain sorts of assets, instead of the company as whole. The reason is that it takes no consideration of the development plan and corporate operation in the future.

Income Approach

Income approach is an approach with income-oriented vision, emphasizing the income condition of investing to a resemble business, but unnecessary to be the same with the target business.

Under the income approach, target value (company or other types of assets) equals to the present value of the future expected income of its businesses, which involves the principle of capitalization. Moreover, capitalization is a process by which the expected incomes are discounted based on certain required rate of return (risk factors).

Market Approach

Market approach is a straightforward valuation method in identifying market value of assets. Under this approach, valuers seek to identify appropriate precedent transaction cases having been executed and certified as a reference for comparable cases. Despite a straightforward approach, market approach is normally difficult to apply to certain unique business, as there are insufficient precedent transactions for comparing with.

5. SELECTION OF ASSESSMENT METHODOLOGY

After considering all three methods described above, we have selected the asset-based approach to evaluate the value of the 100% equity interest of the Target Group after using the market approach to value the 100% equity interest of WXM Group.

We believe the asset-based approach to be insufficient in capturing the future economic benefits of the WXM Group's assets given that the WXM Group is a servicing company in which the return is not mainly driven by its tangible assets. Income approach is more suitable for companies with positive net free cash flow, under going concern and business condition that can be forecasted with reasonable accuracy. Market approach may require valuers to scrutinize precedent transactions in the same industry, and compare relevant transaction multiples such as their Price-to-Earning (P/E) ratio, Price-to-Sales (P/S) ratio, Price-to-Book (P/B) ratio or etc to identify a reliable transaction multiple for the target company after valuation experts' adjustment.

When comparing between the income approach and market approach, income approach usually relies more heavily on the reasonable forecast of future performance and the accurate selection of various market parameters, and the valuation result is sometimes quite sensitive to a few market parameters. In contrast, market approach is relatively more direct in term of forecast and market parameters if available. In this case, we can find some suitable public and private precedent M&A transactions of property management companies which can provide us a more reliable valuation result than the income approach. Therefore, we finally consider market approach as the final valuation approach for WXM Group.

Since all the other companies in the Target Group are mainly for the purpose of holding only with no business revenue and operations, we consider that asset-based approach is an appropriate method to evaluate the Target Group.

6. DISCUSSION OF 2016 & 2017 FINANCIAL PERFORMANCE OF WXM GROUP

Profit & Loss Situation

We have performed our valuation based on the financial statements provided by the external independent auditors appointed by the Instructing Party. Since WXM Group was reorganized after being acquired from Wanda Group in second half of 2016, our analysis mainly focuses on the annual profit & loss account in 2016 and especially the interim profit & loss account in 2017. In accordance of the financial statements, some main margins are recorded as: the gross profit margin in 2016 and first half of 2017 are 24.66% and 35.77% respectively; and the net profit margin is 1.6% and 17.6% respectively.

Revenue

The revenue of the WXM Group for the first half of 2017 includes direct property management service fee, sales & promotion fee, professional fee, registration fee, car park management fee and some miscellaneous fee.

Property management fee is due to the WXM Group provides direct property management services to near 200 property projects as per contract. The projects are located in diversified provinces in China, and most of the properties are residential buildings and offices developed by Wanda Group before. Property management service is charged in light of chargeable area times unit price per square meter. The property management service contracts signed between the WXM Group and developers are usually 3–5 years, expecting to see a robust renew rate when the contracts expire. Besides, the Management suggests another 48 properties will become their new clients by 2019.

Sales & promotion fee is generated from the secondment service by sending their employees to be sales executive/assistant for developers. With abundant connections between Wanda Group, who demands sales person for their property sales, the secondment service provides the WXM Group satisfactory income.

Registration fee is mainly obtained from new constructed properties. After the completion of building construction but before the transfer of ownership to buyers, the developer usually requires property management companies to enter in advance for cleaning, decoration, and other assorted services. The fee is usually paid by the developer of the new constructed buildings.

Car park management fee is aroused by car park management service provided to individual or company users. Besides, the WXM Group also provides car park maintenance services for internal (the property under their service) and external (public car park owner or other property management companies) use to earn money.

Miscellaneous fee includes area management fee, marketing fee and cleaning fee etc. This income illustrates a strong relation with property management fee, and denotes approximately 15% in the whole revenue of first half of 2017.

Cost of Goods Sold

The cost of goods sold mainly covers payroll expense of certain employees, energy expense, and cleaning expense. The cost of goods sold of the first half year of 2017 contributes to 64.23% of the total revenue (i.e. the gross profit margin is 35.77%).

The payroll expense only calculates the payroll expense for whom directly involved in their services provided. It mainly includes the salary and bonus for staff providing security, cleaning and maintenance services. In the first half of 2017, payroll expense occupies a significant share – 50% of cost of goods sold.

The energy expense contains various overhead cost such as electricity, water, gas and coal expense for service use only. Energy expense contributes to largely 15% for the cost of goods sold for the first half year in 2017.

Cleaning cost is the third largest expense which covers the various expense including cleaning tools and equipment expense for cleaning service used. This expense takes up almost 15% of cost of goods sold in the first half of 2017.

Management Cost

Management cost contains expenses that indirectly support the revenue and business development, and for this case, it contains: agency fee, insurance fee, payroll expense, depreciation and amortization etc.

Agency fee is the expense paid to agents for various advisories. This part mainly covers the property advisory fee, and as per contract, property advisory fee is charged at 5% of the total revenue per annum.

Insurance fee is the insurance cost covering 5 types of insurances paid for employees and other security related insurances paid for employees working under dangerous circumstances.

Payroll expense involves salary and bonus paid to management and staff who indirectly involved in the services the WXM Group provide. As the WXM Group cut off redundant human resource in 2016, this account takes up merely a small percentage to total management cost in 2017.

Depreciation strictly complies with straight line basis, and occurs on fixed assets including buildings, electronic devices and transportation equipment. New capital expenditure for electronic devices and transport equipment happened in this year makes up 10% and 20% of asset original value respectively. Amortization is due to the office software the WXM Group have bought, with straight line method. The long term amortization cost happens on several sums of one-time renovation expenditure with beneficial period a couple of years. Likewise, long-term amortization amortizes at a same amount each year.

Finance Cost

Currently, the finance cost mainly involves in the commission fee required by POS terminal and commercial banks when making transactions. Meanwhile, WXM Group incurred around RMB2 million interest expense in the first ten months of 2017.

Taxation

The comprehensive tax rate (enterprise profit tax) largely equals to standard PRC enterprise profit tax rate, i.e. 25% in 2017. Business affiliated tax has been deducted before deriving EBIT.

7. EARNING NORMALIZATION

The latest audited financial accounts of WXM Group provided to us is of the period January – October 2017. By the end of October 2017, WXM Group has recognized a net income of RMB235,029,000 in 2017, which equals to an average monthly net income of RMB23,502,900. In the mid-year report, WXM Group has recognized a net income of RMB128,762,144, which equals to an average monthly net income of RMB21,460,357. The average monthly net income has been relatively stable. After scrutinizing relevant accounts from January to October 2017, conducting the necessary investigation and interviews with the Target Group’s representative, no material non-recurring expense is brought to valuer’s attention.

The above evidence indicates a relatively stable operation condition with no significant non-recurring incomes and expenses found. We are in the opinion that the financial performance in the first 10 months of 2017 is a good and reliable representation of the earning capability of the WXM Group as at 30 November 2017. As a result, we adopted the actual financial results of the WXM Group from January to October for the yearly net income adopted in our valuation, i.e. a yearly net income of RMB282,034,800 which is equivalent to a monthly net income of RMB23,502,900 derived from the average of the actual net income achieved by the WXM Group from January to October in 2017.

8. COMPARABLE TRANSACTIONS

In order to compare the P/E ratio of comparable transactions, we finally found 4 comparable transactions occurred from 2014 to 2017.

Basic information of the comparable transactions is listed below.

No	Acquirer	Industry of Acquirer	Acquiree	Industry of Acquiree	Consideration *(RMB)*	Acquired Percentage	100% Interest Consideration	Required Net Income	P/E (Unadjusted)
1	Colour Life	Property Management	Kaiyuan International	Property Management	330,000,000	100%	330,000,000	30,000,000	11.0
2	Wuhan Dongde	Property Management	Confidential	Property Management	48,000,000	60%	80,000,000	10,000,000	8.0
3	Zhongao Home	Property Management	Zhejiang Yongcheng	Property Management	210,000,000	70%	300,000,000	32,000,000	9.4
4	Clifford Modern Living	Property Management	Panyu Qifu	Property Management	21,774,800	24.5%	88,876,735	11,458,000	7.8

When selecting comparable precedent transactions, we have following criteria:

(1) The acquiree should purely or mainly provide property management service.

(2) The properties that the acquiree managed should be mainly in China.

(3) The transaction information is transparent and reliable. Transaction information either is publicly revealed or the valuer has obtained sufficient reliable information about the transaction.

(4) The transaction date should not be earlier than 1 January 2014.

The abovementioned four transactions are the best transactions we collected which most comparable to the valuation of WXM Group. We conducted a series of adjustment on the unadjusted P/E ratio derived from these precedent transactions, including but not limited to the following criteria:

1. Possible established economy of scale after the transaction

2. Discounts for lack of control

3. Discounts for lack of marketability

4. Adjusting trailing P/E to leading P/E

5. Indenture condition and risk of default

6. Discounts for CEO or core management team departure

After these adjustments, we put equal weighting to each of the transaction and calculate the weighted average adjusted P/E ratio. After the abovementioned adjustments on P/E, an adjusted P/E of 11.68 was derived, and in conclusion, the 100% equity interest of WXM Group was RMB3,294,000,000.

9. VALUATION OF THE TARGET GROUP

In order to determine the value of 100% equity interest of the Target Group by asset-based approach, we comprised a pro-forma balance sheet of all the companies in the Target Group. We eliminated internal transactions and adopted the market value of the 100% equity interest of WXM Group valued by us, i.e. RMB3,294,000,000 in replace of the long term investment in the book, i.e. RMB980,000,000.

According to the "About Shenzhen Xingfu Wangxiang Investment Partnership Co. (Limited Partnership) – Co-operation Agreement – Supplementary Agreement", the shares held by Greatwall Jiaxin Asset Management Co., Ltd. should be treated as loan lending to the Wanxiang as it explicitly states an expected 8.63% annual return should be paid when there is an acquisition taken place like this. We therefore derived the 100% beneficial interest of Wanxiang with the conversion of the registered capital of RMB1,000,000,000 to debt payable of RMB1,122,258,333 for our valuation because RMB1,122,258,333 is the real cost to be undertaken by the buyer for acquiring Wanxiang.

Accordingly, we derived our opinion of the market value of the 100% equity interest of the Target Group, i.e. RMB2,297,000,000, by deducting the total liabilities from the total assets of these companies. Detailed information is displayed in the table below:

Valuation about Company D, Company C, Company A, Company B, Jiaxin, Wanxiang and WXM Group's 100% Equity Interest

Valuation Date: 30/11/2017

	Company D	Company C	Company A	Company B	Jiaxin	Wanxiang & WXM Group	Elimination (by Valuer)	Elimination (by Management)	Total *(RMB)*
Cash	0.00	66,585.14	7.63	0.00	6,355.86	815,407.34			888,355.97
Tradable Financial Assets	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Note Receivables	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Account Receivables	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Prepaid Accounts	0.00	0.00	0.00	0.00	0.00	9,998,728.75			9,998,728.75
Interest Receivables	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Dividend Receivables	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Other Receivables	6.94	10,354,418.90	0.00	0.00	11,803,620.00	104,032,876.71			126,190,922.55
Current Assets									137,078,007.27
Long Term Investments	0.00	0.00	0.00	0.00	980,000,000.00	3,294,000,000.00	(980,000,000.00)		3,294,000,000.00
Investment Properties	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Intangible Assets	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Deferred Tax Assets	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Other Non-Current Assets	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Non-Current Assets									3,294,000,000.00
Total Assets									3,431,078,007.27
Short Term Borrowings	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Note Payables	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Account Payables	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Salary Payables	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Tax Payables	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Interest Payables	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Dividend Payables	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Other Payables	40,104.79	10,450,000.00	999.67	0.00	788,000,000.00	122,281,117.91	(788,000,000.00)	(121,087,967.23)	11,644,150.35
Current Liabilities									11,644,150.35

	Company D	Company C	Company A	Company B	Jiaxin	Wanxiang & WXM Group	Elimination (by Valuer)	Elimination (by Management)	Total *(RMB)*
Long Term Borrowings	0.00	0.00	0.00	0.00	0.00	1,000,000,000.00			1,000,000,000.00
Long Term Interest Payables	0.00	0.00	0.00	0.00	0.00	122,258,333.33			122,258,333.33
Deferred Tax Liabilities	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Other Non-Current Liabilities	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Non-Current Liabilities									1,122,258,333.33
Total Liabilities									1,133,902,483.68
Equity Value									2,297,175,523.59
Equity Value (Reconciliation)									2,297,000,000

10. VALUATION ASSUMPTIONS

In this valuation process, we obtain financial material either from the audit team appointed by the client or provided by the client *per se*. Due to the changing environment in which WXM Group is operating and its early stage of business, a number of operating assumptions have been prepared by the management of WXM Group in order to sufficiently support our concluded opinion of the Market Value. The assumptions are listed as follows:

WXM Group will continue to manage and operate its property management and operation business in China and fulfill all legal and regulatory requirements for the continuation of its business.

There will be no material changes in politics, laws, rules or regulations, or financial or economic or market conditions where WXM Group currently operates which may materially and adversely affect the operations of the property management business.

There will be no major changes in the current taxation law in China where WXM Group currently operates which will materially affect the profits, that the rates of tax payable remain unchanged and that all applicable laws and regulations in relation to taxation in China will be complied with.

There will not be any adverse events beyond the management's control, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect the operation of WXM Group.

Any financial statements, service contracts, schedule of assets and their condition or other relevant information as provided by WXM Group in connection with the valuation is true, complete and credible.

It is assumed that WXM Group will remain the same in its business scope, business model and business orientation on the basis of its existing management approach and standards.

11. LIMITING CONDITIONS

Our findings or conclusion of values of the subject in this report are valid only for the stated purpose and at the Valuation Date, and for the sole use of the Instructing Party.

The opinions expressed in this report have been based on the information supplied to us by WXM Group and its staff as well as government bureaus without verification. All information and advice related to this valuation are provided by the management of WXM Group. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the information provided. The accuracy of the results and conclusions from the review are reliant on the accuracy of the data provided. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the information supplied and do not accept any consequential liability arising from commercial decision or actions resulting from them.

Any decision to purchase, sell or transfer any interest in WXM Group shall be the owner's sole responsibility, as well as the structure to be utilized and the price to be accepted. The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

12. VALUATION CONCLUSION

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of WXM Group and/or PSA (HK) Surveyors Limited.

Based on the valuation methodologies adopted, the 100% equity interest of the Target Group as at 30 November 2017 was in the sum of RMB2,297,000,000 (Renminbi Two Billion Two Hundred and Ninety Seven Million).

We hereby certify that we have neither present nor prospective interests in the Target Group, or the value reported.

Yours faithfully
For and on behalf of
PSA (HK) Surveyors Limited

Harry Chan **FHKIS, MRICS, RPS(GP)**
Managing Director
Valuation & Advisory Services

Terry Ng **MHKIS, MRICS, RPS(GP), CFA**
Associate Director
Valuation & Advisory Services

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

(a) Interests and short positions of the Directors and chief executives in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company, including their respective associates in the equity or equity securities of the Company or its associated corporations (within the meanings of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies had been notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the shares and underlying shares of the Company

Director	Capacity/Nature of interest	Number of issued ordinary shares of the Company	Interest in underlying shares of the Company	Approximate percentage of interest in the Company as at the Latest Practicable Date
Mr. Tang Xuebin	Interest of controlled corporation(1)&(2)	720,988,259	–	66.57%
	Beneficial owner(3)	–	1,098,940	0.10%
	Family interests(4)	450,000	–	0.04%
Mr. Dong Dong	Beneficial owner(3)	–	1,026,300	0.09%
Mr. Pan Jun	Beneficial owner(3)	–	1,255,440	0.12%

Director	Capacity/Nature of interest	Number of issued ordinary shares of the Company	Interest in underlying shares of the Company	Approximate percentage of interest in the Company as at the Latest Practicable Date
Mr. Lam Kam Tong	Beneficial owner(3)	–	510,000	0.05%
Mr. Zhou Hongyi	Beneficial owner(3)	–	360,000	0.03%
Mr. Tam Chun Hung, Anthony	Beneficial owner(3)	–	510,000	0.05%
Dr. Liao Jianwen	Beneficial owner(3)	–	510,000	0.05%
Mr. Xu Xinmin	Beneficial owner(3)	–	510,000	0.05%

Notes:

(1) Mr. Tang Xuebin ("**Mr. Tang**") is interested in 43.34% shares in Colour Success Limited ("**Colour Success**") which wholly owns Splendid Fortune Enterprise Limited ("**Splendid Fortune**"). Mr. Tang Xuebin is therefore deemed to be interested in the 217,031,477 shares of the Company held by Splendid Fortune for the purpose of Part XV of the SFO.

(2) Under a concert party agreement dated 29 June 2015 entered into between Fantasia Holdings and Splendid Fortune ("**Concert Party Agreement**"), each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Mr. Tang is also deemed to be interested in the 503,956,782 shares of the Company in which Fantasia Holdings is interested for the purpose of Part XV of the SFO.

(3) These are share options granted to the Directors of the Company under the share option scheme of the Company adopted on 11 June 2016.

(4) The 450,000 shares were beneficially held by Ms. Dai Minglei, the spouse of Mr. Tang.

(ii) Long positions in shares and underlying shares of the associated corporations

Director	Name of associated corporation	Capacity/ Nature of interest	Equity interest/ number of shares/ underlying shares	Approximate percentage of equity interest/ shareholding as the Latest Practicable Date
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	20%
	Fantasia Holdings[(3)]	Beneficial owner	9,980,000	0.17%
Mr. Tang Xuebin	Shenzhen Caizhiyun Network[(1)]	Beneficial owner	RMB3,000,000	30%
	Fantasia Holdings[(3)]	Beneficial owner	1,640,000	0.03%
Mr. Lam Kam Tong	Fantasia Holdings[(3)]	Beneficial owner	2,770,000	0.05%
Mr. Dong Dong	Fantasia Holdings[(3)]	Beneficial owner	560,000	0.01%

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 2016.

(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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons (other than a Director or chief executive of Colour Life or their respective associates) or entities who had an interest or a short position in the Shares or the 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 or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Interest in Shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of ordinary shares of the Company interested	Approximate percentage of shareholding interest as at the Latest Practicable Date
Ms. Zeng Jie, Baby	Interest of controlled corporation(1)&(2)	722,331,259	66.70%
Ice Apex	Interest of controlled corporation(1)&(2)	722,331,259	66.70%
Fantasy Pearl	Beneficial owner	1,343,000	
	Interest of controlled corporation(1)&(2)	720,988,259	
		722,331,259	66.70%
Fantasia Holdings	Beneficial owner(1)	503,956,782	
	Other interest(2)	217,031,477	
		720,988,259	66.57%
Splendid Fortune	Beneficial owner(3)	217,031,477	
	Other interest(4)	503,956,782	
		720,988,259	66.57%
Colour Success	Interest of controlled corporation(3)&(4)	720,988,259	66.57%

Notes:

(1) Fantasia Holdings is owned as to 57.50% 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.

(2) Under the Concert Party Agreement, each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Fantasia Holdings, Fantasy Pearl, Ice Apex and Ms. Zeng Jie, Baby are also deemed to be interested in the shares of the Company in which Splendid Fortune is interested for the purpose of Part XV of the SFO.

(3) Splendid Fortune is wholly 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.

(4) Under the Concert Party Agreement, each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Splendid Fortune and Colour Success are also deemed to be interested in the shares of the Company in which Fantasia Holdings is interested for the purpose of Part XV of the SFO.

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director or chief executive of Colour Life or their respective associates) had an interest or a short position in the Shares or the 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 which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

Save for Mr. Pan Jun and Mr. Lam Kam Tong, both being non-executive Directors, are also executive directors of Fantasia, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares and 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.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of any compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Enlarged Group, and since 31 December 2016 (the date to which the latest published 2016 full year results of the Group were made up), none of the Directors is directly or indirectly interested in any assets which have been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, except that Mr. Pan Jun and Mr. Lam Kam Tong, both being non-executive Directors, are also executive directors of Fantasia.

5. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualification of the expert who has given advice, letter or opinion for incorporation and as contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Gram Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO.
PSA (HK) Surveyors Limited	valuer

As at the Latest Practicable Date, each of the experts identified above has no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts identified above had no direct or indirect interests in any assets which have been, since 31 December 2016 (the date to which the latest published 2016 full year results of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the experts identified above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

6. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Enlarged Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) were entered into by member(s) of the Enlarged Group within the two years immediately preceding the date of this circular which are or may be material:

(a) the investment agreement dated 25 August 2016 entered into between, among others, 深圳市彩生活服務集團有限公司 (Shenzhen Colour Life Services Group Company Limited*) ("**Shenzhen Colour Life**"), a wholly-owned subsidiary of the Company, and Home E&E in relation to the formation of a fund with the estimated capital contribution of RMB980 million, of which Shenzhen Colour Life's contribution was RMB60 million (representing approximately 6.1% of the total capital contribution of the fund);

(b) the share transfer agreement dated 9 October 2016 entered into between Shenzhen Colour Life as vendor and 深圳市花樣年地產集團有限公司 (Shenzhen Fantasia Real Estate Group Co., Ltd.*) as purchaser in relation to the transfer of the entire registered capital in 深圳市星彥行置業有限公司 (Shenzhen Xingyanhang Real Estate Co., Ltd.*) at a consideration of RMB13,000,000;

(c) the First Agreement;

(d) the Second Agreement and the Supplemental Agreement;

(e) the Third Agreement; and

(f) the Fourth Agreement.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection during the normal business hours from 9:00 a.m. to 5:00 p.m. (save for Saturday and public holidays) at principal place of business of the Company in Hong Kong at Room 1202–03, New World Tower 1, 16–18 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including the date of the EGM (save for Saturday and public holidays):

(a) the memorandum and articles of association of the Company;

(b) the annual report of the Company for the year ended 31 December 2016;

(c) contracts referred to in the section headed "Material Contracts" in this appendix;

(d) the accountants' report on the Target Group, the text of which is set out in Appendix II to this circular;

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

(f) the valuation report of the Target Group, the text of which is set out in Appendix V to this circular;

(g) the letters of consent from the expert identified in the section headed "Qualification and Consent of Experts" above in this appendix; and

(h) this circular.

9. GENERAL

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

(b) The head office and principal place of business of the Company in the PRC is 12th Floor, Colour Life Building, Meilong Road, Liuxian Avenue, Bao'an District, Shenzhen, the PRC.

(c) The principal place of business of the Company in Hong Kong is Room 1202–03, New World Tower 1, 16–18 Queen's Road Central, Hong Kong.

(d) The secretary of the Company is Ms. Chak Wai Ting, who holds a Bachelor of Business Administration degree in Corporate Administration and is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

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

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

(g) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text.

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 the extraordinary general meeting of Colour Life Services Group Co., Limited (the "**Company**") will be held at Ramada Plaza Shenzhen North, Meilong Road and Minwang Road Cross, Minzhi Sub-district, Longhua, Shenzhen, Guangdong, PRC on Wednesday, 28 February 2018 at 10:30 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the First Agreement (as defined in the circular of the Company date 5 February 2018, the "**Circular**"), a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose, is hereby approved, confirmed and ratified;

(b) the Second Agreement (as defined in the Circular) and as amended by the supplemented agreement dated 19 December 2017, a copy of which is tabled at the meeting and marked "B" and initialed by the chairman of the meeting for identification purpose, and the issue of the Consideration Shares (as defined in the Circular) to partly satisfy the consideration under the Second Agreement is hereby approved, confirmed and ratified;

(c) the Third Agreement (as defined in the Circular), a copy of which is tabled at the meeting and marked "C" and initialed by the chairman of the meeting for identification purpose, is hereby approved, confirmed and ratified;

(d) the Fourth Agreement (as defined in the Circular), a copy of which is tabled at the meeting and marked "D" and initialed by the chairman of the meeting for identification purpose, is hereby approved, confirmed and ratified;

(e) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the Transaction."

By Order of the Board
Colour Life Services Group Co., Limited
TANG Xuebin
Executive Director and Chief Executive Officer

Hong Kong, 5 February 2018

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.

2. A form of proxy for the extraordinary general meeting is enclosed. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any), under which the form is signed must be deposited at the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.

3. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned if the shareholders of the Company so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.

4. Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. A member of the Company entitled to more than one vote needs not, if he votes on a poll, use all his votes or cast all the votes he uses in the same way.

6. The resolution is to be voted by way of poll.

7. For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming extraordinary general meeting to be held on 28 February 2018, the register of members of the Company will be closed on Thursday, 22 February 2018 to Wednesday, 28 February 2018, both days inclusive. In order to qualify for attending and voting at the meeting, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 21 February 2018 or any adjournment thereof.

As at the date of this notice, the board of directors of the Company comprises Mr. Tang Xuebin and Mr. Dong Dong as executive directors; Mr. Pan Jun, Mr. Lam Kam Tong and Mr. Zhou Hongyi as non-executive directors; and Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin as independent non-executive directors.