
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

花 樣 年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 01777)

MAJOR TRANSACTION

A letter from the Board is set out on pages 6 to 23 of this circular.

A notice convening the EGM of Fantasia Holdings Group Co., Limited to be held at Ramada Plaza Shenzhen North, Meilong Road and Minwang Road Cross, Minzhi Sub-district, Longhua, Shenzhen, Guangdong, PRC on 28 February 2018 at 2:30 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use by the Shareholders at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof (as the case may be) if they so wish.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — VALUATION REPORT OF EQUITY INTEREST OF THE TARGET GROUP	II-1
APPENDIX III — GENERAL INFORMATION	III-1
NOTICE OF EGM	EGM-1

DEFINITIONS

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

“Board”	the board of Directors of the Company;
“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 EGM”	the extraordinary general meeting of Colour Life to be convened to approve the Transaction;
“Colour Life Investment”	Colour Life Investment Company Limited, a limited liability company incorporated in Hong Kong and is a wholly-owned subsidiary of Colour Life;
“Colour Life Shares”	ordinary shares of Colour Life;
“Company” or “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;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration Shares”	231,500,000 Colour Life Shares to be issued by Colour Life 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 2:30 p.m. for the purpose of considering and, if thought fit, approving the Transaction;
“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 the Company;

DEFINITIONS

“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 the Company;
“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;
“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 the Company incorporated in the PRC, the shares of which are quoted on the National Equities Exchange and Quotations Systems;
“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 Colour Life;
“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 the Company;

DEFINITIONS

“Link Joy Holdings”	Link Joy Holdings Co., Ltd., a limited liability company incorporated in the Cayman Islands and is a wholly-owned subsidiary of the Company;
“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 dated 19 December 2017 between Fantasia, Colour Life Investment and Link Joy Holdings;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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 Colour Life;
“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 Colour Life;
“Shenzhen Jianian”	深圳前海嘉年投資基金管理有限公司 (Shenzhen Qin Hai Jianian Investment Fund Management Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of the Company as at the date of the Joint Announcement;
“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;

DEFINITIONS

“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 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;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“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;

DEFINITIONS

“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*

LETTER FROM THE BOARD

花 樣 年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 01777)

Executive Directors:

Mr. Pan Jun (*Chairman and Chief Executive Officer*)

Ms. Zeng Jie, Baby

Mr. Lam Kam Tong

Mr. Deng Bo

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Non-executive Directors:

Mr. Li Dong Sheng

Mr. Liao Qian

Principal place of business

in Hong Kong:

Room 1202-03

New World Tower 1

16-18 Queen's Road Central

Hong Kong

Independent non-executive Directors:

Mr. Ho Man

Mr. Huang Ming

Dr. Liao Jianwen

Ms. Wong Pui Sze, Priscilla, JP

Mr. Guo Shaomu

5 February 2018

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION

INTRODUCTION

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

The Transaction constitutes a major transaction for the Company and is subject to the approval by the shareholders at the EGM.

The purpose of this circular is to provide you with, among other things, the details of the Transaction, and the notice convening the EGM.

LETTER FROM THE BOARD

THE TRANSACTION

On 14 November 2017, certain subsidiaries of Colour Life proposed to acquire from the Group 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, which are inter-conditional.

The First Agreement

On 14 November 2017, Fantasia China, a wholly-owned subsidiary of the Company, and Shenzhen Colour Life, a wholly-owned subsidiary of Colour Life, 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;
- (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 Colour Life 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;

LETTER FROM THE BOARD

- (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 the Company, and Colour Life Investment, a wholly-owned subsidiary of Colour Life, entered into the Second Agreement. On 19 December 2017, the Company, 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. The principal terms of the Second Agreement (as amended) are set out below:

Subject matter

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

LETTER FROM THE BOARD

Consideration Shares

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

The Consideration Shares will rank equally among themselves and pari passu in all respects with the Colour Life 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 Colour Life Shares of HK\$5.39 per Colour Life Share on 19 December 2017, the date of the Supplemental Agreement to the Second Agreement.

As at the Latest Practicable Date, the Company is interested in 720,988,259 Colour Life Shares, representing approximately 66.57% of the issued share capital of Colour Life. Upon completion of the Transaction and the issue of the Consideration Shares, the Company will be interested in 952,488,259 Colour Life Shares, representing approximately 72.46% of the total number of Colour Life Shares in issue.

Issue Price

The Consideration Shares will be issued at HK\$5.10 per Colour Life Share (the “**Issue Price**”).

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

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 the completed by the parties thereto;
- (2) the Shareholders having approved the Transaction;
- (3) the independent Colour Life 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

LETTER FROM THE BOARD

- (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 the Company, and Shenzhen Gaorunda, a wholly-owned subsidiary of Colour Life, 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 subjected 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.

LETTER FROM THE BOARD

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 satisfied.

The Fourth Agreement

On 14 November 2017, Shenzhen Jianian, a wholly-owned subsidiary of the Company, and Shenzhen Gaorunda, a wholly-owned subsidiary of Colour Life, 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;
- (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 Colour Life through a combination of bank borrowings and internal financial resources of Colour Life.

LETTER FROM THE BOARD

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.

Notwithstanding that 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 as at 30 November 2017, 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 companies in the Target Group will remain as subsidiaries of the Company with their results continue to be consolidated into the financial statements of the Company.

LETTER FROM THE BOARD

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 <i>RMB</i>	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

The Company

The Company is a company 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 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 the Company and is principally engaged in the business of investment holding.

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

LETTER FROM THE BOARD

Link Joy is a 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.

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.

Colour Life

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

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

Colour Life Investment is a wholly-owned subsidiary of Colour Life established 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 Colour Life. 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, Colour Life will indirectly own 100% beneficial interest in Shenzhen Wanxiang through Shenzhen Jiaxin.

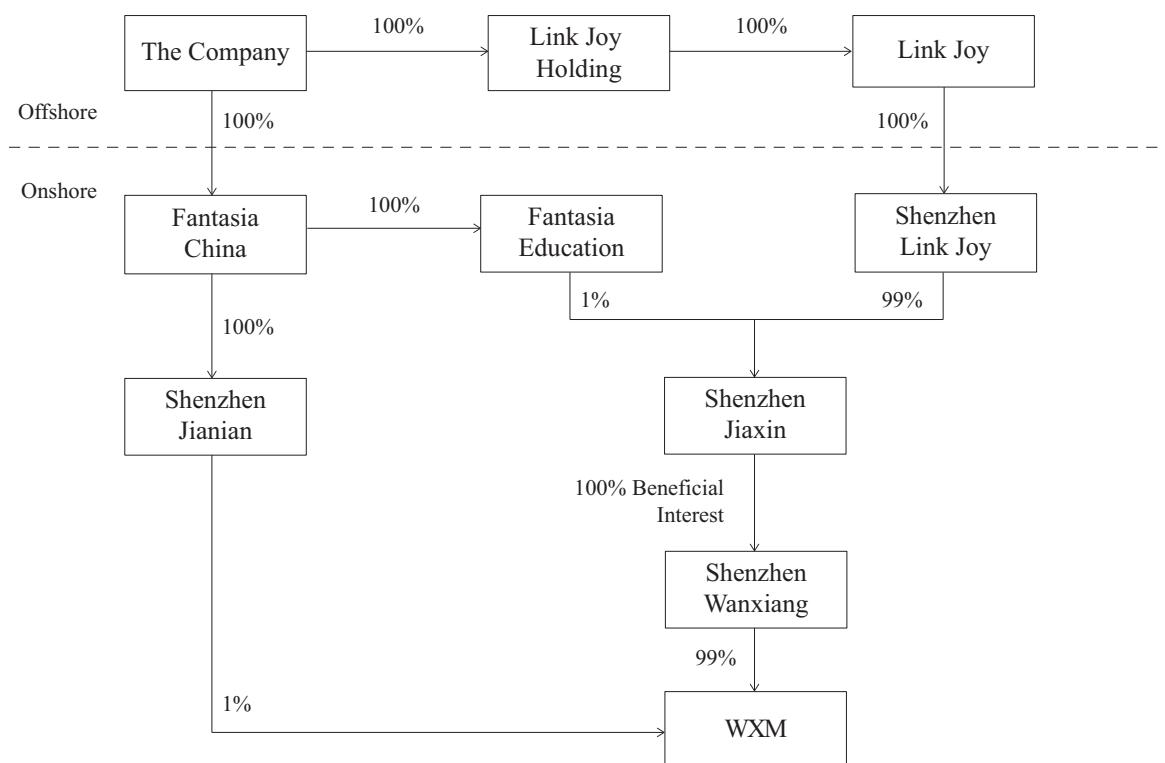
Shenzhen Wanxiang holds 99% of the equity in WXM, and the remaining 1% of the equity in WXM will be held by Shenzhen Gaorunda pursuant to the Fourth Agreement. Shenzhen Wanxiang is principally engaged in the business of property management.

LETTER FROM THE BOARD

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 owing 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.

LETTER FROM THE BOARD

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 appoint 2 members and prior to Shenzhen Gaorunda becoming a general partner, Shenzhen Jianian will recommend to 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; (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.

LETTER FROM THE BOARD

The purpose of the Supplemental Partnership Agreement is to enable Shenzhen Jiaxin 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 subsidiary of the Company)	<ul style="list-style-type: none">– 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	<ul style="list-style-type: none">– will withdraw from the partnership and will be replaced by Shenzhen Gaorunda
Shenzhen Gaorunda (general partner, a subsidiary of Colour Life)	N/A	<ul style="list-style-type: none">– 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

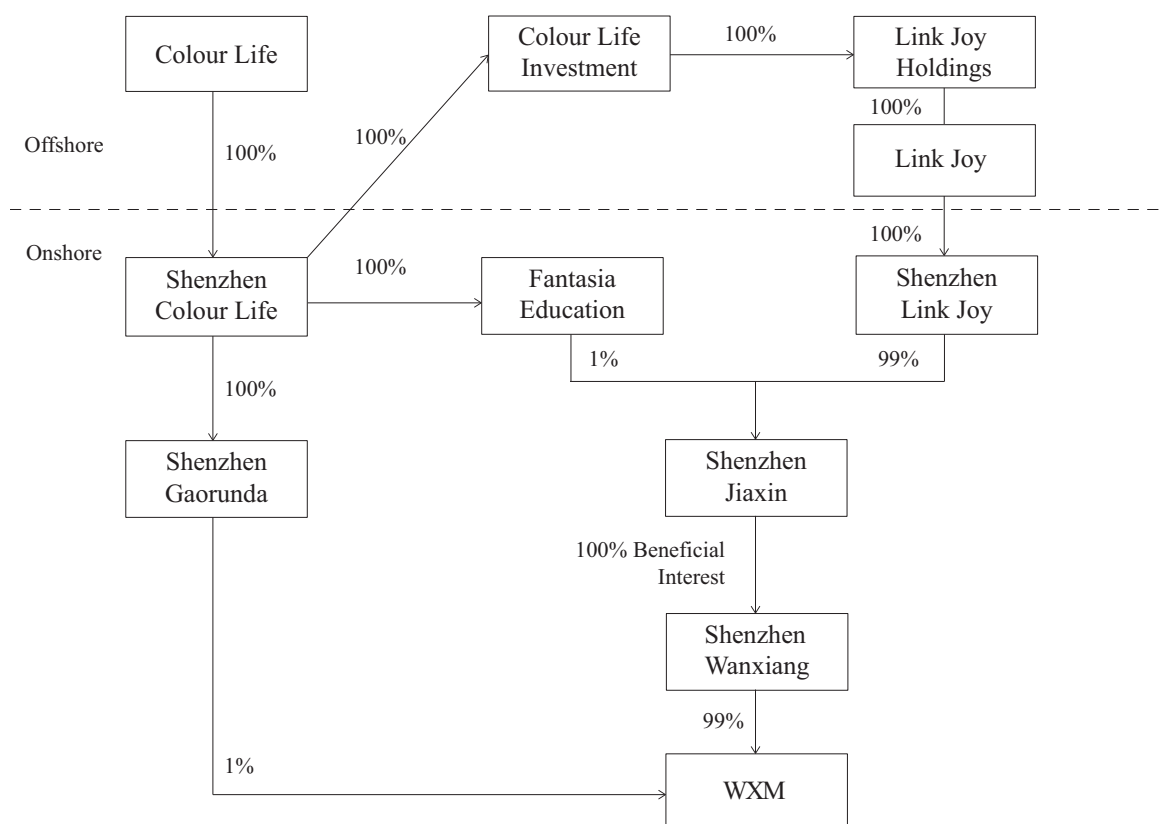
LETTER FROM THE BOARD

	Before	After
<p>Shenzhen Xincheng (general partner, a Greatwall Jiaxin's subsidiary, an independent third party)</p>	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – 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
<p>Shenzhen Jiaxin (limited partner, a subsidiary of Company that will be transferred to Colour Life under the Transaction)</p>	<ul style="list-style-type: none"> – capital contribution – entitled to a fixed return on profit 	<ul style="list-style-type: none"> – capital contribution – entitled to the residual profits of Shenzhen Wanxiang after the settlement of Greatwall Jiaxin's fixed return
<p>Greatwall Jiaxin (limited partner, an independent third party)</p>	<ul style="list-style-type: none"> – capital contribution – entitled to a fixed return on investment 	<ul style="list-style-type: none"> – 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.

LETTER FROM THE BOARD

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
	<i>Approximately RMB'000</i>	<i>Approximately RMB'000</i>	<i>Approximately RMB'000</i>
Profit before tax	0	22,517	139,071
Profit after tax	0	10,617	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

LETTER FROM THE BOARD

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
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(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 the WXM Group in 2016. Based on professional consultancy of Home E&E and Kaiyuan International, income of the WXM Group increased and costs were under control, and profit margins of new businesses increased, leading to a significant increase in profit of the WXM Group in first half of 2017.

Pursuant to a deed of non-competition (the “**Deed**”) dated 11 June 2014, the Company has undertaken, among others, that until the date on which the Company ceases to hold, whether directly or indirectly, 30% or more of the shares of Colour Life, the Group (excluding Colour Life 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 Colour Life dated 17 June 2014.

At the time of the acquisition of WXM in August 2016, the Company has offered the acquisition opportunity to Colour Life. 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, Colour Life considered that it was not an investment that ought to be pursued and led by it at that time and it would be more appropriate for the Company to be a partner in Shenzhen Wanxiang for the purpose of the acquisition. WXM was accounted as an associated company of the Company and its results were not consolidated in the financial statements of the Company. Given that the Company 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 it has not been engaged in residential communities focused property management business and had complied with the terms of the Deed.

LETTER FROM THE BOARD

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 the Group'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 Colour Life. The Transaction would enable Colour Life to strengthen its leading market position in property management, whilst the Company 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 Colour Life, and will remain as subsidiaries (with their accounts consolidated into the Group's financial statements) of the Group.

The Company will not record any gain on disposal as the Transaction is an intra-group transaction. Completion will not affect the earnings, assets and liabilities of the Company.

REASONS FOR THE TRANSACTION

The Company is a leading property developer and property related service provider in the PRC. Colour Life and its subsidiaries are 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 Colour Life to reinforce its position as one of the leading property management companies in the PRC and enable the Company to focus on its principal business of property development. The board of directors of the Company 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

Colour Life is a non-wholly owned subsidiary of the Company. Accordingly, the Transaction constitutes a deemed disposal of the Company's interest in the relevant companies which are the subject of the Transaction by the percentage interest in Colour Life not held by the Company.

As the consideration ratio in respect of the Transaction under Rule 14.07 of the Listing Rules is more than 25% but less than 75%, the Transaction constitutes a major transaction for the Company which is subject to the approval by the Shareholders under Chapter 14 of the Listing Rules.

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 Colour Life, are considered to be interested in the transactions thereunder and have abstained from voting for the resolution to approve the Transaction.

LETTER FROM THE BOARD

EGM

The EGM will be convened and held for the Shareholders to consider, and if thought fit, to approve 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 2:30 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

Mr. Pan Jun and Mr. Lam Kam Tong, who are common directors of the Company and Colour Life, are considered to be interested in the Transaction and will abstain from voting on the resolution in respect of the Transaction at the EGM. As at the Latest Practicable Date, each of Mr. Pan Jun and Mr. Lam Kam Tong is interested in 9,980,000 and 2,770,000 share options of the Company, respectively. Should they exercise any of the share options and hold such Shares prior to the EGM, they will be required to abstain from voting on the resolution at the EGM. 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.

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 17M 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, 17M 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 Directors (including the independent non-executive Directors) consider that the terms of the Transaction are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Board therefore recommends to the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction, and matters ancillary thereto as set out in the notice of EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

By order of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

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 92 to 219 of the annual report of the Company for the year ended 31 December 2014, pages 85 to 219 of the annual report of the Company for the year ended 31 December 2015, pages 88 to 247 of the annual report of the Company for the year ended 31 December 2016, and pages 50 to 83 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.cnfantasia.com>. 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/LTN20170925657.pdf>

II. INDEBTEDNESS

Indebtedness and contingent liabilities of the Group

	Total 31 December 2017 <i>RMB million</i>
Senior notes and bonds	19,804.9
Assets backed securities issued	227.7
Borrowings	<u>8,794.4</u>
Total borrowings	<u><u>28,827.0</u></u>
Secured borrowings	6,216.5
Unsecured borrowings	<u>22,610.5</u>
	<u><u>28,827.0</u></u>
Guaranteed borrowings	24,289.1
Unguaranteed borrowings	<u>4,537.9</u>
	<u><u>28,827.0</u></u>

The security provided by the Group of the above mentioned borrowings of the Group were certain land use rights, properties for sale, investment properties, property plant and equipment, pledged bank deposits and future leasing income of certain investment properties of the Group and equity interests of certain subsidiaries of the Company. The guaranteed borrowings of the Group were guaranteed by an immediate holding company of the Company, the Company, certain subsidiaries of the Company, certain directors and key managements of the Company and its subsidiaries.

Other than above, the Group had amounts due to non-controlling shareholders of subsidiaries of RMB23.2 million, amounts due to joint ventures of RMB197.8 million, amounts due to associates of RMB6.8 million, amounts due to joint venture partners of RMB1,776.0 million and obligations under finance lease of RMB311.0 million at 31 December 2017, which were unsecured and unguaranteed.

In addition, the Group provided guarantees to customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties of RMB7,296.7 million and guarantee to a previous subsidiary of the Company of RMB630.0 million at 31 December 2017.

Save as disclosed above and apart from intra-group liabilities, the 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 Group, including the internally generated funds and available financing facilities, the Directors are of opinion that the Group has sufficient working capital for its present requirements, that is for at least next twelve months from the date of this circular.

V. FINANCIAL AND TRADING PROSPECTS

Upon Completion, WXM remains as a subsidiary. The Transaction will fortify the leading market position in property management of Colour Life, a subsidiary of the Company, and will allow the Group to focus on its core business in property development.

The Group plans to continue to optimise its existing operations, promote the integration of industrial and financial capital, focus on both "asset-light and heavy" approaches, with the aim to innovatively implement the four-pillar ecosystem (community services, community intelligence, community technology and community applications) and to grow into an industrial financial group rooted in community services to provide customers with interesting, exciting and insightful living space and experience.



5 February 2018

Board of Directors
Fantasia Holdings 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 Fantasia Holdings 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 except 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 of, 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 widely 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 Jiabin 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, Jia Xin, Wanxiang and WXM Group's 100% Equity Interest

Valuation Date: 30/11/2017

	Notes	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			888,335.97
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	10,534,418.90	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	1	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
Internet 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	2, 3	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

Notes	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	1,000,000.00			1,000,000.00
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									<u>1,122,258,333.33</u>
Total Liabilities									<u>1,133,902,483.68</u>
Equity Value									<u>2,297,175,523.59</u>
Equity Value (Reconciliation)									<u>2,297,000,000</u>

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 of the Stock Exchange 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) Director's Interest in the securities of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors and chief executive of the Company has any interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

(i) Long positions in the shares and underlying shares of the Company

Director	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 the Latest Practicable Date
Ms. Zeng Jie, Baby	Interest of controlled corporation	3,313,090,500 ⁽¹⁾	–	57.50%
	Beneficial owner	–	9,980,000 ⁽²⁾	0.17%
Mr. Pan Jun	Beneficial owner	–	9,980,000 ⁽²⁾	0.17%
Mr. Lam Kam Tong	Beneficial owner	–	2,770,000 ⁽²⁾	0.05%
Mr. Deng Bo	Beneficial Owner	–	2,310,000 ⁽²⁾	0.04%
Mr. Ho Man	Beneficial owner	–	1,600,000 ⁽²⁾	0.03%
Mr. Huang Ming	Beneficial owner	–	1,600,000 ⁽²⁾	0.03%

Notes:

- (1) Fantasy Pearl International Limited (“**Fantasy Pearl**”) is owned as to 80% by Ice Apex Limited (“**Ice Apex**”) and 20% by Graceful Star Overseas Limited (“**Graceful Star**”). While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.
- (2) The relevant Director was granted options to subscribe for such number of shares of the Company under the share option scheme of the Company on 29 August 2011.

(ii) Long positions in the debentures of the Company

Director	Nature of interest	Amount of debentures of the Company held	Approximate percentage of interest in the 2020 USD Notes as at the Latest Practicable Date⁽¹⁾
Mr. Guo Shaomu	Beneficial owner	USD400,000	0.16%

Note:

- (1) The percentage of the interest in the USD Notes is based on the aggregate principal amount of USD250,000,000.

*(iii) Long positions in association corporations**A. Fantasy Pearl*

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at the Latest Practicable Date
Ms. Zeng Jie, Baby	Interest of controlled corporation	80 ⁽¹⁾	Ordinary	80%
Mr. Pan Jun	Interest of controlled corporation	20 ⁽²⁾	Ordinary	20%

Notes:

- (1) These are shares held by Ice Apex in Fantasy Pearl and Ice Apex is wholly owned by Ms. Zeng Jie, Baby.
- (2) These are shares held by Graceful Star in Fantasy Pearl and Graceful Star is wholly owned by Mr. Pan Jun.

B. Colour Life

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at the Latest Practicable Date
Ms. Zeng Jie, Baby	Interest of controlled corporation	722,331,259 ⁽¹⁾	Ordinary	66.70%
Mr. Pan Jun	Beneficial owner	1,255,440 ⁽²⁾	Ordinary	0.12%
Mr. Lam Kam Tong	Beneficial owner	510,000 ⁽²⁾	Ordinary	0.05%
Mr. Deng Bo	Interest held by spouse	53,241 ⁽³⁾	Ordinary	0.01%
Dr. Liao Jianwen	Beneficial owner	510,000 ⁽²⁾	Ordinary	0.05%

Notes:

- (1) These include (i) 503,956,782 shares in Colour Life held by the Company which is owned as to 57.50% by Fantasy Pearl which is in turn owned as to 80% by Ice Apex and 20% by Graceful Star and as Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of Colour Life held by the Company for the purpose of Part XV of the SFO; and (ii) pursuant to a concert party agreement dated 29 June 2015 entered into between the Company and Splendid Fortune Enterprise Limited (“**Splendid Fortune**”), each of the Company and Splendid Fortune is taken to be interested in the shares of Colour Life in which each other is interested for the purpose of Part XV of the SFO. As such, the Company, Fantasy Pearl, Ice Apex and Ms. Zeng Jie, Baby are also deemed to be interested in 217,031,477 shares of Colour Life held by Splendid Fortune for the purpose of Part XV of the SFO.
- (2) These represent share options granted by Colour Life subject to vesting schedules.
- (3) Held by Ms. Li Yanbing, the spouse of Mr. Dong Bo. By virtue of SFO, Mr Deng Bo is deemed to be interested in the Shares held by his spouse Ms. Li Yanbing.

C. *Shenzhen Caizhiyun Network Technology Co., Ltd. (“Caizhiyun Netork”)*

Director	Nature of interest	Registered capital (RMB)	Approximate percentage of interest in the associated corporation as at the Latest Practicable Date
Mr. Pan Jun	Beneficial owner	700,000 ⁽¹⁾	70%

Note:

- (1) 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 Colour Life by virtue of certain structured contracts, details of which are disclosed in the section headed “History, Reorganization and the Group Structure” in Colour Life’s prospectus dated 17 June 2014.

(b) Substantial shareholders’ interest

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following shareholders (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, 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 any other member of the Group.

Name of shareholder	Nature of interest	Number of shares	Approximate percentage of interest in the Company as at the Latest Practicable Date
Fantasy Pearl	Beneficial owner	3,313,090,500	57.50%
Ice Apex	Interest of controlled corporation	3,313,090,500 ⁽¹⁾	57.50%

Name of shareholder	Nature of interest	Number of shares	Approximate percentage of interest in the Company as at the Latest Practicable Date
T.C.L. Industries Holdings (H.K.) Limited	Beneficial owner	1,156,995,574	20.08%
TCL Corporation	Interest of controlled corporation	1,156,995,574	20.08%

Notes:

- (1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

4. DIRECTORS' INTERESTS IN ASSETS

Mr. Li Dong Sheng, a non-executive Director, is the chairman and chief executive officer of TCL Corporation.

Save for aforesaid, as at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

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

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

Mr. Li Dong Sheng, a non-executive Director, is the chairman and chief executive officer of TCL Corporation.

Save for aforesaid, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

- (a) the sale and purchase deed dated 19 November 2015 entered into by One Ever Global Limited, an indirect wholly-owned subsidiary of the Company, and certain vendors in relation to the acquisition of Morning Star Group Limited;
- (b) the subscription agreement dated 9 December 2015 entered into between, among others, 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) (“**Home E&E**”), an indirect non wholly-owned subsidiary of the Company, and Fantasia Group (China) Company Limited* (花樣年集團(中國)有限公司), an indirect wholly-owned subsidiary of the Company, in relation to the subscription of a total of 5,150,752 shares in Home E&E at a total consideration of approximately RMB205.0 million by way of capital injection;
- (c) the sale and purchase agreement dated 18 May 2016 entered into between, among others, Prominent Sing Limited (萃聲有限公司), an indirect wholly-owned subsidiary of the Company, and ASIMCO Technologies Group Limited in relation to the acquisition of the entire issued share capital of ASIMCO Investments III Ltd. (亞新科第三投資有限公司) at a total consideration of US\$67,061,740;
- (d) the partnership agreement dated 20 June 2016 and the supplemental agreement dated 29 June 2016 entered into among 深圳市花樣年地產集團有限公司 (Shenzhen Fantasia Real Estate Group Limited) 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.) (“**Qianhai Jianian**”), each is a wholly-owned subsidiary of the Company, 信達資本管理有限公司 (Cinda Capital Management Co., Ltd.) and 中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.) in relation to the establishment of 蕪湖信嘉投資中心(有限合夥) Wuhu Xinjia Investment Center (limited partnership) at a total capital commitment of RMB1,672,000,000;
- (e) the partnership agreement and the supplemental agreement dated 1 July 2016 entered into among 深圳市嘉信諮詢服務有限公司 (Shenzhen Jiixin Information Consulting Services Co., Ltd.) (“**Shenzhen Jiixin**”) and Qianhai Jianian, each is a wholly-owned subsidiary of the Company, 深圳鑫橙投資管理有限公司 (Shenzhen Xincheng Investment Management Co., Ltd.) and 長城嘉信資產管理有限公司 (Greatwall Jiixin Asset Management Co., Ltd.) in relation to the establishment 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) (the “**Partnership**”) at a total capital commitment of RMB1,982,000,000;
- (f) the investment agreement dated 25 August 2016 entered into between, among others, Fantasia Group (China) Company Limited* (花樣年集團(中國)有限公司) and Shenzhen Jiixin, each is 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;
- (g) an agreement dated 1 August 2016 entered into between the Partnership, Qianhai Jianian and Dalian Wanda Commercial Properties Co., Ltd.* (大連萬達商業地產股份有限公司) (“**Wanda Commercial**”) in relation to the acquisitions from Wanda Commercial 99% and 1% equity interests in Wanda Property Management Co., Ltd.* (萬達物業管理有限公司), respectively;
- (h) the First Agreement;
- (i) the Second Agreement;
- (j) the Third Agreement;
- (k) the Fourth Agreement; and
- (l) the Supplemental Agreement.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given advice, letter or opinion for incorporation and as contained in this circular:

Name	Qualifications
PSA (HK) Surveyors Limited	valuer

As at the Latest Practicable Date, the expert 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, the expert 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.

The expert 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.

9. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

10. 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 Block A, Funian Plaza, Shihua Road and Zijing Road Interchange in Futian Duty-free Zone, Shenzhen 518048, Guangdong Province, China.
- (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 Mr. Lam Kam Tong who is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.

- (e) The Cayman Islands principal share registrar and transfer office is SMP Partners (Cayman) Limited, Royal Bank House, 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman KY1-1110, Cayman Islands.
- (f) The Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, 17M 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except public holidays) at the corporate head office of the Company in Hong Kong at Room 1202-03, New World Tower 1, 16-18 Queen's Road Central, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2015 and 31 December 2016;
- (c) the interim report of the Company for the six months ended 30 June 2017;
- (d) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (e) the valuation report of the Target Group, the text of which is set out in Appendix II to this circular;
- (f) the letter of consent from the expert identified in the section headed "Qualification and Consent of Expert" above in this appendix; and
- (g) this circular.

* *For identification purpose only*

NOTICE OF EGM

花 樣 年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 01777)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Fantasia Holdings 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 2:30 p.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION

Words and expressions that are not expressly defined in this notice shall bear the same meanings as that defined in the circular dated 5 February 2018 published by the Company.

“THAT

- (a) the First Agreement, 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, a copy of which is tabled at the meeting and marked “B” and initialed by the chairman of the meeting for identification purpose, is hereby approved, confirmed and ratified;
- (c) the Third Agreement, 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, 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;

NOTICE OF EGM

- (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
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

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 17M 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 Wednesday, 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 17M 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 executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Baby, Mr. Lam Kam Tong and Mr. Deng Bo; the non-executive Directors are Mr. Li Dong Sheng and Mr. Liao Qian and the independent non-executive Directors are Mr. Ho Man, Mr. Huang Ming, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu.