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If you have sold or transferred all your shares in A-Living Services Co., Ltd., you should at once hand this circular together with the enclosed proxy form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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A-LIVING SERVICES CO., LTD.* **雅居樂雅生活服務股份有限公司**

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3319)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTEREST IN CMIG PM AND NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING

Financial Adviser to A-Living



Capitalised terms used on this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 9 to 29 of this circular.

A notice convening the A-Living EGM to be held at Conference Room, 33/F, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC on Tuesday, 17 March 2020 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the A-Living EGM is also enclosed in this circular. Such proxy form is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and A-Living (<http://www.agileliving.com.cn>).

Shareholders who intend to appoint a proxy to attend the A-Living EGM shall complete and return the enclosed proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the A-Living EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the A-Living EGM or any adjourned meeting thereof if they so wish.

CONTENTS

	Page
Definitions	1
Letter from the Board	9
Appendix I — Financial Information of the A-Living Group	I-1
Appendix II — Accountant’s Report on the CMIG PM Group	II-1
Appendix III — Unaudited Pro Forma Financial Information of the Enlarged Group	III-1
Appendix IV — Management Discussion and Analysis of the CMIG PM Group	IV-1
Appendix V — General Information	V-1
Notice of A-Living EGM	EGM-1

DEFINITIONS

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

“2019 Audited Net Profit”	the aggregated audited net profit after taxation and excluding extraordinary items attributable to CMIG PM of Entity C to Entity J, Entity L to Entity N and Shenzhen Longcheng (all of which are principally engaged in property management) for the year ended 31 December 2019
“Acquisitions”	the CMIG PM Acquisition and the New CMIG PM Acquisition
“A-Living”	A-Living Services Co., Ltd.* (雅居樂雅生活服務股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the main board of the Stock Exchange
“A-Living Board”	board of directors of A-Living
“A-Living Director(s)”	the director(s) of A-Living
“A-Living Group”	A-Living and its subsidiaries
“A-Living EGM”	the 2020 second extraordinary general meeting of A-Living to be held and convened at Conference Room, 33/F, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC on Tuesday, 17 March 2020 at 10:00 a.m. or any adjournment thereof (as the case may be) to consider and, if thought fit, approve the CMIG PM Agreement and the transactions contemplated thereunder
“A-Living Shareholder(s)”	holder(s) of the shares of A-Living
“A-Living Supervisor(s)”	the supervisor(s) of A-Living
“Announcements”	the announcements of A-Living dated 25 September 2019 in relation to the CMIG PM Acquisition and 12 December 2019 in relation to the New CMIG PM Acquisition
“associate”	has the meaning as ascribed to it under the Listing Rules

DEFINITIONS

“Chongqing Xindong”	重慶信東投資管理有限公司 (Chongqing Xindong Investment Management Company Limited*), a company established in the PRC with limited liability and is wholly-owned by CMIG PM
“CMIG Investment”	中民物業投資有限公司 (CMIG Property Investment Company Limited*), a company established in the PRC with limited liability and is wholly-owned by the Remaining Shareholder
“CMIG PM”	中民未來物業服務有限公司 (CMIG Futurelife Property Management Limited*), a limited liability company established in the PRC and is owned as to 60% by the Vendor and as to 40% by the Remaining Shareholder
“CMIG PM Acquisition”	the acquisition of the CMIG PM Interests as contemplated under the CMIG PM Agreement
“CMIG PM Agreement”	the equity transfer agreement dated 25 September 2019 entered into between the Purchaser and the Vendor in relation to the sale and purchase of (i) the CMIG PM Interests; and (ii) the New CMIG PM Interests, the particulars of which are set out in the section headed “ (1) THE CMIG PM AGREEMENT ” in the Announcement dated 25 September 2019
“CMIG PM Completion”	completion of the acquisition of the CMIG PM Interests
“CMIG PM Group”	CMIG PM and its subsidiaries
“CMIG PM Interests”	the 60% equity interest in CMIG PM held by the Vendor
“CMIG Youjia”	中民優家物業投資有限公司 (CMIG Youjia Property Investment Co., Ltd.*), a company established in the PRC with limited liability and is wholly-owned by CMIG Investment
“connected person”	has the meaning ascribed to it under the Listing Rules
“Enlarged Group”	the A-Living Group as enlarged by the CMIG PM Group

DEFINITIONS

“Entity A”	上海鉑贏物業管理有限公司 (Shanghai Boying Property Management Company Limited*), a company established in the PRC with limited liability and is a wholly-owned subsidiary of CMIG PM
“Entity B”	重慶皓吉物業管理有限公司 (Chongqing Haoji Property Management Company Limited*), a company established in the PRC with limited liability and is a wholly-owned subsidiary of CMIG PM
“Entity C”	上海明華物業管理有限公司 (Shanghai Minghua Property Management Company Limited*), a company established in the PRC with limited liability and is owned as to 90.33% by Entity A
“Entity D”	重慶天驕愛生活服務股份有限公司 (Chongqing Tianjiaoai Lifestyle Services Company Limited*), a company established in the PRC with limited liability and is owned as to 24.17% by Entity B
“Entity E”	常州中房物業有限公司 (Changzhou Zhongfang Property Company Limited*), a company established in the PRC with limited liability and is owned as to 70% by CMIG PM
“Entity F”	上海銳翔上房物業管理有限公司 (Shanghai Ruixiang Shangfang Property Management Company Limited*), a company established in the PRC with limited liability and is owned as to 67% by CMIG PM
“Entity G”	山東宏泰物業發展有限公司 (Shandong Hongtai Property Development Company Limited*), a company established in the PRC with limited liability and is owned as to 35% by CMIG PM
“Entity H”	大連意美企業管理服務有限公司 (Dalian Yimei Corporate Management Services Company Limited*), a company established in the PRC with limited liability and is owned as to 35% by CMIG PM
“Entity I”	重慶衛士物業管理有限公司 (Chongqing Weishi Property Management Company Limited*), a company established in the PRC with limited liability and is owned as to 26.01% by CMIG PM

DEFINITIONS

“Entity J”	陝西誠悅物業管理有限責任公司 (Shanxi Chengyue Property Management Company Limited*), a company established in the PRC with limited liability and is owned as to 25% by CMIG PM
“Entity K”	中民未來海泰工業服務有限公司 (CMIG Haitai Industrial Services Company Limited*), a company established in the PRC with limited liability and is owned as to 51% by Chongqing Xindong
“Entity L”	重慶海泰管理服務有限公司 (Chongqing Haitai Management Services Company Limited*), a company established in the PRC with limited liability and is owned as to 51% by Chongqing Xindong
“Entity M”	萬聯生活服務集團股份有限公司 (Wonder-Life Service Group Co., Ltd.*), a company established in the PRC with limited liability and is listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統)(stock code: 835800). Entity M is owned as to 9.3% by CMIG PM
“Entity N”	西安錦天物業管理服務有限公司 (Xi'an Jintian Property Management Services Company Limited*), a company established in the PRC with limited liability and is owned as to 51% by CMIG PM
“Excluded Entity”	中民未來易創科技 (上海) 有限公司 (CMIG Futurelife Yichuang Technology (Shanghai) Company Limited*), a company established in the PRC with limited liability and ceased to be a member of CMIG PM Group
“Fixed Consideration”	the consideration for the acquisition of the CMIG PM Interests, being RMB1,560,000,000
“Formula”	the formula adopted to determine the Variable Consideration, being the Kerui Guaranteed Profit x P/E Ratio of 12.5 x 60%
“GFA”	gross floor area
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

DEFINITIONS

“Independent Third Party”	a person, or in the case of a company, such company or its ultimate beneficial owner(s), who is/are independent of and not connected with A-Living and its subsidiaries and their respective connected persons and their respective ultimate beneficial owner(s) or their respective associates
“Kerui Guaranteed Profit”	the estimated amount of profit of the New CMIG PM Group for the Relevant Year which shall be the basis for determining the Variable Consideration in accordance with the Formula, and which when determined will be warranted and guaranteed by the Vendor to the Purchaser to be no less than the Kerui PM Audited Net Profit
“Kerui PM”	上海科瑞物業管理發展有限公司 (Shanghai Kerui Property Management Development Co., Ltd.*), a company established in the PRC with limited liability and is owned as to 51% by New CMIG PM
“Kerui PM Audited Net Profit”	the audited net profit after taxation and excluding extraordinary items attributable to New CMIG PM for the Relevant Year
“Latest Practicable Date”	21 February 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New CMIG PM”	民瑞物業服務(上海)有限公司 (Minrui Property Management (Shanghai) Co., Ltd.), a company established in the PRC with limited liability and is owned as to 60% by the Vendor and as to 40% by the Remaining Shareholder
“New CMIG PM Acquisition”	the acquisition of the New CMIG PM Interests as contemplated under the New CMIG PM Agreement
“New CMIG PM Agreement”	the equity transfer agreement dated 12 December 2019 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the New CMIG PM Interests

DEFINITIONS

“New CMIG PM Group”	New CMIG PM and Kerui PM
“New CMIG PM Interests”	the 60% equity interest in New CMIG PM held by the Vendor
“P/E Ratio”	price to earnings ratio
“Pledge”	the equity pledge executed by Chongqing Xindong in favour of a bank in the PRC over the 51% equity interest in Entity L held by Chongqing Xindong to secure the obligations owed by Chongqing Xindong to such bank under the relevant facility agreement
“PRC”	the People’s Republic of China, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	天津雅潮企業管理諮詢有限公司 (Tianjin Yachao Enterprise Management Consulting Co., Ltd.*), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of A-Living
“Relevant Year”	the financial year in which the conditions precedent to the payment of the Variable Consideration are fulfilled
“Remaining Shareholder”	中民未來控股集團有限公司 (CMIG Futurelife Holdings Group Company Limited*), a company established in the PRC with limited liability
“Reorganisation”	the corporate reorganisation of the CMIG PM Group and the New CMIG PM Group pursuant to the terms of the CMIG PM Agreement, as disclosed in the Announcements
“RMB”	Renminbi, the lawful currency of the PRC
“Ruipei Enterprise”	芮沛實業(上海)有限公司 (Ruipei Enterprise (Shanghai) Company Limited*), a company established in the PRC with limited liability and is wholly-owned by the Remaining Shareholder
“Sale Interests”	the CMIG PM Interests and the New CMIG PM Interests

DEFINITIONS

“Securities Dealing Codes”	a code for securities transactions by the A-Living Directors and a code for securities transactions by the A-Living Supervisors adopted by A-Living as its own codes of conduct governing A-Living Directors’ and A-Living Supervisors’ dealings in A-Living’s securities on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shenzhen Longcheng”	深圳市龍城物業管理有限公司 (Shenzhen Longcheng Property Management Company Limited*), a company established in the PRC with limited liability and is owned as to 63% by CMIG PM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Transactional Documents”	the CMIG PM Agreement and all other documents and agreements necessary for the acquisition of the CMIG PM Interests (including but not limited to the constitutional documents of CMIG PM)
“Valuation Report”	a valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (JLL), an independent professional valuer, in relation to the P/E Ratio of 12.5 as of 30 August 2019
“Variable Consideration”	the consideration for the acquisition of the New CMIG PM Interests to be determined in accordance with the Formula subject to the maximum amount of RMB500,000,000
“Vendor”	廣東豐信盈隆股權投資合夥企業 (有限合夥) (Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership)*), a limited partnership established in accordance with the Partnership Laws of the PRC

DEFINITIONS

“Waiver Letter”	a letter executed or to be executed by the Remaining Shareholder to waive the pre-emptive right of the Remaining Shareholder to purchase the CMIG PM Interests and/or the New CMIG PM Interests (as the case may be) from the Vendor
“Working Day”	any day which banks in the PRC are open for business, except Saturdays, Sundays and statutory holidays as announced by the PRC government
“%”	per cent.
“sq. m.”	square meter

A-LIVING SERVICES CO., LTD.*
雅居樂雅生活服務股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3319)

Executive Directors:

Mr. Chan Cheuk Hung (Co-chairman)
Mr. Huang Fengchao (Co-chairman,
Chief Executive Officer and General Manager)
Mr. Feng Xin (Vice President)

Registered office in the PRC:

Management Building, Xingye Road
Agile Garden, Sanxiang Town
Zhongshan
Guangdong Province, PRC

Non-executive Directors:

Mr. Wei Xianzhong
Ms. Yue Yuan

Principal place of office in the PRC:

35/F, Agile Center
26 Huaxia Road
Zhujiang New Town
Tianhe District, Guangzhou
Guangdong Province, PRC

Independent non-executive Directors:

Mr. Wan Kam To
Mr. Wan Sai Cheong, Joseph
Mr. Wang Peng

Principal place of business in Hong Kong:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

24 February 2020

To the A-Living Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE ACQUISITION OF
60% EQUITY INTEREST IN CMIG PM AND
NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL
MEETING**

THE CMIG PM ACQUISITION

Reference is made to the Announcements. As disclosed in the announcement of A-Living dated 12 December 2019, on 12 December 2019, the Purchaser entered into the New CMIG PM Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to dispose of, 60% of the equity interest in New CMIG PM at the Variable Consideration, subject to the maximum amount of RMB500,000,000. Accordingly, the terms in relation to the New CMIG PM Acquisition originally set out in the CMIG PM Agreement have been superseded by the New CMIG PM Agreement and references made to the New CMIG PM

LETTER FROM THE BOARD

Acquisition and the Variable Consideration in the section headed “(1) The CMIG PM AGREEMENT” below shall be read in conjunction with the announcement of A-Living dated 12 December 2019.

The purpose of this circular is to provide you with, among others, (i) further details of the CMIG PM Acquisition; (ii) financial information of the A-Living Group; (iii) the accountant’s report on the financial information of the CMIG PM Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) management discussion and analysis of the CMIG PM Group; and (vi) the notice of the A-Living EGM.

The circular containing, among others, (i) further details of the New CMIG PM Acquisition; (ii) the accountant’s report on the financial information of the New CMIG PM Group; (iii) the unaudited pro forma financial information; (iv) management discussion and analysis of the New CMIG PM Group; and (v) the relevant notice of extraordinary general meeting of A-Living will be separately despatched to the A-Living Shareholders.

(1) THE CMIG PM AGREEMENT

The principal terms of the CMIG PM Agreement are as follows:

Date

25 September 2019

Parties

- (1) 天津雅潮企業管理諮詢有限公司 (Tianjin Yachao Enterprise Management Consulting Co., Ltd.*), as the Purchaser; and
- (2) 廣東豐信盈隆股權投資合夥企業 (有限合夥) (Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership)*), as the Vendor.

To the best of the knowledge, information and belief of the A-Living Board, after making all reasonable enquiries, the Vendor, its limited partners, its general partners and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the CMIG PM Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to dispose of, the Sale Interests, being (i) the 60% equity interest in CMIG PM at the Fixed Consideration; and (ii) the 60% equity interest in New CMIG PM at the Variable Consideration.

The Fixed Consideration

The Fixed Consideration is RMB1,560,000,000, which has been determined in accordance with the formula of “the CMIG PM Guaranteed Profit (as defined in the

LETTER FROM THE BOARD

paragraph headed “**PROFIT GUARANTEE**” below) x P/E Ratio of 12.5 x 60%”, the details of which are particularised in the paragraph headed “**PROFIT GUARANTEE**” below, and shall be paid in the following manner:

A. Deposit — RMB468,000,000

The deposit shall be payable by the Purchaser to the Vendor within ten (10) Working Days upon fulfillment of all the conditions precedent in relation to the payment of the deposit set out in the CMIG PM Agreement which are particularised in the paragraph headed “**Deposit conditions precedent**” below.

B. First instalment — RMB892,000,000

The first instalment shall be payable by the Purchaser to the Vendor within ten (10) Working Days upon fulfillment of all the conditions precedent in relation to the payment of the first instalment set out in the CMIG PM Agreement which are particularised in the paragraph headed “**First instalment conditions precedent**” below.

C. Second instalment — RMB200,000,000

The second instalment shall be payable by the Purchaser to the Vendor within ten (10) Working Days upon fulfillment of all the conditions precedent in relation to the payment of the second instalment set out in the CMIG PM Agreement which are particularised in the paragraph headed “**Second instalment conditions precedent**” below.

The Variable Consideration

The Variable Consideration is to be determined in accordance with the Formula, being the Kerui Guaranteed Profit x P/E Ratio of 12.5 x 60%.

The maximum amount of the Variable Consideration shall not exceed RMB500,000,000 and shall be payable by the Purchaser to the Vendor in full.

Deposit conditions precedent

Payment of the deposit of the Fixed Consideration is conditional upon:

- (a) the Transactional Documents having been executed and delivered by all parties under the CMIG PM Agreement;
- (b) all resolutions in relation to the acquisition of the CMIG PM Interests and the Transactional Documents having been passed by CMIG PM;
- (c) all resolutions in relation to the Acquisitions having been passed by the Vendor;

LETTER FROM THE BOARD

- (d) all board resolutions in relation to the Acquisitions having been passed by the Purchaser;
- (e) the Purchaser having received the Waiver Letter;
- (f) all representations and warranties made by the Vendor remaining true, complete, accurate, not misleading and with no material omission since the date of the CMIG PM Agreement;
- (g) all obligations as set out in the CMIG PM Agreement having been duly observed and performed in all respects by the Vendor since the date of the CMIG PM Agreement;
- (h) there having been no judgment, order, decision or prohibition which would prohibit, restrict or cancel the acquisition of the CMIG PM Interests and there having been no judgment, order, decision or prohibition that is existing but not determined or pending and which have or will have a material adverse effect on CMIG PM or the acquisition of the CMIG PM Interests since the date of the CMIG PM Agreement; and
- (i) there having been no material adverse change to the business, assets and financial conditions of the CMIG PM Group since the date of the CMIG PM Agreement (this condition precedent together with conditions precedent (f) to (h) above, the “**Customary Conditions Precedent**”).

The deposit shall be deposited into the escrow accounts opened by the Vendor with joint signatories of the Vendor and the Purchaser and maintained with a licensed bank in the PRC and shall only be released to the Vendor upon fulfillment of all the conditions precedent to the payment of the deposit of the Fixed Consideration.

As at the Latest Practicable Date, all of the above conditions have been fulfilled and the deposit has been released to the Vendor.

First instalment conditions precedent

Payment of the first instalment of the Fixed Consideration is conditional upon:

- (a) all conditions precedent for the payment of the deposit of the Fixed Consideration having been fulfilled;
- (b) the passing by the A-Living Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the A-Living EGM to be convened and held, of the necessary special

LETTER FROM THE BOARD

resolution to approve, among other things, the CMIG PM Agreement and the transactions contemplated thereunder;

- (c) subject to the fulfillment of conditions precedent (b) and (d), all necessary legal procedures required for the transfer of the CMIG PM Interests to the Purchaser and its registration having been completed;
- (d) the Reorganisation having been completed and all necessary legal procedures required for the Reorganisation and its registration having been completed; and
- (e) the Customary Conditions Precedent remaining fulfilled.

If condition precedent (b) is not fulfilled, the Purchaser may terminate the CMIG PM Agreement and the Vendor shall refund the deposit paid to the Purchaser within five Working Days after notice of refund has been served by the Purchaser to the Vendor and thereafter neither party to the CMIG PM Agreement shall have any obligations and liabilities thereunder.

If conditions precedent (c) or (d) is not fulfilled due to the default of the Vendor and/or CMIG PM, the Purchaser may terminate the CMIG PM Agreement and the Vendor shall refund the deposit of the Fixed Consideration paid and pay an additional sum equivalent to the deposit of the Fixed Consideration to the Purchaser within five Working Days after notice of refund has been served by the Purchaser to the Vendor and thereafter neither party to the CMIG PM Agreement shall have any obligations and liabilities thereunder.

If conditions precedent (c) or (d) is not fulfilled due to the default of the Purchaser, the Vendor may terminate the CMIG PM Agreement and the Purchaser shall forfeit the deposit of the Fixed Consideration and thereafter neither party to the CMIG PM Agreement shall have any obligations and liabilities thereunder. For the avoidance of doubt, the non-fulfillment of condition precedent (b) would not constitute or lead to the Purchaser's default resulting in non-fulfillment of condition precedent (c).

CMIG PM Completion takes place upon fulfillment of condition precedent (c) above and issuance of the new business licence by the relevant governmental authority in the PRC.

As at the Latest Practicable Date, conditions precedent (a) and (d) have been fulfilled.

Second instalment conditions precedent

Payment of the second instalment of the Fixed Consideration is conditional upon:

- (a) all conditions precedent for the payment of (i) the deposit of the Fixed Consideration; and (ii) the first instalment of the Fixed Consideration having been fulfilled;

LETTER FROM THE BOARD

- (b) the Pledge having been released; and
- (c) the Customary Conditions Precedent having been fulfilled.

No long stop date is set out in the CMIG PM Agreement for each set of the conditions precedent as there are certain approvals that need to be obtained and no reliable estimation of the time required to obtain such approvals can be made as at the Latest Practicable Date. However, the Vendor and the Purchaser are committed to use their best efforts to proceed to CMIG PM Completion as soon as possible.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

The payment of the Fixed Consideration will be financed by the A-Living Group's internal resources.

(2) BASIS OF THE FIXED CONSIDERATION

The Fixed Consideration had been determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms with reference to (i) the CMIG PM Guaranteed Profit; (ii) the CMIG PM Interests; and (iii) the PE ratio of 12.5. The P/E ratio of 12.5 within the formula for the calculation of the Fixed Consideration had been determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms with reference to, among other things, (i) the Valuation Report; (ii) the future business prospect of the CMIG PM Group and the industry in which the CMIG PM Group operates; and (iii) other reasons and benefits of the CMIG PM Acquisition as stated under the paragraph headed "**REASONS FOR AND BENEFITS OF THE CMIG PM ACQUISITION**" below. In view of the above, the A-Living Directors consider that the P/E Ratio of 12.5 applied in the formula for the calculation of the Fixed Consideration is fair and reasonable.

With reference to the Valuation Report, the indicated P/E ratio as of 30 August 2019 (the "**Reference Date**") was around 14.67. The indicated P/E ratio was derived through the selection and investigation of comparable companies, which (a) have been actively traded on the Stock Exchange for no less than six months preceding the Reference Date, (b) are mainly engaged in provision of property management services in the PRC, and (c) are with sufficient market and financial data. The calculation also takes into consideration (a) the control premium (being 10.02%), with reference to public transactions which were completed within five years preceding the Reference Date, by comparing the observed prices paid for controlling interests in publicly-traded securities to the publicly-traded price before such a transaction is announced (often referred to as market participant acquisition premiums, or MPAPs), and (b) the liquidity discount (being 27.7%), based on the analysis of Jones Lang LaSalle Corporate Appraisal and Advisory Limited (JLL) with reference to the Job Aid issued by Internal Revenue Service for valuation professionals (for reference only: <https://www.irs.gov/businesses/valuation-of-assets>).

LETTER FROM THE BOARD

(3) COMPLETION

CMIG PM Completion will take place upon fulfillment of condition precedent (c) in the section headed “**First instalment conditions precedent**” above and the issuance of the new business licence of CMIG PM by the relevant governmental authority in the PRC.

Upon CMIG PM Completion, the A-Living Group will be interested in 60% equity interest in CMIG PM; and CMIG PM will become a non-wholly-owned subsidiary of A-Living. The financial results of CMIG PM will be consolidated into the A-Living Group’s financial statements.

PROFIT GUARANTEE

Pursuant to the CMIG PM Agreement, the Vendor has irrevocably warranted and guaranteed to the Purchaser that the 2019 Audited Net Profit will not be less than RMB208,000,000 (the “**CMIG PM Guaranteed Profit**”).

If the 2019 Audited Net Profit is less than the CMIG PM Guaranteed Profit, the Vendor shall pay a compensation amount to the Purchaser calculated as follows:

$A = (\text{the CMIG PM Guaranteed Profit} - \text{the 2019 Audited Net Profit}) \times 12.5 \times 60\% \times (1 + R \times N/360)$ where:

R = Benchmark interest rate for loans for the corresponding period stipulated by the People’s Bank of China

N = Number of days lapsed since the date of the payment of the deposit of the Fixed Consideration

Should the CMIG PM Group record an actual consolidated loss for the year ended 31 December 2019, the 2019 Audited Net Profit shall be deemed to be zero.

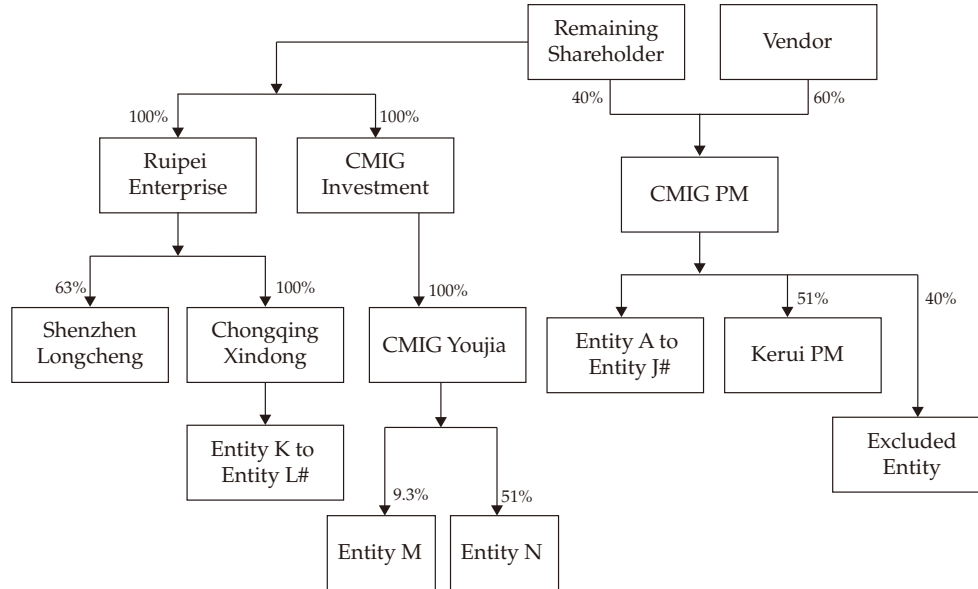
The Purchaser shall nominate auditors to complete the consolidated audited accounts of the CMIG PM Group for the year ended 31 December 2019 on or before 30 June 2020.

In such event, the Vendor shall pay the compensation amount equivalent to “A” above to the Purchaser within five Working Days after notice of compensation has been served by the Purchaser to the Vendor.

LETTER FROM THE BOARD

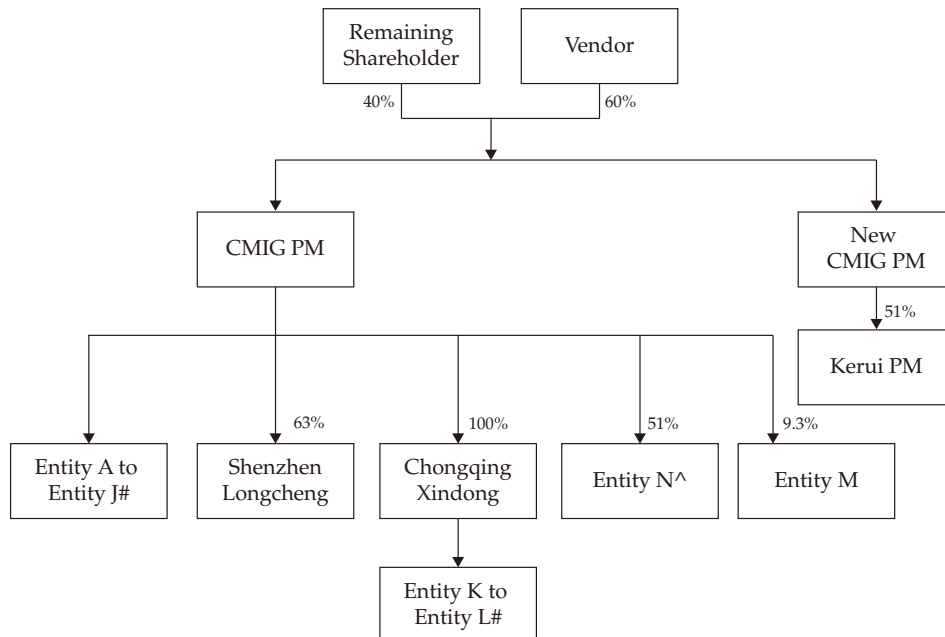
REORGANISATION

As at the Latest Practicable Date, the Reorganisation has been completed. The chart below sets forth the shareholding and simplified corporate structure of the CMIG PM Group immediately before the Reorganisation:



for simplification purpose only

The chart below sets forth the shareholding and simplified corporate structure of the CMIG PM Group and the New CMIG PM Group immediately after completion of the Reorganisation:



for simplification purpose only

[^] As disclosed in the Announcements, the New Entity will be established to hold the 51% equity interest in Entity N as part of the Reorganisation. As at the Latest Practicable Date, for simple corporate structure purpose, the 51% equity interest in Entity N had been transferred to CMIG PM directly.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE CMIG PM ACQUISITION

Through the CMIG PM Acquisition, the current business portfolio and geographic layout of the A-Living Group will be complemented effectively, while consolidating the existing leading position of the A-Living Group and creating synergies. In addition, the CMIG PM Acquisition can largely improve the management scale, profitability and brand competitiveness of the A-Living Group, thereby strengthening the A-Living Group's position as a leading property management services enterprise with nationwide layout, comprehensive business portfolios and reputable brands.

Rapid growth in GFA under management and leap-frog growth in profitability

The CMIG PM Group is one of the largest property management companies in the PRC. For the year ended 31 December 2018, the total GFA under management of the subsidiaries of the CMIG PM Group was approximately 154 million sq.m. and that of their associates was approximately 100 million sq.m., with approximately 1,771 projects in total. Upon CMIG PM Completion, the total GFA under management of the A-Living Group (including the GFA under management of its associates) will approach approximately 500 million sq.m. with approximately 2,800 projects. In addition, the CMIG PM Group has significant track record results with a high contract renewal rate of 95%. For the year ended 31 December 2018, the CMIG PM Group excluding Kerui PM recorded a total revenue of RMB3.1 billion and a total net profit after taxation of RMB199.7 million, on the pro forma basis that the Reorganisation had taken place as at 1 January 2018. Excluding the adjusting items in the reconciliations as disclosed in the section headed "Financial information of the CMIG PM Group" in this circular, the CMIG PM Group recorded net profit after tax of approximately RMB267.2 million for the financial year ended 31 December 2018. Upon CMIG PM Completion, the revenue and profit level of the A-Living Group is expected to achieve leap-frog growth. The established first mover advantage of the CMIG PM Group in city clusters and its various business portfolios and existing presence are expected to complement and create synergies with the current business and profitability of the A-Living Group.

Consolidating strengths in existing regions and complementing blanks in geographic layout

The CMIG PM Group has a nationwide presence in well-developed city clusters, which is expected to enable the A-Living Group to rapidly complete its national presence. Through the CMIG PM Acquisition, the A-Living Group can further strengthen its leading position in several regions in the PRC including the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta. Meanwhile, the CMIG PM Acquisition is also expected to complement the A-Living Group's existing geographic coverage in major regions such as the Shandong Peninsula, Sichuan and Chongqing. Upon CMIG PM Completion, the GFA under management of the A-Living Group in four major city clusters, including the Yangtze River Delta Area, the Guangdong-Hong Kong-Macao Greater Bay Area, the Shandong Peninsula and Sichuan and Chongqing, will exceed 40 million sq.m., which will result in a greater market share for A-Living and is expected to lead to better economies of scale on a regional basis.

LETTER FROM THE BOARD

Diversified business portfolios, coverage of the entire industrial chain and entry to niche markets

The CMIG PM Group has under its management a diversified business portfolio, including public buildings, commercial and office buildings, and residential buildings. The CMIG PM Group has a leading market share with high brand recognition in the public buildings and niche property markets in the PRC. As at the Latest Practicable Date, the principal management portfolio of the A-Living Group consists of mid- to high- end residential properties. Through the CMIG PM Acquisition, the A-Living Group's portfolio of properties under management will be enhanced, especially in the segments of public buildings, commercial buildings and office buildings, which traditionally have higher entry barrier and have promising prospects. These developments will further enhance the A-Living Group's ability to establish itself as a national comprehensive property management services group with a diversified portfolio comprising residential properties, public buildings and commercial and office buildings under management.

Ownership of well-established quality brands and enhancement of brand competitiveness

The CMIG PM Group positions itself as provider of mid- to high- end services and has high brand awareness in different regions nationwide. It owns eight renowned brands ranked among the "2018 TOP100 property management companies in terms of comprehensive strengths" by the China Property Management Association. Its brands also have great influence in various niche markets such as commercial buildings, cultural facilities, government office buildings, industrial parks, and transportation infrastructure. The CMIG PM Group manages numerous city landmark projects and has experience in managing large-scale public building projects and serving international conventions. Leveraging on the CMIG PM Group's well-known brands and rich management experience, the brand competitiveness of the A-Living Group will be largely enhanced, and the A-Living Group will be able to enter into niche markets of property management with high entry barriers, which will serve as a solid foundation for the obtaining of new high-end and large-scale property management projects in the future.

Efficient sharing of market resources and continuous improvement in market share

Upon CMIG PM Completion, the A-Living Group and the CMIG PM Group can benefit from the efficiency brought by the sharing of resources and marketing network, which is expected to improve the management and financial performance of the A-Living Group. The CMIG PM Group is one of the largest property management companies in the PRC with strong expansion capability, which can enable the A-Living Group to further increase the proportion of management projects from third-party property developers and increase its market share.

The A-Living Group will complete its national and multi-business portfolio layout, becoming a leading company in terms of market share in different regions and business portfolios. Benefiting from mutual strengths of brands and regional edges, the A-Living Group and the CMIG PM Group are able to consolidate the leading positions in various regions and niche markets, especially in public building portfolio. The scale and overall market share of the A-Living Group will be further enhanced as well.

LETTER FROM THE BOARD

Improvements in operational and management efficiency

Upon CMIG PM Completion, the operation level of the CMIG PM Group will be strengthened through management team appointments by the A-Living Group, communications in business operations, alignment of quality benchmarks and sharing of information systems, thus achieving comprehensive integration. In addition, for the purpose of integration, the same financial and operation systems will be shared, resulting in standardised and centralised management capability. Through refined management for the purpose of reducing costs and enhancing efficiency, as well as the benefits to be generated from economies of scale, the profitability of the CMIG PM Group is expected to be further enhanced.

Output its management experience in value-added services and explore great potential in value-added services

Through the CMIG PM Acquisition, which will bring about expansion of management scale in the industry, the A-Living Group will become one of the largest platforms for developing community value-added services as well as value-added services for commercial and office buildings. The CMIG PM Group has a significant GFA under management, and the community-value added services of the CMIG PM Group are under rapid development though the current penetration rate of community value-added services is still relatively low. Upon CMIG PM Completion, the A-Living Group will, through the collection and rearrangement of the contents and resources of the value-added services of the CMIG PM Group, as well as its experience in the area, focus on exploring and developing the potential for community value-added services. It is expected that the A-Living Group and the CMIG PM Group can jointly explore new opportunities in community value-added services. The outstanding public building and commercial and office building value-added services brands of the CMIG PM Group could also serve as a prototype for the other existing public building projects of the A-Living Group.

INFORMATION ON A-LIVING AND THE PURCHASER

A-Living

A-Living is a reputable property management services provider focusing on mid- to high-end properties, offering a comprehensive portfolio of services. It has three business lines, namely property management services, community value-added services and extended value-added services, and has expanded its business coverage into the whole industry chain with a diversified business portfolio, and has formed the synergetic development of four major business segments, namely “property management services”, “asset management services”, “public services” and “community commercial services”.

The Purchaser

The Purchaser is a company established in the PRC with limited liability and is principally engaged in business management advisory. The Purchaser is an indirect wholly-owned subsidiary of A-Living.

LETTER FROM THE BOARD

INFORMATION ON THE VENDOR AND THE REMAINING SHAREHOLDER

The Vendor

The Vendor is a limited partnership established in accordance with the Partnership Laws of the PRC with the business scope of equity investment and related consulting services.

The Vendor is ultimately and beneficially owned by Mr. Chen Xiaofeng, Mr. Lu Jinghui, Mr. Wei Lidong and Mr. Wang Ping.

To the best of the knowledge, information and belief of the A-Living Board, after making all reasonable enquiries, the Vendor, its limited partners and its general partners and their respective ultimate beneficial owners are Independent Third Parties.

The Remaining Shareholder

The Remaining Shareholder is a company established in the PRC with limited liability and is principally engaged in investment management.

The Remaining Shareholder is ultimately and beneficially owned by Mr. Luo Xijian, Mr. Luo Guangxi, Mr. Luo Xianwu, Ms. Cai Shaomin, Ms. He Nini and China Minsheng Investment Corp., Ltd.

To the best of the knowledge, information and belief of the A-Living Board after making all reasonable enquiries, China Minsheng Investment Corp., Ltd. is a leading international private investment group founded in Shanghai which was initiated by the All-China Federation of Industry and Commerce in China and launched by 59 large-scale private enterprises in the PRC, some of which are among the PRC's top 500 companies. China Minsheng Investment Corp., Ltd. is a conglomerate with a wide variety of businesses including equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, and investment consulting.

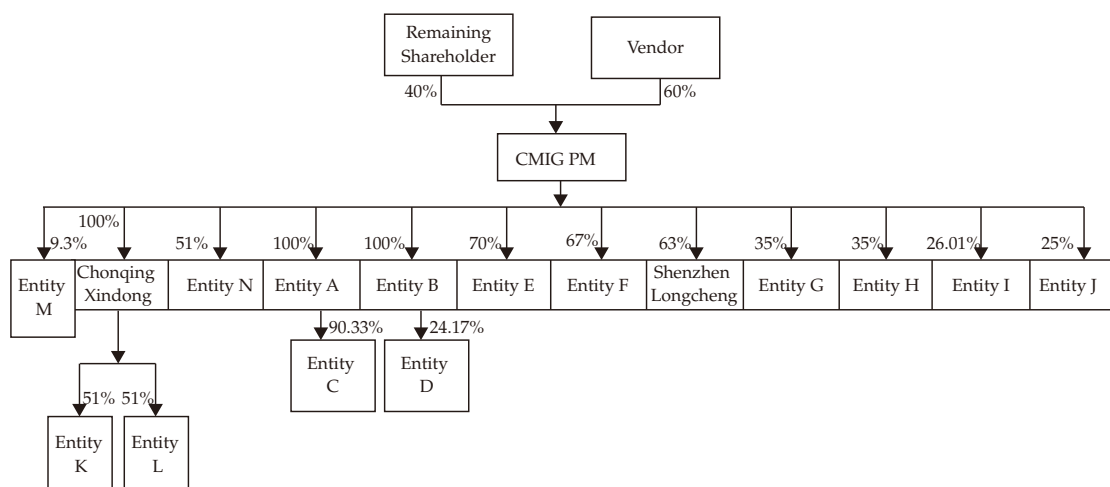
To the best of the knowledge, information and belief of the A-Living Board after making all reasonable enquiries, the Remaining Shareholder and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

INFORMATION OF THE CMIG PM GROUP

CMIG PM is a company established in the PRC with limited liability and is principally engaged in property management services.

The chart below sets forth the simplified corporate structure of the CMIG PM Group as at the Latest Practicable Date:



Shenzhen Longcheng is a company established in the PRC with limited liability and is principally engaged in property management. Shenzhen Longcheng is owned as to 63% by CMIG PM.

Chongqing Xindong is a company established in the PRC with limited liability and is principally engaged in investment management. Chongqing Xindong is a direct wholly-owned subsidiary of CMIG PM.

Entity A is a company established in the PRC with limited liability and is principally engaged in investment management. Entity A is a direct wholly-owned subsidiary of CMIG PM.

Entity B is a company established in the PRC with limited liability and is principally engaged in investment holding. Entity B is a direct wholly-owned subsidiary of CMIG PM.

Entity C is a company established in the PRC with limited liability and is principally engaged in property management. Entity C is owned as to 90.33% by Entity A.

LETTER FROM THE BOARD

Entity D is a company established in the PRC with limited liability and is principally engaged in property management. Entity D is owned as to 24.17% by Entity B.

Entity E is a company established in the PRC with limited liability and is principally engaged in property management. Entity E is owned as to 70% by CMIG PM.

Entity F is a company established in the PRC with limited liability and is principally engaged in property management. Entity F is owned as to 67% by CMIG PM.

Entity G is a company established in the PRC with limited liability and is principally engaged in property management. Entity G is owned as to 35% by CMIG PM.

Entity H is a company established in the PRC with limited liability and is principally engaged in property management. Entity H is owned as to 35% by CMIG PM.

Entity I is a company established in the PRC with limited liability and is principally engaged in property management. Entity I is owned as to 26.01% by CMIG PM. Pursuant to an acting-in-concert agreement dated 13 March 2019 and entered into between CMIG PM and Mr. Wei Bing (the remaining shareholder of Entity I), Mr. Wei Bing agreed to vote on any resolution to be passed at any shareholders' meeting of Entity I in the same manner as CMIG PM and the financial results of Entity I shall be consolidated into CMIG PM. Given such acting-in-concert agreement will remain effective at the time of CMIG PM Completion, Entity I will become a non-wholly owned subsidiary of A-Living upon CMIG PM Completion.

Entity J is a company established in the PRC with limited liability and is principally engaged in property management. Entity J is owned as to 25% by CMIG PM.

Entity K is a company established in the PRC with limited liability and has not yet commenced operation. Entity K is owned as to 51% by Chongqing Xindong.

Entity L is a company established in the PRC with limited liability and is principally engaged in property management. Entity L is owned as to 51% by Chongqing Xindong.

Entity M is a company established in the PRC with limited liability and is principally engaged in property management. Entity M is owned as to 9.3% by CMIG PM.

Entity N is a company established in the PRC with limited liability and is principally engaged in property management. Entity N is owned as to 51% by CMIG PM.

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF THE CMIG PM GROUP

Set out below is the audited combined financial information of the pre-reorganised CMIG PM Group for the three years ended 31 December 2018 and the nine months ended 30 September 2019 respectively (the “**Track Record Period**”) as extracted from Appendix II to this circular:

	For the year ended 31 December			For the nine months ended 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	809,814	3,190,745	4,069,769	3,124,718
Net profit before taxation	84,660	272,091	345,214	286,646
Net profit after taxation	63,528	211,486	259,525	218,758

Based on the audited combined financial information of the pre-reorganised CMIG PM Group, the net asset value of the CMIG PM Group was approximately RMB2,357.9 million as at 30 September 2019.

As part of the Reorganisation, the pre-reorganised CMIG PM Group disposed of its entire 51% equity interest in Kerui PM to the New CMIG PM Group on 11 December 2019. Set out below is the pro forma combined financial information of the CMIG PM Group for the Track Record Period prepared on the assumption that such disposal had taken effect at the beginning of the Track Record Period, as extracted from the section headed “events after the balance sheet date” of Appendix II to this circular:

	For the year ended 31 December			For the nine months ended 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	620,963	2,383,559	3,125,762	2,377,191
Net profit before taxation	67,453	211,797	263,720	228,121
Net profit after taxation	50,597	165,953	199,745	175,380

Based on the pro forma combined financial information of the CMIG PM Group, the net asset value of the CMIG PM Group was approximately RMB2,037.2 million as at 30 September 2019.

LETTER FROM THE BOARD

Reconciliation of financial information of the CMIG PM Group

Set out below is a reconciliation of revenue of the CMIG PM Group between the pro forma combined financial information of the CMIG PM Group for the Track Record Period as disclosed in the section headed “events after the balance sheet date” of Appendix II to this circular and the unaudited combined financial information of the CMIG PM Group as disclosed in the Announcements, which was prepared based on simple aggregation of the full year revenue of each of the subsidiaries of the CMIG PM Group:

	For the year ended 31 December			For the nine months ended
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Revenue per pro forma combined financial information as extracted from the section headed “events after the balance sheet date” of Appendix II to this circular	620,963	2,383,559	3,125,762	2,377,191
Add back/(minus):				
Adjustment taking into account of the respective dates of acquisition/ disposal ^(Note 1)	1,695,157	153,001	(124,697)	nil
Other adjustments ^(Note 2)	(265)	37	753	nil
Revenue per unaudited combined financial information as disclosed in the Announcements/ prepared on the same basis as disclosed in the Announcements	2,315,855	2,536,597	3,001,818	2,377,191 ^(Note 3)

Notes:

- (1) The adjustment represents (i) the pre-acquisition revenue of the subsidiaries of the CMIG PM Group from the beginning of the Track Record Period up to the respective dates of the historical acquisition; and (ii) the revenue of Entity G from 1 October 2017 to 31 May 2018, when the CMIG PM Group had obtained control of Entity G through an acting in concert arrangement.
- (2) The adjustment arose primarily due to differences in materiality levels used in the preparation of the pro forma combined financial statements and that for the standalone financial statements which is prepared in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China issued by the China Ministry of Finance.
- (3) Such amount has not been included in the Announcements. For illustrative purpose, such amount represents the revenue of the CMIG PM Group for the nine months ended 30 September 2019 prepared based on the same basis as those disclosed in the Announcements, which is based on the simple aggregate of revenue of each subsidiaries of CMIG PM Group.

LETTER FROM THE BOARD

Set out below is a reconciliation of net profit after taxation of the CMIG PM Group between the pro forma combined financial information of the CMIG PM Group for the Track Record Period as disclosed in the section headed “events after the balance sheet date” of Appendix II to this circular and the unaudited combined financial information of the CMIG PM Group as disclosed in the Announcements, which was prepared based on simple aggregation of the full year profit or loss of each of the subsidiaries in the CMIG PM Group:

	For the year ended 31 December			For the nine months ended
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Net profit after taxation per pro forma combined financial information as extracted from the section headed “events after the balance sheet date” of Appendix II to this circular	50,597	165,953	199,745	175,380
Add back:				
Adjustment taking into account the respective dates of acquisition/ disposal ^(Note 1)	140,185	38,837	11,795	4,158
Amortisation of the intangible assets ^(Note 2)	8,899	29,095	35,936	27,577
Unallocated and non-recurring corporate expenses	4,131	5,049	15,862	10,254
Other adjustments ^(Note 3)	3,111	4,392	3,834	(296)
Net profit after taxation and excluding extraordinary items per unaudited combined financial information as disclosed in the Announcements/ prepared on the same basis as disclosed in the Announcements	206,923	243,326	267,172	217,073 ^(Note 4)

Notes:

- (1) The adjustment represents (i) the pre-acquisition profit of the subsidiaries of the CMIG PM Group from the beginning of the Track Record Period to the respective dates of the historical acquisition; and (ii) the profit of the Entity G from 1 October 2017 to 31 May 2018, when the CMIG PM Group had obtained control of Entity G through an acting in concert arrangement.
- (2) Such amount arose from recognition of intangible assets upon the purchase price allocation as a result of the historical acquisition of the relevant subsidiaries.
- (3) Other adjustments primarily include extraordinary items such as interest expenses attributable to Remaining Shareholder, non-recurring share-based payments and one-off tax relief.
- (4) Such amount has not been included in the Announcements. For illustrative purpose, such amount represents the net profit after taxation and excluding extraordinary items of the CMIG PM Group for the nine months ended 30 September 2019 prepared based on the same basis as those disclosed in the Announcements, which is based on the simple aggregate of the net profit of each of the subsidiaries of CMIG PM Group and the respective share of the relevant profit of each of the associated companies of the CMIG PM Group.

LETTER FROM THE BOARD

As disclosed in Note 21 to the section headed “**APPENDIX II — ACCOUNTANT’S REPORT ON THE CMIG PM GROUP**” to this circular, Kerui PM had loans and interests receivables from the Remaining Shareholder amounting to RMB1,933 million, RMB1,693 million and RMB1,379 million as at 31 December 2017 and 2018 and 30 September 2019, respectively. Kerui PM’s loan and interest receivables due from the Remaining Shareholder amounting to RMB1,379 million as at 30 September 2019, together with other assets attributable to Kerui PM, were classified as “assets classified as held for disposal” as at 30 September 2019 as a result of the CMIG PM’s subsequent disposal of Kerui PM to New CMIG PM at a fixed consideration in December 2019.

The management of A-Living and the CMIG PM Group performed an assessment of the recoverability of Kerui PM’s receivables from the Remaining Shareholder with reference to a settlement plan provided and committed by the Remaining Shareholder, which includes cash of RMB588 million subsequently received and held in an escrow bank account held and controlled by CMIG PM that is attributable to these receivables, estimate proceeds from future dividends from the CMIG PM Group, and net proceeds from future disposals of certain assets of the Remaining Shareholder in excess of the liabilities to other creditors for which such assets are pledged. It was concluded that no impairment provision was required against Kerui PM’s receivables from Remaining Shareholder as at 31 December 2017 and 2018 and the relevant amount included in “assets classified as held for disposal” as at 30 September 2019.

Despite the settlement plan provided by the Remaining Shareholder and the above cash subsequently received in December 2019 and kept in an escrow account held by CMIG PM, management of the CMIG PM Group was not able to provide sufficient and appropriate evidence to support their assessment of the recoverability of Kerui PM’s receivables from the Remaining Shareholder, including but not limited to, evidence with respect to (i) the financial situation of the Remaining Shareholder to honour its settlement obligation, especially given that the Remaining Shareholder is a private company which is ultimately controlled by a group of companies that is under significant financial stress; (ii) whether the remaining cash of RMB588 million held in the escrow account that is attributable to Kerui PM’s receivables from the Remaining Shareholder and the entitlement to future dividend from the CMIG PM Group can be enforced to settle Kerui PM’s receivables as and when they fall due; and (iii) the availability, realisable value and timing of disposals of the Remaining Shareholder’s assets and the net disposal proceeds available after settling the relevant liabilities to other creditors to which the assets are pledged.

As a result of the aforesaid, the auditor of the CMIG PM Group has issued a qualified opinion on the pre-reorganised CMIG PM Group’s combined financial statements for the year ended 31 December 2017 and 2018 and for the nine months ended 30 September 2019 and a qualified conclusion for the nine months ended 30 September 2018.

However, as part of the Reorganisation and as one of the first instalment conditions precedent, the pre-reorganised CMIG PM Group disposed of its entire 51% equity interest in Kerui PM to the New CMIG PM Group on 11 December 2019. For the purpose of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix

LETTER FROM THE BOARD

III to this circular and in consideration of the fact that the disposal of Kerui PM is a pre-condition to the CMIG PM Completion, the assets (including Kerui PM's loans and interest receivables due from the Remaining Shareholder, which is the subject matter of the qualified audit opinion as mentioned above), liabilities and financial results of Kerui PM had been excluded from the pre-reorganised CMIG PM Group's combined financial statements through pro forma adjustments, and the aforementioned audit qualification does not have impact on the unaudited pro forma financial information of the Enlarged Group as disclosed in the section headed **"UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP"**, which has been properly compiled in accordance with Rule 4.29 of the Listing Rules, and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

FINANCIAL EFFECTS OF THE CMIG PM ACQUISITION ON THE A-LIVING GROUP

Earnings

The audited net profit after tax of the A-Living Group for the financial year ended 31 December 2018, as disclosed in 2018 annual report of A-Living, was approximately RMB811 million.

As set out in the section headed "events after the balance sheet date" of Appendix II to this circular, the CMIG PM Group recorded an unaudited net profit after tax of approximately RMB199.7 million for the financial year ended 31 December 2018 and approximately RMB175.4 million for the nine months ended 30 September 2019.

Excluding the adjusting items in the reconciliations, the CMIG PM Group recorded net profit after tax of approximately RMB267.2 million for the financial year ended 31 December 2018 and approximately RMB217.1 million for the nine months ended 30 September 2019.

The Directors consider that the CMIG PM Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the respective future performance of the CMIG PM Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular, if the CMIG PM Acquisition had been taken place as at 30 June 2019, the A-Living Group's total assets would increase from approximately RMB8.69 billion to approximately RMB12.33 billion and total liabilities would increase from approximately RMB2.92 billion to approximately RMB5.69 billion, representing a total consolidated net assets position of approximately RMB6.64 billion upon CMIG PM Completion.

Further details of the financial effect of the CMIG PM Acquisition together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix III to this circular.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisitions on an aggregated basis, exceed(s) 100%, the Acquisitions constitute a very substantial acquisition for A-Living under Chapter 14 of the Listing Rules subject to the reporting, announcement, circular requirements and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A-LIVING EGM

A notice convening the A-Living EGM is set out on pages EGM-1 to EGM-3 of this circular. The A-Living EGM will be convened and held at Conference Room, 33/F, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC on Tuesday, 17 March 2020 at 10:00 a.m. to consider and, if thought fit, approve the special resolution in relation to, among other things, the CMIG PM Agreement and the transaction contemplated thereunder by the A-Living Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules.

The proxy form of the A-Living EGM is also enclosed in this circular.

If you intend to appoint a proxy to attend the A-Living EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For shareholders of H Shares, the proxy form should be returned to A-Living's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. For shareholders of Domestic Shares and Unlisted Foreign Shares, the proxy form should be returned to A-Living's principal place of office in the PRC at 35th Floor, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC by personal delivery or by post not less than 24 hours before the time fixed for holding the A-Living EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the A-Living EGM or at any other adjourned meeting should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of A-Living Shareholders at a general meeting must be taken by poll. Therefore, voting on all resolutions set out in the notice of A-Living EGM shall be taken by way of poll. Any A-Living Shareholders who are involved in or interested in the CMIG PM Acquisition are required to abstain from voting on the relevant special resolution(s) approving the CMIG PM Acquisition.

As at the Latest Practicable Date, to the best of A-Living Directors' knowledge, information and belief after having made all reasonable enquiries, no A-Living Shareholder has a material interest in the CMIG PM Acquisition and is required to abstain from voting on the relevant resolution(s) to be proposed at the A-Living EGM.

LETTER FROM THE BOARD

Closure of register of members

The A-Living EGM will be held on Tuesday, 17 March 2020. For the purpose of determining the entitlement of the A-Living Shareholders to attend and vote at the A-Living EGM, the register of members of A-Living has been closed from Monday, 17 February 2020 to Tuesday, 17 March 2020, both days inclusive, during which period no transfer of A-Living Shares will be registered. In order to qualify for attending and voting at the A-Living EGM, all share transfer documents, together with the relevant share certificates, must be lodged with A-Living's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 14 February 2020.

RECOMMENDATION

The A-Living Directors consider that the CMIG PM Acquisition is made on normal commercial terms, fair and reasonable and in the interests of A-Living and the A-Living Shareholders as a whole. Accordingly, the A-Living Directors recommend the A-Living Shareholders to vote in favour of the resolution to be proposed at the A-Living EGM to approve the CMIG PM Acquisition.

ADDITIONAL INFORMATION

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

Yours faithfully,
On behalf of the Board of
A-Living Services Co., Ltd.
LI Dalong
Company Secretary

1. SUMMARY OF FINANCIAL INFORMATION

The consolidated financial information of the A-Living Group for the year ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2019 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and A-Living (www.agileliving.com.cn) and are incorporated by reference into this circular:

- (i) annual report of A-Living for the year ended 31 December 2016 and 2017 published on 11 April 2018 (pages 78 to 148) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0411/ltn20180411571.pdf>);
- (ii) annual report of A-Living for the year ended 31 December 2018 published on 9 April 2019 (pages 91 to 172) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0409/ltn20190409485.pdf>); and
- (iii) interim report of A-Living for the six months ended 30 June 2019 published on 9 September 2019 (pages 31 to 72) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0909/ltn20190909485.pdf>).

2. INDEBTEDNESS

As at the close of business on 31 December 2019, being the most recent practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings and lease liabilities of RMB522,506,000, details of which are set out as follows:

	The A-Living Group RMB'000	CMIG PM Group (excluding Kerui PM) RMB'000	Total RMB'000
Borrowings	36,300	459,832	496,132
Bank borrowings			
– Secured	21,300	24,832	46,132
Asset-backed securities			
– Secured	–	435,000	435,000
Non-controlling shareholder loan			
– Unsecured	15,000	–	15,000
Lease liabilities	15,200	11,174	26,374
Total	51,500	471,006	522,506

The A-Living Directors confirm that, save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 December 2019, the Enlarged Group did not have any material debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing of the Enlarged Group including bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments or outstanding mortgages and charges or guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The A-Living Directors are of the opinion that, after taking into account of the financial resources available to the Enlarged Group, including internally generated funds, existing bank and other borrowings, in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its requirements for the next twelve (12) months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE A-LIVING GROUP

The A-Living Group is a reputable property management service provider focusing on mid- to high-end properties. It offers a comprehensive portfolio of services and has developed three business lines, namely property management services, community value-added services and extended value-added services. The A-Living Group has expanded its business coverage into whole industry chain with diversified business portfolio, and has formed the synergetic development of four major business segments, namely “property management services”, “asset management services”, “public services” and “community commercial services”.

The CMIG PM Group is one of the largest property management companies in the PRC, which have a diversified business portfolio coverage, including residential, public, commercial and office buildings. They are mid- to high-end property management services providers with a nationwide presence in well-developed city clusters and high brand awareness in in different regions nationwide. For the year ended 31 December 2018, the total GFA under management of the subsidiaries of the CMIG PM Group was approximately 154 million sq.m. and that of the associates was approximately 100 million sq.m., with approximately 1,771 projects in total. The service projects are broadly located in the country, especially in some well-developed city clusters, including the Yangtze River Delta Area, the Guangdong-Hong Kong-Macao Greater Bay Area, the Shandong Peninsula and Sichuan and Chongqing.

Upon CMIG PM Completion, the current business portfolio and geographic layout of A-Living will be complemented effectively, while consolidating the existing leading position of A-Living and creating synergies. In addition, the CMIG PM Acquisition can largely improve the management scale, profitability and brand competitiveness of A-Living, thereby strengthening A-Living’s position as a leading property management services enterprise with nationwide layout, comprehensive business portfolios and reputable brands.

Looking forward, adhering to the development strategy of ‘consolidating footholds in Beijing, Shanghai and Guangzhou, and serving the whole nation of China’, A-Living

will continuously pursue the balanced layout with national geographic coverages and diversified business portfolio. Following the CMIG PM Acquisition, A-Living will focus on the consolidation with CMIG PM, solidifying its leading position and creating synergies. A-Living will further expand market shares in property management service segment of residential, public, commercial and office buildings, exploring the potential of community value-added services, improving operating efficiency, so as to create better and longer-term returns for A-Living Shareholders.

5. MATERIAL ADVERSE CHANGE

The A-Living Directors confirm that there had been no material adverse change in the financial or trading position of the A-Living Group since 31 December 2018, being the date to which the latest published audited financial statements of A-Living were made up, up to the Latest Practicable Date.

6. COMPANIES ACQUIRED AFTER THE DATE TO WHICH THE LATEST PUBLISHED AUDITED ACCOUNTS WERE MADE UP

Acquisitions conducted on 23 January 2019 and 21 February 2019

Reference is made to the announcements of A-Living dated 23 January 2019 and 21 February 2019 respectively (the “**First Previous Announcements**”). Capitalised terms used in this sub-paragraph shall have the same meanings as those defined in the First Previous Announcements unless otherwise indicated.

On 23 January 2019, A-Living entered into two Share Transfer Agreements, pursuant to which A-Living agreed to acquire, and the Vendors agreed to dispose of, in aggregate, 89.6643% shares in the Target Company at a total consideration of RMB133,580,565.32.

The Target Company was established in 1994 and the shares of the Target Company were listed on NEEQ in April 2015. As of 31 December 2018, a total number of 38 projects is managed by the Target Company with a total managed gross floor area of approximately 5.7 million square meters. As disclosed in the First Previous Announcements, the Target Company is principally engaged in the provision of property management services to residential properties, commercial properties and other municipal properties in Shandong Province. The Target Company is an executive council member of China Property Management Institute and a governing unit of Qingdao Property Management Institute.

As at the Latest Practicable Date, the Acquisition has been completed. There will be no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company in consequence of such acquisition.

Acquisition conducted on 23 January 2019 and 26 February 2019

Reference is made to the announcements of A-Living dated 23 January 2019 and 26 February 2019 respectively (the “**Second Previous Announcements**”). Capitalised terms used in this sub-paragraph shall have the same meanings as those defined in the Second Previous Announcements unless otherwise indicated.

On 26 February 2019, A-Living, the Vendors and the Target Company entered into the Formal Agreement, pursuant to which the Company agreed to acquire, and the Vendors agreed to dispose of, an aggregate of 60% equity interest in the Target Company at a total consideration of RMB113,881,542.

The Target Company was founded in 1999. The Target Company is a property management enterprise with National Level I qualification and standing director unit of China Property Management Institute. As of 31 December 2018, the Target Company had 56 projects under management, with a total managed gross floor area of approximately 9.78 million square meters. As disclosed in the Second Previous Announcements, the Target Company is committed to providing property management services for mid- to high-end residential properties, commercial properties, office buildings and other projects within Heilongjiang Province. The Target Company is the leading property management enterprise in Heilongjiang Province, which has strong brand influence in Harbin and with high project renewal rate.

As at the Latest Practicable Date, the Acquisition has been completed. There will be no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company in consequence of such acquisition.

Acquisition conducted on 28 March 2019

Reference is made to the announcement of A-Living dated 28 March 2019 (the “**Third Previous Announcement**”). Capitalised terms used in this sub-paragraph shall have the same meanings as those defined in the Third Previous Announcement unless otherwise indicated.

On 28 March 2019, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor, the Target Company and Other Shareholders entered into the Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to dispose of, 51% equity interest in the Target Company at a consideration of RMB195,344,575.

The Target Company was established in 1994 and is a regional leading property management enterprise majorly serving public buildings with National Level I qualification. It is one of Top 100 property management companies in the PRC and serves as vice president unit of China Property Management Institute. As of 31 December 2018, the Target Company had a total number of 257 projects under management, with a total managed gross floor areas of approximately 30 million square meters. As disclosed in the Third Previous Announcement, the Target Company is committed to providing property management services for mainly public building projects in Guangzhou and other regions in Guangdong Province, Eastern China and Central China.

As at the Latest Practicable Date, the Acquisition has been completed. There will be no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company in consequence of such acquisition.

The following is the text of a report set out on pages II-1 to II-5, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF CMIG FUTURELIFE PROPERTY MANAGEMENT LIMITED TO THE DIRECTORS OF A-LIVING SERVICES CO., LTD.

Introduction

We report on the historical financial information of CMIG Futurelife Property Management Limited ("CMIG PM") and its subsidiaries (together, the "CMIG PM Group") set out on pages II-6 to II-113, which comprises the CMIG PM Group's combined statements of financial position as at 31 December 2016, 2017 and 2018 and 30 September 2019, CMIG PM's statements of financial position as at 31 December 2018 and 30 September 2019, and the CMIG PM Group's combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years/periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-6 to II-113 forms an integral part of this report, which has been prepared for inclusion in the circular of A-Living Services Co., Ltd. (the "Company") dated 24 February 2020 (the "Circular") in connection with the proposed acquisition of 60% equity interest in CMIG PM by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company and CMIG PM are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Reporting accountant's responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion for the year ended 31 December 2016 and our qualified opinions for the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019.

Opinion for the year ended 31 December 2016

In our opinion, the Historical Financial Information for the year ended 31 December 2016 gives, for the purposes of the accountant's report, a true and fair view of the combined financial position of the CMIG PM Group as at 31 December 2016 and of its combined financial performance and its combined cash flows for the year then ended in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Basis for qualified opinions for the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019

As described in Note 21 to the Historical Financial Information, the CMIG PM Group's subsidiary, Shanghai Kerui Property Management Development Co., Ltd. ("Kerui PM"), had loan and interest receivables due from CMIG Futurelife Holdings Group Company Limited (the "Remaining Shareholder") amounting to RMB1,932.8 million, RMB1,693.4 million and RMB1,379.1 million as at 31 December 2017 and 2018 and 30 September 2019, respectively. Kerui PM's loan and interest receivables due from the Remaining Shareholder amounting to RMB1,379.1 million as at 30 September 2019,

together with other assets attributable to Kerui PM, were classified as “assets classified as held for disposal” as at 30 September 2019 as a result of CMIG PM’s subsequent disposal of Kerui PM to Minrui Property Management (Shanghai) Co., Ltd. at a fixed consideration in December 2019. Further details of the disposal are set out in Notes 31 and 34 to the Historical Financial Information.

The Management of the Company and the CMIG PM Group performed an assessment of the recoverability of Kerui PM’s receivables from the Remaining Shareholder with reference to a settlement plan provided and committed by the Remaining Shareholder, which included cash of RMB588.0 million subsequently received in December 2019 and held in an escrow bank account held and controlled by CMIG PM that is attributable to these receivables, estimated proceeds from future dividends from the CMIG PM Group, and net proceeds from future disposals of certain assets of the Remaining Shareholder in excess of the liabilities to other creditors for which such assets are pledged. It was concluded that no impairment provision was required against Kerui PM’s receivables from the Remaining Shareholder as at 31 December 2017 and 2018 and the relevant amount included in “assets classified as held for disposal” as at 30 September 2019.

Despite the settlement plan provided by the Remaining Shareholder and the above cash subsequently received in December 2019 and kept in an escrow bank account held by CMIG PM, the Management of the CMIG PM Group was not able to provide us sufficient and appropriate evidence to support their assessment of the recoverability of Kerui PM’s receivables from the Remaining Shareholder, including but not limited to, evidence with respect to i) the financial situation of the Remaining Shareholder to honor its settlement obligation, especially given that the Remaining Shareholder is a private company which is ultimately controlled by a group of companies that are under significant financial stress; ii) whether the remaining cash of RMB588.0 million held in the escrow bank account that is attributable to Kerui PM’s receivables from the Remaining Shareholder and the entitlement to future dividend from the CMIG PM Group can be enforced to settle Kerui PM’s receivables as and when they fall due; and iii) the availability, realisable value and timing of disposals of the Remaining Shareholder’s assets and the net disposal proceeds available after settling the relevant liabilities to other creditors to which the assets are pledged. There were no alternative audit procedures we could perform to satisfy ourselves with respect to the recoverability of Kerui PM’s receivables. Consequently, we were unable to determine whether any adjustment to “loans and interests receivables due from the Remaining Shareholder” on the statements of combined financial position as at 31 December 2017 and 2018 with respect to Kerui PM’s receivables due from the Remaining Shareholder amounting to RMB1,392.8 million and RMB1,693.4 million, respectively, and to “assets classified as held for disposal” on the statement of combined financial position as at 30 September 2019 where Kerui PM’s receivables due from the Remaining Shareholder amounting to RMB1,379.1 million were included, and the consequential impact to the combined statements of comprehensive income for the respective year/period then ended, was necessary.

Qualified opinions for the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019

In our opinion, except for the possible effects of the matters described in the “*Basis for qualified opinions for the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019*” section above, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of CMIG PM as at 31 December 2018 and 30 September 2019, and a true and fair view of the combined financial position of the CMIG PM Group as at 31 December 2017 and 2018 and 30 September 2019, and of its combined financial performance and its combined cash flows for the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the CMIG PM Group which comprises the combined statements of comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2018 and other explanatory information (together, the “Stub Period Comparative Financial Information”). The directors of the Company and CMIG PM are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion for the nine months ended 30 September 2018

Kerui PM’s loan and interest receivables due from the Remaining Shareholder as at 30 September 2018 amounted to RMB1,670.3 million.

The Management of the CMIG PM Group performed an assessment of the recoverability of Kerui PM’s loan and interest receivables due from the Remaining Shareholder as at 30 September 2018 with reference to the loan settlement plan provided by the Remaining Shareholder as mentioned in the “*Basis for qualified opinions for the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019*” section above, and reached the same conclusion that no impairment provision was required against Kerui PM’ receivables from the Remaining Shareholder as at 30 September 2018.

Despite the settlement plan provided by the Remaining Shareholder and certain cash settlement subsequently received in December 2019 and kept in an escrow bank account held by CMIG PM, the Management of the CMIG PM Group was not able to provide us sufficient and appropriate evidence to support their assessment of the recoverability of Kerui PM's receivables from the Remaining Shareholder, including but not limited to, information about i) the financial situation of the Remaining Shareholder to honor its settlement obligation, especially given that the Remaining Shareholder is a private company which is ultimately controlled by a group of companies that are under significant financial stress; ii) whether the remaining cash of RMB588.0 million held in the escrow bank account that is attributable to Kerui PM's receivables from the Remaining Shareholder and the entitlement to future dividend from the CMIG PM Group can be enforced to settle Kerui PM's receivables as and when they fall due; and iii) the availability, realisable value and timing of disposals of the Remaining Shareholder's assets and the net disposal proceeds available after settling the relevant liabilities to other creditors to which the assets are pledged. There were no alternative procedures we could perform to satisfy ourselves with respect to the recoverability of Kerui PM's receivables as at 30 September 2018. Consequently, we were unable to determine whether any adjustment to "loans and interests receivables due from the controlling shareholder" on the combined statement of financial position as at 30 September 2018 with respect to Kerui PM's receivables from Remaining Shareholder amounting to RMB1,670.3 million, and the consequential impact to the combined statement of comprehensive income for the period then ended, was necessary.

Qualified conclusion for the nine months ended 30 September 2018

Based on our review, except for the possible effects of the matters described in the "Basis for qualified conclusion for the nine months ended 30 September 2018" section above, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the financial statements of the CMIG PM Group for the Track Record Period on which the Historical Financial Information is based ("Underlying Financial Statements") have been made.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 February 2020

I HISTORICAL FINANCIAL INFORMATION OF THE CMIG PM GROUP

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

The Underlying Financial Statements of the CMIG PM Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(a) Combined statements of comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Note	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Revenue	6	809,814	3,190,745	4,069,769	2,984,510	3,124,718
Cost of sales	7	(680,561)	(2,693,958)	(3,409,758)	(2,469,994)	(2,623,520)
Gross profit		129,253	496,787	660,011	514,516	501,198
Selling and marketing expenses	7	(1,289)	(16,308)	(15,725)	(12,404)	(8,593)
Administrative expenses	7	(63,799)	(235,188)	(318,350)	(236,266)	(251,129)
Reversal of impairment losses / (Impairment losses) on financial assets		416	(12,304)	(15,747)	(20,762)	(12,625)
Other income	9	10,622	21,178	15,396	11,298	22,842
Other gains - net	9	1,612	4,704	4,701	3,621	12,775
Operating profit		76,815	258,869	330,286	260,003	264,468
Finance income		26,640	108,613	168,435	119,030	105,629
Finance costs		(29,442)	(110,179)	(175,215)	(124,084)	(109,228)
Finance costs - net	10	(2,802)	(1,566)	(6,780)	(5,054)	(3,599)
Share of profits of investments accounted for using the equity method	17	10,647	14,788	21,708	17,155	25,777
Profit before income tax		84,660	272,091	345,214	272,104	286,646
Income tax expense	11	(21,132)	(60,605)	(85,689)	(66,486)	(67,888)
Profit and total comprehensive income for the year/period		<u>63,528</u>	<u>211,486</u>	<u>259,525</u>	<u>205,618</u>	<u>218,758</u>
Profit and total comprehensive income for the year/period attributable to:						
– Owners of CMIG PM		51,485	142,555	157,705	127,125	147,936
– Non-controlling interests		12,043	68,931	101,820	78,493	70,822
		<u>63,528</u>	<u>211,486</u>	<u>259,525</u>	<u>205,618</u>	<u>218,758</u>

(b) Combined statements of financial position

		As at 31 December			As at
	Note	2016	2017	2018	30 September
		RMB'000	RMB'000	RMB'000	2019
					RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	59,025	172,147	136,438	83,599
Right-of-use assets	14	756	11,146	7,095	3,941
Investment properties	15	81,832	113,373	115,925	56
Intangible assets	16	879,467	1,639,405	1,459,760	1,141,488
Investments accounted for using the equity method	17	105,687	138,562	257,452	352,765
Financial assets at fair value through other comprehensive income	18	128	15,700	15,875	10,850
Deferred income tax assets	27	4,776	11,367	16,615	14,354
Loans and interests receivables due from the Remaining Shareholder	21	840,000	2,268,800	1,362,800	–
Prepayments, deposits and other receivables	20	46,837	77,373	96,536	6,949
Total non-current assets		2,018,508	4,447,873	3,468,496	1,614,002
Current assets					
Inventories		808	2,051	2,359	3,260
Trade receivables	19	357,144	774,648	894,193	792,368
Prepayments, deposits and other receivables	20	209,093	572,014	428,789	346,619
Loans and interests receivables due from the Remaining Shareholder	21	216,208	493,547	919,358	464,092
Financial assets at fair value through profit or loss	22	123,200	190,656	156,104	152,194
Cash and cash equivalents	23	165,859	544,302	619,190	248,092
Restricted cash	23	2,069	2,748	1,970	10,679
		1,074,381	2,579,966	3,021,963	2,017,304
Assets classified as held for disposal	31	–	–	–	2,395,066
Total current assets		1,074,381	2,579,966	3,021,963	4,412,370
Total assets		3,092,889	7,027,839	6,490,459	6,026,372

		As at 31 December			As at
	Note	2016	2017	2018	30 September
		RMB'000	RMB'000	RMB'000	2019
					RMB'000
EQUITY					
Equity attributable to owners of CMIG PM					
Paid-in capital	1	–	–	–	1,400,000
Reserves	24	986,817	1,672,583	1,698,904	382,601
Retained earnings		55,069	170,929	291,664	229,487
		<u>1,041,886</u>	<u>1,843,512</u>	<u>1,990,568</u>	<u>2,012,088</u>
Non-controlling interests		<u>103,884</u>	<u>453,519</u>	<u>401,091</u>	<u>345,819</u>
Total equity		<u>1,145,770</u>	<u>2,297,031</u>	<u>2,391,659</u>	<u>2,357,907</u>
LIABILITIES					
Non-current liabilities					
Long-term borrowings	26	962,300	2,497,761	1,893,920	207,806
Deferred income tax liabilities	27	74,736	151,750	110,832	75,559
Lease liabilities	14	575	7,406	3,930	2,874
		<u>1,037,611</u>	<u>2,656,917</u>	<u>2,008,682</u>	<u>286,239</u>
Current liabilities					
Trade and other payables	25	641,030	1,290,452	1,348,108	840,037
Borrowings	26	94,900	383,061	442,641	267,617
Dividend payable	28	26,772	107,730	23,556	54,664
Contract liabilities	6	106,071	223,764	227,559	102,502
Lease liabilities	14	227	3,908	3,476	1,308
Current income tax liabilities		40,508	64,976	44,778	40,136
		<u>909,508</u>	<u>2,073,891</u>	<u>2,090,118</u>	<u>1,306,264</u>
Liabilities directly associated with assets classified for disposal	31	–	–	–	2,075,962
Total current liabilities		<u>909,508</u>	<u>2,073,891</u>	<u>2,090,118</u>	<u>3,382,226</u>
Total liabilities		<u>1,947,119</u>	<u>4,730,808</u>	<u>4,098,800</u>	<u>3,668,465</u>
Total equity and liabilities		<u>3,092,889</u>	<u>7,027,839</u>	<u>6,490,459</u>	<u>6,026,372</u>
Net current assets		<u>164,873</u>	<u>506,075</u>	<u>931,845</u>	<u>1,030,144</u>
Total assets less current liabilities		<u>2,183,381</u>	<u>4,953,948</u>	<u>4,400,341</u>	<u>2,644,146</u>

(c) Statements of financial position of CMIG PM

	<i>Note</i>	As at 31 December 2018 RMB'000	As at 30 September 2019 RMB'000
ASSETS			
Non-current asset			
Investments in subsidiaries	12	–	1,250,312
Investments accounted for using the equity method		–	168,913
Total non-current assets		–	1,419,225
Current assets			
Prepayments, deposits and other receivables	20	–	6,566
Cash and cash equivalents		–	1,497
Assets classified as held for disposal	12&31	–	235,138
Total current assets		–	243,201
Total assets		–	1,662,426
EQUITY			
Equity attributable to owners of CMIG PM			
Paid-in capital	1	–	1,400,000
Reserves	24	–	251,671
Accumulated losses		–	(10,456)
Total equity		–	1,641,215
LIABILITIES			
Current liabilities			
Trade and other payables	25	–	21,211
Total equity and liabilities		–	1,662,426

(d) Combined statements of changes in equity

	Note	Attributable to owners of CMIG PM				Non-	Total
		Paid-in capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	controlling interests RMB'000	equity RMB'000
Balance at 1 January 2016		–	358,109	11,154	369,263	–	369,263
Comprehensive income							
Profit for the year		–	–	51,485	51,485	12,043	63,528
Transactions with owners in their capacity as owners							
Appropriation of statutory reserves	24	–	7,570	(7,570)	–	–	–
Deemed contribution from the owner in relation to acquisitions of subsidiaries	24	–	556,354	–	556,354	–	556,354
Capital contribution from the owner	24	–	55,018	–	55,018	–	55,018
Deemed contribution from the owner	24	–	4,131	–	4,131	–	4,131
Non-controlling interests on acquisition of subsidiaries	30	–	–	–	–	89,674	89,674
Capital contribution from non-controlling shareholders		–	–	–	–	2,167	2,167
Share-based compensation		–	5,635	–	5,635	–	5,635
Balance at 31 December 2016		<u>–</u>	<u>986,817</u>	<u>55,069</u>	<u>1,041,886</u>	<u>103,884</u>	<u>1,145,770</u>
Balance at 1 January 2017		<u>–</u>	<u>986,817</u>	<u>55,069</u>	<u>1,041,886</u>	<u>103,884</u>	<u>1,145,770</u>

	Note	Attributable to owners of CMIG PM				Non-controlling interests RMB'000	Total equity RMB'000
		Paid-in capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Comprehensive income							
Profit for the year		–	–	142,555	142,555	68,931	211,486
Transactions with owners in their capacity as owners							
Appropriation of statutory reserves	24	–	13,328	(13,328)	–	–	–
Deemed contribution from the owner in relation to acquisitions of subsidiaries	24	–	661,868	–	661,868	–	661,868
Deemed contribution from the owner	24	–	5,048	–	5,048	–	5,048
Non-controlling interests on acquisition of subsidiaries	30	–	–	–	–	283,768	283,768
Capital contribution from non-controlling interests		–	–	–	–	5,131	5,131
Dividends declared	28	–	–	(13,367)	(13,367)	(8,195)	(21,562)
Share-based compensation		–	5,522	–	5,522	–	5,522
Balance at 31 December 2017		–	1,672,583	170,929	1,843,512	453,519	2,297,031

	Note	Attributable to owners of CMIG PM				Non-	Total
		Paid-in capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	controlling interests RMB'000	equity RMB'000
Balance at 1 January 2018		–	1,672,583	170,929	1,843,512	453,519	2,297,031
Comprehensive income							
Profit for the year		–	–	157,705	157,705	101,820	259,525
Transactions with owners in their capacity as owners							
Appropriation of statutory reserves	24	–	7,880	(7,880)	–	–	–
Deemed contribution from the owner	24	–	12,863	–	12,863	–	12,863
Capital contribution from non-controlling shareholders		–	–	–	–	5,636	5,636
Non-controlling interests on acquisition of subsidiaries	30	–	–	–	–	11,975	11,975
Non-controlling interests on reclassification of subsidiaries to associate	12(vi)	–	–	–	–	(151,559)	(151,559)
Dividends declared	28	–	–	(29,090)	(29,090)	(20,300)	(49,390)
Share-based compensation		–	5,578	–	5,578	–	5,578
Balance at 31 December 2018		–	1,698,904	291,664	1,990,568	401,091	2,391,659

		Attributable to owners of CMIG PM				Non-	Total
	Note	Paid-in capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	controlling interests RMB'000	equity RMB'000
Balance at 1 January 2019		–	1,698,904	291,664	1,990,568	401,091	2,391,659
Comprehensive income							
Profit for the period		–	–	147,936	147,936	70,822	218,758
Transactions with owners in their capacity as owners							
Capital contribution from the owner		1,400,000	251,671	–	1,651,671	–	1,651,671
Deemed distribution to the owner in relation to acquisitions of subsidiaries	24	–	(1,569,325)	–	(1,569,325)	–	(1,569,325)
Non-controlling interests on acquisition of subsidiaries	30	–	–	–	–	6,066	6,066
Dividends declared	28	–	–	(208,744)	(208,744)	(138,352)	(347,096)
Transaction with non-controlling interest	24	–	1,351	(1,369)	(18)	6,192	6,174
Balance at 30 September 2019		1,400,000	382,601	229,487	2,012,088	345,819	2,357,907

		Attributable to owners of CMIG PM				Non-	Total
	Note	Paid-in capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	controlling interests RMB'000	equity RMB'000
(Unaudited)							
Balance at 1 January 2018		–	1,672,583	170,929	1,843,512	453,519	2,297,031
Comprehensive income							
Profit for the period		–	–	127,125	127,125	78,493	205,618
Transactions with owners in their capacity as owners							
Deemed contribution from the owner	24	–	9,558	–	9,558	–	9,558
Capital contribution from non-controlling shareholders		–	–	–	–	5,340	5,340
Non-controlling interests on acquisition of subsidiaries	30	–	–	–	–	11,975	11,975
Non-controlling interests on reclassification of subsidiaries to associate	12	–	–	–	–	(151,559)	(151,559)
Dividends declared	28	–	–	(13,158)	(13,158)	(10,109)	(23,267)
Share-based compensation		–	4,184	–	4,184	–	4,184
Balance at 30 September 2018(Unaudited)		–	1,686,325	284,896	1,971,221	387,659	2,358,880

(e) Combined statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Note	2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Cash flows from operating activities						
Cash generated from/(used in) operations	29(a)	200,933	505,797	316,242	(60,690)	203,081
Income tax paid		<u>(16,980)</u>	<u>(79,947)</u>	<u>(131,673)</u>	<u>(107,166)</u>	<u>(88,464)</u>
Net cash generated from/(used in) operating activities		<u>183,953</u>	<u>425,850</u>	<u>184,569</u>	<u>(167,856)</u>	<u>114,617</u>
Cash flows from investing activities						
Payments for acquisition of subsidiaries, net of cash acquired	30	(413,894)	(435,003)	(14,856)	(14,855)	(7,215)
Payments for property, plant and equipment and other long term properties		(1,585)	(54,855)	(24,022)	(16,578)	(37,557)
Payments for intangible assets other than goodwill		(357)	(399)	(3,058)	(1,194)	(150)
Payment for acquisition of associates		–	–	(490)	(490)	(69,536)
Payments for financial assets at fair value through profit or loss		(1,061,200)	(825,516)	(1,571,132)	(1,164,091)	(887,367)
Payments for financial assets at fair value through other comprehensive income		–	(15,572)	(175)	–	–
Payments for financial instruments with guaranteed principal and return		(41,552)	(130,000)	–	–	–
Payments related to amounts due from related parties		(1,035,200)	(1,731,046)	(58,636)	(29,945)	(102,628)
Repayments of the amounts due from related parties		11,535	5,317	560,091	359,364	861,164

	Note	Year ended 31 December			Nine months ended 30 September	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Proceeds from sale of property, plant and equipment, investment properties and intangible assets other than goodwill	29(b)	256	6,084	20,367	20,015	46,248
Proceeds from sale of financial assets at fair value through profit or loss		1,017,000	768,060	1,550,685	1,110,744	847,277
Proceeds from financial instruments with guaranteed principal and return		–	122,268	50,000	50,000	–
(Increase)/decrease in cash pool		(100,000)	(170,228)	72,871	117,301	(557,821)
Interest received from the amounts due from related parties		26,141	104,972	160,704	105,690	102,211
Interest received from financial assets at fair value through profit or loss		1,183	4,411	6,002	3,138	3,459
Interest received from financial assets at amortised cost		1,476	711	1,339	1,339	2,469
Others		–	2,125	–	–	3,192
Net cash (used in)/ generated from investing activities		(1,596,197)	(2,348,671)	749,690	540,438	203,746

	Note	Year ended 31 December			Nine months ended 30 September	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Cash flows from financing activities						
Capital contribution from the owner	24	55,018	–	–	–	1,651,671
Deemed contribution from the owner in relation to acquisitions of subsidiaries	24	556,354	661,868	–	–	–
Deemed distribution to the owner in relation to acquisitions of subsidiaries	24	–	–	–	–	(1,569,325)
Capital contribution from non-controlling shareholders		2,167	5,131	5,636	5,340	–
Proceeds from borrowings		1,150,000	2,000,000	28,000	18,000	–
Repayments of borrowings		(141,200)	(272,043)	(572,261)	(368,924)	(401,579)
Principal elements of lease payments		(1,116)	(1,618)	(3,908)	(2,909)	(3,089)
Payments for leases liabilities - interest		(66)	(325)	(577)	(455)	(275)
Dividends paid to the then shareholders of subsidiaries		–	(5,327)	(20,640)	(20,640)	(46,988)
Dividends paid to non-controlling interests in subsidiaries		(71,744)	(31,805)	(112,924)	(108,912)	(82,857)
Interest paid for borrowings		(29,376)	(54,617)	(182,697)	(96,533)	(134,964)
Net cash generated from/ (used in) financing activities		<u>1,520,037</u>	<u>2,301,264</u>	<u>(859,371)</u>	<u>(575,033)</u>	<u>(587,406)</u>
Net increase/(decrease) in cash and cash equivalents		107,793	378,443	74,888	(202,451)	(269,043)
Cash and cash equivalents at beginning of the year/period		<u>58,066</u>	<u>165,859</u>	<u>544,302</u>	<u>544,302</u>	<u>619,190</u>
Cash and cash equivalents at end of year/period		<u><u>165,859</u></u>	<u><u>544,302</u></u>	<u><u>619,190</u></u>	<u><u>341,851</u></u>	<u><u>350,147</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

CMIG Futurelife Property Management Limited ("CMIG PM") was established in the People's Republic of China (the "PRC") on 30 November 2018 with a registered capital of RMB1,000,000,000, and the registered capital was increased to RMB1,400,000,000 on 3 January 2019. The address of CMIG PM's registered office is Room 1005, No. 8088 Jinda Road, Jinhui Town, Fengxian District, Shanghai, PRC.

CMIG PM is owned by CMIG Futurelife Holdings Group Company Limited (the "Remaining Shareholder"), an investment holding company established in PRC, as to 40%, and Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership) (the "Vendor"), a limited partnership ultimately and beneficially owned by four individuals, as to 60% as at the date of this report. The directors of CMIG PM regard the Remaining Shareholder as CMIG PM's immediate holding company, and China Minsheng Investment Corp., Ltd. ("CMIG"), a company incorporated in PRC, as the ultimate holding company. CMIG PM and its subsidiaries (together the "CMIG PM Group") are principally engaged in the provision of property management services and related value-added services in the PRC (the "CMIG PM Business").

On 25 September 2019, pursuant to an agreement entered into by the Vendor and a wholly owned subsidiary of A-Living Services Co., Ltd., a company listed on the Stocks Exchange of Hong Kong Limited (the "Purchaser" or the "Company"), the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to dispose, (i) the 60% equity interest in CMIG PM after a restructuring comprising the transfer in and transfer out of certain entities (Note 1.2 below), at a fixed consideration of RMB1.56 billion, and (ii) the 60% equity interest in a new entity to be set up to hold the equity interest in Shanghai Kerui Property Management Development Co., Ltd. ("Kerui PM"), a subsidiary of CMIG PM during the Track Record Period and subsequently disposed of on 11 December 2019, at a variable consideration of up to RMB500 million. The acquisitions are regarded as very substantial acquisition ("VSA") of the Purchaser according to The Rules Governing the Listing of Companies on the Hong Kong Stocks Exchange Limited (the "Proposed VSA Transaction").

These financial statements are presented in Renminbi, unless otherwise stated.

1.2 Reorganizations

CMIG PM is an investment holding company. Prior to the incorporation of CMIG PM and the completion of the reorganizations as described below, CMIG PM Business was carried out by the companies controlled by the Remaining Shareholder (collectively, the "Operating Companies") in the PRC. These Operating Companies were historically acquired by the Remaining Shareholder from other parties prior to and during the Track Record Period. Details of the historical acquisitions of some of the Operating Companies during the Track Period Record are set out in Note 30.

CMIG PM was set up in the PRC on 30 November 2018 with a registered capital of RMB1,000,000,000, which was increased to RMB1,400,000,000 and fully paid up before end of September 2019. Subsequently, a reorganization was undertaken pursuant to which the Operating Companies were transferred from the Remaining Shareholder to CMIG PM as follows:

- (1) On 29 March 2019, CMIG PM acquired 100% equity interests in Shanghai Boying Property Management Company Limited ("Shanghai Boying") from a subsidiary of the Remaining Shareholder, at a cash consideration of RMB323,126,785. Shanghai Boying is an investment holding company and it holds 100% equity interests in Shanghai Minghua Property Management Company Limited ("Shanghai Minghua") through acquisition from a third party in October 2015;

- (2) On 1 April 2019, CMIG PM acquired 70% equity interests in Changzhou Zhongfang Property Company Limited ("Changzhou Zhongfang") from the Remaining Shareholder at a cash consideration of RMB69,216,000;
- (3) On 10 April 2019, CMIG PM acquired 51% equity interests in Kerui PM from a subsidiary of the Remaining Shareholder, at cash considerations of RMB235,138,000;
- (4) On 11 April 2019, CMIG PM acquired 35% equity interests in Shandong Hongtai Property Development Company Limited ("Shandong Honest") from a subsidiary of Remaining Shareholder, at cash considerations of RMB94,480,000;
- (5) On 16 April 2019, CMIG PM acquired 26.01% equity interests in Chongqing Weishi Property Management Company Limited ("Chongqing Weishi") from Chongqing Haitai Management Service Company Limited ("Chongqing Haitai"), a subsidiary of the Remaining Shareholder, at a cash consideration of RMB10,605,840. In addition, the CMIG PM Group entered into an acting in concert agreement with the non-controlling shareholder of Chongqing Weishi, who held 49% equity interest of Chongqing Weishi after the acquisition. As a result, the CMIG PM Group controlled 75.01% voting rights of Chongqing Weishi.
- (6) On 19 April 2019, CMIG PM acquired 100% equity interests in Chongqing Haoji Property Management Company Limited ("Chongqing Haoji") from a subsidiary of the Remaining Shareholder, at a cash consideration of RMB90,000,000;
- (7) On 23 April 2019, CMIG PM acquired 67% equity interests in Shanghai Ruixiang Shangfang Property Management Company Limited ("Shanghai Richtech") from a subsidiary of the Remaining Shareholder, at cash considerations of RMB252,000,000;

In connection with the Proposed VSA Transaction, further reorganisation was carried out by CMIG PM, as follows:

- (8) On 20 November 2019, CMIG PM acquired 100% equity interests in Chongqing Xindong Investment Management Company Limited ("Chongqing Xindong") from a subsidiary of the Remaining Shareholder, at a cash consideration of RMB158,262,000. Chongqing Xindong is an investment holding company and it holds 51% equity interests in Chongqing Haitai through acquisition from a third party in October 2015;
- (9) On 4 December 2019, CMIG PM acquired 63% equity interests in Shenzhen Longcheng Property Management Company Limited ("Shenzhen Longcheng") from a subsidiary of the Remaining Shareholder, at a cash consideration of RMB325,634,000;
- (10) On 5 December 2019, CMIG PM acquired 51% equity interests in Xi'an Jintian Property Management Service Company Limited ("Xi'an Jintian") from a subsidiary of the Remaining Shareholder, at a cash consideration of RMB49,268,000;
- (11) On 11 December 2019, CMIG PM disposed its 51% equity interests in Kerui PM to Minrui Property Management (Shanghai) Co., Ltd., ("New CMIG PM"), an entity newly set up by the Remaining Shareholder and the Vendor, being the existing shareholders of CMIG PM, at a cash consideration of RMB235,138,000. Further details of the impact of disposal of Kerui PM to the combined financial statements of the CMIG PM Group for the Track Record Period are set out in Note 31.

Upon the completion of the above reorganizations, CMIG PM became the holding company of the companies now comprising the CMIG PM Group.

The principle subsidiaries in which CMIG PM held direct or indirect interest upon completion of the Reorganization and as at the date of this report are set out in Note 12.

1.3 Basis of presentation

Immediately prior to the Reorganizations as mentioned in Note 1.2 above, the CMIG PM Business was carried out by the Operating Companies which were controlled by the Remaining Shareholder and ultimately controlled by CMIG, from the dates they were acquired by the Remaining Shareholder from third parties. Pursuant to the Reorganization, the CMIG PM Business was transferred to and held by CMIG PM, which is controlled by the Remaining Shareholder and ultimately controlled by CMIG.

CMIG PM has not been involved in any other business prior to the Reorganizations and its operations do not meet the definition of a business. The Reorganization is merely a reorganization of CMIG PM Business and does not result in any changes in business substance, nor in any management or ultimate controlling shareholders of the CMIG PM Business. Accordingly, the historical financial information of the companies now comprising the CMIG PM Group is presented using the carrying value of the CMIG PM Business for all years/periods presented as if the current group structure had been in existence throughout the years/periods presented, or from the date the respective entity had been acquired by the Remaining Shareholder from third parties, whichever is a shorter period.

For companies historically acquired by the Remaining Shareholder from third parties, or disposed off to a third party or a related party during the Track Record Period, they were included in or excluded from the combined financial statements of the CMIG PM Group from the respective dates of acquisitions and disposals, where appropriate, in the Historical Financial Information.

Inter-company transactions, balances and the unrealised gains/losses on transactions between the group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Historical Financial Information of the CMIG PM Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (or through other comprehensive income), which are carried at fair value.

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

Application of HKFRS 9, HKFRS 15 and HKFRS 16

HKFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 'Revenue' and HKAS 11 'Construction Contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 "Leases" and related interpretations. Under HKAS 17, operating lease commitments are disclosed separately in a note to the combined financial statement and are recognised outside of the combined statement of financial position. Under HKFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognised in the form of an asset (being the right-of-use assets) and a financial liability (being the lease liabilities), and accordingly, each lease will be mapped in the CMIG PM Group's combined statements of financial position. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted.

The CMIG PM Group has elected to apply HKFRS 9, HKFRS 15 and HKFRS 16 consistently throughout the Track Record Period.

The following standards and interpretations had been issued but were not mandatory for the financial year beginning before 1 January 2020 and have not been early adopted.

	New standards, amendments and interpretations	Effective date
HKFRS 17	Insurance contracts	Annual periods beginning on or after 1 January 2021
HKFRS 3 (Amendments)	Definition of a Business	Annual periods beginning on or after 1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	Annual periods beginning on or after 1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	

The CMIG PM Group has already commenced an assessment of the impact of these new or revised standards, interpretations, and amendments, certain of which are relevant to the CMIG PM Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and positions of the CMIG PM Group is expected when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the CMIG PM Group has control. The CMIG PM Group controls an entity when the CMIG PM Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the CMIG PM Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the CMIG PM Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the CMIG PM Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the combined statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2.2.2 *Business combinations*

Except for the Reorganizations where CMIG PM acquired the companies in CMIG PM Business from the Remaining Shareholder the acquisitions are regarded as business combinations under common control, the acquisition method of accounting is used to account for all other business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the CMIG PM Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The CMIG PM Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity;

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

2.2.3 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by CMIG PM on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the CMIG PM Group has significant influence but not control or joint control. This is generally the case where the CMIG PM Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.4 below), after initially being recognised at cost.

2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the CMIG PM Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the CMIG PM Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the CMIG PM Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the CMIG PM Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the CMIG PM Group and its associates are eliminated to the extent of the CMIG PM Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the CMIG PM Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

2.5 Changes in ownership interests

The CMIG PM Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the CMIG PM Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the CMIG PM Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the CMIG PM Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating

resources and assessing performance of the operating segments, has been identified as the directors that makes strategic decisions.

2.7 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the CMIG PM Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The combined financial statements are presented in RMB, which is CMIG PM's functional and the CMIG PM Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within "Other gains - net" in the combined statements of comprehensive income.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost or acquisition less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the CMIG PM Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

	Estimated useful lives
Buildings	10-30 years
Machineries	2-7 years
Transportation equipment	4-10 years
Office and other equipment	2-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other gains - net" in the combined statements of comprehensive income.

2.9 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the CMIG PM Group, are classified as investment properties.

The CMIG PM Group's investment properties comprise buildings located in the PRC, which are measured initially at their costs, including the related transaction costs.

After initial recognition, investment property is measured at cost less accumulated depreciation and any provision for impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the properties. The building portion of investment properties is depreciated over their estimated useful lives of 20 to 30 years.

Subsequent expenditure is capitalized to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the CMIG PM Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are expensed in the combined statements of comprehensive income during the financial period in which they are incurred.

An investment property shall be derecognized on disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the combined statements of comprehensive income in the period of the retirement or disposal.

2.10 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is not amortised but its impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 4 to 10 years for the customer relationships.

(c) Computer software

Acquired software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 to 10 years.

2.11 Impairment of non-financial assets

Goodwill or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Financial assets

2.12.1 Classification

The CMIG PM Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the CMIG PM Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The CMIG PM Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.12.2 Recognition, derecognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the CMIG PM Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the CMIG PM Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the CMIG PM Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the CMIG PM Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the CMIG PM Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the combined statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included

in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains - net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the combined income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the combined statements of comprehensive income and recognised in "other (losses)/gains - net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains - net and impairment expenses are presented as separate line item in combined income statement.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net within other gains - net in the period in which it arises.

Equity instruments

The CMIG PM Group subsequently measures all equity investments at fair value. Where the CMIG PM Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the CMIG PM Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains - net" as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

2.13 Impairment of financial assets

The CMIG PM Group assesses on a forward looking basis the expected credit losses associated with its debt instrument carried at amortised cost and financial assets at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the CMIG PM Group determines whether there has been a significant increase in credit risk.

For trade receivables, the CMIG PM Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.14 Non-current assets held for disposal

Non-current assets (or disposal groups) are classified as held for disposal if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in

fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for disposal. Interest and other expenses attributable to the liabilities of a disposal group classified as held for disposal continue to be recognised.

Non-current assets classified as held for disposal and the assets of a disposal group classified as held for disposal are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for disposal are presented separately from other liabilities in the balance sheet.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the CMIG PM Group or the counterparty.

2.16 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the First-in-First-out method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 12 months and therefore are classified as current. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The CMIG PM Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.18 Cash and cash equivalents, restricted cash

In the combined statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks. Bank deposits which are restricted to use are included in "restricted cash" of the combined financial position.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of

transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the combined statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where CMIG PM is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.23 Employee benefits**(i) Pension obligations**

The CMIG PM Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the CMIG PM Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the CMIG PM Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the CMIG PM Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the CMIG PM Group in independently administrated funds managed by the governments.

The CMIG PM Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(ii) Housing funds, medical insurances and other social insurances

Employees of the CMIG PM Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The CMIG PM Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The CMIG PM Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(iv) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(v) Share-based compensation benefits

One subsidiary of the CMIG PM Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the subsidiary. The fair value of the employee services received in exchange for the grant of equity instruments (options) is recognised as an expense on the combined financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments (options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions and

- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the subsidiary revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the combined income statements, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the subsidiary includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

2.24 Provisions

Provisions for legal claims are recognised when the CMIG PM Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 Revenue recognition

The CMIG PM Group is primarily engaged in the provision of property management services, property developer-related services, community-related services and professional services. Revenue from providing services is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the CMIG PM Group's performance when the CMIG PM Group performs.

For property management services, the CMIG PM Group bills a fixed amount for service provided on a monthly basis and recognises as revenue in the amount to which the CMIG PM Group has a right to invoice and corresponds directly with the value of performance completed.

For property management projects where the services income is on a lump sum basis, the CMIG PM Group acts as principal and is primary responsible for providing the property management services to the property owners/units, the CMIG PM Group recognises the service fee received or

receivable from property owners as its revenue and all related property management costs as its cost of services. For property management projects where the services income is on commission basis, the CMIG PM Group recognises the commission, which is calculated at certain percentage of the total property management fee received or receivable from the property owners/units, as its revenue for arranging and monitoring the services provided by other suppliers to the property owners/units.

For property developer related services, revenue is recognised when the related services are rendered. Payment of the transaction is due immediately when the services are rendered to the customer.

Community related services include mainly i) commission from public resources management services, which is recognised on a net basis over the time when such services are rendered; ii) revenue from other community convenience services, which are charged for each of the services provided and recognised when the relevant services are rendered. Community related services are normally billable immediately upon delivery of the services.

Professional services mainly include engineering and maintenance services of elevator and intelligent security equipment. Revenue from professional services are recognised when the contracts have been approved and the services are rendered. Professional services are normally billable immediately upon the delivery of the services.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the standard-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the CMIG PM Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the CMIG PM Group's performance and the customer's payment.

A contract asset is the CMIG PM Group's right to consideration in exchange for services that the CMIG PM Group has transferred to a customer.

If a customer pays consideration or the CMIG PM Group has a right to an amount of consideration that is unconditional, before the CMIG PM Group transfers services to the customer, the CMIG PM Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the CMIG PM Group's obligation to transfer services to a customer for which the CMIG PM Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the CMIG PM Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2.26 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.27 Dividend distribution

Dividend distribution to CMIG PM's shareholders is recognised as a liability in CMIG PM Group's and CMIG PM's financial statements in the period in which the dividends are approved by CMIG PM's shareholders or directors, where appropriate.

2.28 Leases as leasee

The CMIG PM Group leases various properties. Rental contracts are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range

of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the CMIG PM Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to combined statements of comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implied in the lease, if that rate can be determined, or the respective incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in combined statements of comprehensive loss. Short-term leases are leases with a lease term of 12 months or less.

2.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the CMIG PM Group will comply with all attached conditions.

Government grants related to assets refer to government grants which are obtained by the CMIG PM Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants

related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The CMIG PM Group applies the presentation method consistently to the similar government grants in the financial statements.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The CMIG PM Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. As all of the CMIG PM Group's activities are in the PRC, the CMIG PM Group's exposure to foreign currency risk is minimal and therefore no analysis of foreign currency risk is presented. The CMIG PM Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the CMIG PM Group's financial performance.

3.1.1 Interest rate risk

The CMIG PM Group's interest rate risk arises from borrowings and receivables due from related parties. Borrowings and receivables due from related parties at variable interest rates expose the CMIG PM Group to cash flow interest rate risk. Borrowings and receivables due from related parties at fixed interest rates expose the CMIG PM Group to fair value interest rate risk. The CMIG PM Group closely monitors trend of interest rate and its impact on the CMIG PM Group's interest rate risk exposure. The CMIG PM Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, if interest rates on borrowings had been 50 basis points higher or lower with all other variables held constant, the CMIG PM Group's profit before income tax for the years/period then ended would decrease or increase as set out below, mainly as a result of higher or lower interest expenses on floating rate borrowings.

	Year ended 31 December			Nine months ended
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Profit before income tax - higher/(lower)	(651)/651	(664)/664	(113)/113	(77)/77

3.1.2 Credit risk

The CMIG PM Group is exposed to credit risk in relation to its trade receivables, deposits and other receivables, and cash and cash equivalents. The carrying amounts of trade receivables, deposits and other receivables, and cash and cash equivalents represent the CMIG PM Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash in banks

The CMIG PM Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited in state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables

The CMIG PM Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS9, which permits the use of the lifetime expected

loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporates forward looking information.

(iii) Other receivables due from related parties

The CMIG PM Group expects that the credit risk associated with other receivables due from related parties is low, since the majority of the related parties have a strong capacity to meet its contractual cash flow obligations in the near term, except for the loans and interests receivables due from the Remaining Shareholder. The impairment provision recognised in respect of other receivables due from related parties other than the Remaining Shareholder during the period was limited to 12 months expected losses, which was 0% allowance rate.

For the assessment of the loans and interests receivables due from the Remaining Shareholder is set out in Note 21.

(iv) Deposits and other receivables other than those from related parties

The CMIG PM Group pays deposits to property owners and has a large number of counter parties for its other receivables other than those from related parties. There was no concentration of credit risk. The CMIG PM Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the CMIG PM Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The CMIG PM Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the CMIG PM Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

Forward-looking information incorporated in the expected credit loss model

The CMIG PM Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower

- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the CMIG PM Group and changes in the operating results of the borrower.

CMIG PM accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, CMIG PM considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. Since the actual loss rates for trade receivables and other receivables and adjustments for forward looking macroeconomic data did not have significant change during the Track Record Period, the directors of CMIG PM consider that the change in the expected loss rate for the provision matrix is insignificant throughout the Track Record Period.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the loss allowance provision for trade receivables was determined as follow.

	Expected loss rate	As at 31 December						As at 30 September	
		2016		2017		2018		2019	
		RMB'000		RMB'000		RMB'000		RMB'000	
		Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision
Trade receivables									
Related parties		13,288	–	9,003	–	14,780	–	5,730	–
Non-residential		211,044	–	505,871	(2,191)	567,281	(3,337)	503,353	–
Residential									
– Within 1 year	2%	121,325	(2,304)	190,812	(3,826)	202,612	(4,072)	176,984	(3,539)
– 1 to 2 years	10%	12,530	(1,253)	64,129	(6,413)	77,348	(7,735)	68,958	(6,896)
– 2 to 3 years	20%	610	(122)	9,754	(1,951)	40,496	(8,099)	23,247	(4,649)
– Over 3 years	50%	2,051	(1,025)	10,049	(5,024)	16,901	(8,451)	33,859	(15,769)
		<u>360,848</u>	<u>(4,704)</u>	<u>789,618</u>	<u>(19,405)</u>	<u>919,418</u>	<u>(31,694)</u>	<u>812,131</u>	<u>(30,853)</u>

As at 31 December 2016, 2017 and 2018 and 30 September 2018 and 2019, the loss allowance provision for trade and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Prepayments, deposits and other receivables (excluding prepayments) RMB'000	Total RMB'000
At 1 January 2016	–	–	–
Addition from acquisition of subsidiaries	5,128	8,753	13,881
Provision for loss allowance recognised in profit or loss	(424)	8	(416)
At 31 December 2016	4,704	8,761	13,465
Addition from acquisition of subsidiaries	5,019	2,071	7,090
Provision for loss allowance recognised in profit or loss	9,682	2,622	12,304
At 31 December 2017	19,405	13,454	32,859
Provision for loss allowance recognised in profit or loss	12,289	3,458	15,747
At 31 December 2018	31,694	16,912	48,606
Provision for loss allowance recognised in profit or loss	10,297	2,328	12,625
Reclassify to assets classified as held for disposal	(11,138)	(8,968)	(20,106)
At 30 September 2019	<u>30,853</u>	<u>10,272</u>	<u>41,125</u>
At 1 January 2018	19,405	13,454	32,859
Provision for loss allowance recognised in profit or loss	19,588	1,174	20,762
At 30 September 2018(Unaudited)	<u>38,993</u>	<u>14,628</u>	<u>53,621</u>

3.1.3 Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing to meet its daily operation working capital requirements.

The table below set out the CMIG PM Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the statements of financial position, as the impact of discount is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2016					
Trade and other payables	570,717	–	–	–	570,717
Dividends payable	26,772	–	–	–	26,772
Lease liabilities	296	296	395	–	987
Borrowings	94,900	197,200	763,600	1,500	1,057,200
Interest payable	31,999	49,437	70,934	23	152,393
	<u>724,684</u>	<u>246,933</u>	<u>834,929</u>	<u>1,523</u>	<u>1,808,069</u>
As at 31 December 2017					
Trade and other payables	1,055,936	–	–	–	1,055,936
Dividends payable	107,730	–	–	–	107,730
Lease liabilities	4,692	3,988	2,951	1,983	13,614
Borrowings	383,061	528,841	1,640,920	328,000	2,880,822
Interest payable	184,641	154,449	182,570	19,413	541,073
	<u>1,736,060</u>	<u>687,278</u>	<u>1,826,441</u>	<u>349,396</u>	<u>4,599,175</u>
As at 31 December 2018					
Trade and other payables	1,110,782	–	–	–	1,110,782
Dividends payable	23,556	–	–	–	23,556
Lease liabilities	3,988	1,680	1,656	1,598	8,922
Borrowings	442,641	1,356,560	537,360	–	2,336,561
Interest payable	132,613	118,378	80,167	–	331,158
	<u>1,713,580</u>	<u>1,476,618</u>	<u>619,183</u>	<u>1,598</u>	<u>3,810,979</u>

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 September 2019					
Trade and other payables	660,934	–	–	–	660,934
Dividends payable	54,664	–	–	–	54,664
Lease liabilities	1,752	883	1,244	1,296	5,175
Borrowings	267,617	206,227	1,579	–	475,423
Interest payable	21,168	7,924	–	–	29,092
	<u>1,006,135</u>	<u>215,034</u>	<u>2,823</u>	<u>1,296</u>	<u>1,225,288</u>

3.2 Capital management

The CMIG PM Group's objectives when managing capital are to safeguard the CMIG PM Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the CMIG PM Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The CMIG PM Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity as shown in the combined statement of financial position. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash.

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings (Note 25)	1,057,200	2,880,822	2,336,561	475,423
Less: cash and cash equivalents (Note 23)	(165,859)	(544,302)	(619,190)	(248,092)
restricted cash (Note 23)	<u>(2,069)</u>	<u>(2,748)</u>	<u>(1,970)</u>	<u>(10,679)</u>
Net debt	889,272	2,333,772	1,715,401	216,652
Total equity	<u>1,145,770</u>	<u>2,297,031</u>	<u>2,391,659</u>	<u>2,357,907</u>
Gearing ratio	<u>78%</u>	<u>102%</u>	<u>72%</u>	<u>9%</u>

The decrease in gearing ratio as at 30 September 2019 was mainly caused by the reclassification of some borrowings to liabilities directly associated with assets classified as held for disposal (Note 31).

3.3 Fair value estimation

Fair value hierarchy of financial assets

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the combined financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the CMIG PM Group has classified its financial instruments into the three levels prescribed under the accounting standards.

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Assets – Level 3:				
– Financial assets at fair value through other comprehensive income (<i>Note 18</i>)	128	15,700	15,875	10,850
– Financial assets at fair value through profit or loss (<i>Note 22</i>)	123,200	190,656	156,104	152,194
	<u>123,328</u>	<u>206,356</u>	<u>171,979</u>	<u>163,044</u>

The CMIG PM Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and financial assets at fair value through other comprehensive income) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the CMIG PM Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and wealth management products.

The investment in unlisted equity securities represent the investment in certain privately owned companies. The fair value of the investments is approximate to the cost and relevant fair value gain/loss are minimal because these companies were in the early stage of operation and it has not been a long time since the CMIG PM Group's investments in them.

The investment in wealth management products mainly represent the investments in wealth management products issued by banks in the PRC with non-guaranteed principal and floating return of investment. The CMIG PM Group used discounted cash flows approach to value the fair value of the financial product as at period end. Due to the short period and low expected return rate ranging from 1.15% to 7.20% per annum, the CMIG PM Group considered the fair value of financial product approximately to the cost.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The CMIG PM Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) *Impairment of intangible assets*

The CMIG PM Group tests annually whether goodwill has suffered any impairment. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 16.

Customers relationships intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of judgments and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the CMIG PM Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the combined statement of comprehensive income.

(b) *Business combinations*

Business combinations are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed, which mainly include customer relationship is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The CMIG PM Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets and forecasted life cycle and forecasted cash flows over that period. Although the CMIG PM Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

(c) *Allowance on doubtful receivables*

The CMIG PM Group makes allowances on receivables, including loans to and receivables from related parties, based on assumptions about risk of default and expected loss rates. The CMIG PM Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the CMIG PM Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumption and inputs used, see Note 3.1.2 above.

(d) Current and deferred income tax

The CMIG PM Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilisation may be different.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors.

During the Track Record Period, the CMIG PM Group is principally engaged in the provision of property management services and value-added services, including property developer-related services, community-related services and professional services in the PRC. The directors review the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of CMIG PM regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the CMIG PM Group is domiciled in the PRC. Accordingly, all of the CMIG PM Group's revenue were derived in the PRC during the Track Record Period.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, all of the non-current assets of the CMIG PM Group were located in the PRC.

6 REVENUE

Revenue mainly comprises of proceeds from property management services and related value added services including property developer related services, community related services and professional services such as engineering and maintenance services. An analysis of the CMIG PM Group's revenue by category for the Track Record Period is as follows:

	Year ended 31 December			Nine months ended	
	2016	2017	2018	30 September 2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Revenue from customer and recognised over time:					
Property management services	731,700	2,609,001	3,373,392	2,502,967	2,703,434
Value added services:					
– Property developer-related services	28,650	68,798	76,226	37,074	59,745
– Community-related services	37,213	245,906	275,140	247,846	215,210
– Professional services	7,714	237,250	189,720	156,742	128,390
– Others	4,537	29,790	155,291	39,881	17,939
	<u>809,814</u>	<u>3,190,745</u>	<u>4,069,769</u>	<u>2,984,510</u>	<u>3,124,718</u>

The CMIG PM Group had a large number of customers and none of whom individually contributed 10% or more of the CMIG PM Group's revenue during the Track Record Period.

(a) *Contract liabilities*

The CMIG PM Group had recognised the following revenue-related contract liabilities:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	106,071	223,764	227,559	102,502

(b) *Significant change in contract liabilities*

Contract liabilities of the CMIG PM Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the CMIG PM Group's business.

(c) *Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December			Nine months Ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue recognised that was included in the contract liability balance at the beginning of the year					
Property management services	5,377	97,207	211,383	188,929	143,611
Others	120	8,864	12,381	5,586	5,425
	5,497	106,071	223,764	194,515	149,036

(d) *Unsatisfied performance obligations*

For property management services and property developer-related services, the CMIG PM Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the CMIG PM Group's performance to date, on a monthly or quarterly basis. The CMIG PM Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

For community-related services and professional services, they are rendered in short period of time and there is no material unsatisfied performance obligation at the end of respective periods.

(e) *Assets recognised from incremental costs to obtain a contract*

During the Track Record Period, there were no significant incremental costs to obtain or fulfil a contract.

7 EXPENSES BY NATURE

	Year ended 31 December			Nine months Ended 30 September	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
				(Unaudited)	
Employee benefit expenses (Note 8)	393,784	1,419,389	1,661,520	1,287,564	1,334,005
Outsourcing costs	174,230	826,985	1,216,405	829,836	883,567
Cost of consumables	47,055	165,041	175,994	127,901	137,919
Maintenance cost	37,291	132,568	218,129	134,591	179,776
Utilities	30,698	173,304	200,775	136,289	136,095
Depreciation of property, plant and equipment (Note 13)	2,340	21,465	32,580	22,206	17,971
Amortisation of right-of-use assets (Note 14)	233	1,740	4,051	3,038	3,038
Depreciation of investment properties (Note 15)	841	3,928	5,328	3,956	3,840
Amortisation of intangible asset (Note 16)	15,051	56,700	66,421	51,227	47,184
Taxes and other levies	11,463	15,231	19,784	13,941	12,985
Travelling and entertainment expenses	6,260	37,811	48,129	32,584	29,593
Auditors' remuneration	281	858	2,729	2,423	2,243
Office expenses	17,457	45,903	45,367	31,817	29,063
Consulting fees	790	1,944	13,877	11,064	10,247
Others	7,875	42,587	32,744	30,227	55,716
Total of cost of sales, selling and marketing and administrative expenses	<u>745,649</u>	<u>2,945,454</u>	<u>3,743,833</u>	<u>2,718,664</u>	<u>2,883,242</u>

Cost of sales mainly include employee benefit expenses, outsourced security, greening and cleaning costs, costs of consumables including raw material and components used in professional services and community related services, maintenance and repair fees and utilities.

8 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
				(Unaudited)	
Wages, salaries and bonuses	315,288	1,232,817	1,393,775	1,092,299	1,138,719
Pension costs	28,817	74,334	106,635	78,603	63,692
Housing funds, medical insurances and other social insurances (a)	25,825	49,671	71,140	54,839	42,445
Share-based compensation expenses (b)	5,635	5,522	5,578	4,184	–
Other employee benefits (c)	18,219	57,045	84,392	57,639	89,149
	<u>393,784</u>	<u>1,419,389</u>	<u>1,661,520</u>	<u>1,287,564</u>	<u>1,334,005</u>

- (a) Employees in the CMIG PM Group's PRC entities are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The CMIG PM Group's PRC entities contribute funds which are calculated based on certain percentages of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.
- (b) In January 2016, Shanghai Minghua adopted an equity incentive plan using its own shares to award senior management members. According to the relevant terms of the plan, the vesting period is 3 years ended in December 2018. For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, Shanghai Minghua recognised share-based compensation expenses of RMB5,635,000, RMB5,522,000, RMB5,578,000 RMB4,184,000 and nil respectively.
- (c) Other employee benefits mainly include meal, travelling and festival allowances.
- (d) Five highest paid individuals

The five individuals whose emoluments were the highest in the CMIG PM Group include 1 director for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018, whose emoluments are reflected in the analysis shown in Note 33. For the nine months ended 30 September 2019, the five individuals whose emoluments were the highest does not include any director. The emoluments payable to these individuals for the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries, bonuses, housing funds and other employees benefits	5,954	5,954	7,510	4,703	5,705

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
Emolument bands (in HK dollar)					
HK\$1,000,001 – HK\$1,500,000	3	3	3	3	3
HK\$1,500,001 – HK\$2,000,000	–	–	–	1	2
HK\$2,000,001 – HK\$2,500,000	1	1	1	–	–
	4	4	4	4	5

9 OTHER INCOME AND OTHER GAINS – NET

	Year ended 31 December			Nine months ended 30 September	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Other income					
Government grants (a)	8,753	16,609	11,822	8,699	18,370
Income from financial instruments with guaranteed principal and return	1,476	2,834	1,339	1,339	2,469
Others	393	1,735	2,235	1,260	2,003
	<u>10,622</u>	<u>21,178</u>	<u>15,396</u>	<u>11,298</u>	<u>22,842</u>
Other gains - net					
Gain from financial assets at fair value through profit or loss (Note 22)	1,620	4,662	5,230	3,712	4,418
Gain on disposal of investment properties (b)	–	77	–	–	8,301
(Loss)/Gain on disposal of property, plant and equipment and intangible assets other than goodwill	(8)	(611)	(161)	834	439
Others	–	576	(368)	(925)	(383)
	<u>1,612</u>	<u>4,704</u>	<u>4,701</u>	<u>3,621</u>	<u>12,775</u>

- (a) The government grants mainly represented financial support funds from local government without attached conditions.
- (b) During the nine months ended 30 September 2019, the CMIG PM Group's subsidiary, Kerui PM, disposed of an investment property to a company controlled by its non-controlling interest shareholder at a cash consideration of RMB39,705,000, derived a gain of RMB8,301,000.

10 FINANCE (COSTS)/INCOME - NET

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Finance costs:					
– Interest expense on bank and other borrowings	(3,818)	(6,414)	(7,973)	(4,926)	(1,821)
– Interest expense on asset-backed securities	(25,558)	(103,440)	(166,665)	(118,703)	(107,132)
– Interest expense on lease liabilities	(66)	(325)	(577)	(455)	(275)
	<u>(29,442)</u>	<u>(110,179)</u>	<u>(175,215)</u>	<u>(124,084)</u>	<u>(109,228)</u>
Finance income:					
– Interest income on amounts due from related companies (Note 32(b))	26,140	105,894	167,062	116,899	103,782
– Bank interests	500	2,719	1,373	2,131	1,847
	<u>26,640</u>	<u>108,613</u>	<u>168,435</u>	<u>119,030</u>	<u>105,629</u>
Finance costs - net	<u>(2,802)</u>	<u>(1,566)</u>	<u>(6,780)</u>	<u>(5,054)</u>	<u>(3,599)</u>

11 INCOME TAX EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax					
– PRC CIT	25,235	80,072	106,521	84,747	83,214
Deferred income tax (Note 27)					
– PRC CIT	(4,103)	(19,467)	(20,832)	(18,261)	(15,326)
	<u>21,132</u>	<u>60,605</u>	<u>85,689</u>	<u>66,486</u>	<u>67,888</u>

(a) PRC Corporate Income Tax ("CIT")

Income tax provision of the CMIG PM Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years/periods, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the Track Record Period.

According to Caishui [2011] No. 58 issued by the authorities on 27 July 2011, "Notice of Taxation on In-depth Implementation of the Strategy for Western Region Development" and relevant regulations of the State Administration of Taxation, from 1 January 2011 to 31 December 2020, enterprises in the encouraged industries located in the western region are entitled to a preferential corporate income tax rate of 15%. Some subsidiaries of the CMIG PM Group are qualified to enjoy such preferential corporate income tax rate during the Track Record Period.

- (b) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the combined statements of comprehensive income to the income tax expenses is listed below:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Profit before income tax	84,660	272,091	345,214	272,104	286,646
Tax calculated at applicable corporate income tax rate of 25%	21,165	68,023	86,304	68,026	71,662
Tax effects of:					
– Undeductible expense	6,553	3,270	5,743	4,910	1,783
– Income not subject to tax	(8,963)	(364)	–	–	–
– Preferential difference in income tax for subsidiaries	–	–	(4,080)	(3,696)	(3,006)
– Under/(over) provision of income tax	233	(7,480)	(392)	(392)	430
– Effect of exclusion of share of profit tax of associates	(73)	(3,662)	(4,044)	(3,813)	(3,648)
– Impact of deferred income tax assets on tax losses	2,217	818	2,158	1,451	667
	<u>21,132</u>	<u>60,605</u>	<u>85,689</u>	<u>66,486</u>	<u>67,888</u>

12 SUBSIDIARIES — CMIG PM

	As at 31 December 2018 RMB'000	As at 30 September 2019 RMB'000
Investments in subsidiaries	<u>–</u>	<u>1,250,312</u>

The CMIG PM Group's principal subsidiaries at 31 December 2016, 2017, 2018 and 30 September 2019 are set out below:

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable effective equity interest of the CMIG PM Group				Attributable equity interest of the CMIG PM Group as at the date of this report	Directly/indirectly held	Principal activities / place of operation	Name of statutory auditors and periods covered
			31 December 2016	31 December 2017	31 December 2018	30 September 2019				
Chongqing Haoji (i)	Chongqing, the PRC 4 July 2014	RMB62,199,850	100%	100%	100%	100%	100%	Directly	Holding Company	N/A
Shanghai Boying (ii)	Shanghai, the PRC 16 October 2015	RMB333,000,000	100%	100%	100%	100%	100%	Directly	Holding Company	Note 1
Shanghai Minghua (ii)	Shanghai, the PRC 16 June 1992	RMB70,000,000	100%	100%	100%	100%	99%	Indirectly	Property management services in Shanghai	PricewaterhouseCoopers Zhong Tian LLP for the years ended 31 December 2016 and 2017; Pan-China Certified Public Accountants for the year ended 31 December 2018
Shanghai Mingya Catering Management Company Limited	Shanghai, the PRC 07 January 2014	RMB500,000	91%	91%	91%	91%	91%	Indirectly	Catering management in Shanghai	N/A
Shanghai Dongya Minghua Property Management Company Limited	Shanghai, the PRC 19 October 2005	RMB3,000,000	91%	91%	91%	91%	91%	Indirectly	Property management services in Shanghai	N/A
Hainiu (Shanghai) E-commerce Company Limited	Shanghai, the PRC 25 August 2015	RMB10,000,000	47%	47%	47%	47%	47%	Indirectly	E-commerce in Shanghai	Shunzheng Certified Public Accountants LLP ended 31 December 2016; Shanghai Heli Certified Public Accountants LLP for the year ended 31 December 2017 and 2018
Dandong Minghua World Trade Property Services Company Limited	Dandong, the PRC 13 September 2017	RMB1,000,000	N/a	47%	47%	46%	46%	Indirectly	Property management services in Dandong	N/A

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable effective equity interest of the CMIG PM Group				Attributable equity interest of the CMIG PM Group as at the date of this report	Directly/indirectly held	Principal activities / place of operation	Name of statutory auditors and periods covered
			31 December		30 September					
			2016	2017	2018	2019				
Shanghai Shanfa Minghua Property Management Company Limited	Shanghai, the PRC 10 October 2017	RMB10,000,000	N/a	47%	47%	46%	46%	Indirectly	Property management services in Shanghai	N/A
Shanghai Richtech (iii)	Shanghai, the PRC 15 December 1992	RMB12,000,000	67%	67%	67%	67%	67%	Directly	Property management services in Shanghai	PricewaterhouseCoopers Zhong Tian LLP for the years ended 31 December 2016 and 2018; Ruihua Certified Public Accountants LLP for the year ended 31 December 2017
Shanghai New Jinxiang Property Management Company Limited	Shanghai, the PRC 29 April 2006	RMB3,000,000	67%	67%	67%	67%	67%	Indirectly	Property management services in Shanghai	N/A
Shanghai Shangkai Information Technology Company Limited	Shanghai, the PRC 27 February 1997	RMB1,000,000	67%	67%	67%	67%	67%	Indirectly	Information Technology in Shanghai	N/A
Shanghai Shenheping Property Management Company Limited (ix)	Shanghai, the PRC 27 May 2003	RMB5,681,818	N/A	41%	41%	41%	41%	Indirectly	Property management services in Shanghai	N/A
Changzhou Jiafeng Property Services Company Limited (xiii)	Changzhou, the PRC 20 November 1996	RMB5,000,000	N/A	N/A	N/A	47%	47%	Indirectly	Property management services in Changzhou	N/A
Changzhou Zhongfang (iv)	Changzhou, the PRC 19 August 1993	RMB10,800,000	70%	70%	70%	70%	70%	Directly	Property management services in Changzhou	PricewaterhouseCoopers Zhong Tian LLP for the years ended 31 December 2016 and 2018; Ruihua Certified Public Accountants LLP for the year ended 31 December 2017

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable effective equity interest of the CMIG PM Group				Attributable equity interest of the CMIG PM Group as at the date of this report	Directly/indirectly held	Principal activities / place of operation	Name of statutory auditors and periods covered
			31 December		30 September					
			2016	2017	2018	2019				
Changzhou Lixin Property Company Limited	Changzhou, the PRC 17 January 2014	RMB500,000	70%	70%	70%	70%	70%	Indirectly	Property management services in Changzhou	N/A
Changzhou Zhongfang Huiyuan Catering Management Company Limited	Changzhou, the PRC 25 March 2014	RMB500,000	70%	70%	70%	70%	70%	Indirectly	Catering management in Changzhou	N/A
Bengbu Zhonglian Property Management Company Limited	Bengbu, the PRC 21 July 2017	RMB2,000,000	N/A	70%	70%	70%	70%	Indirectly	Property management services in Bengbu	N/A
Kerui PM (v)	Shanghai, the PRC 05 February 2002	RMB20,000,000	51%	51%	51%	51%	51%	Directly	Property management services in Shanghai	PricewaterhouseCoopers Zhong Tian LLP for the years ended 31 December 2016 and 2017; Pan-China Certified Public Accountants for ye year ended 31 December 2018
Nanjing Kerui	Nanjing, the PRC 27 July 2006	RMB3,000,000	51%	51%	51%	51%	51%	Indirectly	Property management services in Nanjing	Jiangsu Zhongtian Huaxia Certified Public Accountants LLP ended 31 December 2016,2017 and 2018;
Jiangxi Kerui	Jiangxi, the PRC 19 September 2003	RMB500,000	58%	58%	58%	58%	58%	Indirectly	Property management services in Jiangxi	Jiangxi Zhongrui Certified Public Accountants LLP ended 31 December 2016,2017 and 2018;
Huhehaote Kerui	Huhehaote, the PRC 07 November 2008	RMB500,000	58%	58%	58%	58%	58%	Indirectly	Property management services in Huhehaote	N/A

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable effective equity interest of the CMIG PM Group				Attributable equity interest of the CMIG PM Group as at the	Directly/indirectly held	Principal activities / place of operation	Name of statutory auditors and periods covered
			31 December		30 September		date of this report			
			2016	2017	2018	2019	%			
Da'anShanghai Da'an Property Management Company Limited (x)	Shanghai, the PRC 19 May 1995	RMB730,000	N/A	46%	46%	51%	51%	Indirectly	Property management services in Shanghai	Shanghai Jiuxin Certified Public Accountants LLP ended 31 December 2017 and 2018;
Changchun Kerui	Changchun, the PRC 16 July 2004	RMB3,000,000	52%	52%	52%	52%	52%	Indirectly	Property management services in Changchun	Jilin Zhongxin Huacheng Certified Public Accountants LLP ended 31 December 2016,2017 and 2018;
Shandong Honest (viii)	Shandong, the PRC 13 September 1997	RMB74,000,000	N/A	35%	N/A	N/A	N/A	Directly	Property management services in Shandong	Ruihua Certified Public Accountants LLP for the year ended 31 December 2017
Jinan Zongbao Taihang Property Management Company Limited	Jinan, the PRC 21 October 2013	RMB1,250,000	N/A	21%	N/A	N/A	N/A	Indirectly	Property management services in Jinan	N/A
Jinan Hongkun Information Technology Company Limited	Jinan, the PRC 24 February 2016	RMB1,000,000	N/A	35%	N/A	N/A	N/A	Indirectly	Internet Information Services, Software Development in Jinan	N/A
Jinan Hongkun Property Management Company Limited	Jinan, the PRC 17 February 2017	RMB1,500,000	N/A	14%	N/A	N/A	N/A	Indirectly	Property management services in Jinan	N/A
CMIG Hongtai Business Management Company Limited	Weihai, the PRC 12 March 2018	RMB50,000,000	N/A	N/A	N/A	N/A	N/A	Indirectly	Property management services in Weihai	N/A

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable effective equity interest of the CMIG PM Group				Attributable equity interest of the CMIG PM Group as at the	Directly/indirectly held	Principal activities / place of operation	Name of statutory auditors and periods covered
			31 December		30 September		date of this report			
			2016	2017	2018	2019	%			
Shenzhen Longcheng (vi)	Shenzhen, the PRC 14 June 1994	RMB73,840,000	N/A	70%	70%	63%	63%	Directly	Property management services in Shenzhen	Shenzhen Royal Certified Ruihua Certified Public Accountants LLP for the year ended 31 December 2017; PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2018
Hainan Longcheng Property Management Company Limited	Qionghai, the PRC 28 September 2009	RMB1,000,000	N/A	49%	49%	44%	44%	Indirectly	Hotel property management, entertainment, housekeeping services in Hainan	N/A
Suzhou Shenlongcheng Property Management Company Limited	Wujiang, the PRC 15 November 2007	RMB3,000,000	N/A	42%	42%	38%	38%	Indirectly	Property management, hotel management, cleaning services in Suzhou	Ruihua Certified Public Accountants LLP ended 31 December 2017; Shanghai Dingli Certified Public Accountants LLP for the year ended 31 December 2018
Shenzhen Longcheng Landscaping Company Limited	Shenzhen, the PRC 09 May 2003	RMB10,000,000	N/A	67%	0%	0%	0%	Indirectly	Landscaping in Shenzhen	N/A
Jiangyin Longteng Property Management Company Limited	Jiangyin, the PRC 29 October 2019	RMB10,000,000	N/A	42%	42%	38%	38%	Indirectly	Property management, sanitary cleaning, motor vehicle parking services in Jiangyin	N/A
Shenzhen Yingfeng Yutong Communication Technology Company Limited	Shenzhen, the PRC 09 August 2012	RMB10,000,000	N/A	39%	39%	35%	35%	Indirectly	Consultation of intelligent building and home installation in Shenzhen	N/A

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable effective equity interest of the CMIG PM Group				Attributable equity interest of the CMIG PM Group as at the date of this report	Directly/indirectly held	Principal activities / place of operation	Name of statutory auditors and periods covered
			31 December 2016	2017	2018	30 September 2019				
Shenzhen Shenlong Zhihui Property Management Company Limited	Shenzhen, the PRC 24 April 2015	RMB5,000,000	N/A	36%	36%	32%	32%	Indirectly	Property management, sanitary cleaning, motor vehicle parking services in Shenzhen	Shenzhen Deyong Certified Public Accountants LLP ended 31 December 2017 and 2018;
Shenzhen Longcheng Yibai Catering Service Company Limited	Shenzhen, the PRC 03 September 2014	RMB1,000,000	N/A	69%	69%	62%	62%	Indirectly	Catering services in Shenzhen	N/A
Shenzhen Longcheng Mechanical and Electrical Installation Engineering Company Limited	Shenzhen, the PRC 20 July 2006	RMB5,000,000	N/A	70%	70%	63%	63%	Indirectly	Installation and maintenance of electrical equipment), central air-conditioning system, etc. in Shenzhen	N/A
Shenzhen Longcheng Security Service Company Limited	Shenzhen, the PRC 08 September 2016	RMB5,000,000	N/A	70%	70%	63%	63%	Indirectly	Security services in Shenzhen	N/A
Suzhou Shenlong City Management Company Limited	Suzhou, the PRC 16 August 2017	RMB5,000,000	N/A	36%	36%	32%	32%	Indirectly	Property services, air-conditioning maintenance and repairs, cleaning services in Suzhou	N/A
Xi'an Jintian (xi)	Xi'an, the PRC 18 April 2008	RMB13,500,000	N/A	51%	51%	51%	51%	Directly	Property management services in Xi'an	Ruihua Certified Public Accountants LLP for the year ended 31 December 2017; PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2018
Xi'an Bozhi Catering Service Company Limited	Xi'an, the PRC 16 November 2015	RMB2,000,000	N/A	51%	51%	51%	51%	Indirectly	Catering management in Xi'an	N/A
Baoji Jintian Property Management Company Limited	Baoji, the PRC 04 September 2019	RMB1,000,000	N/a	N/a	N/a	51%	51%	Indirectly	Property management services in Baoji	N/A

APPENDIX II

ACCOUNTANT'S REPORT ON THE CMIG PM GROUP

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable effective equity interest of the CMIG PM Group				Attributable equity interest of the CMIG PM Group as at the date of this report	Directly/ indirectly held	Principal activities / place of operation	Name of statutory auditors and periods covered
			31 December		30 September		%			
			2016	2017	2018	2019				
Xi'an Jintian Puyu Property Management Services Company Limited	Xi'an, the PRC 07 August 2019	RMB1,000,000	N/A	N/A	N/A	0.51	51%	Indirectly	Property management services in Xian	N/A
Chongqing Weishi (xii)	Chongqing, the PRC 24 September 2001	RMB20,795,760	N/A	N/A	26%	26%	26%	Directly	Property management services in Chongqing	PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2018
Chongqing Weishi Meijie Company Limited	Chongqing, the PRC 10 December 2007	RMB500,000	N/A	N/A	26%	26%	26%	Indirectly	Property management services in Chongqing	N/A
Chongqing Weishi Landscaping Engineering Company Limited	Chongqing, the PRC 05 February 2016	RMB2,000,000	N/A	N/A	26%	26%	26%	Indirectly	Property management services in Chongqing	N/A
Chongqing Haitai (vii)	Chongqing, the PRC 24 September 2009	RMB5,000,000	N/A	51%	51%	51%	51%	Directly	Property management services in Chongqing	Ruihua Certified Public Accountants LLP for the year ended 31 December 2017; PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2018
Chongqing Haitai Car Rental Company Limited	Chongqing, the PRC 22 November 2005	RMB10,000,000	N/A	51%	51%	51%	51%	Indirectly	Car leasing services In Chongqing	N/A
Chongqing Haijia Food Culture Company Limited	Chongqing, the PRC 27 January 2010	RMB31,000,000	N/A	51%	51%	51%	51%	Indirectly	Catering management in Chongqing	N/A
Chongqing Haitai Environmental Engineering Company Limited	Chongqing, the PRC 14 March 2008	RMB3,000,000	N/A	51%	51%	51%	51%	Indirectly	Environmental improvement in Chongqing	N/A
Chongqing Cornerstone Technology Company Limited	Chongqing, the PRC 27 February 2015	RMB1,000,000	N/A	51%	51%	51%	51%	Indirectly	Technology development, consulting in Chongqing	N/A

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable effective equity interest of the CMIG PM Group				Attributable equity interest of the CMIG PM Group as at the	Directly/indirectly held	Principal activities / place of operation	Name of statutory auditors and periods covered
			31 December		30 September		date of this report			
			2016	2017	2018	2019	%			
Chongqing Haitai Security Service Company Limited	Chongqing, the PRC 13 July 2015	RMB10,000,000	N/A	51%	51%	51%	51%	Indirectly	Security services in Chongqing	N/A
Chongqing Tongyuan Construction Engineering Company Limited	Chongqing, the PRC 09 March 2012	RMB6,000,000	N/A	51%	51%	51%	51%	Indirectly	Construction related business in Chongqing	N/A
Chongqing Cornerstone Logistics Management Company Limited	Chongqing, the PRC 15 October 2010	RMB3,000,000	N/A	51%	51%	51%	51%	Indirectly	Property management and consulting services in Chongqing	N/A
Sichuan Haitai Logistics Management Service Company Limited	Chengdu, the PRC 12 May 2015	RMB5,000,000	N/A	36%	36%	36%	36%	Indirectly	Logistics Management Services in Sichuan	N/A

Note 1:

No statutory audited financial statements have been prepared for the company as it is an investment holding company and no statutory audit was required during the Track Record Period.

Note 2:

The companies of the CMIG PM Group in the property management business were historically acquired by the Remaining Shareholder, being the immediate holding company of the CMIG PM Group, from third parties, and were transferred to CMIG PM pursuant to the Reorganizations as mentioned in Note 1.2 above. Details of the acquisitions of subsidiaries are set out below and in Note 30 Business combinations.

- (i) On 9 September 2015, the CMIG PM Group acquired 100% equity interest of Chongqing Haoji from a third party at a cash consideration of RMB90,000,000.
- (ii) On 13 November 2015, Shanghai Boying, which was set up by the Remaining Shareholder on 16 October 2015 as an investment holding company to acquire 100% equity interest of Shanghai Minghua from a third party at a cash consideration of RMB263,358,000.
- (iii) On 4 August 2016, the CMIG PM Group acquired 67% equity interest of Shanghai Richtech from a third party at a cash consideration of RMB252,000,000.
- (iv) On 12 September 2016, the CMIG PM Group acquired 70% equity interest of Changzhou Zhongfang from a third party at a cash consideration of RMB69,216,000.
- (v) On 30 September 2016, the CMIG PM Group acquired 51% equity interest of Kerui PM, from a third party at a cash consideration of RMB235,138,000. On 11 December 2019, CMIG PM disposed of its 51% equity interests in Kerui PM to New CMIG PM, an entity newly set up by Remaining

Shareholder and the Vendor, being the existing shareholders of CMIG PM, at a cash consideration of RMB235,138,000. Further details of the impact of disposal of Kerui PM are set out in Note 31.

- (vi) On 1 January 2017, the CMIG PM Group acquired 70% equity interest of Shenzhen Longcheng from a third party at a cash consideration of RMB361,816,000.
- (vii) On 30 April 2017, the CMIG PM Group acquired 51% equity interest of Chongqing Haitai from a third party at a cash consideration of RMB168,946,000.
- (viii) On 30 September 2017, the CMIG PM Group acquired 35% equity interest of Shandong Honest from a third party at a cash consideration of RMB94,480,000. In addition, the CMIG PM Group entered into an acting in concert agreement with the original controlling shareholder of Shandong Honest, who held 31.78% equity interest of Shandong Honest after the acquisition. As a result, the CMIG PM Group was able to control 66.78% voting rights and controlled Shandong Honest since the acquisition date.

On 31 May 2018, the acting in concert agreement was terminated by the parties and as a result the CMIG PM Group lost control over Shandong Honest which became an associate of the CMIG PM Group from 31 May 2018. Shandong Honest was therefore deconsolidated and its net book value as at 31 May 2018 amounting to RMB96,692,000 was classified to investment accounted for using equity method (Note 17). No gain or loss was resulted from the deconsolidation.

- (ix) On 31 October 2017, Shanghai Richtech acquired 61.6% equity interest of Shanghai Shenheping Property Management Company Limited ("Shenheping") from a third party at a cash consideration of RMB51,100,000. Since the CMIG PM Group holds 67% equity interest of Shanghai Richtech, the percentage of effective equity interest of Shenheping held by the CMIG PM Group is 41.3%.
- (x) On 30 November 2017, Kerui PM acquired 90% equity interest of Shanghai Da'an Property Management Company Limited ("Da'an") from a third party at a cash consideration of RMB18,000,000 and obtained control of Da'an. Since the CMIG PM Group holds 51% equity interest of Kerui PM, the percentage of equity interest of Da'an held by the CMIG PM Group is 45.9%.
- (xi) On 6 December 2017, the CMIG PM Group acquired 51% equity interest of Xi'an Jintian from a third party at a cash consideration of RMB36,626,000.
- (xii) On 1 January 2018, Chongqing Haitai acquired 51% equity interest of Chongqing Weishi from a third party at a cash consideration of RMB20,796,000. Since the CMIG PM Group holds 51% equity interest of Chongqing Haitai, the percentage of effective equity interest of Chongqing Weishi held by the CMIG PM Group is 26%.
- (xiii) On 31 January 2019, Shanghai Richtech acquired 70% equity interest of Changzhou Jiafeng from a third party at a cash consideration of RMB19,600,000. Since the CMIG PM Group holds 67% equity interest of Shanghai Richtech, the percentage of effective equity interest of Changzhou Jiafeng held by the CMIG PM Group is 46.90%.

Material non-controlling interests

Set out below are the summarised financial information for each subsidiary, together with their subsidiaries, which has non-controlling interests that are material to the CMIG PM Group.

(a) Chongqing Haitai

Summarised statements of financial position

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Assets	N/A	179,101	235,162	197,634
Liabilities	N/A	136,645	144,189	107,784
Total current net assets	N/A	42,456	90,973	89,850
Non-current				
Assets	N/A	147,335	121,846	97,587
Liabilities	N/A	60,173	44,984	31,143
Total non-current net assets	N/A	87,162	76,862	66,444
Net assets	N/A	129,618	167,835	156,294
Accumulated non-controlling interests	N/A	2,077	16,398	1,564

Summarised statements of comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue	N/A	295,682	475,451	364,050	296,046
Profit for the year/period	N/A	19,392	26,888	29,613	7,220
Total comprehensive income	N/A	19,392	26,888	29,613	7,220
Profit allocated to non-controlling interests	N/A	13	2,992	1,936	29

Summarised statements of cash flows

	Year ended 31 December			Nine months ended 30 September	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
				(Unaudited)	
Net cash generated/(used in) from operating activities	N/A	36,653	16,191	17,977	4,153
Net cash (used in)/generated from investing activities	N/A	(16,764)	9,307	(25,500)	(11,875)
Net cash generated from/(used in) financing activities	N/A	(33,396)	(4,586)	13,999	(21,843)
Net (decrease)/increase in cash and cash equivalents	N/A	(13,507)	20,912	6,476	(29,565)
Cash and cash equivalents at beginning of year/period	N/A	54,264	40,757	40,757	61,669
Cash and cash equivalents at end of year/period	N/A	40,757	61,669	47,233	32,104

The CMIG PM Group acquired 51% of equity interests of Chongqing Haitai on 30 April 2017. The summarised statements of comprehensive income and cash flows represented the amounts after the acquisition.

(b) Kerui PM*Summarised statements of financial position*

	As at 31 December			As at 30 September
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Current				
Assets	357,881	804,821	871,016	1,411,952
Liabilities	488,064	851,350	920,264	2,047,149
Total current net assets	(130,183)	(46,529)	(49,248)	(635,197)
Non-current				
Assets	488,200	2,173,801	1,928,693	984,741
Liabilities	55,644	1,780,245	1,486,211	28,813
Total non-current net assets	432,556	393,556	442,482	955,928
Net assets	302,373	347,027	393,234	320,731
Accumulated non-controlling interests	60,559	86,239	110,815	75,976

Summarised statements of comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue	188,851	807,464	946,465	666,636	748,608
Profit for the year/period	12,931	45,533	59,780	37,161	43,378
Total comprehensive income	12,931	45,533	59,780	37,161	43,378
Profit allocated to non-controlling interests	<u>6,255</u>	<u>25,207</u>	<u>33,049</u>	<u>20,291</u>	<u>22,268</u>

Summarised statements of cash flows

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net cash generated/(used in) from operating activities	12,130	72,016	70,623	7,414	13,712
Net cash (used in)/generated from investing activities	(146,893)	(1,945,082)	349,803	348,493	411,147
Net cash generated from/(used in) financing activities	<u>216,114</u>	<u>1,937,159</u>	<u>(408,331)</u>	<u>(402,592)</u>	<u>(480,343)</u>
Net (decrease)/increase in cash and cash equivalents	81,351	64,093	12,095	(46,685)	(55,484)
Cash and cash equivalents at beginning of year/period	<u>–</u>	<u>81,351</u>	<u>145,444</u>	<u>145,444</u>	<u>157,539</u>
Cash and cash equivalents at end of year/period	<u>81,351</u>	<u>145,444</u>	<u>157,539</u>	<u>98,759</u>	<u>102,055</u>

The CMIG PM Group acquired 51% of equity interests of Kerui PM on 30 September 2016. The summarised statements of comprehensive income and cash flows represented the amounts after the acquisition.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machineries RMB'000	Transportation equipment RMB'000	Office and other equipment RMB'000	Total RMB'000
As at 1 January 2016					
Cost	–	92	1,798	4,359	6,249
Accumulated depreciation	–	(39)	(1,400)	(3,079)	(4,518)
Net book amount	–	53	398	1,280	1,731
Year ended 31 December 2016					
Opening net book amount	–	53	398	1,280	1,731
Additions from acquisition of subsidiaries (<i>Note 30</i>)	50,633	135	3,283	5,017	59,068
Other additions	204	15	564	46	829
Disposals	–	(3)	(90)	(170)	(263)
Depreciation charge	(679)	(36)	(653)	(972)	(2,340)
Closing net book amount	50,158	164	3,502	5,201	59,025
As at 31 December 2016					
Cost	52,922	309	8,362	18,648	80,241
Accumulated depreciation	(2,764)	(145)	(4,860)	(13,447)	(21,216)
Net book amount	50,158	164	3,502	5,201	59,025
Year ended 31 December 2017					
Opening net book amount	50,158	164	3,502	5,201	59,025
Additions from acquisition of subsidiaries (<i>Note 30</i>)	18,421	6,827	89,606	6,385	121,239
Other additions	–	6,766	4,685	8,024	19,475
Disposals	(1,183)	(1,126)	(2,501)	(1,317)	(6,127)
Depreciation charge	(4,258)	(1,265)	(11,236)	(4,706)	(21,465)
Closing net book amount	63,138	11,366	84,056	13,587	172,147
As at 31 December 2017					
Cost	72,761	21,214	166,116	41,716	301,807
Accumulated depreciation	(9,623)	(9,848)	(82,060)	(28,129)	(129,660)
Net book amount	63,138	11,366	84,056	13,587	172,147

	Buildings RMB'000	Machineries RMB'000	Transportation equipment RMB'000	Office and other equipment RMB'000	Total RMB'000
Year ended 31 December 2018					
Opening net book amount	63,138	11,366	84,056	13,587	172,147
Additions from acquisition of a subsidiary (Note 30)	–	227	332	–	559
Other additions	1,113	4,386	8,066	9,897	23,462
Decrease from disposal of a subsidiary	–	(4,521)	(785)	(1,316)	(6,622)
Disposals	(78)	(1,292)	(18,816)	(342)	(20,528)
Depreciation charge	(4,624)	(3,660)	(15,194)	(9,102)	(32,580)
Closing net book amount	59,549	6,506	57,659	12,724	136,438
As at 31 December 2018					
Cost	73,578	12,920	129,172	45,266	260,936
Accumulated depreciation	(14,029)	(6,414)	(71,513)	(32,542)	(124,498)
Net book amount	59,549	6,506	57,659	12,724	136,438
Nine months ended 30 September 2019					
Opening net book amount	59,549	6,506	57,659	12,724	136,438
Additions from acquisition of a subsidiary (Note 30)	840	–	–	481	1,321
Other additions	650	2,782	11,234	7,474	22,140
Disposals	–	(468)	(4,203)	(1,457)	(6,128)
Depreciation charge	(3,747)	(1,755)	(7,862)	(4,607)	(17,971)
Reclassify to assets classified as held for disposal (Note 31)	(43,505)	(3,740)	(4,609)	(347)	(52,201)
Closing net book amount	13,787	3,325	52,219	14,268	83,599
As at 30 September 2019					
Cost	25,968	4,114	122,918	46,598	199,598
Accumulated depreciation	(12,181)	(789)	(70,699)	(32,330)	(115,999)
Net book amount	13,787	3,325	52,219	14,268	83,599
As at 1 January 2018					
Cost	72,761	21,214	166,116	41,716	301,807
Accumulated depreciation	(9,623)	(9,848)	(82,060)	(28,129)	(129,660)
Net book amount	63,138	11,366	84,056	13,587	172,147

	Buildings RMB'000	Machineries RMB'000	Transportation equipment RMB'000	Office and other equipment RMB'000	Total RMB'000
(Unaudited)					
Nine months ended 30					
September 2018					
Opening net book amount	63,138	11,366	84,056	13,587	172,147
Additions from acquisition of a subsidiary (Note 30)	–	227	332	–	559
Other additions	1,100	2,935	6,499	5,485	16,019
Decrease from disposal of a subsidiary	–	(4,521)	(785)	(1,316)	(6,622)
Disposals	(78)	(587)	(18,070)	(446)	(19,181)
Depreciation charge	(3,463)	(3,043)	(11,414)	(4,286)	(22,206)
Closing net book amount	60,697	6,377	60,618	13,024	140,716
As at 30 September 2018					
Cost	73,565	12,602	129,817	41,264	257,248
Accumulated depreciation	(12,868)	(6,225)	(69,199)	(28,240)	(116,532)
Net book amount	60,697	6,377	60,618	13,024	140,716

As at 31 December 2016, 2017 and 2018, certain property, plant and equipment of the CMIG PM Group with net book value of RMB32,305,000, RMB31,246,000, and RMB32,682,000, have been pledged as security for the secured bank loans (Note 26), respectively.

Depreciation expenses were charged to the following categories in the combined statements of comprehensive income:

	Year ended 31 December			Nine months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Cost of sales	1,071	17,664	19,103	13,979	11,243
Selling and marketing expenses	8	134	73	58	30
Administrative expenses	1,261	3,667	13,404	8,169	6,698
	2,340	21,465	32,580	22,206	17,971

14 LEASES

(a) Amounts recognised in the combined statements of financial position

	As at 31 December			As at 30
	2016	2017	2018	September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Right-of-use assets				
– Buildings	756	11,146	7,095	3,941
	<u>756</u>	<u>11,146</u>	<u>7,095</u>	<u>3,941</u>
Lease liabilities				
– Current	227	3,908	3,476	1,308
– Non-current	575	7,406	3,930	2,874
	<u>575</u>	<u>7,406</u>	<u>3,930</u>	<u>2,874</u>
	802	11,314	7,406	4,182
	<u>802</u>	<u>11,314</u>	<u>7,406</u>	<u>4,182</u>

(b) Amounts recognised in the combined statements of comprehensive income

	Year ended 31 December			Nine months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation charge of right-of-use assets					
– Buildings (Note 7)	233	1,740	4,051	3,038	3,038
	<u>233</u>	<u>1,740</u>	<u>4,051</u>	<u>3,038</u>	<u>3,038</u>
Interest expense (Note 10)	66	325	577	455	275
	<u>66</u>	<u>325</u>	<u>577</u>	<u>455</u>	<u>275</u>

15 INVESTMENT PROPERTIES

	Year ended 31 December			Nine months ended
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
As at 1 January				
Cost	82,673	118,142	126,010	10,141
Accumulated depreciation	(841)	(4,769)	(10,085)	(10,085)
Net book amount	81,832	113,373	115,925	56
During the year/period				
Opening net book amount	–	81,832	113,373	115,925
Additions from acquisition of a subsidiary (Note 30)	82,673	–	–	–
Additions	–	35,960	7,880	15,263
Disposal	–	(491)	–	(31,380)
Depreciation charge	(841)	(3,928)	(5,328)	(3,840)
Reclassify to assets classified as held for disposal (Note 31)	–	–	–	(95,912)
Closing net book amount	81,832	113,373	115,925	56

The CMIG PM Group leases certain residential properties to third parties. The CMIG PM Group's investment properties are stated at historical cost at the end of each reporting period.

As at 31 December 2018, investment properties with net book value amounting to RMB66,000 was pledged to secure borrowings of the CMIG PM Group as disclosed in Notes 26.

During the Track Record Period, the amounts recognised in profit or loss for investment properties other than depreciation charges are as follows:

	Year ended 31 December			Nine months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Rental income	–	6,274	6,905	5,674	3,532
Direct operating expenses from property that generated rental income	–	(1,346)	(1,530)	(912)	(724)

16 INTANGIBLE ASSETS

	Computer software RMB'000	Customer relationships RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2016				
Cost	–	76,044	163,289	239,333
Accumulated amortisation	–	(1,267)	–	(1,267)
Net book amount	–	74,777	163,289	238,066
Year ended 31 December 2016				
Opening net book amount	–	74,777	163,289	238,066
Additions from acquisition of subsidiaries (Note 30)	3,655	222,823	429,620	656,098
Other additions	355	–	–	355
Disposals	(1)	–	–	(1)
Amortisation	(172)	(14,879)	–	(15,051)
Closing net book amount	3,837	282,721	592,909	879,467
As at 31 December 2016				
Cost	4,426	298,868	592,909	896,203
Accumulated amortisation	(589)	(16,147)	–	(16,736)
Net book amount	3,837	282,721	592,909	879,467
Year ended 31 December 2017				
Opening net book amount	3,837	282,721	592,909	879,467
Additions from acquisition of subsidiaries (Note 30)	32	359,850	456,356	816,238
Other additions	400	–	–	400
Amortisation	(553)	(56,147)	–	(56,700)
Closing net book amount	3,716	586,424	1,049,265	1,639,405
As at 31 December 2017				
Cost	4,941	658,718	1,049,265	1,712,924
Accumulated amortisation	(1,225)	(72,294)	–	(73,519)
Net book amount	3,716	586,424	1,049,265	1,639,405

	Computer software RMB'000	Customer relationship RMB'000	Goodwill RMB'000	Total RMB'000
Year ended 31 December 2018				
Opening net book amount	3,716	586,424	1,049,265	1,639,405
Additions from acquisition of a subsidiary (Note 30)	–	6,147	8,458	14,605
Other additions	3,070	–	–	3,070
Decrease from disposal of a subsidiary	(872)	(100,824)	(29,203)	(130,899)
Amortisation	(804)	(65,617)	–	(66,421)
Closing net book amount	5,110	426,130	1,028,520	1,459,760
As at 31 December 2018				
Cost	6,851	555,108	1,028,520	1,590,479
Accumulated amortisation	(1,741)	(128,978)	–	(130,719)
Net book amount	5,110	426,130	1,028,520	1,459,760
Nine months ended 30 September 2019				
Opening net book amount	5,110	426,130	1,028,520	1,459,760
Additions from acquisition of a subsidiary (Note 30)	–	7,333	5,447	12,780
Other additions	137	–	–	137
Amortisation	(678)	(46,506)	–	(47,184)
Reclassify to assets classified as held for disposal (Note 31)	(2,794)	(87,021)	(194,190)	(284,005)
Closing net book amount	1,775	299,936	839,777	1,141,488
As at 30 September 2019				
Cost	2,483	438,661	839,777	1,280,921
Accumulated amortisation	(708)	(138,725)	–	(139,433)
Net book amount	1,775	299,936	839,777	1,141,488
As at 1 January 2018				
Cost	4,941	658,718	1,049,265	1,712,924
Accumulated amortisation	(1,225)	(72,294)	–	(73,519)
Net book amount	3,716	586,424	1,049,265	1,639,405

	Computer software RMB'000	Customer relationship RMB'000	Goodwill RMB'000	Total RMB'000
(Unaudited)				
Nine months ended 30 September 2018				
Opening net book amount	3,716	586,424	1,049,265	1,639,405
Additions from acquisition of a subsidiary (Note 30)	–	6,147	8,458	14,605
Other additions	1,209	–	–	1,209
Decrease from disposal of a subsidiary	(872)	(100,824)	(29,203)	(130,899)
Amortisation	(617)	(50,610)	–	(51,227)
Closing net book amount	3,436	441,137	1,028,520	1,473,093
As at 30 September 2018 (Unaudited)				
Cost	5,020	555,108	1,028,520	1,588,648
Accumulated amortisation	(1,584)	(113,971)	–	(115,555)
Net book amount	3,436	441,137	1,028,520	1,473,093

Amortisation has been charged to cost of sales and administrative expenses for each of the years ended 31 December 2016, 2017 and 2018 and each of the nine months ended 30 September 2018 and 2019 as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of sales	14,879	56,147	65,617	50,610	46,506
Administrative expenses	172	553	804	617	678
	15,051	56,700	66,421	51,227	47,184

(a) Goodwill

The breakdown of goodwill by companies acquired is set out below:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Acquisition of Shanghai Minghua	163,289	163,289	163,289	163,289
Acquisition of Shanghai Richtech	201,409	201,409	201,409	201,409
Acquisition of Changzhou Zhongfang	44,826	44,826	44,826	44,826
Acquisition of Kerui PM (Note 1.2&31)	183,385	183,385	183,385	–
Acquisition of Shenzhen Longcheng	–	244,968	244,968	244,968
Acquisition of Chongqing Haitai	–	113,783	113,783	113,783
Acquisition of Shandong Honest	–	29,203	29,203	–
Reclassification of Shandong Honest to associate (Note 12(viii))	–	–	(29,203)	–
Acquisition of Xi'an Jintian	–	16,971	16,971	16,971
Acquisition of Shenheping	–	40,626	40,626	40,626
Acquisition of Da'an (Note 1.2&31)	–	10,805	10,805	–
Acquisition of Chongqing Weishi	–	–	8,458	8,458
Acquisition of Changzhou Jiafeng	–	–	–	5,447
Total	592,909	1,049,265	1,028,520	839,777

The details of the acquisitions of the above subsidiaries are set out in Note 30 below. Goodwill is attributable to the business prospects of the acquired businesses and will not be deductible for tax purpose.

Impairment review on the goodwill of the CMIG PM Group has been conducted by the management as at 31 December 2016, 2017 and 2018 and 30 September 2019, the balance sheet dates during the Track Record Period. For the purpose of impairment review, the recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below.

The range of key parameters used for value-in-use calculations are as follows:

	Gross margin	Growth rate of the first five years	Terminal growth rate	Discount rate
As at 31 December 2016	15% to 20%	10% to 15%	3%	15%
As at 31 December 2017	15% to 22%	5% to 15%	3%	15%
As at 31 December 2018	15% to 21%	5% to 15%	3%	15%
As at 30 September 2019	13% to 25%	3% to 20%	3%	15% to 16%

The growth rates used do not exceed the industry growth forecast for the market in which the CMIG PM Group operates. The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross margin was determined by the management based on past performance and its expectation for market development.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGUs far exceeded their carrying amount as at 31 December 2016, 2017 and 2018 and 30 September 2019. The management of the CMIG PM Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount.

Based on the result of the goodwill impairment testing, the headroom of the CGUs, as presented as the % over the respective goodwill amounts, were as following as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively.

	As at 31 December			As at 30
	2016	2017	2018	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
				<i>RMB'000</i>
Headroom %	15% to 54%	10% to 76%	14% to 112%	6% to 148%

The CMIG PM Group performs the sensitivity analysis based on the assumptions that revenue amount or terminal value or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom % would be decreased to as below:

	As at 30
	September
	2019
	<i>RMB'000</i>
Revenue amount decreases by 10%	5% to 123%
Terminal value decreases by 10%	7% to 134%
Discount rate increases by 5%	7% to 134%

With reference to the recoverable amount assessed as at 31 December 2016, 2017, 2018 and 30 September 2019, the directors of CMIG PM determined that there was no provision for impairment of goodwill for the Track Record Period.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments in associate	105,687	138,562	257,452	352,765

The movements in the CMIG PM Group's investments in associates accounted for using the equity method, and including goodwill, are as follows:

	Year ended 31 December			Nine months ended 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	95,040	105,687	138,562	257,452
Dividends declared	–	(1,968)	–	–
Reclassified from subsidiaries (Note 12(viii))	–	–	96,692	–
Acquisition of associates	–	–	490	69,536
Acquisition of subsidiaries (Note 30)	–	20,055	–	–
Share of profits	10,647	14,788	21,708	25,777
At the end of the year/period	105,687	138,562	257,452	352,765

Set out below are the associates of the CMIG PM Group as at 31 December 2016, 2017 and 2018 and as at 30 September 2019. In the opinion of the directors of CMIG PM, none of the associates was individually significant to the CMIG PM Group. The associates as listed below have capital consisting solely of ordinary shares, which are held directly by the CMIG PM Group according to the CMIG PM Group's percentage holding. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Company name	Date of incorporation	Registered capital (RMB'000)	Percentage of ownership interest attributable to the CMIG PM Group				Principal activities and place of operation
			As at 31 December			As at 30 September	
			2016	2017	2018	2019	
Shanghai Yide Minghua Property Management Company Limited ("Yide Minghua")	03/06/2014	5,000	49.00%	49.00%	49.00%	49.00%	The PRC; Property management
Chongqing Tianjiao Joyful Life Service Company Limited ("Chongqing Tianjiao")	22/01/1999	5,000	24.17%	24.17%	24.17%	24.17%	The PRC; Property management and real estate brokerage

Company name	Date of incorporation	Registered capital (RMB'000)	Percentage of ownership interest attributable to the CMIG PM Group				Principal activities and place of operation
			As at 31 December		As at 30 September		
			2016	2017	2018	2019	
Kunming Shenlongcheng Property Management Company Limited (“Kunming Shenlongcheng”)	01/06/2010	10,000	N/A	30.00%	30.00%	30.00%	The PRC; Property management and real estate brokerage
Shenzhen Huilongcheng Property Management Company Limited (“Shenzhen Huilongcheng”)	12/11/2015	8,000	N/A	49.00%	49.00%	49.00%	The PRC; Property management
Suzhou Zhonglu Shenlongcheng Property Management Company Limited (“Suzhou Zhonglu”)	20/06/2014	1,000	N/A	49.00%	49.00%	49.00%	The PRC; Property management, hotel management and real estate brokerage
Shandong Honest Property Development Company Limited (“Shangdong Honest”)	31/05/2018	7,400	N/A	N/A	35.00%	35.00%	The PRC; Property management
Luzhou Gaoxin Haitai Logistics Management Company Limited (“Luzhou Gaoxin Haitai”)	20/06/2018	1,000	N/A	N/A	49.00%	49.00%	The PRC; Property management
Shanghai Zunrong Security Service Co., Ltd. (“Shanghai Zunrong”)	22/04/2019	100,000	N/A	N/A	N/A	10.00%	The PRC; Property management
Shanxi Chengyue Property Management Company Limited (“Shanxi Chengyue”)	17/04/2019	6,000	N/A	N/A	N/A	25.00%	The PRC; Property management
Dalian Yimei Corporate Management Service Company Limited (“Dalian Yimei”)	01/04/2019	10,000	N/A	N/A	N/A	35.00%	The PRC; Property management

The English names of the associates represent the best effort by the management of the CMIG PM Group in translating their Chinese names as they do not have official English names.

The CMIG PM Group determined that it does not have controlling interest in the above companies, but rather possesses significant influence. The associates as listed above are private companies and there are no quoted market prices available for their shares. There are no contingent liabilities relating to the CMIG PM Group's interest in the associates.

Set out below is the summarized financial information of the major associates including goodwill.

For the year ended 31 December 2016

	As at 31 December 2016		
	Chongqing Tianjiao RMB'000	Other entity RMB'000	Total RMB'000
Reconciliation to carrying amounts:			
Opening net assets as at 1 January 2016	97,526	5,389	102,915
Capital injection	14,080	–	14,080
Profits for the year	42,850	593	43,443
Closing net assets as at 31 December 2016	154,456	5,982	160,438
The CMIG PM Group's share:			
Percentage of interest	24.17%	49.00%	
Interest in the associates	37,332	2,931	40,263
Goodwill	65,424	–	65,424
Carrying amounts	102,756	2,931	105,687
	For the year ended 31 December 2016		
Revenue	483,455	23,168	506,623
Profit from continuing operations	42,850	593	43,443
The CMIG PM Group's share:			
Percentage of interest	24.17%	49.00%	
Share of profit for the year	10,356	291	10,647

For the year ended 31 December 2017

	As at 31 December 2017		
	Chongqing Tianjiao	Other entities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation to carrying amounts:			
Opening net assets as at 1 January 2017	154,456	5,982	160,438
Additions	–	17,925	17,925
Dividends declared	(4,088)	(1,999)	(6,087)
Profits for the year	55,441	2,834	58,275
Closing net assets as at 31 December 2017	<u>205,809</u>	<u>24,742</u>	<u>230,551</u>
The CMIG PM Group's share:			
Percentage of interest	24.17%		
Interest in the associates	49,744	10,288	60,032
Goodwill	65,424	13,106	78,530
Carrying amounts	<u>115,168</u>	<u>23,394</u>	<u>138,562</u>

For the year ended 31 December 2017

Revenue	574,835	44,172	619,007
Profit from continuing operations	55,441	2,834	58,275
The CMIG PM Group's share:			
Percentage of interest	24.17%		
Share of profit for the year	<u>13,399</u>	<u>1,389</u>	<u>14,788</u>

For the year ended 31 December 2018

	As at 31 December 2018			
	Chongqing Tianjiao	Shandong Honest	Other entities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Reconciliation to carrying amounts:				
Opening net assets as at 1 January 2018	205,809	–	24,742	230,551
Additions	–	192,827	1,000	193,827
Profits for the year	69,789	9,753	2,911	82,453
Closing net assets as at 31 December 2018	275,598	202,580	28,653	506,831
The CMIG PM Group's share:				
Percentage of interest	24.17%	35.00%		
Interest in the associates	66,612	70,903	12,204	149,719
Goodwill	65,424	29,203	13,106	107,733
Carrying amounts	132,036	100,106	25,310	257,452

For the year ended 31 December 2018

Revenue	715,260	223,518	57,087	995,865
Profit from continuing operations	69,789	9,753	2,911	82,453
The CMIG PM Group's share:				
Percentage of interest	24.17%	35.00%		
Share of profit for the year	<u>16,868</u>	<u>3,414</u>	<u>1,426</u>	<u>21,708</u>

For the nine months ended 30 September 2019

	As at 30 September 2019					
	Chongqing Tianjiao RMB'000	Shandong Honest RMB'000	Shanxi Chengyue RMB'000	Dalian Yimei RMB'000	Other entities RMB'000	Total RMB'000
Reconciliation to carrying amounts:						
Opening net assets as at 1 January 2019	275,598	202,580	–	–	28,653	506,831
Additions	–	–	128,269	99,050	28,000	255,319
Profits for the period	<u>68,247</u>	<u>9,038</u>	<u>11,181</u>	<u>4,967</u>	<u>3,091</u>	<u>96,524</u>
Closing net assets as at 30 September 2019	<u>343,845</u>	<u>211,618</u>	<u>139,450</u>	<u>104,017</u>	<u>59,744</u>	<u>858,674</u>
The CMIG PM Group's share:						
Percentage of interest	24.17%	35.00%	25.00%	35.00%		
Interest in the associates	83,107	74,066	34,863	36,406	16,590	245,032
Goodwill	<u>65,424</u>	<u>29,203</u>	<u>–</u>	<u>–</u>	<u>13,106</u>	<u>107,733</u>
Carrying amounts	<u>148,531</u>	<u>103,269</u>	<u>34,863</u>	<u>36,406</u>	<u>29,696</u>	<u>352,765</u>

For the nine months ended 30 September 2019

Revenue	617,881	273,553	130,075	57,252	49,043	1,127,804
Profit from continuing operations	68,247	9,038	11,181	4,967	3,091	96,524
The CMIG PM Group's share:						
Percentage of interest	24.17%	35.00%	25.00%	35.00%		
Share of profit for the period	<u>16,495</u>	<u>3,163</u>	<u>2,795</u>	<u>1,738</u>	<u>1,586</u>	<u>25,777</u>

For associates acquired during the years/periods, the share of the profit is calculated based on the post-acquisition profit of the entity.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	128	128	15,700	15,875
Additions	–	15,572	175	–
Reclassify to assets classified as held for disposal (<i>Note 31</i>)	–	–	–	(5,025)
At the end of the year/period	<u>128</u>	<u>15,700</u>	<u>15,875</u>	<u>10,850</u>

Financial assets at fair value through other comprehensive income as at 31 December 2016, 2017 and 2018 and 30 September 2019 represented equity investments in certain unlisted companies in the PRC.

19 TRADE RECEIVABLES

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– Third parties	347,560	780,615	904,638	806,401
– Related parties (<i>Note 32(c)</i>)	<u>13,288</u>	<u>9,003</u>	<u>14,780</u>	<u>5,730</u>
Subtotal of gross trade receivables	360,848	789,618	919,418	812,131
Less: provision for impairment of trade receivables	(4,704)	(19,405)	(31,694)	(30,853)
Notes receivable	<u>1,000</u>	<u>4,435</u>	<u>6,469</u>	<u>11,090</u>
Trade receivables – net	<u>357,144</u>	<u>774,648</u>	<u>894,193</u>	<u>792,368</u>

Trade receivables mainly arise from property management services managed under lump sum basis and value-added services. Property management services revenue under lump sum basis is received in accordance with the term of the relevant property service agreements. Service income is due for payment by the property owners upon rendering of services. Property management services income and value-added services income are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	317,791	634,530	683,657	703,103
1 to 2 years	33,099	110,577	125,153	69,944
2 to 3 years	5,531	30,283	70,510	23,247
Over 3 years	4,427	14,228	40,098	15,837
	<u>360,848</u>	<u>789,618</u>	<u>919,418</u>	<u>812,131</u>

As at 31 December 2016, 2017 and 2018 and 30 September 2019, trade receivables were denominated in RMB. Property management services income and value-added services income are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

The CMIG PM Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Movements on the provision for impairment of trade receivables are shown in Note 3.1.2. As at 31 December 2016, 2017 and 2018 and 30 September 2019, provisions amounting to RMB4,704,000, RMB19,405,000, RMB31,694,000 and RMB30,853,000 was made against the gross amounts of trade receivables as at the balance sheet date, respectively (Note 3.1.2).

The carrying value of the trade receivables approximated their fair values as at the balance sheet dates and were denominated in RMB.

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) The CMIG PM Group

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Prepayment for purchase of properties	46,612	74,562	93,547	–
Others	<u>225</u>	<u>2,811</u>	<u>2,989</u>	<u>6,949</u>
Total of non-current	<u>46,837</u>	<u>77,373</u>	<u>96,536</u>	<u>6,949</u>

	2016	As at 31 December		As at 30
	RMB'000	2017	2018	September
		RMB'000	RMB'000	2019
				RMB'000
<i>(Continued)</i>				
Current:				
Prepayment for operations				
– Utilities	10,179	11,275	9,939	4,112
– Prepayment for raw materials	295	2,131	2,001	6,400
– Prepayment for service fee	1,012	10,891	18,127	10,871
Subtotal	11,486	24,297	30,067	21,383
Deposits (a)	15,365	92,564	106,456	81,466
Other receivables				
– Related parties (<i>Note 32(c), b</i>)	78,992	273,437	159,293	128,246
– Petty cash (c)	–	18,894	38,605	44,851
– Payments on behalf of property owners (d)	49,494	100,633	86,980	70,443
– Financial instruments with guaranteed principal and return (<i>Note 32(c)</i>)	41,552	50,000	–	–
– Others	20,965	25,643	24,300	10,502
Subtotal	191,003	468,607	309,178	254,042
Less: allowance for impairment of other receivables and deposits	(8,761)	(13,454)	(16,912)	(10,272)
Total of current	209,093	572,014	428,789	346,619
Total of current and non-current	255,930	649,387	525,325	353,568

- (a) The deposits represented the performance guarantees and bidding guarantees paid to the customers.
- (b) Other receivables due from related parties represented mainly the amounts due from the Remaining Shareholder through a cash pooling arrangement setup by the Remaining Shareholder. In connection with the Proposed VSA Transaction, the CMIG PM Group's subsidiaries involved in the cash pooling arrangement have stopped making deposits into the relevant bank accounts and the amounts have been gradually settled subsequent to the Track Record Period.
- (c) Petty cash represented the advance payments made to project managers as reimbursement for daily purchase or travel expenses.
- (d) The payments on behalf of property owners represented the payments on behalf of property owners mainly in respect of utilities and maintenance costs of the properties.

Movements on the allowance for impairment of prepayments, deposits and other receivables are shown in Note 3.1.2. The provision for impairment increased during the Track Record Period due to the increase in balance of prepayments, deposits and other receivables.

As at 31 December 2016, 2017, 2018 and 30 September 2019, prepayments, deposits and other receivables were denominated in RMB. The carrying values of other receivables approximated their fair value as at the balance sheet dates.

(b) CMIG PM

	As at 31 December 2018 RMB'000	As at 30 September 2019 RMB'000
Prepayments		
– Others	–	845
Other receivables		
– Related parties (Note 32)	–	5,721
Total	–	6,566

21 LOANS AND INTERESTS RECEIVABLES DUE FROM THE REMAINING SHAREHOLDER

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Loans and interests receivables due from the Remaining Shareholder				
Non-current:				
Shanghai Minghua	840,000	648,000	–	–
Kerui PM	–	1,620,800	1,362,800	–
	840,000	2,268,800	1,362,800	–
Current:				
Shanghai Minghua	216,208	181,499	588,807	464,092
Kerui PM	–	312,048	330,551	–
	216,208	493,547	919,358	464,092
Total:	1,056,208	2,762,347	2,282,158	464,092
Loan and interest receivables included in assets classified as held for disposal (Note 31)	–	–	–	1,379,105

On 15 July 2016 and 9 August 2017, the CMIG PM Group's two subsidiaries, Shanghai Minghua and Kerui PM, entered into asset-backed securitisation arrangements with a third party assets management company, whereby Shanghai Minghua and Kerui PM issued asset-backed securities to investors ("ABS investors") and obtained proceeds ("ABS borrowings") amounting to RMB1 billion and RMB2 billion, respectively (Note 26). Further details of the ABS borrowings are set out in Note 26.

The proceeds from the ABS borrowings were onward lent to the Remaining Shareholder, being the immediate controlling shareholder of the CMIG PM Group. According to the respective loan agreements with the Remaining Shareholder, the loans to the Remaining Shareholder are unsecured, interest bearing at 3.8% to 5.5% per annum and fully repayable by 7 August 2019 for Shanghai Minghua, and interest bearing at 6.1% to 6.7% per annum and fully repayable by 9 August 2023 for Kerui PM. The Remaining Shareholder had been settling Shanghai Minghua's and Kerui PM's receivables by instalments according to the two companies' ABS borrowings' repayment schedules during 2016 to 2018. However, the remaining balance of Shanghai Minghua's receivables due on 7 August 2019 amounting to RMB464.1 million was not settled by the Remaining Shareholder as at 30 September 2019.

The entire balance of Kerui PM's loan and interest receivables from the Remaining Shareholder as at 30 September 2019 of RMB1,379.1 million became current assets since the Remaining Shareholder is required to repay the whole amount to Kerui PM so as to enable Kerui PM to settle its ABS borrowings to be fully payable in August 2020 should the ABS investors opt to exercise an early redemption option (Note 26). In addition, pursuant to the agreements in connection with the Proposed VSA Transaction entered into on 25 September 2019 (Note 1.1), the CMIG PM Group disposed of its entire 51% equity interest in Kerui PM to a new entity set up by the existing shareholders of CMIG PM on 11 December 2019. As such, the assets attributable to Kerui PM, including the loan and interest receivables from the Remaining Shareholder amounting to RMB1,379.1 million as at 30 September 2019, were reclassified from the respective assets' financial line items to "assets classified as held for disposal" on the combined financial position of the CMIG PM Group (Note 31) according to HKFRS 5 "Non-current assets held for sale and discontinued operations", while the measurement method for Kerui PM's loan and interest receivables from the Remaining Shareholder shall continue to follow the credit loss assessment in accordance with HKFRS 9 "Financial instruments".

For the purpose of this Historical Financial Information, management of the Company and the CMIG PM Group performed an assessment of the recoverability of the receivables from the Remaining Shareholder with reference to a settlement plan provided by the Remaining Shareholder. In accordance with the settlement plan, the Remaining Shareholder is committed to utilize its entitlement to future dividends from the CMIG PM Group, the net proceeds from future disposals of certain of its assets in excess of the liabilities to other creditors to which such assets are pledged, together with a cash settlement arrangement, to settle the outstanding balances due to Shanghai Minghua and Kerui PM as at 30 September 2019. The proceeds for the said cash settlement arrangement, in the amount of RMB930 million were remitted in December 2019, majority of which was from Guangdong Fengxi Yinglong Equity Investment Partnership (Limited Partnership), the Vendor of this Proposed VSA Transaction (Note 1.1), which has confirmed that this was made on behalf of the Remaining Shareholder. The cash proceeds are kept in an escrow bank account held and controlled by CMIG PM, and are restricted to be used for the future repayments of the ABS borrowings of Shanghai Minghua and Kerui PM as and when they fall due.

In respect of Shanghai Minghua's overdue receivables from Remaining Shareholder of RMB464.1 million as at 30 September 2019, RMB122 million was repaid by the Remaining Shareholder in December 2019 while the remaining RMB342 million was settled by the fund held in the above-mentioned escrow bank account and this settlement is irrevocable according to a PRC legal opinion.

In respect of Kerui PM's receivables from the Remaining Shareholder, the Management of the CMIG PM Group performed an assessment of the recoverability of Kerui PM's receivables due from the Remaining Shareholder. Taking into consideration of the remaining RMB588 million of cash held in the escrow account (despite that, unlike the settlement against Shanghai Minghua's overdue receivables from the Remaining Shareholder, successful settlement using this cash balance against Kerui PM's receivables from the Remaining Shareholder depends on certain future conditions according to the same PRC legal opinion), and the estimated future proceeds from other sources in the settlement plan. It was concluded by the management that no impairment provision was needed against Kerui PM's receivables from the Remaining Shareholder as at 31 December 2017 and 2018 and the relevant amount included in "assets classified as held for disposal" as at 30 September 2019.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in wealth management products	123,200	190,656	156,104	152,194

Movements in investment in wealth management products are as follows:

	Year ended 31 December			Nine months ended 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	73,000	123,200	190,656	156,104
Acquisition of subsidiaries (Note 30)	6,000	10,000	–	–
Additions	1,061,200	825,516	1,561,133	887,367
Reclassified of subsidiaries to associates (Note 12(viii))	–	–	(55,000)	–
Disposals	(1,017,000)	(768,060)	(1,540,685)	(847,277)
Reclass as assets held for disposal	–	–	–	(44,000)
At the end of the year/period	123,200	190,656	156,104	152,194

The financial assets at fair value through profit or loss are wealth management products, denominated in RMB, with expected rates of return ranging from 1.80% to 4.40% per annum during the Track Record Period. They had initial terms ranging from 91 days to 289 days. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss.

23 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	165,677	542,557	617,706	257,689
Cash on hand	2,251	4,493	3,454	1,082
Less: restricted cash	(2,069)	(2,748)	(1,970)	(10,679)
Cash and cash equivalents	165,859	544,302	619,190	248,092

The carrying amount of cash and cash equivalents balances are denominated in RMB.

The restricted cash represented primarily the subsidiaries' cash deposits in the bank as performance security for property management services according to the requirement of local government authority.

24 RESERVES

(a) The CMIG PM Group

	Capital reserves RMB'000	Statutory reserves RMB'000	Share-based payment reserves RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2016	358,109	–	–	–	358,109
Deemed contribution from the owner in relation to acquisitions of subsidiaries ((a) and Note 30)	556,354	–	–	–	556,354
Deemed contribution from the owner (a)	–	–	–	4,131	4,131
Capital contribution from the owner (b)	55,018	–	–	–	55,018
Share-based compensation (Note 8)	–	–	5,635	–	5,635
Appropriation of statutory reserves (c)	–	7,570	–	–	7,570
Balance at 31 December 2016	<u>969,481</u>	<u>7,570</u>	<u>5,635</u>	<u>4,131</u>	<u>986,817</u>
Balance at 1 January 2017	969,481	7,570	5,635	4,131	986,817
Deemed contribution from the owner in relation to acquisitions of subsidiaries ((a) and Note 30)	661,868	–	–	–	661,868
Deemed contribution from the owner (a)	–	–	–	5,048	5,048
Share-based compensation (Note 8)	–	–	5,522	–	5,522
Appropriation of statutory reserves (c)	–	13,328	–	–	13,328
Balance at 31 December 2017	<u>1,631,349</u>	<u>20,898</u>	<u>11,157</u>	<u>9,179</u>	<u>1,672,583</u>
Balance at 1 January 2018	1,631,349	20,898	11,157	9,179	1,672,583
Deemed contribution from the owner (a)	–	–	–	12,863	12,863
Share-based compensation (Note 8)	–	–	5,578	–	5,578
Appropriation of statutory reserves (c)	–	7,880	–	–	7,880
Balance at 31 December 2018	<u>1,631,349</u>	<u>28,778</u>	<u>16,735</u>	<u>22,042</u>	<u>1,698,904</u>
Balance at 1 January 2019	1,631,349	28,778	16,735	22,042	1,698,904
Capital contribution from the owner (b)	251,671	–	–	–	251,671
Deemed distribution to the owner in relation to acquisitions of subsidiaries (a)	(1,569,325)	–	–	–	(1,569,325)
Transaction with non-controlling interest	–	–	–	1,351	1,351
Balance at 30 September 2019	<u>313,695</u>	<u>28,778</u>	<u>16,735</u>	<u>23,393</u>	<u>382,601</u>

	Capital reserves RMB'000	Statutory reserves RMB'000	Share-based payment reserves RMB'000	Other reserves RMB'000	Total RMB'000
<i>(Continued)</i>					
(Unaudited)					
Balance at 1 January 2018	1,631,349	20,898	11,157	9,179	1,672,583
Deemed contribution from the owner (a)	–	–	–	9,558	9,558
Share-based compensation (<i>Note 8</i>)	–	–	4,184	–	4,184
Balance at 30 September 2018	<u>1,631,349</u>	<u>20,898</u>	<u>15,341</u>	<u>18,737</u>	<u>1,686,325</u>

(a) Deemed contributions from and distributions to the owner

As mentioned in Note 1.2, the Operating Companies now comprising the CMIG PM Group were acquired by the Remaining Shareholder, being the immediate holding company, from third parties before and during the Track Record Period prior to the transfer of the Operating Companies to CMIG PM pursuant to the Reorganization. Assets and liabilities of those acquired companies were included in the combined financial statements of the CMIG PM Group from the respective dates of acquisitions from third parties by the Remaining Shareholder. The considerations paid by the Remaining Shareholder to the original owners were treated as deemed contributions from the owner.

Other deemed contribution from the owner represented certain expenses paid by the Remaining Shareholder, and other related parties controlled by the Remaining Shareholder or CMIG during the Track Record Period, which were not charged to the CMIG PM Group and therefore deemed as contribution from then shareholders and recorded directly in equity.

The deemed distributions to owners during the nine months ended 30 September 2019 represented the consideration payments made by the CMIG PM Group to the Remaining Shareholder for the transfer of the Operating Companies from the Remaining Shareholder to CMIG PM pursuant to the Reorganisation (Note 1.2). The consideration payments were treated as deemed distributions to the owners.

(b) Capital contribution from owner

For the year ended 31 December 2016, the capital contribution from owner represented the capital injection to one of the subsidiaries paid by the then shareholder.

For the nine months ended 30 September 2019, the capital contribution from owner represented capital contribution to CMIG PM in excess of the registered capital of CMIG PM.

(c) Statutory reserves

Statutory reserves comprise statutory surplus reserve and discretionary surplus reserves.

Pursuant to the Company Law of the PRC and the articles of association of PRC subsidiaries, the subsidiaries in the PRC are required to appropriate 10% of each year's net profit (after offsetting previous years' losses) to statutory surplus reserve until the fund aggregates to 50% of their registered capital. After the appropriation to statutory surplus reserve, the subsidiaries in the PRC can appropriate profit, subject to respective equity holders' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up

for previous years' losses, to expand production operations, or to increase the capital of the respective company. The entities in the PRC may transfer their respective statutory surplus reserves into paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

The balance of statutory reserves of the CMIG PM Group represented the cumulative balance of the appropriation to and usage of the reserves subsequent to the dates of acquisitions by the CMIG PM Group of the respective companies.

(b) CMIG PM

	As at 31 December 2018 RMB'000	As at 30 September 2019 RMB'000
Capital contribution from the owner ((b) above)	–	251,671

25 TRADE AND OTHER PAYABLES

	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000	As at 30 September 2019 RMB'000
Trade payables:				
– Third parties	119,022	330,809	436,124	347,273
– elated parties (Note 32(c))	2,584	2,939	2,074	12
	<u>121,606</u>	<u>333,748</u>	<u>438,198</u>	<u>347,285</u>
Other payables:				
– Related parties (Note 32(c))	99,631	76,888	61,719	2,388
– Amounts collected on behalf of property owners (a)	132,805	233,719	272,201	141,696
– Deposit received (b)	76,984	132,725	123,207	79,552
– Staff salaries and welfare payables	57,260	210,816	208,560	155,934
– Accrued taxes other than income tax	13,053	23,700	28,766	23,168
– Others	139,691	278,856	215,457	90,014
	<u>519,424</u>	<u>956,704</u>	<u>909,910</u>	<u>492,752</u>
	<u>641,030</u>	<u>1,290,452</u>	<u>1,348,108</u>	<u>840,037</u>

(a) The amounts collected on behalf of property owners represented mainly the fees collected for operating income from public areas, such as advertising and parking income, on behalf of property owners.

(b) The deposit received represented the deposit received from service providers for performance guarantee and cash received from property owners as decoration guarantees or utilities guarantees.

At 31 December 2016, 2017 and 2018 and 30 September 2019, trade and other payables were denominated in RMB, and their carrying amounts approximated their fair values as at the balance sheet date.

26 BORROWINGS

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Secured long term bank loan (a)	30,200	11,040	8,480	–
Unsecured long term bank loans (b)	100,000	100,000	–	–
Unsecured other borrowings (d)	–	21,782	14,081	15,423
Asset-backed securities borrowings (e)	927,000	2,748,000	2,286,000	435,000
Less:				
– current portion of long term bank loans and other borrowings	(7,900)	(24,061)	(16,641)	(13,617)
– current portion of asset-backed securities borrowings	(87,000)	(359,000)	(398,000)	(229,000)
	<u>962,300</u>	<u>2,497,761</u>	<u>1,893,920</u>	<u>207,806</u>
Current				
Secured short term bank loans (c)	–	–	18,000	25,000
Unsecured other borrowings (d)	–	–	10,000	–
Current portion of long term bank loans and other borrowings	7,900	24,061	16,641	13,617
Current portion of asset-backed securities borrowings	<u>87,000</u>	<u>359,000</u>	<u>398,000</u>	<u>229,000</u>
	<u>94,900</u>	<u>383,061</u>	<u>442,641</u>	<u>267,617</u>
Total borrowings	<u>1,057,200</u>	<u>2,880,822</u>	<u>2,336,561</u>	<u>475,423</u>
Included in liabilities directly associated with assets classified as held for disposal				
– Asset-backed securities borrowings	–	–	–	1,453,000
– Secured long term bank loan	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,000</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,457,000</u>

(a) Secured long term bank loans

The secured long term bank loan amounting to RMB30,200,000, RMB11,040,000 and RMB8,480,000 as at 31 December 2016, 2017 and 2018 was borrowed by Kerui PM in June 2015 for a 7 years term and secured by properties of Kerui PM. The loan was interest bearing at the benchmark interest rate of People's Bank of China ("PBOC") plus 25% margin per annum. The principal and interest were repayable quarterly at a fixed repayment amount. As at 30 September 2019, the remaining balance of the bank loan of RMB4,000,000 was classified to liabilities directly associated with assets classified as held for disposal (Note 31).

(b) Unsecured long term bank loans

The unsecured long term bank loan amounting to RMB100,000,000 as at 31 December 2016 and 2017 was borrowed by Shanghai Boying in May 2016 for a 5 years term and guaranteed by the Remaining Shareholder. The loan was interest bearing at the benchmark interest rate of the PBOC plus 10% margin per annum. The principal was repayable every half year and the interest was repayable quarterly. Shanghai Boying made early repayment in full in December 2018.

(c) Short term secured bank loans

(i) In April 2018, Chongqing Haitai borrowed a short term bank loan amounting to RMB18,000,000. The bank loan was interest bearing at a rate of 6% per annum and secured by certain buildings with carrying amount of RMB2,495,000 and investment properties with carrying amount of RMB66,000 as at 31 December 2018. The loan was fully repaid in April 2019.

(ii) In September 2019, Shenzhen Longcheng borrowed a short term bank loan amounting to RMB25,000,000. The bank loan is interest bearing at a rate of 5.66% per annum and secured by certain property, plant and equipment held by non-controlling shareholders.

(d) Unsecured other borrowings

(i) Long term loans amounting to RMB21,782,000, RMB14,081,000 and RMB15,423,000 as at 31 December 2017 and 2018 and 30 September 2019 were borrowed from third party individuals by Chongqing Haitai. These loans are interest bearing at the benchmark interest rate of the PBOC plus 30% margin per annum. The principal is repayable by 30 November 2021.

(ii) A short term loan amounting to RMB10,000,000 was borrowed from Shanghai Minsheng Investment Microfinance Company Limited, a company controlled by CMIG, in December 2018. The loan was interest bearing at a rate of 12% per annum and at a fixed term of 12 months.

(e) Asset-backed securities borrowings

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
ABS of Shanghai Minghua	927,000	748,000	545,000	435,000
ABS of Kerui PM	—	2,000,000	1,741,000	—
	<u>927,000</u>	<u>2,748,000</u>	<u>2,286,000</u>	<u>435,000</u>
Asset-backed securities borrowings included in liabilities directly associated with assets classified as held for disposal	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,453,000</u>

The asset-backed securities ("ABS") borrowings of the CMIG PM Group comprised two ABS borrowings issued by two subsidiaries of the CMIG PM Group, Shanghai Minghua in July 2016 and Kerui PM in August 2017. The details are set out below:

(i) *ABS of Shanghai Minghua*

On 15 July 2016, Shanghai Minghua entered into an asset-backed securitisation arrangement with a third party assets management company whereby Shanghai Minghua issued ABS to investors and obtained proceeds amounting to RMB1,050 million, amongst which RMB50 million was subordinated securities purchased by Shanghai Minghua itself. The ABS were secured by Shanghai Minghua's pledge of its future 5 years' right of receiving management fees from the property management contracts in respect of certain properties under Shanghai Minghua's management, and supported by a guarantee provided by the immediate holding company, the Remaining Shareholder. The ABS carry interest rate ranging from 3.8% to 5.5% per annum, and repayable in ten half-annual instalments from 3 January 2017 to 3 Jul 2021.

According to Shanghai Minghua's ABS agreement, Shanghai Minghua is eligible to exercise an early-redemption option to redeem the remaining ABS on the sixth repayment date on 2 July 2019. There was no early-redemption made by Shanghai Minghua.

(ii) *ABS of Kerui PM*

On 9 August 2017, Kerui PM entered into another asset-backed securitisation arrangement with a third party assets management company whereby Kerui PM issued ABS to investors and obtained proceeds amounting to RMB2,020 million, amongst which RMB20 million was subordinated securities purchased by Kerui PM itself. The ABS were secured by Kerui PM's pledge of its future 6 years' right of receiving management fees from the property management contracts in respect of certain properties under Kerui PM's management, and supported by a guarantee provided by the immediate holding company, Remaining Shareholder. The ABS carry nominal interest rate ranging from 6.1% to 6.7% per annum, and repayable in twelve half-annual instalments from 9 February 2018 to 9 August 2023.

Among the ABS issued by Kerui PM, RMB778,000,000 was acquired by a fellow subsidiary controlled by the Remaining Shareholder. The ABS borrowings payable to the fellow subsidiary amounted to RMB624,000,000, RMB499,000,000 and RMB499,000,000 as at 31 December 2017 and 2018 and 30 September 2019, respectively.

According to Kerui PM's ABS agreement, the investors are eligible to exercise an early-redemption option to demand Kerui PM to redeem the remaining ABS held by the investors during the registration period of early redemption, which is from 18 to 20 days in advance to the sixth repayment date on 9 August 2020. Kerui PM is obliged to redeem all the remaining ABS if the investors exercised the early redemption option. Accordingly, the whole balance of Kerui PM's ABS borrowings at 9 August 2019 including interest accrued thereon totalling RMB1,453 million was reclassified from non-current liabilities to current liabilities.

As mentioned in Notes 1.2 and 31, pursuant to the agreement entered into on 25 September 2019 by the Vendor and the Purchaser in respect of the acquisition of the 60% equity interest in the CMIG PM Group, it was agreed that Kerui PM would be transferred out of the CMIG PM Group to a company newly set up by the existing shareholders of CMIG PM. The disposal was completed on 11 December 2019. As such, the assets and liabilities of Kerui PM, were reclassified to "assets classified as held for disposal" and "liabilities directly associated with assets classified as held for disposal" (included the ABS borrowings) on the statement of combined financial position of the CMIG PM Group as at 30 September 2019.

- (f) As at 31 December 2016, 2017 and 2018 and 30 September 2019, the CMIG PM Group's borrowings were repayable as follows:

Bank borrowings

	As at 31 December			As at 30 September
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Within 1 year	7,900	2,560	20,560	25,000
Between 1 and 2 years	5,200	27,560	2,560	–
Between 2 and 5 years	115,600	80,920	3,360	–
Over 5 years	1,500	–	–	–
	<u>130,200</u>	<u>111,040</u>	<u>26,480</u>	<u>25,000</u>

Other borrowings

	As at 31 December			As at 30 September
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Within 1 year	87,000	380,501	422,081	242,617
Between 1 and 2 years	192,000	501,281	548,000	207,806
Between 2 and 5 years	648,000	1,489,000	1,340,000	–
Over 5 years	–	399,000	–	–
	<u>927,000</u>	<u>2,769,782</u>	<u>2,310,081</u>	<u>450,423</u>

- (g) All of the CMIG PM Group's borrowings are denominated in RMB. The carrying amounts of the borrowings approximated their fair values as at the balance sheet dates, as the impact of discounting is not significant.
- (h) There is no undrawn banking facilities of the CMIG PM Group as at the balance sheet dates.

27 DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities in the combined statements of financial position was as follows:

	As at 31 December			As at 30 September
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Deferred tax assets:				
– Deferred tax asset to be settled after more than 12 months	1,409	3,375	4,774	4,446
– Deferred tax asset to be settled within 12 months	<u>3,367</u>	<u>7,992</u>	<u>11,841</u>	<u>9,908</u>
	<u>4,776</u>	<u>11,367</u>	<u>16,615</u>	<u>14,354</u>

	As at 31 December			As at 30
	2016	2017	2018	September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	(58,629)	(136,166)	(98,275)	(63,002)
– Deferred tax liabilities to be recovered within 12 months	(16,107)	(15,584)	(12,557)	(12,557)
	<u>(74,736)</u>	<u>(151,750)</u>	<u>(110,832)</u>	<u>(75,559)</u>
	<u>(69,960)</u>	<u>(140,383)</u>	<u>(94,217)</u>	<u>(61,205)</u>

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Differences between the fair value of identifiable net assets and book value arising from business combinations not under common control	Provision for impairments	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	(18,693)	–	–	(18,693)
Acquisition of subsidiaries	(59,858)	4,488	–	(55,370)
Credited/(charged) to the combined statements of comprehensive income	<u>3,815</u>	<u>(1,121)</u>	<u>1,409</u>	<u>4,103</u>
At 31 December 2016	(74,736)	3,367	1,409	(69,960)
Acquisition of subsidiaries	(93,121)	2,645	586	(89,890)
Credited to the combined statements of comprehensive income	<u>16,107</u>	<u>1,980</u>	<u>1,380</u>	<u>19,467</u>
At 31 December 2017	(151,750)	7,992	3,375	(140,383)
Acquisition of subsidiaries	(1,266)	–	–	(1,266)
Credited to the combined statements of comprehensive income	<u>15,584</u>	<u>3,849</u>	<u>1,399</u>	<u>20,832</u>
Disposal of subsidiaries	<u>26,600</u>	<u>–</u>	<u>–</u>	<u>26,600</u>
At 31 December 2018	(110,832)	11,841	4,774	(94,217)

	Differences between the fair value of identifiable net assets and book value arising from business combinations not under common control RMB'000	Provision for impairments RMB'000	Others RMB'000	Total RMB'000
<i>(Continued)</i>				
As at 1 January 2019	(110,832)	11,841	4,774	(94,217)
Acquisition of subsidiaries	(2,097)	–	–	(2,097)
Credited/(charged) to the combined statements of comprehensive income	12,557	3,097	(328)	15,326
Reclass to the asset held for disposal	24,813	(5,030)	–	19,783
At 30 September 2019	(75,559)	9,908	4,446	(61,205)
(Unaudited)				
As at 1 January 2018	(151,750)	7,992	3,375	(140,383)
Acquisition of subsidiaries	(1,266)	–	–	(1,266)
Credited to the combined statements of comprehensive income	11,688	5,157	1,416	18,261
Disposal of subsidiaries	26,600	–	–	26,600
At 30 September 2018	(114,728)	13,149	4,791	(96,788)

28 DIVIDENDS DECLARED AND PAYABLE

	Year ended 31 December			Nine months ended 30 September 2019
	2016	2017	2018	
	RMB'000	RMB'000	RMB'000	RMB'000
Dividends declared:				
The Remaining Shareholder	–	13,367	29,090	208,744
Non-controlling shareholders of subsidiaries	–	8,195	20,300	138,352
	<u>–</u>	<u>21,562</u>	<u>49,390</u>	<u>347,096</u>
Dividend payable:				
The Remaining Shareholder	–	–	1,657	28,758
Non-controlling shareholders of subsidiaries	26,772	107,730	21,899	25,906
	<u>26,772</u>	<u>107,730</u>	<u>23,556</u>	<u>54,664</u>

Dividends declared during the Track Record Period represented dividends declared by the subsidiaries of CMIG PM to the then shareholders of the subsidiaries prior to them becoming the subsidiaries of the CMIG PM Group pursuant to the Reorganization (Note 1.2).

No dividend has been declared or paid by CMIG PM since incorporation.

Dividend payable represented the balances of dividends declared by CMIG PM's subsidiaries to the equity holders of the subsidiaries.

29 CASH FLOW INFORMATION

(a) Net cash generated from/(used in) operating activities

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Profit before income tax	84,660	272,091	345,214	272,104	286,646
Adjustments for:					
– Depreciation of property, plant and equipment	2,340	21,465	32,580	22,206	17,971
– Amortisation of right-of-use assets	233	1,740	4,051	3,038	3,038
– Depreciation of investment properties	841	3,928	5,328	3,956	3,840
– Amortisation of intangible assets	15,051	56,700	66,421	51,227	47,184
– Allowance for impairment of trade receivables and other receivables	(416)	12,304	15,747	20,762	12,625
– Income from financial assets at fair value through profit or loss	(1,620)	(4,662)	(5,230)	(3,712)	(4,418)
– Net (gains)/losses on disposal of non-current assets	2	(43)	633	124	(8,119)
– Share based payment expense	5,635	5,522	5,578	4,184	–
– Net finance expenses	3,302	4,285	8,153	7,185	5,446
Changes in operating assets and liabilities, net of effects of business combination:					
– Restricted cash	701	(679)	778	926	(8,708)
– Trade and other debtor	(1,047)	(85,987)	(327,138)	(525,275)	(123,668)
– Inventories	(11,700)	35	(356)	(1,062)	(852)
– Trade and other creditors	102,951	219,098	164,483	83,647	(27,904)
Net cash generated from/ (used in) from operating activities	200,933	505,797	316,242	(60,690)	203,081

- (b) Proceeds from sale of property, plant and equipment, investment properties and intangible assets other than goodwill comprise:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net book value of:					
– Property, plant and equipment (<i>Note 13</i>)	263	6,127	20,528	19,181	6,128
– Investment properties (<i>Note 15</i>)	–	491	–	–	31,380
– Intangible assets other than goodwill (<i>Note 16</i>)	1	–	–	–	–
	<u>264</u>	<u>6,618</u>	<u>20,528</u>	<u>19,181</u>	<u>37,508</u>
Gain/(loss) on disposal of assets (<i>Note 9</i>)	<u>(8)</u>	<u>(534)</u>	<u>(161)</u>	<u>834</u>	<u>8,740</u>
Proceeds from sale of property, plant and equipment and investment properties, intangible assets other than goodwill	<u>256</u>	<u>6,084</u>	<u>20,367</u>	<u>20,015</u>	<u>46,248</u>

(c) The reconciliation of liabilities arising from financing activities is as follows:

	Lease liabilities RMB'000	Borrowings and interest payable RMB'000	Total RMB'000
At 1 January 2016	—	—	—
Cash flows	(66)	(979,424)	(979,490)
Non-cash changes	69	(29,376)	(29,307)
– Acquisition of subsidiaries	(805)	(48,400)	(49,205)
At 31 December 2016	(802)	(1,057,200)	(1,058,002)
Cash flows	(325)	(1,673,340)	(1,673,665)
Non-cash changes	1,943	(109,854)	(107,911)
– Acquisition of subsidiaries	(12,130)	(95,665)	(107,795)
At 31 December 2017	(11,314)	(2,936,059)	(2,947,373)
Cash flows	(577)	726,957	726,380
Non-cash changes	4,485	(175,647)	(171,162)
At 31 December 2018	(7,406)	(2,384,749)	(2,392,155)
Cash flows	(275)	498,112	497,837
Non-cash changes	3,364	(48,346)	(44,982)
– Liabilities classified as held for disposal	135	1,459,560	1,459,695
At 30 September 2019	(4,182)	(475,423)	(479,605)
(Unaudited)			
At 1 January 2018	(11,314)	(2,936,059)	(2,947,373)
Cash flows	(455)	485,888	485,433
Non-cash changes	3,363	(153,313)	(149,950)
At 30 September 2018	(8,406)	(2,603,484)	(2,611,890)

30 BUSINESS COMBINATIONS

The companies of the CMIG PM Group in the property management business were historically acquired by the Remaining Shareholder, the immediate holding company of the CMIG PM Group, from third parties, and were transferred to CMIG PM pursuant to the Reorganizations as mentioned in Note 1.2 above.

Prior to the Track Record Period, on 9 September 2015, the CMIG PM Group acquired 100% equity interest of Chongqing Haoji from a third party at a cash consideration of RMB90,000,000, and on 13 November 2015, the CMIG PM Group acquired 100% equity interest of Shanghai Minghua from a third party at a cash consideration of RMB263,357,900. Goodwill amounting to RMB163,289,000 was derived during the year ended 31 December 2015. Details of the acquisitions during the Track Record Period are set out below:

(1) For the year ended 31 December 2016

	Shanghai Richtech RMB'000 (a)	Changzhou Zhongfang RMB'000 (b)	Kerui PM RMB'000 (c)	Total RMB'000
Purchase consideration in cash	252,000	69,216	235,138	556,354
Recognised amounts of identifiable assets acquired and liabilities assumed				
Cash and cash equivalents	27,804	16,481	98,175	142,460
Trade receivables	104,438	44,657	140,222	289,317
Financial assets at fair value through profit or loss	–	–	6,000	6,000
Prepayments, deposits and other receivables	68,857	7,560	86,898	163,315
Inventories	–	278	210	488
Investment properties (Note 15)	–	–	82,673	82,673
Property, plant and equipment (Note 14)	1,846	4,685	52,537	59,068
Intangible assets (Note 16)	70,866	31,390	124,222	226,478
Trade and other payables	(148,059)	(44,399)	(404,237)	(596,695)
Borrowings	–	–	(48,400)	(48,400)
Dividend payable	(33,238)	(17,227)	(1,445)	(51,910)
Deferred income tax liabilities	(17,005)	(8,582)	(30,799)	(56,386)
Net identifiable assets acquired	75,509	34,843	106,056	216,408
Non-controlling interests	(24,918)	(10,453)	(54,303)	(89,674)
Goodwill (Note 16)	201,409	44,826	183,385	429,620
Net assets acquired	252,000	69,216	235,138	556,354
Outflow of cash to acquire subsidiaries, net of cash acquired				
Cash consideration				
– Paid by the Remaining Shareholder	252,000	69,216	235,138	556,354
Less: Cash and cash equivalents acquired	(27,804)	(16,481)	(98,175)	(142,460)
Net outflow of cash – investing activities	224,196	52,735	136,963	413,894

(a) *Acquisition of Shanghai Richtech*

On 4 August 2016, the CMIG PM Group acquired 67% equity interest of Shanghai Richtech and its subsidiaries from a third party at a cash consideration of RMB252,000,000 and obtained control of Shanghai Richtech.

The acquired business contributed revenue of RMB91,554,000 and net profit of RMB9,632,000 to the CMIG PM Group for the period from the acquisition date to 31 December 2016.

If the acquisition had occurred on 1 January 2016, combined pro-forma revenue and net profit for the year ended 31 December 2016 would have been increased by RMB129,059,000 and RMB10,030,000 respectively. These amounts have been calculated using the subsidiary's results.

(b) *Acquisition of Changzhou Zhongfang*

On 12 September 2016, the CMIG PM Group acquired 70% equity interest of Changzhou Zhongfang and its subsidiaries from a third party at a cash consideration of RMB69,216,000 and obtained control of Changzhou Zhongfang.

The acquired business contributed revenue of RMB39,470,000 and net profit of RMB3,800,000 to the CMIG PM Group for the period from the acquisition date to 31 December 2016.

If the acquisition had occurred on 1 January 2016, combined pro-forma revenue and net profit for the year ended 31 December 2016 would have been increased by RMB78,939,000 and RMB6,774,000 respectively. These amounts have been calculated using the subsidiary's results.

(c) *Acquisition of Kerui PM*

On 30 September 2016, the CMIG PM Group acquired 51% equity interest of Kerui PM from a third party at a cash consideration of RMB235,138,000 and at that time obtained control of Kerui PM.

The acquired business contributed revenue of RMB96,313,872 and net profit of RMB6,675,521 to the CMIG PM Group for the period from the acquisition date to 31 December 2016.

If the acquisition had occurred on 1 January 2016, combined pro-forma revenue and net profit for the year ended 31 December 2016 would have been increased by RMB217,105,331 and RMB16,482,656 respectively. These amounts have been calculated using the subsidiary's results.

(2) For the year ended 31 December 2017

	Shenzhen Longcheng RMB'000 (a)	Chongqing Haitai RMB'000 (b)	Shandong Honest RMB'000 (c)	Shenheping RMB'000 (d)	Da'an RMB'000 (e)	Xi'an Jintian RMB'000 (f)	Total RMB'000
Purchase consideration in cash	361,816	168,946	94,480	51,100	18,000	36,626	18,000
Recognised amounts of identifiable assets acquired and liabilities assumed							
Cash and cash equivalents	176,794	54,264	35,134	8,248	12,996	8,529	295,965
Trade receivables	134,276	94,546	70,793	3,538	386	23,301	326,840
Prepayments, deposits and other receivables	56,699	16,708	100,870	25,619	2,059	30,937	232,892
Financial assets at fair value through profit or loss	–	–	10,000	–	–	–	10,000
Inventories	116	686	90	3	158	224	1,277
Property, plant and equipment (Note 14)	9,424	104,112	4,984	1,074	271	1,374	121,239
Intangible assets (Note 16)	158,467	54,100	109,743	22,036	3,213	12,323	359,882
Investments accounted for using the equity method (Note 17)	20,055	–	–	–	–	–	20,055
Trade and other payables	(255,030)	(103,789)	(96,229)	(38,006)	(9,442)	(25,230)	(527,726)
Dividend payable	(86,681)	–	–	–	–	(9,846)	(96,527)
Borrowings	–	(95,665)	–	–	–	–	(95,665)
Deferred income tax liabilities	(37,652)	(15,378)	(27,436)	(5,509)	(803)	(3,074)	(89,852)
Net identifiable assets acquired	176,468	109,584	207,949	17,003	8,838	38,538	558,380
Non-controlling interests	(59,620)	(54,421)	(142,672)	(6,529)	(1,643)	(18,883)	(283,768)
Goodwill (Note 16)	244,968	113,783	29,203	40,626	10,805	16,971	456,356
Net assets acquired	361,816	168,946	94,480	51,100	18,000	36,626	730,968

Outflow of cash to acquire subsidiaries, net of cash acquired

	Shenzhen Longcheng RMB'000 (a)	Chongqing Haitai RMB'000 (b)	Shandong Honest RMB'000 (c)	Shenheping RMB'000 (d)	Da'an RMB'000 (e)	Xi'an Jintian RMB'000 (f)	Total RMB'000
Cash consideration							
– Paid by the Remaining Shareholder	361,816	168,946	94,480	–	–	36,626	661,868
– Paid by the CMIG PM Group	–	–	–	51,100	18,000	–	69,100
Less: Cash and cash equivalents acquired	(176,794)	(54,264)	(35,134)	(8,248)	(12,996)	(8,529)	(295,965)
Net outflow of cash – investing activities	185,022	114,682	59,346	42,852	5,004	28,097	435,003

(a) *Acquisition of Shenzhen Longcheng*

On 1 January 2017, the CMIG PM Group acquired 70% equity interest of Shenzhen Longcheng and its subsidiaries from a third party at a cash consideration of RMB361,816,000 and obtained control of Shenzhen Longcheng.

The acquired business contributed revenue of RMB692,242,000 and net profit of RMB41,297,000 to the CMIG PM Group for the period from the acquisition date to 31 December 2017.

(b) *Acquisition of Chongqing Haitai*

On 30 April 2017, the CMIG PM Group acquired 51% equity interest of Chongqing Haitai from a third party at a cash consideration of RMB168,946,000 and obtained control of Chongqing Haitai.

The acquired business contributed revenue of RMB150,798,000 and net profit of RMB11,776,000 to the CMIG PM Group for the period from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, combined pro-forma revenue and net profit for the year ended 31 December 2017 would have been increased by RMB65,937,000 and RMB3,733,000 respectively. These amounts have been calculated using the subsidiary's results.

(c) *Acquisition of Shandong Honest*

On 30 September 2017, the CMIG PM Group acquired 35% equity interest of Shandong Honest from a third party at a cash consideration of RMB94,480,477. The CMIG PM Group entered into an acting in concert agreement with the other shareholders who agreed to align their votes with the CMIG PM Group's in the shareholders' meeting of the subsidiary.

The acquired business contributed revenue of RMB29,072,000 and net loss of RMB853,000 to the CMIG PM Group for the period from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, combined pro-forma revenue and net profit for the year ended 31 December 2017 would have been increased by RMB78,091,000 and RMB8,765,000 respectively. These amounts have been calculated using the subsidiary's results.

On 31 May 2018, the acting in concert agreement was terminated by the parties, and the CMIG PM Group lost control over Shandong Honest. Therefore after Shandong Honest became an associate of the CMIG PM Group, and was reclassified to investment accounted for using equity method (Note 17).

(d) *Acquisition of Shenheping*

On 31 October 2017, Shanghai Richtech acquired 61.6% equity interest of Shenheping from a third party at a cash consideration of RMB51,100,000 and obtained control of Shenheping.

The acquired business contributed revenue of RMB9,459,000 and net profit of RMB463,000 to the CMIG PM Group for the period from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, combined pro-forma revenue and net profit for the year ended 31 December 2017 would have been increased by RMB27,667,000 and RMB1,670,000 respectively. These amounts have been calculated using the subsidiary's results.

(e) Acquisition of Da'an

On 30 November 2017, Kerui PM acquired 90% equity interest of Da'an from a third party at a cash consideration of RMB18,000,000 and obtained control of Da'an.

The acquired business contributed revenue of RMB2,265,000 and net profit of RMB525,000 to the CMIG PM Group for the period from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, combined pro-forma revenue and net profit for the year ended 31 December 2017 would have been increased by RMB26,432,000 and RMB5,545,000 respectively. These amounts have been calculated using the subsidiary's results.

(f) Acquisition of Xi'an Jintian

On 6 December 2017, the CMIG PM Group acquired 51% equity interest of Xi'an Jintian from a third party at a cash consideration of RMB36,625,948 and obtained control of Xi'an Jintian.

The acquired business contributed revenue of RMB5,607,000 and net profit of RMB366,000 to the CMIG PM Group for the period from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, combined pro-forma revenue and net profit for the year ended 31 December 2017 would have been increased by RMB38,525,000 and RMB5,087,000 respectively. These amounts have been calculated using the subsidiary's results.

(3) For the year ended 31 December 2018

	Chongqing Weishi RMB'000
Purchase consideration in cash	20,796
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	5,940
Trade receivables	18,161
Inventories	102
Property, plant and equipment (Note 14)	559
Intangible assets (Note 16)	6,147
Trade and other payables	(5,330)
Deferred income tax liabilities	(1,266)
Net identifiable assets acquired	24,313
Non-controlling interests	(11,975)
Goodwill (Note 16)	8,458
Net assets acquired	20,796
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	
– Paid by the CMIG PM Group	20,796
Less: Cash and cash equivalent acquired	(5,940)
Net outflow of cash - investing activities	14,856

(a) Acquisition of Chongqing Weishi

On 1 January 2018, Chongqing Haitai acquired 51% equity interest of Chongqing Weishi from a third party at a cash consideration of RMB20,796,000. Since the CMIG PM Group holds 51% equity interest of Chongqing Haitai, the percentage of equity interest of Chongqing Weishi held by the CMIG PM Group is 26%.

The acquired business contributed revenue of RMB8,809,000 and net profit of RMB1,597,000 to the CMIG PM Group for the period from the acquisition date to 31 December 2018.

(4) For the nine months ended 30 September 2019

**Changzhou
Jiafeng**
RMB'000

Purchase consideration in cash	19,600
--------------------------------	--------

Recognised amounts of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	12,385
Trade receivables	1,285
Prepayments, deposits and other receivables	6,653
Inventory	62
Property, plant and equipment (<i>Note 14</i>)	1,321
Intangible assets (<i>Note 16</i>)	7,333
Trade and other payables	(6,815)
Deferred income tax liabilities	(2,005)

Net identifiable assets acquired	20,219
Non-controlling interests	(6,066)
Goodwill (<i>Note 16</i>)	5,447

Net assets acquired	19,600
---------------------	--------

Outflow of cash to acquire subsidiary, net of cash acquired

Cash consideration	
– Paid by the CMIG PM Group	19,600
Less: Cash and cash equivalent acquired	(12,385)

Net outflow of cash – investing activities	7,215
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(a) Acquisition of Changzhou Jiafeng

On 31 January 2019, Shanghai Richtech acquired 70% equity interest of Changzhou Jiafeng from a third party at a cash consideration of RMB19,600,000. Since the CMIG PM Group holds 67% equity interest of Shanghai Richtech, the percentage of equity interest of Changzhou Jiafeng held by the CMIG PM Group is 46.9%.

The acquired business contributed revenue of RMB12,276,000 and net profit of RMB1,279,000 to the CMIG PM Group for the period from the acquisition date to 30 September 2019.

The goodwill recognised on each of the acquisitions of the CMIG PM Group during the Track Record Period represented the excess of the purchase consideration over the fair value of the net identifiable assets acquired of CMIG PM acquisition companies at the date of acquisition, and was attributable to the acquired market shares and economies of scale expected to be derived from combining with the operations of the CMIG PM Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

31 ASSETS CLASSIFIED AS HELD FOR DISPOSAL

As mentioned in Notes 1.2 (11) and 34, pursuant to the agreement for the Proposed VSA Transaction entered into on 25 September 2019, on 11 December 2019, the CMIG PM Group disposed of its entire 51% equity interest in Kerui PM to New CMIG PM, a company newly set up by the Remaining Shareholder and the Vendor. Accordingly, the assets and liabilities attributable to Kerui PM as at 30 September 2019, as set out below, were classified to assets classified as held for disposal and liabilities directly associated with assets classified as held for disposal on the combined financial position of the CMIG PM Group as at 30 September 2019.

	As at 30 September 2019 RMB'000
Assets classified as held for disposal	
Property, plant and equipment	52,201
Right-of-use assets	116
Investment properties	95,912
Intangible assets	284,005
Financial assets at fair value through other comprehensive income	5,025
Deferred income tax assets	5,030
Prepayments – non-current	113,452
Inventories	13
Trade receivables	245,650
Prepayments, deposits and other receivables	68,502
Loan and interest receivables due from the controlling shareholder	1,379,105
Financial assets at fair value through profit or loss	44,000
Cash and cash equivalents	102,055
Total assets of the disposal group	<u>2,395,066</u>
Liabilities directly associated with assets classified as held for disposal	
Long-term borrowing	(4,000)
Deferred income tax liabilities	(24,813)
Trade and other payables	(439,074)
Dividend payable	(108,072)
Contract liabilities	(42,828)
Short-term borrowing	(1,455,560)
Lease liabilities – current	(136)
Current income tax liabilities	(1,479)
Total liabilities of the disposal group	<u>(2,075,962)</u>
Non-controlling interest	<u>(75,976)</u>
Net assets of the CMIG PM Group attributable to the disposal group	<u><u>243,128</u></u>

32 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The owners, members of key management and their close family members of the CMIG PM Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the CMIG PM Group and the respective related parties.

The property management services were provided to related companies based on mutually agreed terms which are comparable to the terms granted to other third parties.

The interests 3.7% to 6.7% were charged based on the interest rates as agreed with related parties. The details of the terms on balances with related parties are set out in Note 21.

Save as disclosed in Note 21 in the combined financial information, the following are the related parties and their transactions and balances with the CMIG PM Group during the Track Record Period.

(a) Names and relationship with related parties

Name	Relationship
China Minsheng Investment Corp., Ltd. ("CMIG") 中國民生投資集團有限責任公司	Ultimate controlling shareholder
CMIG Futurelife Holdings Group Company Limited (the "Remaining Shareholder") 中民未來控股集團有限公司	Immediate controlling shareholder of the Company
Subsidiaries and affiliated companies of CMIG	Beneficially owned by the same ultimate controlling shareholder
Non-controlling shareholders of subsidiaries	Non-controlling shareholders of subsidiaries that have significant influence on significant subsidiaries of the CMIG PM Group

(b) Transactions with related parties

	Year ended 31 December			Nine months ended 30 September	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Ultimate controlling shareholder					
– Revenue from provision of property management service (i)	13,835	3,530	5,092	4,166	12,812
Immediate controlling shareholder of the company					
– Revenue from provision of property management service (i)	3,334	5,006	7,894	5,055	3,201
– Interest income on loans (ii)	25,471	100,758	160,369	112,353	98,849
– Interest income from cash pool	669	5,136	6,693	4,546	4,933
– Grant of loans (ii)	(1,000,000)	(1,994,800)	–	–	–
– Repayments of loans (ii)	73,000	179,000	462,000	359,000	398,000
Companies beneficially owned by the same ultimate controlling shareholder					
– Revenue from provision of property management service (i)	1,411	10,553	12,968	8,790	12,802
– Issue of ABS (ii)	–	778,000	–	–	–
– Repayments of ABS (ii)	–	–	(279,000)	–	–
– Purchase of outsourcing services (i)	5,284	12,878	21,175	16,079	6,836

(c) Balances with related parties

	As At 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Ultimate controlling shareholder				
– Trade receivables	9,075	1,202	4,760	365
Immediate controlling shareholder of the company				
– Trade receivables	1,816	90	2,833	4,515
– Other receivables	78,992	268,937	156,567	123,746
– Loans and interests receivables due from the Remaining Shareholder	1,056,208	2,762,347	2,282,158	464,092
Companies beneficially owned by the same ultimate controlling shareholder				
– Trade Receivables	2,397	7,711	7,187	850
– Financial instruments with guaranteed principal and return	33,000	50,000	–	–
– Prepayments	–	347	64	–
– Trade payable	2,584	2,939	2,074	12
– Other payable	89	1,274	2,727	2,388
Non-controlling shareholders of subsidiaries				
– Other receivables	–	4,500	2,726	4,500
– Other payable	99,542	75,614	58,992	–
Presented on balance sheet as:				
Trade receivables (Note 19)	13,288	9,003	14,780	5,730
Other receivables (Note 20)	78,992	273,437	159,293	128,246
Loans and interests receivables due from the Remaining Shareholder (Note 21)	1,056,208	2,762,347	2,282,158	464,092
Trade payables (Note 25)	2,584	2,939	2,074	12
Other payable (Note 25)	99,631	76,888	61,719	2,388

The provision of services, sales and purchases were made with the related parties during the ordinary course of business of the CMIG PM Group and on mutually agreed commercial terms.

33 DIRECTORS' BENEFITS AND INTERESTS

Until 30 September 2019, the following directors and senior managements were appointed as directors of CMIG PM:

Directors

Mr. Xu Zhigang

Mr. Liu Hanbin

Mr. Zhanglinhui

Mrs. Zhanghua

(a) Directors' emoluments

The directors of CMIG PM received emoluments from the CMIG PM Group (in their role as senior management and employee before their appointment as directors of CMIG PM) during the Track Record Period are as follows:

	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2016	–	823	818	352	1,993
Year ended 31 December 2017	–	890	675	206	1,771
Year ended 31 December 2018	–	1,227	1,653	333	3,213
Nine months ended 30 September 2019	–	1,006	930	275	2,211
Nine months ended 30 September 2018 (Unaudited):	–	897	670	241	1,808

34 EVENTS AFTER THE BALANCE SHEET DATE

As mentioned in Note 1.2, in connection with the Proposal VSA Transaction, on 11 December 2019, the CMIG PM Group disposed of its entire 51% equity interest in Kerui PM to New CMIG PM, a company newly set up by the Remaining Shareholder and the Vendor, being the existing shareholders of CMIG PM, at a cash consideration of RMB235,138,000. Further details of the impact of disposal of Kerui PM to the combined financial statements for the Track Record Period are set out in Note 31. The effect of the disposal to the financial information of the CMIG PM Group, on a pro forma basis, assuming the disposal had taken effect at the beginning of the Track Record Period is set out in section III. Additional Financial Information of the Disposal of Kerui PM.

III ADDITIONAL FINANCIAL INFORMATION IN CONNECTION WITH THE DISPOSAL OF KERUI PM

The effect of the disposal of Kerui PM (Note 34) to the financial information of the CMIG PM Group, on a pro forma basis, assuming the disposal of Kerui PM (Notes 31 and 34) had taken effect at the beginning of the Track Record Period is set out below.

(a) For the year ended 31 December 2016

Comprehensive income for the year ended 31 December 2016

	The CMIG PM Group RMB'000	Kerui PM RMB'000	The CMIG PM Group excluding Kerui PM RMB'000
Revenue	809,814	188,851	620,963
Cost of sales	(680,561)	(159,044)	(521,517)
Gross profit	129,253	29,807	99,446
Selling and marketing expenses	(1,289)	–	(1,289)
Administrative expenses and impairment losses/reversal of losses on financial assets	(63,383)	(12,096)	(51,287)
Other income – net	12,234	286	11,948
Finance costs – net	(2,802)	(790)	(2,012)
Share of profits of investments accounted for using the equity method	10,647	–	10,647
Profit before income tax	84,660	17,207	67,453
Income tax expense	(21,132)	(4,276)	(16,856)
Profit and total comprehensive income for the year	63,528	12,931	50,597
Profit and total comprehensive income attributable to:			
– Owners of CMIG PM	51,485	6,676	44,809
– Non-controlling interests	12,043	6,255	5,788
	63,528	12,931	50,597

Financial position as at 31 December 2016

	The CMIG PM Group RMB'000	Kerui PM RMB'000	The CMIG PM Group excluding Kerui PM RMB'000
Assets			
Non-current assets			
Intangible assets	879,467	304,490	574,977
Loans and interests receivables due from the controlling shareholder	840,000	–	840,000
Prepayments, deposits and other receivables	46,837	46,624	213
Other non-current assets	252,204	137,086	115,118
Total non-current assets	2,018,508	488,200	1,530,308
Current assets			
Cash and cash equivalents	165,859	81,351	84,508
Loans and interests receivables due from the controlling shareholder	216,208	–	216,208
Trade receivables, prepayments, deposits and other receivables	566,237	262,334	303,903
Other current assets	126,077	14,196	111,881
Total current assets	1,074,381	357,881	716,500
Total assets	3,092,889	846,081	2,246,808
Liabilities			
Non-current liabilities			
Long-term borrowings	962,300	22,300	940,000
Other non-current liabilities	75,311	33,344	41,967
Total non-current liabilities	1,037,611	55,644	981,967
Current liabilities			
Trade and other payables	641,030	381,574	259,456
Borrowings	94,900	7,900	87,000
Other current liabilities	173,578	98,590	74,988
Total current liabilities	909,508	488,064	421,444
Total liabilities	1,947,119	543,708	1,403,411
Total equity	1,145,770	302,373	843,397

(b) For the year ended 31 December 2017

Comprehensive income for the year ended 31 December 2017

	The CMIG PM Group RMB'000	Kerui PM RMB'000	Adjustment RMB'000	The CMIG PM Group excluding Kerui PM RMB'000
Revenue	3,190,745	807,464	278	2,383,559
Cost of sales	(2,693,958)	(687,383)	–	(2,006,575)
Gross profit	496,787	120,081	278	376,984
Selling and marketing expenses	(16,308)	–	–	(16,308)
Administrative expenses and impairment losses/reversal of losses on financial assets	(247,492)	(58,972)	(278)	(188,798)
Other income – net	25,882	1,786	–	24,096
Finance (costs)/income – net	(1,566)	(2,601)	–	1,035
Share of profits of investments accounted for using the equity method	14,788	–	–	14,788
Profit before income tax	272,091	60,294	–	211,797
Income tax expense	(60,605)	(14,761)	–	(45,844)
Profit and total comprehensive income for the year/period	211,486	45,533	–	165,953
Profit and total comprehensive income attributable to:				
– Owners of the Company	142,555	20,326	–	122,229
– Non-controlling interests	68,931	25,207	–	43,724
	211,486	45,533	–	165,953

Note: Adjustments are intercompany transactions and balances eliminated between Kerui PM and the CMIG PM Group.

Financial position as at 31 December 2017

	The CMIG PM Group RMB'000	Kerui PM RMB'000	Adjustment RMB'000	The CMIG PM Group excluding Kerui PM RMB'000
Assets				
Non-current assets				
Intangible assets	1,639,405	305,990	–	1,333,415
Loans and interests receivables due from the controlling shareholder	2,268,800	1,620,800	–	648,000
Prepayments, deposits and other receivables	77,373	74,608	–	2,765
Other non-current assets	462,295	172,403	–	289,892
Total non-current assets	4,447,873	2,173,801	–	2,274,072
Current assets				
Cash and cash equivalents	544,302	145,444	–	398,858
Loans and interests receivables due from the controlling shareholder	493,547	312,048	–	181,499
Trade receivables, prepayments, deposits and other receivables	1,346,662	311,959	104	1,034,807
Other current assets	195,455	35,370	–	160,085
Total current assets	2,579,966	804,821	104	1,775,249
Total assets	7,027,839	2,978,622	104	4,049,321
Liabilities				
Non-current liabilities				
Long-term Borrowings	2,497,761	1,749,480	–	748,281
Other non-current liabilities	159,156	30,765	–	128,391
Total non-current liabilities	2,656,917	1,780,245	–	876,672
Current liabilities				
Trade and other payables	1,290,452	486,749	104	803,807
Borrowings	383,061	261,560	–	121,501
Other current liabilities	400,378	103,041	–	297,337
Total current liabilities	2,073,891	851,350	104	1,222,645
Total liabilities	4,730,808	2,631,595	104	2,099,317
Total equity	2,297,031	347,027	–	1,950,004

Note: Adjustments are intercompany transactions and balances eliminated between Kerui PM and the CMIG PM Group.

(c) For the year ended 31 December 2018

Comprehensive income for the year ended 31 December 2018

	The CMIG PM Group RMB'000	Kerui PM RMB'000	Adjustment RMB'000	The CMIG PM Group excluding Kerui PM RMB'000
Revenue	4,069,769	946,465	2,458	3,125,762
Cost of sales	(3,409,758)	(792,960)	(1,632)	(2,618,430)
Gross profit	660,011	153,505	826	507,332
Selling and marketing expenses	(15,725)	–	–	(15,725)
Administrative expenses and impairment losses/reversal of losses on financial assets	(334,097)	(68,493)	(826)	(266,430)
Other income – net	20,097	3,101	–	16,996
Finance costs – net	(6,780)	(6,619)	–	(161)
Share of profits of investments accounted for using the equity method	21,708	–	–	21,708
Profit before income tax	345,214	81,494	–	263,720
Income tax expense	(85,689)	(21,714)	–	(63,975)
Profit and total comprehensive income for the year	<u>259,525</u>	<u>59,780</u>	<u>–</u>	<u>199,745</u>
Profit and total comprehensive income attributable to:				
– Owners of the Company	157,705	26,731	–	130,974
– Non-controlling interests	<u>101,820</u>	<u>33,049</u>	<u>–</u>	<u>68,771</u>
	<u>259,525</u>	<u>59,780</u>	<u>–</u>	<u>199,745</u>

Note: Adjustments are intercompany transactions and balances eliminated between Kerui PM and the CMIG PM Group.

Financial position as at 31 December 2018

	The CMIG PM Group RMB'000	Kerui PM RMB'000	Adjustment RMB'000	The CMIG PM Group excluding Kerui PM RMB'000
Assets				
Non-current assets				
Intangible assets	1,459,760	293,628	–	1,166,132
Loans and interests receivables due from the controlling shareholder	1,362,800	1,362,800	–	–
Prepayments, deposits and other receivables	96,536	93,547	–	2,989
Other non-current assets	549,400	178,718	–	370,682
Total non-current assets	3,468,496	1,928,693	–	1,539,803
Current assets				
Cash and cash equivalents	619,190	157,539	–	461,651
Loans and interests receivables due from the controlling shareholder	919,358	330,551	–	588,807
Trade receivables, prepayments, deposits and other receivables	1,322,982	348,912	4,975	979,045
Other current assets	160,433	34,014	–	126,419
Total current assets	3,021,963	871,016	4,975	2,155,922
Total assets	6,490,459	2,799,709	4,975	3,695,725
Liabilities				
Non-current liabilities				
Long-term borrowings	1,893,920	1,458,920	–	435,000
Other non-current liabilities	114,762	27,291	–	87,471
Total non-current liabilities	2,008,682	1,486,211	–	522,471
Current liabilities				
Trade and other payables	1,348,108	517,838	4,975	835,245
Borrowings	442,641	290,560	–	152,081
Other current liabilities	299,369	111,866	–	187,503
Total current liabilities	2,090,118	920,264	4,975	1,174,829
Total liabilities	4,098,800	2,406,475	4,975	1,697,300
Total equity	2,391,659	393,234	–	1,998,425

Note: Adjustments are intercompany transactions and balances eliminated between Kerui PM and the CMIG PM Group.

(d) For the nine months ended 30 September 2019

Comprehensive income for the nine months ended 30 September 2019

	The CMIG PM Group RMB'000	Kerui PM RMB'000	Adjustment RMB'000	The CMIG PM Group excluding Kerui PM RMB'000
Revenue	3,124,718	748,608	1,081	2,377,191
Cost of sales	(2,623,520)	(628,597)	(1,081)	(1,996,004)
Gross profit	501,198	120,011	–	381,187
Selling and marketing expenses	(8,593)	–	–	(8,593)
Administrative expenses and impairment losses/reversal of losses on financial assets	(263,754)	(66,467)	–	(197,287)
Other income – net	35,617	12,407	–	23,210
Finance (costs)/income – net	(3,599)	(7,426)	–	3,827
Share of profits of investments accounted for using the equity method	25,777	–	–	25,777
Profit before income tax	286,646	58,525	–	228,121
Income tax expense	(67,888)	(15,147)	–	(52,741)
Profit and total comprehensive income for the period	218,758	43,378	–	175,380
Profit and total comprehensive income attributable to:				
– Owners of the Company	147,936	21,110	–	126,826
– Non-controlling interests	70,822	22,268	–	48,554
	218,758	43,378	–	175,380

Note: Adjustments are intercompany transactions and balances eliminated between Kerui PM and the CMIG PM Group.

Financial position as at 30 September 2019

	The CMIG PM Group RMB'000	Adjustment RMB'000	The CMIG PM Group excluding Kerui PM RMB'000
Assets			
Non-current assets			
Intangible assets	1,141,488	–	1,141,488
Prepayments, deposits and other receivables	6,949	–	6,949
Other non-current assets	465,565	–	465,565
Total non-current assets	1,614,002	–	1,614,002
Current assets			
Cash and cash equivalents	248,092	–	248,092
Loans and interests receivables due from the controlling shareholder	464,092	–	464,092
Trade receivables, prepayments, deposits and other receivables	1,138,987	–	1,138,987
Other current assets	166,133	–	166,133
	2,017,304	–	2,017,304
Assets classified as held for disposal	2,395,066	(2,395,066)	–
Total current assets	4,412,370	(2,395,066)	2,017,304
Total assets	6,026,372	(2,395,066)	3,631,306
Liabilities			
Non-current liabilities			
Long-term borrowings	207,806	–	207,806
Other non-current liabilities	78,433	–	78,433
Total non-current liabilities	286,239	–	286,239
Current liabilities			
Trade and other payables	840,037	1,627	841,664
Borrowings	267,617	–	267,617
Other current liabilities	198,610	–	198,610
	1,306,264	1,627	1,307,891
Liabilities directly associated with assets classified as held for disposal	2,075,962	(2,075,962)	–
Total current liabilities	3,382,226	(2,074,335)	1,307,891
Total liabilities	3,668,465	(2,074,335)	1,594,130
Total equity	2,357,907	(320,731)	2,037,176

Note: Adjustments are the held for disposal assets and liabilities attributable to Kerui PM, as well as intercompany transactions and balances eliminated between Kerui PM and the CMIG PM Group.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by CMIG PM or any of its subsidiaries in respect of any period subsequent to 30 September 2019 and up to the date of this report.

No dividend or distribution has been declared or made by CMIG PM or any of the companies now comprising the CMIG PM Group in respect of any period subsequent to 30 September 2019.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Pursuant to the CMIG PM Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to dispose of the 60% equity interest in CMIG PM.

The accompanying unaudited pro forma financial information of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) has been prepared to illustrate the effect of the CMIG PM Completion on the financial information of the Group as if the CMIG PM Completion had taken place on 30 June 2019 for the unaudited pro forma consolidated balance sheet and 1 January 2018 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, respectively.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, net tangible assets, financial performance and cash flows of the Enlarged Group had the CMIG PM Completion taken place as at 30 June 2019 or 1 January 2018, where applicable, or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP AS AT 30 JUNE 2019

	Pro forma adjustments						
	The Group	CMIG PM Group	Exclusion of Kerui PM	Other adjustments			The Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 1	Note 2(a)	Note 2(b)	Note 6	Note 3	Note 5	
Assets							
Non-current assets							
Property, plant and equipment	162,159	83,599	–	–	10,516	–	256,274
Right-of-use assets	23,628	3,941	–	–	–	–	27,569
Investment properties	–	56	–	–	1,129	–	1,185
Other intangible assets	412,069	301,711	–	–	301,820	–	1,015,600
Goodwill	1,361,906	839,777	–	–	(152,689)	–	2,048,994
Deferred income tax assets	56,017	14,354	–	–	–	–	70,371
Investments accounted for using the equity method	254,658	352,765	–	–	78,245	–	685,668
Financial assets at fair value through other comprehensive income	–	10,850	–	–	–	–	10,850
Financial assets at fair value through profit or loss	411	–	–	–	–	–	411
Prepayments, deposits and other receivables	–	6,949	–	–	–	–	6,949
Total non-current assets	2,270,848	1,614,002	–	–	239,021	–	4,123,871

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Pro forma adjustments						
	The Group	CMIG PM Group	Exclusion of Kerui PM	Other adjustments			The Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 1	Note 2(a)	Note 2(b)	Note 6	Note 3	Note 5	
Current assets							
Inventories	18,182	3,260	–	–	–	–	21,442
Trade and other receivables	1,808,165	1,138,987	235,138	–	–	–	3,182,290
Loans and interests receivables due from the Remaining shareholder	–	464,092	–	–	–	–	464,092
Financial assets at fair value through profit or loss	238,466	152,194	–	–	–	–	390,660
Cash and cash equivalents	4,349,720	248,092	–	–	(468,000)	–	4,129,812
Restricted cash	4,247	10,679	–	–	–	–	14,926
	6,418,780	2,017,304	235,138	–	(468,000)	–	8,203,222
Asset classified as held for disposal	–	2,395,066	(2,396,693)	1,627	–	–	–
Total current assets	6,418,780	4,412,370	(2,161,555)	1,627	(468,000)	–	8,203,222
Total assets	8,689,628	6,026,372	(2,161,555)	1,627	(228,979)	–	12,327,093
Equity							
Share capital	1,333,334	1,400,000	–	–	(1,400,000)	–	1,333,334
Reserves	3,248,271	382,601	–	–	(382,601)	–	3,248,271
Retained earnings	919,870	229,487	(9,617)	–	(219,870)	(3,886)	915,984
	5,501,475	2,012,088	(9,617)	–	(2,002,471)	(3,886)	5,497,589
Non-controlling interests	271,208	345,819	(75,976)	–	603,115	–	1,144,166
Total equity	5,772,683	2,357,907	(85,593)	–	(1,399,356)	(3,886)	6,641,755

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Pro forma adjustments						The Enlarged Group
	The Group	CMIG PM Group	Exclusion of Kerui PM	Other adjustments			
				RMB'000	RMB'000	RMB'000	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 1	Note 2(a)	Note 2(b)	Note 6	Note 3	Note 5	
Liabilities							
Non-current liabilities							
Borrowings	6,600	207,806	–	–	–	–	214,406
Lease liabilities	10,849	2,874	–	–	–	–	13,723
Financial liabilities at fair value through profit or loss	62,179	–	–	–	–	–	62,179
Deferred income tax liabilities	90,444	75,559	–	–	78,377	–	244,380
Other payables	19,045	–	–	–	–	–	19,045
Total non-current liabilities	189,117	286,239	–	–	78,377	–	553,733
Current liabilities							
Trade and other payables	1,860,062	894,701	–	1,627	1,092,000	5,181	3,853,571
Contract liabilities	515,346	102,502	–	–	–	–	617,848
Current income tax liabilities	298,334	40,136	–	–	–	(1,295)	337,175
Borrowings	40,150	267,617	–	–	–	–	307,767
Lease liabilities	13,936	1,308	–	–	–	–	15,244
Liabilities directly associated with assets classified as held for disposal	2,727,828	1,306,264	–	1,627	1,092,000	3,886	5,131,605
	–	2,075,962	(2,075,962)	–	–	–	–
Total current liabilities	2,727,828	3,382,226	(2,075,962)	1,627	1,092,000	3,886	5,131,605
Total liabilities	2,916,945	3,668,465	(2,075,962)	1,627	1,170,377	3,886	5,685,338
Total equity and liabilities	8,689,628	6,026,372	(2,161,555)	1,627	(228,979)	–	12,327,093

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

	Pro forma adjustments							
	The	CMIG	Exclusion					The
	Group	PM	of Kerui					Enlarged
		Group	PM	Other adjustments				Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 1	Note 2(a)	Note 2(c)	Note 7	Note 4	Note 5	Note 8	
Revenue	3,376,749	4,069,769	(946,465)	2,458	-	-	-	6,502,511
Cost of sales	(2,086,808)	(3,409,758)	792,960	(1,632)	(8,578)	-	-	(4,713,816)
Gross profit	1,289,941	660,011	(153,505)	826	(8,578)	-	-	1,788,695
Selling and marketing expenses	(45,951)	(15,725)	-	-	-	-	-	(61,676)
Administrative expenses	(302,246)	(318,350)	63,075	(826)	(1,916)	(5,181)	-	(565,444)
Net impairment losses on financial assets	2,750	(15,747)	5,418	-	-	-	-	(7,579)
Other income	102,297	15,396	(1,639)	-	-	-	-	116,054
Other expenses	(1,828)	-	-	-	-	-	-	(1,828)
Other gains/(losses) – net	31,317	4,701	(1,462)	-	-	-	-	34,556
Operating profit	1,076,280	330,286	(88,113)	-	(10,494)	(5,181)	-	1,302,778
Finance income	-	168,435	(122,978)	-	-	-	-	45,457
Finance costs	(917)	(175,215)	129,597	-	-	-	-	(46,535)
Finance (expenses)/income - net	(917)	(6,780)	6,619	-	-	-	-	(1,078)
Share of profits of investments accounted for using the equity method	-	21,708	-	-	-	-	-	21,708
Profit before income tax	1,075,363	345,214	(81,494)	-	(10,494)	(5,181)	-	1,323,408
Income tax expense	(264,484)	(85,689)	21,714	-	2,464	1,295	-	(324,700)
Profit and total comprehensive income for the year	810,879	259,525	(59,780)	-	(8,030)	(3,886)	-	998,708
Profit and total comprehensive income attributable to:								
Shareholders of the Company	801,045	157,705	(26,731)	-	(4,410)	(3,886)	(52,390)	871,333
Non-controlling interests	9,834	101,820	(33,049)	-	(3,620)	-	52,390	127,375
	810,879	259,525	(59,780)	-	(8,030)	(3,886)	-	998,708

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

	Pro forma adjustments				The Enlarged Group RMB'000
	The Group RMB'000 Note 1	CMIG PM Group RMB'000 Note 2(a)	Exclusion of Kerui PM RMB'000 Note 2(c)	Other adjustment RMB'000 Note 3	
Cash flows from operating activities					
Cash generated from operations	1,026,488	316,242	(127,500)	–	1,215,230
Income tax paid	(143,323)	(131,673)	56,877	–	(218,119)
Net cash generated from operating activities	883,165	184,569	(70,623)	–	997,111
Cash flows from investing activities					
Payments for property, plant and equipment and other long term properties	(19,234)	(24,022)	5,627	–	(37,629)
Payments for intangible assets other than goodwill	(1,891)	(3,058)	–	–	(4,949)
Proceeds from sale of property, plant and equipment and intangible assets other than goodwill	1,242	20,367	(358)	–	21,251
Payments related to amounts due from related parties	–	(58,636)	–	–	(58,636)
Repayments of the amounts due from related parties	13,248	560,091	(229,000)	–	344,339
Cash advances to related parties	(3,643)	–	–	–	(3,643)
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	(116,402)	(14,856)	–	(69,142)	(200,400)
Increase in restricted bank deposits	(202)	–	–	–	(202)
Gains on forward foreign exchange contracts	14,641	–	–	–	14,641
Payments for financial assets at fair value through profit or loss	–	(1,571,132)	48,025	–	(1,523,107)
Proceeds from financial instruments with guaranteed principal and return	–	50,000	–	–	50,000
Payments for financial assets at fair value through other comprehensive income	–	(175)	–	–	(175)
Payment for acquisition of associates	–	(490)	–	–	(490)

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Pro forma adjustments				The Enlarged Group RMB'000
	The Group RMB'000 Note 1	CMIG PM Group RMB'000 Note 2(a)	Exclusion of Kerui PM RMB'000 Note 2(c)	Other adjustment RMB'000 Note 3	
Proceeds from sale of financial assets at fair value through profit or loss	–	1,550,685	(49,000)	–	1,501,685
Decrease in cash pool	–	72,871	–	–	72,871
Interest received from the amounts due from related parties	–	160,704	(123,687)	–	37,017
Interest received from financial assets at fair value through profit or loss	–	6,002	(1,410)	–	4,592
Interest received from financial assets at amortised cost	–	1,339	–	–	1,339
Net cash (used in)/generated from investing activities	(112,241)	749,690	(349,803)	(69,142)	218,504
Cash flows from financing activities					
Capital contribution from the shareholders	1,072	–	–	–	1,072
Capital contribution from non-controlling shareholders	–	5,636	–	–	5,636
Proceeds from issue of ordinary shares	3,313,422	–	–	–	3,313,422
Proceeds from borrowings	–	28,000	–	–	28,000
Repayments of borrowings	(12,000)	(572,261)	261,560	–	(322,701)
Interest paid	(376)	(182,697)	137,657	–	(45,416)
Repayment of cash advances from related parties	(19,549)	–	–	–	(19,549)
Principal elements of lease payments	–	(3,908)	245	–	(3,663)
Payments for leases liabilities - interest	–	(577)	33	–	(544)
Dividends paid to the then shareholders	(50,000)	–	–	–	(50,000)
Dividends paid to the then shareholders in subsidiaries	–	(20,640)	–	–	(20,640)
Dividends paid to non-controlling interests in subsidiaries	–	(112,924)	8,836	–	(104,088)
Listing expenses paid	(90,166)	–	–	–	(90,166)
Net cash generated from/(used in) financing activities	3,142,403	(859,371)	408,331	–	2,691,363

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Pro forma adjustments				The Enlarged Group
	The Group	CMIG PM	Exclusion of	Other	
	RMB'000	Group	Kerui PM	adjustment	Group
	Note 1	Note 2(a)	Note 2(c)	Note 3	RMB'000
Net increase / (decrease) in cash and cash equivalents	3,913,327	74,888	(12,095)	(69,142)	3,906,978
Cash and cash equivalents at beginning of year/period	879,771	544,302	(145,444)	(398,858)	879,771
Effect of exchange rate changes on cash and cash equivalents	14,895	—	—	—	14,895
Cash and cash equivalents at end of year/period	4,807,993	619,190	(157,539)	(468,000)	4,801,644

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts have been extracted from the unaudited consolidated balance sheet of the Group as at 30 June 2019 included in the published unaudited interim report of the Company for the six months ended 30 June 2019, and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2018 included in the published annual report of the Company for the year ended 31 December 2018.
2.
 - (a) The amounts have been extracted from the audited combined statements of financial position of the CMIG PM Group as at 30 September 2019, and the audited combined statements of comprehensive income and the audited combined statements of cash flows of the CMIG PM Group for the year ended 31 December 2018, as set out in Appendix II of this circular, on which a qualified opinion has been issued. The audit opinions were qualified because the reporting accountant was unable to obtain sufficient and appropriate evidence and was unable to perform alternative procedures to satisfy themselves with respect to the recoverability of Kerui PM's loan and interest receivables due from the Remaining Shareholder as at 31 December 2018 and 30 September 2019. Consequently, the reporting accountant was unable to determine whether any adjustment to "loans and interests receivables from the controlling shareholder" on the combined statement of financial position of the CMIG PM Group as at 31 December 2018 with respect to Kerui PM's receivables from the Remaining Shareholder, and to "assets classified as held for disposal" on the combined statement of financial position of the CMIG PM Group as at 30 September 2019 where Kerui PM's receivables from the Remaining Shareholder were included, and the consequential impact to the combined statements of comprehensive income for the respective year/period then ended of the CMIG PM Group, was necessary. For details of the audit qualification, please refer to pages II-1 to II-5 of this circular. In consideration that the disposal of Kerui PM was completed at a fixed consideration of RMB235,138,000 on 11 December 2019, which is a pre-condition to the CMIG PM Completion, and thus the assets (including Kerui PM's loans and interest receivables due from the Remaining Shareholder, which is the subject matter of the qualified audit opinion as mentioned above), liabilities and financial results of Kerui PM had been excluded through the pro forma adjustments as described in 2(b) and 2(c) below, the Directors are of the opinion that the audit qualification does not have impact on the Unaudited Pro Forma Financial Information and the Unaudited Pro Forma Financial Information has been properly compiled in accordance with paragraph 4.29 of the Listing Rules, and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.
 - (b) The assets and liabilities of Kerui PM had been accounted for as assets classified as held for disposal and liabilities directly associated with assets classified as held for disposal in the audited combined statements of financial position of the CMIG PM Group as at 30 September 2019, as set out in Appendix I to this circular. Pursuant to the terms of the CMIG PM Agreement, Kerui PM has been disposed of to New CMIG PM before the CMIG PM Completion as part of the Reorganisation. The adjustment represents the consideration receivable for the disposal of Kerui PM of RMB235,138,000 and the exclusion of the assets and liabilities of Kerui PM as included in the audited combined statement of financial position of the CMIG PM Group as at 30 September 2019.
 - (c) Pursuant to the terms of the CMIG PM Agreement, Kerui PM has been disposed of to New CMIG PM before the CMIG PM Completion as part of the Reorganisation. The adjustment represents the exclusion of the financial results and cash flows of Kerui PM which were included in the audited combined statement of comprehensive income and the audited combined statement of cash flows of the CMIG PM Group for the year ended 31 December 2018.
3. Upon the CMIG PM Completion, the CMIG PM will become a non-wholly-owned subsidiary of the Company, and the identifiable assets and liabilities of the CMIG PM Group (excluding Kerui PM) will be accounted for by the Group at their fair value in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination".
 - (a) For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the identifiable assets and liabilities of the CMIG PM Group

(excluding Kerui PM) as at 30 September 2019 based on a valuation report dated 23 January 2020 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “JLL”).

	<i>Note</i>	<i>RMB'000</i>
Carrying amount of net assets of the CMIG PM Group		2,357,907
Consideration on disposal of Kerui PM	<i>iii</i>	235,138
Net assets of Kerui PM	<i>iii</i>	(320,731)
Less: goodwill recorded by the CMIG PM Group		(839,777)
Carrying amount of identifiable net assets of the CMIG PM Group (excluding Kerui PM)		1,432,537
Fair value adjustments on		
Property, plant and equipment		10,516
Investment properties		1,129
Customer relationship		301,820
Investments accounted for using the equity method		78,245
Recognition of deferred income tax liabilities arising from the fair value adjustments		(78,377)
Total fair value of identifiable net assets of the CMIG PM Group (excluding Kerui PM)	<i>i</i>	1,745,870
Non-controlling interests	<i>ii</i>	(872,958)
Total fair value of identifiable net assets of the CMIG PM Group (excluding Kerui PM) attributable to the 60% equity interest acquired		872,912

- (i) The fair value of the identifiable net assets of the CMIG PM Group (excluding Kerui PM) is composed of the carrying amount of identifiable net assets of the CMIG PM Group (excluding Kerui PM) as at 30 September 2019, and the fair value adjustments on property, plant and equipment, investment properties, investments accounted for using the equity method and customer relationship arising from the business combination. The corresponding deferred income tax liabilities of RMB78,377,000 is measured at the tax rates that are expected to apply when the related taxable temporary difference are settled, which ranges from 15% to 25%, as applicable to the companies comprising the CMIG PM Group (excluding Kerui PM).

The fair value of the identifiable assets and liabilities of the CMIG PM Group (excluding Kerui PM) as at 30 September 2019 was valued by JLL. With reference to the valuation report, the Directors estimate that: (i) the fair value adjustment on customer relationship is RMB301,820,000 which is based on multi-period excess earnings method; (ii) the fair value adjustment on property, plant and equipment is RMB10,516,000 which is based on the direct comparison method under the market approach; (iii) the fair value adjustment on investment properties is RMB1,129,000 which is based on the direct comparison method under the market approach and (iv) the fair value adjustment on investments accounted for using equity method is RMB78,245,000 which is based on the guideline public company method under market approach.

The multi-period excess earnings method is a commonly adopted valuation method to value intangible assets including customer relationship that is considered as one of the core competence of business and contribute to cash flows in combination with other assets in a group. The direct comparison under the market approach is a commonly adopted valuation method to value property, plant and equipment and investment properties. The guideline public company method under market approach utilizes information on publicly-traded comparables that are the same or similar to the subject asset to arrive at an indication of value of investments accounted for using equity method.

Since the fair values and the carrying amounts of the identifiable net assets of the CMIG PM Group (excluding Kerui PM) as at the CMIG PM Completion may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the assets and liabilities to be recorded in the consolidated financial statements of the Group upon CMIG PM Completion may be materially different from the amounts presented above and the differences may be significant.

- (ii) The amount of non-controlling interests of RMB872,958,000 represents 40% of the total fair value of identifiable net assets of the CMIG PM Group (excluding Kerui PM) attributable to owners of the CMIG PM and respective non-controlling interests of the subsidiaries of CMIG PM (excluding Kerui PM). A reconciliation of the non-controlling interests of the CMIG PM Group (excluding Kerui PM) calculated as follows:

	<i>RMB'000</i>
Total fair value of identifiable net assets of the CMIG PM Group (excluding Kerui PM)	1,745,870
Less: non-controlling interest of subsidiaries of the CMIG PM Group (excluding Kerui PM)	(291,017)
Fair value of identifiable net assets of the CMIG PM	1,454,853
	*40%
Non-controlling interest of the CMIG PM	581,941
Non-controlling interest of subsidiaries of the CMIG PM Group (excluding Kerui PM)	291,017
Non-controlling interest of the CMIG PM Group (excluding Kerui PM)	872,958

A reconciliation of the non-controlling interests of the CMIG PM Group (excluding Kerui PM) is as follows:

	<i>RMB'000</i>
Non-controlling interest of the CMIG PM Group	345,819
Less: Non-controlling interest of Kerui PM	(75,976)
Pro forma adjustment	603,115
Non-controlling interest of the CMIG PM Group (excluding Kerui PM)	872,958

- (iii) The estimated loss on disposal of RMB9,617,000 assuming that the disposal of Kerui PM had taken place on 30 September 2019 is calculated as follows:

	<i>RMB'000</i>
Consideration receivable	235,138
Less: net assets of Kerui PM as at 30 September 2019	(320,731)
Non-controlling interest of Kerui PM as at 30 September 2019	75,976
Estimated loss on disposal of Kerui PM	(9,617)

The actual effect of the disposal of Kerui PM is to be determined based on the consideration and the carrying amount of net assets of Kerui PM at the completion date and therefore subject to change upon actual completion of the disposal of Kerui PM.

- (b) Goodwill arising from the CMIG PM Acquisition is calculated as follows:

	<i>Note</i>	<i>RMB'000</i>
Prepayment made by cash		468,000
Consideration payable - the first instalment		892,000
Consideration payable - the second instalment		200,000
Fair value of total consideration	<i>i</i>	1,560,000
Fair value of identifiable net assets of the CMIG PM Group (excluding Kerui PM) attributable to the 60% equity interest acquired	<i>3(a)</i>	872,912
Goodwill arising from the CMIG PM Acquisition	<i>ii</i>	687,088

- (i) Pursuant to the CMIG PM Agreement, the Fixed Consideration for the CMIG PM Acquisition is RMB1,560,000,000. As set out in the CMIG PM Agreement, (i) the deposit in the amount of RMB468,000,000 shall be payable by the Purchaser to the Vendor within 10 Working Days upon fulfillment of all the conditions precedent in relation to the payment of the deposit set out in the CMIG PM Agreement; (ii) the first instalment in the amount of RMB892,000,000 shall be payable by the Purchaser to the Vendor within 10 Working Days upon fulfillment of all the conditions precedent in relation to the payment of the first instalment set out in the CMIG PM Agreement; (iii) the second instalment in the amount of RMB200,000,000 shall be payable by the Purchaser to the Vendor within 10 Working Days upon fulfillment of all the conditions precedent in relation to the payment of the second instalment set out in the CMIG PM Agreement.

For the purposes of the Unaudited Pro Forma Financial Information, it is assumed that the deposit of RMB468,000,000 has been paid at CMIG PM Completion while the first and second instalment of RMB1,092,000,000 will be paid after the CMIG PM Completion and were recorded as other payables in the unaudited pro forma consolidated balance sheet.

The adjustment for the purpose of the unaudited pro forma consolidated statement of cash flows represents the cash outflows for the CMIG PM Acquisition, net of cash acquired of the CMIG PM Group (excluding Kerui PM), as if the CMIG PM Completion had taken place on 1 January 2018, calculated as follows:

	<i>RMB'000</i>
Prepayment made by cash	468,000
Cash and cash equivalents of the CMIG PM Group as at 1 January 2018	544,302
Cash and cash equivalents of Kerui PM as at 1 January 2018	(145,444)
Less: Cash and cash equivalents of the CMIG PM Group (excluding Kerui PM) as at 1 January 2018	398,858
Cash outflows for CMIG PM Acquisition, net of cash acquired of the CMIG PM Group (excluding Kerui PM)	69,142

This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma statement of cash flows.

- (ii) Goodwill arising from the CMIG PM Acquisition of approximately RMB687,088,000 is derived from the difference between the fair value of total consideration of approximately RMB1,560,000,000 and the fair value of the identifiable net assets of the CMIG PM Group (excluding Kerui PM) attributable to the 60% equity interest acquired of approximately RMB872,912,000. Since the fair values of the identifiable net assets of the CMIG PM Group (excluding Kerui PM) at the CMIG PM Completion may substantially be different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amount of the goodwill to be recognised in connection with the CMIG PM Acquisition may be different from the amounts presented above and the differences could be significant. A reconciliation of the goodwill arising from the CMIG PM Acquisition is as follows:

	<i>RMB'000</i>
Goodwill of the CMIG PM Group	839,777
Pro forma adjustment	<u>(152,689)</u>
Goodwill arising from the CMIG PM Acquisition	<u>687,088</u>

For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have made an assessment on whether there is any impairment in respect of goodwill arising from the CMIG PM Acquisition with reference to HKAS 36 "Impairment of Assets". They have taken into consideration the historical financial performance of the CMIG PM Group (excluding Kerui PM), the price-to-earnings ratio of companies in similar industries and synergy effect to the business of the Enlarged Group as key parameters for the assessment. Based on the assessment results, the Directors concluded that there is no impairment in the value of goodwill. The Company will adopt consistent accounting policies, principal assumptions and methodology of impairment assessment (as used in the Unaudited Pro Forma Financial Information) to assess the impairment of the Enlarged Group's goodwill in the future.

4. The adjustment represents: (a) difference of depreciation of RMB1,916,000 arising due to the fair value adjustments to property, plant and equipment and difference of amortisation of RMB8,578,000 arising due to the fair value adjustments to customer relationship from the business combination of the CMIG PM Group (excluding Kerui PM), based on the respective fair values as set out in the valuation report of the CMIG PM Group as at 30 September 2019 dated 23 January 2020 prepared by JLL. The adjustment of RMB8,578,000 had been accounted for in the cost of sales in consideration that the customer relationship was directly related to the property management business; and (b) the related deferred income tax impact of RMB2,464,000. For the purpose of this Unaudited Pro Forma Financial Information, the Directors consider that there are no significant changes on the fair values of property, plant and equipment and customer relationship between 30 September 2019 and 1 January 2018 and no separate valuation report as at 1 January 2018 was prepared. Had this report been prepared, the amounts of the additional amortisation/depreciation expenses for the compilation of the Unaudited Pro Forma Financial Information of the Enlarged Group may be different from the amounts presented in this appendix.

For the purpose of the unaudited pro forma statement of comprehensive income, (i) the customer relationship are amortised based on the timing of projected cash flows of the contracts over their estimated useful lives (5 to 10 years) on a straight-line basis; and (ii) the depreciation of property, plant and equipment and investment properties is calculated using the straight-line method to allocate the fair value over their estimated residual lives (1 to 15 years).

This pro forma adjustment is expected to have a continuing effect on the unaudited pro forma statement of comprehensive income.

5. The adjustment represents the estimated professional fees and transaction costs of approximately RMB5,181,000 in connection with the CMIG PM Acquisition, which are assumed to be settled after CMIG PM Completion, and the related income tax impact of RMB1,295,000. This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma statement of comprehensive income.

6. Pursuant to the terms of the CMIG PM Agreement, Kerui PM has been disposed of to New CMIG PM before the CMIG PM Completion as part of the Reorganisation. The adjustment represents the reversal of the elimination of trade and other payables of RMB1,627,000 due to Kerui PM from CMIG PM Group (excluding Kerui PM), which had been eliminated in the audited combined statement of financial position of the CMIG PM Group as at 30 September 2019.
7. Pursuant to the terms of the CMIG PM Agreement, Kerui PM has been disposed of to New CMIG PM before the CMIG PM Completion as part of the Reorganisation. The adjustment represents the reversal of the elimination of revenue of RMB2,458,000 and cost of sales of RMB1,632,000 between the CMIG PM Group (excluding Kerui PM) and Kerui PM, which had been eliminated in the audited combined statement of comprehensive income for the year ended 31 December 2018.
8. The amount represent the adjustments to the share of profit and total comprehensive income attributable to non-controlling interest in the CMIG PM Group (excluding Kerui PM) for the year ended 31 December 2018 assuming that the CMIG PM Completion of 60% equity interest in the CMIG PM Group (excluding Kerui PM) takes place on 1 January 2018 for the purpose of the Unaudited Pro Forma Financial Information.
9. Apart from the above, no other adjustment has been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions entered or proposed to enter into by the Group subsequent to 30 June 2019, or the CMIG PM Group (excluding Kerui PM) subsequent to 30 September 2019.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of A-Living Services Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of A-Living Services Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") and CMIG Futurelife Property Management Limited and its subsidiaries (the "Target Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 30 June 2019, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2018, the pro forma consolidated statement of cash flows for the year ended 31 December 2018 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-14 of the Company's circular dated 24 February 2020, in connection with the proposed acquisition of the Target Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-14.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2019 and its financial performance and cash flows for the year ended 31 December 2018 as if the Transaction had taken place at 30 June 2019 and 1 January 2018 respectively. As part of this process, (i) information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 June 2019, on which no review report has been published and (ii) information about the Group's financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 December 2018, on which an audit report has been published.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been

undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2019 and 1 January 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 February 2020

APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF THE CMIG PM GROUP

Set out below is the management discussion and analysis on the CMIG PM Group for the three years ended 31 December 2018 and the nine months ended 30 September 2019 (the “Track Record Period”). The following financial information is based on the pro forma financial information as disclosed in the section headed “events after the balance sheet date” to the audited financial information of the CMIG PM Group as set out in Appendix II to this circular, on the assumption that the disposal of Kerui PM had taken effect at the beginning of the Track Record Period.

BUSINESS REVIEW

The CMIG PM Group is a property management service provider in the PRC which has a diversified business portfolio coverage, including residential, public and commercial buildings. It aims to provide quality property management service to mid- to high-end property projects and to enhance market value of the properties managed by it. As at 30 September 2019, the CMIG PM Group has seven renowned brands awarded as Top100 property management companies, all of which are leading brands in different niche property markets. In particular, the CMIG PM Group has a strong presence in public building property management market, which has high entry barriers, serving properties including iconic cultural facilities, government office buildings, transportation infrastructure, financial and education institutions, resorts and scenic spots, and industrial parks. The CMIG PM manages numerous city landmark projects, including World EXPO-China Pavilion (中華藝術宮), Shanghai F1 International Circuit (上海F1國際賽車場), Shenzhen Civic Center (深圳市民中心), Jiangxi Provincial Administrative Center (江西省行政中心), Data Processing Center of Agricultural Bank of China (中國農業銀行資料中心), Shanghai Hongqiao Comprehensive Transportation Hub (虹橋樞紐), Shanghai Jiao Tong University (上海交通大學), Xi'an-Dayan Pagoda (西安大雁塔) and Nanjing-China Nanjing Software Valley (南京軟體谷).

FINANCIAL REVIEW

Revenue

During the Track Record Period, the CMIG PM Group derived its revenue mainly from property management services and other value-added services including property developer-related services, community-related services, professional services and others. For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, CMIG PM Group's revenue amounted to approximately RMB621.0 million, RMB2,383.6 million, RMB3,125.8 million, RMB2,318.5 million and RMB2,377.2 million, respectively. The overall increase in the CMIG PM Group's revenue was primarily due to (i) the expansion of its property management services as a result of the acquisition of property management service companies during the Track Record Period and the introduction of new projects of its existing subsidiaries, which led to the increase in GFA under management; (ii) the increase in property management service fees; (iii) increased share of the public properties in the its property management business portfolio; and (iv) the expansion of its value-added services as a result of increase in number of property projects.

APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF THE CMIG PM GROUP

The following table sets forth a breakdown of the CMIG PM Group's revenue by category for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	590,740	95.1	1,969,673	82.6	2,569,099	82.2	1,945,340	83.9	2,095,358	88.1
Value-added services	30,223	4.9	413,886	17.4	556,663	17.8	373,143	16.1	281,833	11.9
Total	620,963	100.0	2,383,559	100.0	3,125,762	100.0	2,318,483	100.0	2,377,191	100.0

Cost of sales

For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, the CMIG PM Group's cost of sales amounted to approximately RMB521.5 million, RMB2,006.6 million, RMB2,618.4 million, RMB1,909.6 million and RMB1,996.0 million, respectively. The overall increase in the CMIG PM Group's cost of sales was mainly due to the scale-up of the CMIG PM Group's business and was generally in line with the increase in the CMIG PM Group's revenue during the Track Record Period.

Gross profit

For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, the CMIG PM Group's gross profit amounted to approximately RMB99.4 million, RMB377.0 million, RMB507.3 million, RMB408.9 million and RMB381.2 million, respectively; and the overall gross profit margin amounted to approximately 16.0%, 15.8%, 16.2%, 17.6% and 16.0%, respectively. The higher gross profit margin for the nine months ended 30 September 2018 was primarily due to certain education institution projects located in Shandong which had a higher gross profit margin. Excluding the amortisation of the intangible assets upon the purchase price allocation as a result of the historical acquisition of relevant subsidiaries, the gross profit margin amounted to approximately 21.2%, 18.4%, 18.5%, 20.2% and 18.2%, respectively, which was primarily due to the change in property mix upon the acquisitions of subsidiaries.

Selling and marketing expenses

For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, the CMIG PM Group incurred selling and marketing expenses of approximately RMB1.3 million, RMB16.3 million, RMB15.7 million, RMB12.4 million and RMB8.6 million, respectively. The increase in the CMIG PM Group's selling

and marketing expenses for the year ended 31 December 2017 was mainly due to the increase in staff costs incurred by the subsidiaries acquired during the same year. The decrease in the CMIG PM Group's selling and marketing expenses for the year ended 31 December 2018 was mainly due to the cost savings from the restructuring of the sales department and the decrease in staff costs resulting from the decrease in selling headcount.

Administrative expenses

For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, CMIG PM Group incurred administrative expenses of approximately RMB51.3 million, RMB188.8 million, RMB266.4 million, RMB206.2 million and RMB197.3 million, respectively. The increase in the CMIG PM Group's administrative expenses for the year ended 31 December 2017 was mainly due to the increase in staff costs as a result of the acquisition of subsidiaries during the same year. The increase in the CMIG PM Group's administrative expenses for the year ended 31 December 2018 was mainly due to (i) the increase in staff costs resulting from the increase in administrative headcount; (ii) costs incurred for implementation of new computer systems; and (iii) the increase in travelling and commission expenses. The decrease in the CMIG PM Group's administrative expenses for the nine months ended 30 September 2019 was primarily due to the decrease in staff costs as a result of the decrease in administrative headcount and decrease in general corporate expenses resulting from cost saving initiatives.

Other income and gains, net

For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, the CMIG PM Group's other income and gains, net amounted to approximately RMB11.9 million, RMB24.1 million, RMB17.0 million, RMB13.4 million and RMB23.2 million, respectively. Other income of the CMIG PM Group primarily consisted of government grants, income from financial instruments with guaranteed principle and return and others. The fluctuation in other income during the Track Record Period was primarily due to the fluctuation in government grants received by the CMIG PM Group, which were mainly tax subsidies, in the corresponding periods.

Finance income/(cost), net

Finance income

For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, the CMIG PM Group's gross finance income amounted to approximately RMB26.6 million, RMB55.2 million, RMB45.5 million, RMB35.4 million and RMB27.1 million, respectively, which arose primarily from the loans due from related parties.

Finance costs

For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, the CMIG PM Group's gross finance costs amounted to

approximately RMB28.6 million, RMB54.2 million, RMB45.6 million, RMB35.0 million and RMB23.3 million, respectively, which arose primarily from assets-back securities borrowings and bank loans. The overall increase in gross finance costs for the three years ended 31 December 2018 was primarily due to the increase in interest expenses of asset-backed securities.

Income tax expense

Income tax expense of CMIG PM Group comprised PRC corporate income tax, net of deferred tax. For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, the CMIG PM Group's income tax expense amounted to approximately RMB16.9 million, RMB45.8 million, RMB64.0 million, RMB52.7 million and RMB52.7 million, respectively. The effective tax rate, being the income tax expense divided by the profit before taxation, of CMIG PM Group was approximately 25.0%, 21.6%, 24.3%, 23.8% and 23.1% for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, respectively.

Profit for the year/period attributable to the owners of the CMIG PM Group

The CMIG PM Group recorded profit for the year/period attributable to its owners amounted to approximately RMB44.8 million, RMB122.2 million, RMB131.0 million, RMB110.3 million and RMB126.8 million for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, respectively, representing a constant upward trend.

Intangible assets

Intangible assets of the CMIG PM Group primarily represented customer relationship and goodwill arising from the acquisition of subsidiaries. As at 31 December 2016, 2017 and 2018 and 30 September 2019, intangible assets of the CMIG PM Group amounted to approximately RMB575.0 million, RMB1,333.4 million, RMB1,166.1 million and RMB1,141.5 million, respectively.

The CMIG PM Group's intangible assets increased to approximately RMB1,333.4 million as at 31 December 2017 primarily as a result of the acquisition of five subsidiaries during the same year. The CMIG PM Group's intangible assets decreased to approximately RMB1,166.1 million as at 31 December 2018 primarily due to the decrease in customer relationship and goodwill as a result of the disposal of a subsidiary during the same year.

Loans and interest receivables from a related party

Loans to and interest receivables from a related party of the CMIG PM Group represented the proceeds obtained from the asset-back securities arrangements that were loaned to a related party, the Remaining Shareholder, which were unsecured and carried interest rates at 3.8% to 5.5% per annum. As at 31 December 2016, 2017 and 2018 and 30 September 2019, loans to and interest receivables from a related party of the CMIG PM

Group amounted to approximately RMB1,056.2 million RMB829.5 million, RMB588.8 million and RMB464.1 million, respectively.

Prepayments, deposits and other receivables

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the CMIG PM Group had non-current prepayments, deposits and other receivables amounted to approximately RMB0.2 million, RMB2.8 million, RMB3.0 million and RMB6.9 million, respectively.

The CMIG PM Group's current other receivables and prepayments mainly represented (i) payments made on behalf of property owners; (ii) prepayments for utilities; and (iii) others. As at 31 December 2016, 2017 and 2018 and 30 September 2019, the CMIG PM Group had current prepayments, deposits and other receivables amounted to approximately RMB135.7 million, RMB429.7 million, RMB360.5 million and RMB346.6 million, respectively. The overall increase in the CMIG PM Group's current other receivables and prepayments throughout the Track Record Period was primarily due to increase in payments on behalf of property owners as a result of the expansion of CMIG PM Group's business.

Gearing ratio and the basis of calculation

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the gearing ratio of the CMIG PM Group was approximately 111.7%, 24.1%, 6.3% and 11.2%, respectively. The gearing ratio is the net debt divided by total equity, which net debt is the total borrowings less cash and cash equivalents.

The CMIG PM Group's gearing ratio decreased from approximately 111.7% as at 31 December 2016 to approximately 24.1% as at 31 December 2017, primarily due to (i) the decrease in net debt as a result of the decrease in borrowings and increase in cash and cash equivalents; and (ii) the increase in total equity as a result of the acquisition of subsidiaries. Its gearing ratio further decreased to approximately 6.3% as at 31 December 2018 primarily as a result of the decrease in borrowings.

Liquidity, financial resources and capital structure

During the Track Record Period, the CMIG PM Group's principal use of cash was working capital, which was primarily funded from cash flows generated from operations and borrowings. It is expected that cash flow generated from operations and borrowings will continue to be the principal source of liquidity.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the CMIG PM Group's cash and cash equivalents were mainly denominated in RMB and its borrowings were denominated in RMB.

The CMIG PM Group's borrowings comprised bank loans, other borrowings and asset-backed securities borrowings. As at 31 December 2016, 2017 and 2018 and 30 September 2019, the bank loans of the CMIG PM Group amounted to approximately

**APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS
OF THE CMIG PM GROUP**

RMB100.0 million, RMB100.0 million, RMB18.0 million and RMB25.0 million, respectively of which nil, nil, RMB18.0 million and RMB25.0 million were at fixed rate. As at 31 December 2016, 2017 and 2018 and 30 September 2019, the others borrowings of CMIG PM Group amounted to nil, approximately RMB21.8 million, RMB24.1 million and RMB15.4 million, respectively. As at 31 December 2016, 2017 and 2018 and 30 September 2019, the asset-backed security borrowings of CMIG PM Group amounted to approximately RMB927.0 million, RMB748.0 million, RMB545.0 million and RMB435.0 million, respectively.

The maturity profile of the CMIG PM Group's borrowings is set out as follows:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans				
Within 1 year	-	-	18,000	25,000
Between 1 and 2 years	-	25,000	-	-
Between 2 and 5 years	100,000	75,000	-	-
	<u>100,000</u>	<u>100,000</u>	<u>18,000</u>	<u>25,000</u>
Other borrowings				
Within 1 year	-	21,501	24,081	13,617
Between 1 and 2 years	-	281	-	1,806
	<u>-</u>	<u>21,782</u>	<u>24,081</u>	<u>15,423</u>
Asset-backed security borrowings				
Within 1 year	87,000	100,000	110,000	229,000
Between 1 and 2 years	192,000	213,000	229,000	206,000
Between 2 and 5 years	648,000	435,000	206,000	-
	<u>927,000</u>	<u>748,000</u>	<u>545,000</u>	<u>435,000</u>

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the net current assets of the CMIG PM Group amounted to approximately RMB295.1 million, RMB552.6 million, RMB981.1 million and RMB709.4 million, respectively.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the CMIG PM Group did not have any capital commitments.

APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF THE CMIG PM GROUP

Pledge of assets

As at 31 December 2016, 2017 and 2018 and 30 September 2019, certain properties of the CMIG PM Group amounted to approximately nil, nil, RMB2.5 million and nil were pledged as security for the secured bank loans.

Significant investments, material acquisitions and disposals

During the Track Record Period, the CMIG PM Group acquired certain subsidiaries in the PRC, details of which are set out in note 30 in Appendix II to this circular. Save as disclosed, the CMIG PM Group had not made any other material acquisitions or disposals of subsidiaries or associated companies.

During the Track Record Period, the CMIG PM Group held certain investments in associates in the property management industry as part of the CMIG PM Group's strategy to expand its operations. Details of which are set out as follows:

Company name ^(Note 1)	Date of incorporation	Carrying amounts as at 30 September 2019	Investment cost (RMB'000)	Registered capital (RMB'000)	Percentage of ownership interest attributable to the CMIG PM Group				Particulars of ownership interest held as at 30 September 2019	Place of operation and principal activities
		(RMB'000)			As at 31 December 2016	2017	2018	As at 30 September 2019		
Shanghai Yide Minghua Property Management Company Limited	03/06/2014	5,398	2,450	5,000	49.00%	49.00%	49.00%	49.00%	Registered capital of RMB2,450,000	The PRC; Property management
Chongqing Tianjiao Joyful Life Service Company Limited	22/01/1999	148,531	90,000	5,000	24.17%	24.17%	24.17%	24.17%	Registered capital of RMB1,209,000	The PRC; Property management and real estate brokerage
Kunming Shenlongcheng Property Management Company Limited	01/06/2010	2,897	3,000	10,000	N/A	30.00%	30.00%	30.00%	Registered capital of RMB3,000,000	The PRC; Property management and real estate brokerage
Shenzhen Huilongcheng Property Management Company Limited	12/11/2015	17,580	2,450	8,000	N/A	49.00%	49.00%	49.00%	Registered capital of RMB3,920,000	The PRC; Property management
Suzhou Zhonglu Shenlongcheng Property Management Company Limited	20/06/2014	490	490	1,000	N/A	49.00%	49.00%	49.00%	Registered capital of RMB490,000	The PRC; Property management, hotel management and real estate brokerage
Shandong Honest Property Development Company Limited	31/05/2018	103,269	96,692	7,400	N/A	N/A	35.00%	35.00%	Registered capital of RMB2,590,000	The PRC; Property management
Luzhou Gaoxin Haitai Logistics Management Company Limited	20/06/2018	549	490	1,000	N/A	N/A	49.00%	49.00%	Registered capital of RMB490,000	The PRC; Property management
Shanghai Zunrong Security Service Co., Ltd.	22/04/2019	2,782	2,800	100,000	N/A	N/A	N/A	10.00%	Registered capital of RMB10,000,000	The PRC; Property management

APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF THE CMIG PM GROUP

Company name ^(Note 1)	Date of incorporation	Carrying amounts as at	Investment cost	Registered capital	Percentage of ownership interest attributable to the CMIG PM Group				Particulars of ownership	Place of operation and principal activities
		30 September 2019			As at 31 December			As at 30 September		
		(RMB'000)			2016	2017	2018	2019	interest held as at 30 September 2019	
Shanxi Chengyue Property Management Company Limited	17/04/2019	34,863	32,067	6,000	N/A	N/A	N/A	25.00%	Registered capital of RMB1,500,000	The PRC; Property management
Dalian Yimei Corporate Management Service Company Limited	01/04/2019	36,406	34,668	10,000	N/A	N/A	N/A	35.00%	Registered capital of RMB3,500,000	The PRC; Property management

Notes:

- (1) The English names of the associates represent the best effort by the management of the CMIG PM Group in translating their Chinese names as they do not have official English names.
- (2) The associates as listed above are private companies and there are no quoted market prices available for their shares. There are no contingent liabilities relating to the CMIG PM Group's interest in the associates.
- (3) During the year ended 31 December 2017, Chongqing Tianjiao Joyful Life Service Company Limited and Shenzhen Huilongcheng Property Management Company Limited declared dividends of RMB4.1 million and RMB2.0 million. The amount of dividend attributable to the CMIG PM Group on a pro-rata basis was recognised as a reduction in the carrying amount of the corresponding investments. No other associates declared dividends during the Track Record Period.

Save as the aforementioned investments in associates, certain owner-occupied buildings as disclosed in note 13 and investment properties as disclosed in note 15 in Appendix II to this circular, the CMIG PM Group had not held any other significant investments during the Track Record Period.

Future plans for material investments and acquisition of capital assets

The CMIG PM Group has no future plans for material investments and acquisition of material capital assets as at 30 September 2019.

Contingent liabilities

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the CMIG PM Group did not have any material contingent liabilities.

Foreign exchange exposure

During the Track Record Period, the principal activities of the CMIG PM Group were conducted in the PRC and its income and expenses were denominated in RMB. In light of this, the CMIG PM Group was not exposed to material risks in relation to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign currency risks.

Employees and remuneration policy

The CMIG PM Group adopts remuneration policies which are similar to its peer in the industry and reviews such policies on a regular basis. The remuneration payable to its staff is fixed by reference to the duties and prevailing market rates in the region. Discretionary bonuses are paid to employees to reward their contributions based on the annual assessment of performance. The CMIG PM Group also participates in different social welfare plans for its employees in compliance with the applicable statutory requirements in the PRC and local governments.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the CMIG PM Group had approximately 18,000, 19,000, 18,000 and 17,000 employees, respectively; and the total remuneration including the contribution in pension, social insurance and other employee benefits amounted to approximately RMB327.2 million, RMB1,203.3 million, RMB1,422.1 million and RMB1,145.3 million for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019, respectively.

1. RESPONSIBILITY STATEMENT

This circular, for which the A-Living Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the A-Living Group. The A-Living 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) Directors', Supervisors' and the Chief Executives' interest in the securities of A-Living and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the A-Living Directors, the A-Living Supervisors or the chief executive of A-Living had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of A-Living or any associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to A-Living 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); or (ii) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) to be notified to A-Living and the Stock Exchange pursuant to the Securities Dealing Codes:

(i) Interest in the shares of A-Living

Name of Director	Capacity and Nature of Interest	Class of Shares ⁽¹⁾	Number of Shares ⁽²⁾	Approximate Percentage of the Relevant Class of Shares in Issue	Approximate Percentage of A-Living's Issued Share Capital
Mr. Chan Cheuk Hung ⁽³⁾	Beneficiary of a trust	Unlisted shares	720,000,000(L)	80.00%	54.00%
Mr. Huang Fengchao ⁽⁴⁾	Interest of a controlled corporation	Unlisted shares	39,920,000(L)	4.44%	2.99%

Notes:

(1) Unlisted shares of A-Living include domestic shares and unlisted foreign shares of A-Living.

(2) The letter "L" denotes the person's long position in the shares.

- (3) Mr. Chan Cheuk Hung is the beneficiary of a family trust (the “Chen’s Family Trust”, which is deemed to be interested in 720,000,000 unlisted shares of A-Living), therefore, Mr. Chan Cheuk Hung is deemed under the SFO to be interested in the shares of A-Living held by Chen’s Family Trust.
- (4) Mr. Huang Fengchao is a limited partner of 共青城雅生活投資管理合夥企業(有限合夥) (Gongqingcheng A-Living Investment Management Limited Partnership*) (holding 80,000,000 unlisted shares of A-Living), which 49.9% of interests is owned by Mr. Huang.

(ii) Interest in the shares of associated corporation of A-Living

Name of Director	Name of Associated Corporation	Capacity and Nature of Interest	Number of Shares	Approximate Percentage of Shareholding Interest
Mr. Chan Cheuk Hung	Agile Group Holdings Limited	Beneficiary of a trust	2,453,096,250(L)	62.63%
Mr. Huang Fengchao	Agile Group Holdings Limited	Beneficial owner	1,400,000(L)	0.04%
Ms. Yue Yuan	Agile Group Holdings Limited	Beneficial owner	22,000(L)	0.00%

(b) Substantial shareholders’ long, short and lending pool position(s) in shares or underlying shares of A-Living

As at the Latest Practicable Date, other than the interests disclosed above in respect of certain A-Living Directors, the interests and short positions of persons in the shares and underlying shares of A-Living as recorded in the register required to be kept by A-Living under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity and Nature of Interest	Class of Shares ⁽¹⁾	Number of Shares ⁽²⁾	Class of Shares in Issue	Approximate Percentage of the Relevant A-Living’s Issued Share Capital
Zhongshan A-Living Enterprises Management Services Co., Ltd.* (中山雅生活企業管理服務有限公司)	Beneficial owner	Unlisted shares	712,800,000(L)	79.20%	53.46%
Deluxe Star International Limited ⁽³⁾	Interest of a controlled corporation	Unlisted shares	712,800,000(L)	79.20%	53.46%
Makel International (BVI) Limited ⁽⁴⁾	Beneficial owner	Unlisted shares	7,200,000(L)	0.80%	0.54%
	Interest of a controlled corporation	Unlisted shares	720,000,000(L)	80.00%	54.00%
Genesis Global Development (BVI) Limited ⁽⁵⁾	Interest of a controlled corporation	Unlisted shares	720,000,000(L)	80.00%	54.00%

Name of Shareholder	Capacity and Nature of Interest	Class of Shares ⁽¹⁾	Number of Shares ⁽²⁾	Approximate Percentage of the Relevant Class of Shares in Issue	Approximate Percentage of A-Living's Issued Share Capital
Eastern Supreme Group Holdings Limited ⁽⁶⁾	Interest of a controlled corporation	Unlisted shares	720,000,000(L)	80.00%	54.00%
Agile Group Holdings Limited ⁽⁷⁾	Interest of a controlled corporation	Unlisted shares	720,000,000(L)	80.00%	54.00%
Full Choice Investments Limited ⁽⁸⁾	Trustee of a trust	Unlisted shares	720,000,000(L)	80.00%	54.00%
Top Coast Investment Limited ⁽⁹⁾	Interest of a controlled corporation	Unlisted shares	720,000,000(L)	80.00%	54.00%
Mr. Chen Zhuo Lin ⁽¹⁰⁾	Beneficiary of a trust	Unlisted shares	720,000,000(L)	80.00%	54.00%
Mr. Chan Cheuk Yin ⁽¹⁰⁾	Beneficiary of a trust	Unlisted shares	720,000,000(L)	80.00%	54.00%
Ms. Luk Sin Fong, Fion ⁽¹⁰⁾	Beneficiary of a trust	Unlisted shares	720,000,000(L)	80.00%	54.00%
Mr. Chan Cheuk Hei ⁽¹⁰⁾	Beneficiary of a trust	Unlisted shares	720,000,000(L)	80.00%	54.00%
Mr. Chan Cheuk Nam ⁽¹⁰⁾	Beneficiary of a trust	Unlisted shares	720,000,000(L)	80.00%	54.00%
Ms. Zheng Huiqiong ⁽¹¹⁾	Spouse	Unlisted shares	720,000,000(L)	80.00%	54.00%
Ms. Lu Liqing ⁽¹²⁾	Spouse	Unlisted shares	720,000,000(L)	80.00%	54.00%
Ms. Lu Yanping ⁽¹³⁾	Spouse	Unlisted shares	720,000,000(L)	80.00%	54.00%
Ms. Chan Siu Na ⁽¹⁴⁾	Spouse	Unlisted shares	720,000,000(L)	80.00%	54.00%
Ningbo Lvjin Investment Management Co., Ltd.* (寧波綠瓏投資管理有限公司)	Beneficial owner	Unlisted shares	100,000,000(L)	11.11%	7.50%
Greenland Financial Holdings Group Co., Ltd.* (綠地金融投資控股集團有限公司) ⁽¹⁵⁾	Interest of a controlled corporation	Unlisted shares	100,000,000(L)	11.11%	7.50%
Greenland Holding Group* (綠地控股集團有限公司) ⁽¹⁶⁾	Interest of a controlled corporation	Unlisted shares	100,000,000(L)	11.11%	7.50%
Greenland Holdings Group Company Limited* (綠地控股集團股份有限公司) (“Greenland Holdings”) ⁽¹⁷⁾	Interest of a controlled corporation	Unlisted shares	100,000,000(L)	11.11%	7.50%
Gongqingcheng A-Living Investment Management Limited Partnership* (共青城雅生活投資管理合夥企業(有限合夥)) (“Gongqingcheng Investment”)	Beneficial owner	Unlisted shares	80,000,000(L)	8.89%	6.00%
Gongqingcheng Yagao Investment Management Co., Ltd.* (共青城雅高投資管理有限公司) ⁽¹⁸⁾	Interest of a controlled corporation	Unlisted shares	80,000,000(L)	8.89%	6.00%
Pan Zhiyong ⁽¹⁹⁾	Interest of a controlled corporation	Unlisted shares	80,000,000(L)	8.89%	6.00%

Name of Shareholder	Capacity and Nature of Interest	Class of Shares ⁽¹⁾	Number of Shares ⁽²⁾	Approximate Percentage of the Relevant Class of Shares in Issue	Approximate Percentage of A-Living's Issued Share Capital
State Street Bank & Trust Company	Approved lending agent	Others	36,574,256(P)	8.44%	2.74%
Van Eck Associates Corporation	Investment manager	Overseas listed foreign shares	25,350,000(L)	5.85%	1.90%
CITIC Securities Company Limited ⁽²⁰⁾	Underwriter	Overseas listed foreign shares	25,000,000(L)	5.77%	1.87%
			25,000,000(S)	5.77%	1.87%
Citigroup Inc. ⁽²¹⁾	Interest of a controlled corporation		912,750(L)	0.21%	0.07%
			912,750(S)	0.21%	0.07%
	Person having a security interest in shares	Overseas listed foreign shares	3,232,750(L)	0.75%	0.24%
	Interest of a controlled corporation		6,328,230(L)	1.46%	0.47%
			5,820,731(S)	1.34%	0.44%
	Approved lending agent		12,126,611(P)	2.80%	0.91%

Notes:

- (1) Unlisted shares of A-Living include domestic shares and unlisted foreign shares of A-Living.
- (2) The letters "L", "S" and "P" respectively denote the person's/corporation's long position, short position and lending pool position in the shares.
- (3) Zhongshan A-Living Enterprises Management Services Co., Ltd.* is wholly-owned by Deluxe Star International Limited and Deluxe Star International Limited is deemed under the SFO to be interested in the shares of A-Living held by Zhongshan A-Living Enterprises Management Services Co., Ltd.*
- (4) Deluxe Star International Limited is wholly-owned by Makel International (BVI) Limited and Makel International (BVI) Limited is deemed under the SFO to be interested in the shares of A-Living held by Deluxe Star International Limited.
- (5) Makel International (BVI) Limited is wholly-owned by Genesis Global Development (BVI) Limited and Genesis Global Development (BVI) Limited is deemed under the SFO to be interested in the shares of A-Living held by Makel International (BVI) Limited.
- (6) Genesis Global Development (BVI) Limited is wholly-owned by Eastern Supreme Group Holdings Limited and Eastern Supreme Group Holdings Limited is deemed under the SFO to be interested in the shares of A-Living held by Genesis Global Development (BVI) Limited.
- (7) Eastern Supreme Group Holdings Limited is wholly-owned by Agile Group Holdings Limited and Agile Group Holdings Limited is deemed under the SFO to be interested in the shares of A-Living held by Eastern Supreme Group Holdings Limited.
- (8) Full Choice Investments Limited is the trustee of Chen's Family Trust, therefore, Full Choice Investments Limited is deemed under the SFO to be interested in the shares of A-Living held by Chen's Family Trust.

- (9) Top Coast Investment Limited is the settlor of Chen's Family Trust, therefore, Top Coast Investment Limited is deemed under the SFO to be interested in the shares of A-Living held by Chen's Family Trust.
- (10) Each of Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam is the beneficiary of Chen's Family Trust, therefore, Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam are deemed under the SFO to be interested in the shares of A-Living held by Chen's Family Trust. In addition, by virtue of the SFO, Ms. Luk Sin Fong, Fion is deemed to be interested in the shares of A-Living held by her spouse, Mr. Chen Zhuo Lin.
- (11) By virtue of the SFO, Ms. Zheng Huiqiong is deemed to be interested in the shares of A-Living held by her spouse, Mr. Chan Cheuk Yin.
- (12) By virtue of the SFO, Ms. Lu Liqing is deemed to be interested in the shares of A-Living held by her spouse, Mr. Chan Cheuk Hung.
- (13) By virtue of the SFO, Ms. Lu Yanping is deemed to be interested in the shares of A-Living held by her spouse, Mr. Chan Cheuk Hei.
- (14) By virtue of the SFO, Ms. Chan Siu Na is deemed to be interested in the shares of A-Living held by her spouse, Mr. Chan Cheuk Nam.
- (15) Ningbo Lvjin Investment Management Co., Ltd.* is wholly-owned by Greenland Financial Holdings Group Co., Ltd., and Greenland Financial Holdings Group Co., Ltd. is deemed under the SFO to be interested in the shares of A-Living held by Ningbo Lvjin Investment Management Co., Ltd.*.
- (16) Greenland Financial Holdings Group Co., Ltd. is wholly-owned by Greenland Holding Group* and Greenland Holding Group* is deemed to be interested in the shares of A-Living held by Greenland Financial Holdings Group Co., Ltd.
- (17) Greenland Holding Group* is wholly-owned by Greenland Holdings, and Greenland Holdings is deemed under the SFO to be interested in the shares held by Greenland Holding Group*.
- (18) Gongqingcheng Yagao Investment Management Co., Ltd.* is a general partner of and has full control over Gongqingcheng Investment. Gongqingcheng Yagao Investment Management Co., Ltd.* is deemed to be interested in the shares of A-Living held by Gongqingcheng Investment.
- (19) Gongqingcheng Yagao Investment Management Co., Ltd.* is wholly-owned by Mr. Pan Zhiyong, and Mr. Pan Zhiyong is a senior management member of Agile Group Holdings Limited. Mr. Pan Zhiyong is deemed under the SFO to be interested in the shares of A-Living held by Gongqingcheng Yagao Investment Management Co., Ltd.*
- (20) CLSA Limited and CSI Capital Management Limited are wholly-owned by CITIC Securities Company Limited and CITIC Securities Company Limited is deemed under the SFO to be interested in the shares of A-Living held by CLSA Limited and CSI Capital Management Limited.
- (21) Citibank, N.A. and Citigroup Global Markets Hong Kong Limited are wholly-owned by Citigroup Inc, while Citigroup Global Markets Limited is a subsidiary of Citigroup Inc. Hence, Citigroup Inc. is deemed under the SFO to be interested in the shares of A-Living held by Citibank, N.A., Citigroup Global Markets Hong Kong Limited and Citigroup Global Markets Limited.

3. A-LIVING DIRECTORS' AND A-LIVING SUPERVISORS' INTEREST IN CONTRACTS AND ASSETS

- (a) As at the Latest Practicable Date, none of the A-Living Directors nor A-Living Supervisors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to, any member of the Enlarged Group or were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of A-Living were made up.
- (b) Other than those disclosed in the section headed "Continuing Connected Transactions" in the annual report of A-Living for the year ended 31 December 2018 and the announcement in respect of continuing connected transactions published on 15 August 2019, none of the A-Living Directors nor A-Living Supervisors was materially interested in any contract or arrangement as at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

4. A-LIVING DIRECTORS' AND A-LIVING SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the A-Living Directors nor A-Living Supervisors had any existing or proposed service contracts with any member of the Enlarged Group which is not expiring or determinable by such member of the A-Living Group within one year without payment of compensation (other than statutory compensation).

5. A-LIVING DIRECTORS' AND A-LIVING SUPERVISORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the A-Living Directors nor A-Living Supervisors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance known to the A-Living Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the A-Living Group) have been entered into by members of the A-Living Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the CMIG PM Agreement;
- (b) the New CMIG PM Agreement;
- (c) the agreement entered into between Tianjin Lexianghui Community Services Co., Ltd.* (天津樂享薈社區服務有限公司) (an indirect wholly-owned subsidiary of A-Living) (“**Tianjin Lexianghui**”), Guangdong Yingmei Yihao Equity Investment Partnership (Limited Partnership)* (廣東盈美壹號股權投資合夥企業(有限合夥)) (“**Guangdong Yingmei Yihao**”), Guangzhou Yuehua Property Co., Ltd.* (廣州粵華物業有限公司) (“**Guangzhou Yuehua**”) and the shareholders holding an aggregate of 49% equity interest in Guangzhou Yuehua as at the date of the relevant agreement on 28 March 2019 and pursuant to which Tianjin Lexianghui agreed to acquire, and Guangdong Yingmei Yihao agreed to dispose of, 51% equity interest in Guangzhou Yuehua at a consideration of RMB195,344,575;
- (d) the formal agreement entered into between A-Living, Mr. Song Guodong, Ms. Li Liguang and Harbin Jingyang Property Management Co., Ltd.* (哈爾濱景陽物業管理有限公司) (“**Harbin Jingyang**”) on 26 February 2019 and pursuant to which A-Living agreed to acquire, and Mr. Song Guodong and Ms. Li Liguang agreed to dispose of, an aggregate of 60% equity interest in Harbin Jingyang at a total consideration of RMB113,881,542;
- (e) the share transfer agreement entered into between A-Living, Mr. Liang Fudong, Ms. Chang Qiaoe, Ms. Xu Meng, Qingdao Huaren Property Co., Ltd.* (青島華仁物業股份有限公司) (“**Qingdao Huaren**”) and the shareholders holding an aggregate of 8.04% shares in Qingdao Huaren as at the date of the share transfer agreements on 23 January 2019 and pursuant to which A-Living agreed to acquire, and Mr. Liang Fudong, Ms. Chang Qiaoe and Ms. Xu Meng agreed to dispose of, in aggregate, 69.6643% shares in Qingdao Huaren at a total consideration of RMB103,784,857.26;
- (f) the share transfer agreement entered into between A-Living, CMIG Youjia and Qingdao Huaren on 23 January 2019 and pursuant to which A-Living agreed to acquire, and CMIG Youjia agreed to dispose of 20% shares in Qingdao Huaren at a total consideration of RMB29,795,708.06;
- (g) the equity transfer agreement entered into between A-Living, Mr. Yang Minzhao, Mr. Yang Jialin and Lanzhou Chengguan Property Services Group Co., Ltd.* (蘭州城關物業服務集團有限公司)(“**Lanzhou Chengguan**”) on 11 July

2018 and pursuant to which A-Living agreed to acquire, and the Vendors agreed to dispose of, in aggregate, 51% equity interest in Lanzhou Chengguan at a total consideration of RMB147,900,000; and

- (h) the equity transfer agreement entered into between A-Living as the purchaser, Mr. Zhang Sheng, Ms. Liu Juan, Mr. Wu Ji, Nanjing Zizhu Asset Management Company Limited* (南京紫竹資產管理有限公司), Nanjing Gucang Agricultural Development Company Limited* (南京穀倉農業發展有限公司) and Mr. Zhang Zeyu as the vendors and Nanjing ZiZhu Property Management Co., Ltd.* (南京紫竹物業管理股份有限公司) (“**Nanjing Zizhu**”) on 9 April 2018 and pursuant to which A-Living agreed to acquire, and the vendors agreed to dispose of, in aggregate, 51% equity interest in Nanjing Zizhu at a total consideration of RMB204,812,325.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited (JLL)	Independent professional valuer

As at the Latest Practicable Date, each of the experts named above:

- (i) had no shareholding in any member of the A-Living Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the A-Living Group;
- (ii) had no direct or indirect interest in any assets which had been, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the A-Living Group were made up), acquired, disposed of by, or leased to any member of the A-Living Group, or were proposed to be acquired, disposed of by, or leased to any member of the A-Living Group; and
- (iii) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report and the reference to its name included herein in the form and context in which it appears.

9. MISCELLANEOUS INFORMATION

- (a) The registered office of A-Living is at Management Building, Xingye Road, Agile Garden, Sanxiang Town, Zhongshan, Guangdong Province, PRC.
- (b) The principal place of business of A-Living in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The H share registrar and transfer office of A-Living is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The joint company secretaries of A-Living are Mr. Li Dalong and Ms. Choy Yee Man.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 18th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong during normal business hours from the date of this circular up to and including the date of the A-Living EGM:

- (a) the articles of association of A-Living;
- (b) the prospectus of A-Living;
- (c) the annual reports of A-Living for the years ended 31 December 2017 and 2018;
- (d) the interim report of A-Living for the six months ended 30 June 2019;
- (e) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (f) the accountant's report on the CMIG PM Group issued by PricewaterhouseCoopers set out in Appendix II to this circular;
- (g) the report on the unaudited pro forma financial information of the Enlarged Group issued by PricewaterhouseCoopers as set out in Appendix III to this circular;
- (h) the material contracts referred to in the paragraph headed "7. Material Contracts" in this appendix;
- (i) the written consents referred to in the paragraph headed "8. Expert and Consent" in this appendix;
- (j) the valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (JLL) for the purpose of preparing the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;
- (k) the Valuation Report;
- (l) this circular.

A-LIVING SERVICES CO., LTD.*
雅居樂雅生活服務股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3319)

**NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL
MEETING TO BE HELD ON 17 MARCH 2020**

NOTICE IS HEREBY GIVEN THAT the 2020 second extraordinary general meeting (the “EGM”) of the shareholders of A-Living Services Co., Ltd. (“A-Living”) will be held at Conference Room, 33/F, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC, at 10:00 a.m. on Tuesday, 17 March 2020 for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as a special resolution of A-Living:

SPECIAL RESOLUTION

1. **“THAT:**

- (a) the acquisition agreement (the “**CMIG PM Agreement**”) dated 25 September 2019 entered into between 天津雅潮企業管理諮詢有限公司 (Tianjin Yachao Enterprise Management Consulting Co., Ltd.*) (the “**Purchaser**”) and 廣東豐信盈隆股權投資合夥企業 (有限合夥) (Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership*)) (the “**Vendor**”) (a copy of which has been produced to the EGM marked “A” for the purpose of identification), pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to dispose of the 60% equity interest in 中民未來物業服務有限公司 (CMIG Futurelife Property Management Limited*) at the total consideration of RMB1,560,000,000 and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (b) the directors of A-Living be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the CMIG PM Agreement and the transactions contemplated thereunder.”

Yours faithfully,
On behalf of the Board of
A-Living Services Co., Ltd.
LI Dalong
Company Secretary

Hong Kong, 24 February 2020

NOTICE OF A-LIVING EGM

Registered office in the PRC:

Management Building, Xingye Road
Agile Garden, Sanxiang Town
Zhongshan
Guangdong Province, PRC

Principal place of office in the PRC:

35/F, Agile Center
26 Huaxia Road
Zhujiang New Town
Tianhe District, Guangzhou
Guangdong Province, PRC

Principal place of business in Hong Kong:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Notes:

1. The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and A-Living (<http://www.agileliving.com.cn>) in accordance with the Listing Rules.
2. All shareholders of A-Living are eligible for attending the EGM. Any shareholder of A-Living entitled to attend and vote at the EGM convened by the above notice is entitled to appoint a proxy or more than one proxy to attend the EGM and to cast a vote for him/her. A proxy need not be a shareholder of A-Living. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant proxy form. Every shareholder of A-Living present in person or by proxy shall be entitled to one vote for each share held by him/her.
3. In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be completed and returned to (i) A-Living's principal place of office in the People's Republic of China (the "PRC") at 35th Floor, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC (for shareholders of Domestic Shares and Unlisted Foreign Shares) or (ii) A-Living's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for shareholders of H Shares) not less than 24 hours before the time scheduled for the EGM. Completion and return of the proxy form will not preclude a shareholder of A-Living from attending and voting at the EGM or any adjourned meeting thereof should he/she so wish.
4. For determining the entitlement to attend and vote at the EGM, the register of members of A-Living has been closed from Monday, 17 February 2020 to Tuesday, 17 March 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, shareholders of H Shares whose transfer documents have not been registered are required to submit the share certificates together with the properly completed share transfer forms to A-Living's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 14 February 2020 for registration. Shareholders of H Shares who are registered with Tricor Investor Services Limited on or before the aforementioned date are entitled to attend the EGM.
5. The EGM is expected to take no more than half a day. Shareholders of A-Living who attend the EGM (in person or by proxy) shall bear their own travelling and accommodation expenses. Shareholders of A-Living may contact the Investor Relations Department of A-Living at (852) 2740 8921 (telephone number) and ir@agileliving.com.cn for any enquires in respect of the EGM.

NOTICE OF A-LIVING EGM

As at the date of this circular, the board of directors of A-Living Services Co., Ltd. comprises eight members, being Mr. Chan Cheuk Hung[^] (Co-chairman), Mr. Huang Fengchao[^] (Co-chairman, Chief Executive Officer and General Manager), Mr. Feng Xin[^], Mr. Wei Xianzhong^{^^}, Ms. Yue Yuan^{^^}, Mr. Wan Kam To^{^^^}, Mr. Wan Sai Cheong, Joseph^{^^^} and Mr. Wang Peng^{^^^}.*

[^] Executive Directors

^{^^} Non-executive Directors

^{^^^} Independent Non-executive Directors

* *for identification purposes only*